

**EUROBANK BULGARIA  
AD  
CONSOLIDATED  
FINANCIAL  
STATEMENTS  
31 DECEMBER 2025**

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# Independent Auditors' Report

To the shareholders of Eurobank Bulgaria AD

Report on the Audit of the Consolidated Financial Statements

## Opinion

We have audited the consolidated financial statements of Eurobank Bulgaria AD ("the Bank") and its subsidiaries ("the Group") as set out on pages 58 to 208, which comprise:

- the consolidated statement of financial position as at 31 December 2025 and, for the year from 1 January 2025 to 31 December 2025:
- the consolidated income statement
- the consolidated statement of comprehensive income
- the consolidated statement of changes in equity
- the consolidated statement of cash flows and
- notes, comprising material accounting policies and other explanatory information ("the consolidated financial statements").

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2025, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU").

## Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We are independent of the Group in accordance with International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), as applicable to audits of the consolidated financial statements of public interest entities, together with the ethical requirements that are relevant to audits of the consolidated financial statements of public interest entities in Bulgaria. We have also fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Key Audit Matters**

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

We have determined the following key audit matter:

**Impairment of loans and advances to customers**

As at 31 December 2025, the consolidated financial statements include:

- Gross loans and advances to customers at amortised cost of BGN 16,926,239 thousand (31 December 2024: BGN 15,124,284 thousand) and related impairment allowance of BGN 385,948 thousand (31 December 2024: BGN 384,640 thousand), as disclosed in note 18 to the consolidated financial statements.
- Net Impairment (loss)/ reversal on loans and advances to customers recognized in the consolidated income statement of BGN (100,828) thousand (2024: BGN (97,091) thousand), as disclosed in note 12 to the consolidated financial statements.

Also refer to the following notes to the consolidated financial statements:

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

<b>The key audit matter</b>	<b>How the matter was addressed in our audit</b>
<p>Impairment allowances for loans and advances to customers (collectively, “loans”, “exposures”) represent the Group’s best estimate of expected credit losses (“ECL”) associated with these exposures at the reporting date. Measurement thereof requires the Group to make complex judgements and assumptions.</p> <p>As described in note 3.1 to the consolidated financial statements, the expected credit losses have been determined in accordance with the Group’s accounting policies based on the requirements of IFRS 9 Financial Instruments (“IFRS 9”). As required by IFRS 9, the Group estimates the expected credit losses considering a stage allocation of the loan exposures.</p> <p>For performing exposures (stage 1 and stage 2 loans in the IFRS 9 hierarchy), as well as stage 3 exposures not exceeding specific thresholds set for different segments as per the Group’s “Accounting policy for impairment of lending exposures”, the expected credit losses are determined based on statistical models using the Group’s historical debt service data and also forward-looking information and macroeconomic</p>	<p>Our audit procedures, performed, where applicable, with the assistance of our financial risk management, valuation and IT audit specialists, included among others:</p> <ul style="list-style-type: none"> <li>• Evaluating the appropriateness of the loan impairment accounting policies and related methods and models against the requirements of the relevant accounting standard, our business understanding and industry practice. As part of the above, we challenged the Management Board on whether the level of the methodology’s sophistication is appropriate based on an assessment of the entity-level and portfolio-level factors;</li> <li>• Making relevant inquiries of the Group’s risk management, internal audit and information technology (IT) personnel in order to obtain an understanding of the ECL estimation process, IT applications used therein, key data sources and assumptions used in the ECL model. Also, assessing and testing the Group’s IT control environment for access and program change;</li> </ul>

<p>scenarios. The key assumptions in this area are, among other things, the probability of borrower's default ("PD"), the assessment of the amount non-recoverable from the borrower in the event of a default ("loss given default", "LGD") and of the amount of exposure at default ("EAD"). In the wake of the economical volatility caused by geopolitical uncertainties and weak economic growth, measurement of the collective impairment allowance was associated with additional complexities and an increased estimation uncertainty.</p> <p>For Stage 3 exposures in excess of specific thresholds set for different segments as per the Group's "Accounting policy for impairment of lending exposures", expected credit losses are determined on an individual basis by means of a discounted cash flows analysis. The process involves subjectivity and reliance on a number of significant assumptions, including those in respect of the expected proceeds from the sale of the related collateral and minimum period for collateral disposal.</p> <p>Given the above factors and complexities, we considered impairment of loans and advances to customers to be associated with a significant risk of material misstatement in the consolidated financial statements, which required our increased attention in the audit and as such was determined to be a key audit matter</p>	<ul style="list-style-type: none"> <li>• Testing the design, implementation and operating effectiveness of selected key controls over the approval, recording and monitoring of loans, including, but not limited to, the controls relating to the appropriateness of the classification of exposures into performing and non-performing, calculation of days past due, stage allocation and calculation of the ECL;</li> <li>• For a sample of loans, critically assessing, by reference to the underlying loan documentation (updated financial indicators, repayment pattern, default events, forbore status) and through inquiry with the loan officers and credit risk management personnel, the existence of any triggers for classification to Stage 2 or Stage 3 as at 31 December 2025.</li> </ul> <p>For ECLs estimated on a collective basis:</p> <ul style="list-style-type: none"> <li>• Obtaining the Group's relevant macroeconomic forecasts and critically assessing the forward-looking information and macroeconomic scenarios used in the calculation of the ECL by inspecting publicly available information</li> <li>• Challenging the collective PD, LGD and EAD parameters for a sample of the Group's portfolios, by reference to, among other things, our own analysis of the Group's data on past default occurrence, realized losses on those defaults, contractual cash flows and contractual lifetime;</li> <li>• Recalculating the expected credit losses as of 31 December 2025 based on the Group's ECL model for a sample of the Bank's portfolios.</li> </ul> <p>For ECLs estimated on an individual basis:</p> <ul style="list-style-type: none"> <li>• For those loans where triggers for classification in Stage 3 were identified, challenging key assumptions applied in the Management Board's estimates of future cash flows in the impairment calculation, including time to sell and any realizable value of the collateral, by reference to the underlying collateral agreements and appraisals, whose relevance and reliability we independently assessed</li> </ul> <p>For loan exposures in totality:</p> <ul style="list-style-type: none"> <li>• Examining whether the Group's ECL-related disclosures in the consolidated financial statements appropriately address the relevant quantitative and qualitative</li> </ul>
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	requirements of the applicable financial reporting framework.
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**Information Other than the Consolidated Financial Statements and Auditors' Report Thereon**

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

Based on the procedures performed, our opinion is that:

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

## Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

## Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

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

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

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

We are jointly and severally responsible for performing our audit and for our audit opinion as per the requirements of the IFAASRA, applicable in Bulgaria. When accepting and performing the joint audit engagement, in relation to which we are reporting, we are also directed by the Guidelines for performing joint audit, issued on 13 June 2017 by the Institute of Certified Public Accountants in Bulgaria and by the Commission for Public Oversight of Statutory Auditors in Bulgaria.

## Report on Other Legal and Regulatory Requirements

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

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

- KPMG Audit OOD and Baker Tilly Klitou and Partners EOOD were appointed as statutory auditors of the consolidated financial statements of the Bank for the year ended 31 December by the general meeting of shareholders held on 7 May 2025 for a period of one year. The audit engagement was accepted by signing the Joint Audit Engagement Letter on 16 October 2025.
- The audit of the consolidated financial statements of the Bank for the year ended 31 December 2025 represents eighth total uninterrupted statutory audit engagement for that entity carried out by KPMG Audit OOD and eighth total uninterrupted statutory audit engagement for that entity carried out by Baker Tilly Klitou and Partners EOOD.
- We hereby confirm that the audit opinion expressed by us is consistent with the additional report, provided to the Bank's audit committee, in compliance with the requirements of Art. 60 of the Independent Financial Audit and Assurance of Sustainability Reporting Act.

- We hereby confirm that we have not provided the prohibited non-audit services referred to in Art. 64 of the Independent Financial Audit and Assurance of Sustainability Reporting Act.
- We hereby confirm that in conducting the audit we have remained independent of the Group.

Sofia, 26 March 2026

**For KPMG Audit OOD:**

Registered under No. 045 in the Register of the registered auditors

**IVAN  
ANDONOV  
ANDONOV**

Digitally signed by  
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Ivan Andonov  
*Authorised representative and registered auditor,  
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45/A Bulgaria Boulevard  
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**For Baker Tilly Klitou and  
Partners EOOD:**

Registered under No. 129 in the Register of the registered auditors

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

## CONSOLIDATED ANNUAL ACTIVITY REPORT

The management presents the consolidated annual Activity report as of 31 December 2025.

### BUSINESS DESCRIPTION

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

The activities of the Bank are governed by the applicable legislation regulating 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 in 2025 looked resilient, but uneven, influenced by steep tariff increases and high policy uncertainty. The factors that drove the growth in the last year managed to keep the GDP growth in 2025 at a level of 3.3%, the same as in the previous year. Key trends were the legacy of the inflation shock, structural shifts such as AI investments, green transition and geoeconomic fragmentation, as well as the divergence between the advanced economies and the emerging markets and developing countries. The latter is especially concerning – data shows that the advanced economies account for more than half the rise of the global GDP per capita since 2019, while many developing and low-income countries are worse than they were before the pandemic.

The outlook for the next two years is positive. GDP growth is expected to be 3.3% in 2026 and 3.2% in 2027, supported by AI-driven investments in many parts of the world, moderating inflation and improved financial conditions. The economies of Europe and USA will keep their growth steady, while Japan and the Emerging Markets and Developing Economies will see a deceleration in their performance.

The main downside risks are more or less unchanged versus the previous year – the risk of a new trade war, persistent inflation leading to renewed monetary tightening, fiscal stress and debt sustainability problems, geopolitical and climate shocks, and last but not least financial market correction. Trade tension could again flare up, erecting new barriers to international trade which will push up inflation and necessitate intervention by the central banks.

This would create additional pressure for those countries with elevated public debt as they will face higher borrowing costs and lead to fiscal tightening or even defaults. Last, but not least, any loss of confidence in the optimistic future prospects for the AI-linked companies could lead to an abrupt correction in their valuation which could spread to other companies and lead to a new financial crisis.

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

## **BUSINESS OVERVIEW (continued)**

### **Macroeconomic Environment (continued)**

The monetary policy remained restrictive in 2025, but in an easing phase. Most major central banks entered 2025 with policy rates above neutral, then began or continued gradual cuts as inflation moved closer to target. The Federal Reserve maintained its main rate at 4.25-4.5% for the better part of the year but started cutting it at the end of the summer, finishing the year at a level of 3.5-3.75%. In contrast, ECB lowered its rates several times in the first half of the year and by the end of June the rate on the deposit facility was down to 2%. ECB did not take any further actions by year-end, citing that headline inflation is projected to remain low in the next three years. ECB also announced that the Asset purchase program's (APP) and Pandemic emergency purchase program's (PEPP) portfolios will continue to decline at a measured and predictable pace, since it will no longer reinvest the principal payments from maturing securities.

Bulgaria's economy is on track to reach the forecasted growth of 3% for 2025. GDP growth for the 4<sup>th</sup> quarter of 2025 was 2.9% according to the express survey by the NSI. In the previous three quarters of the year, the growth rates were 3.5%, 3.4% and 3.2% respectively. Consumption remains a key driver with 7.2% YoY growth rate in Q4. Positively, investments are recovering and their growth has been accelerating in the last 4 quarters, reaching 10.1% in the last one. The contribution of the external sector was negative with exports and imports showing very different trends – exports falling marginally by 0.1% YoY, while imports grew strongly by 9.5% YoY in Q4.

Bulgaria's foreign trade was still trying to adapt to the new geopolitical realities and is running increasing deficits. The value of the exports in 2025 was 83.9 billion leva, or 3.2% lower than in 2024. The value of imports was 105.6 billion leva, which is 6.1% higher than in 2024. Exports to EU countries shrank by 3.8% YoY because of the drop of exports of ready-made goods, while the export to non-EU members was mostly affected because of the lower export of mineral oils and fuels which dropped by more than a quarter. At the same time, Bulgaria was importing more from almost everything (with the exception of raw materials), with the biggest weight in terms of volume falling on machines, equipment and vehicles, as well as food which account for close to two-thirds of the increase in the volume of imports. As a result of the above, the trade deficit worsened by more than two-thirds and exceeds 21.7 billion leva. The top 5 trading partners of the country remain unchanged, compared to a year ago – Germany, Romania, Turkey, Italy and Greece.

In 2025 FDIs for the period January – November were 2.95 billion euro, or 11% higher YoY. The reinvested profit increased by 38% on an annual basis to 3.4 billion euro, while the equity investments quadrupled to 119 million euro. Debt instruments showed an outflow of 536 million euro, compared to an inflow of 187 million euro a year ago.

For the first 9 months of the year (for which detailed data is available) the biggest net inflow of investments came from Netherlands (€555m), Italy (€325m) and Greece (ca. €320m), while the biggest net outflows were to USA (€150m) and Luxembourg (€77m).

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

## **BUSINESS OVERVIEW (continued)**

### **Macroeconomic Environment (continued)**

Inflation followed an upward trend for most of the year, but reversed direction in the last quarter. Measured through the consumer price index it was 5% at the end of December 2025, compared with just 2.2% a year earlier.

In almost all categories the prices were higher than last year, but only in one category (Entertainment) were the prices rising by more than 10 percent, although the prices in the hospitality sector were up just below that threshold. The prices of food, which have the biggest weight in the index, rose by 5.5% on an annual basis. Lower were the prices of Health services (-3.6% YoY) and Insurance and Financial Services (-0.5% YoY). The 12-month average HICP is also rising, compared to last year – from 2.6% to 3.5% in December 2025.

The positive economic situation has influenced the labor market. The unemployment rate fell by 0.7 pp to 3.2% as of the end of 2025 according to the data by the National Statistical Institute. The number of unemployed was 94 thousand – more than 20 thousand fewer than a year ago. The employment ratio in the age group 15-64 years remained unchanged at 70.7%. The number of long-term unemployed (unemployed for more than 2 years) dropped by 10 thousand people to 22.8 thousand. Another positive sign is that the young unemployment (age 15-24) dropped by 4 thousand people, but as a share of the workforce it increased by 3 pps to 12.8%. The Northwestern region has the highest unemployment rate (7%), down by 1.2 pps vs. last year, followed by the Northcentral (5.2%). The lowest unemployment rate was recorded in the Southwestern region – just 1.3% (which includes Sofia), followed by the Northeastern with 3.3%.

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 was 2,741 leva at the end of December – an 11% YoY growth or more than double the CPI rate. In just a few sectors was the increase by a single digit – the slowest being in the hospitality business (6% YoY). On the other extreme are the salaries in Culture and Other Entertainment which rose by 18% YoY. ITC continues to be the best paying sector with an average salary of just over 6,000 leva (8%), well above the second (Financial and insurance activities), where the average salary is 4,352 leva (12% increase YoY).

The public sector was paying an average salary of 2,910 leva (11% YoY) which is by about 9% higher than the salaries in the private sector which also rose by 11% YoY. Bulgaria's budget was under strain in 2025. Although for most of the year the country was governed by a coalition government which enjoyed a parliamentary majority, it was struggling to execute the optimistic budget law which was approved in March 2025. It envisages significant increases in salaries (in some sectors such as Security reaching 50%) and pensions (close to 9%) as well as overoptimistic revenue forecasts (30% increase in the VAT revenues). Despite the above, the budget finished with a deficit of 3.1% on a cash basis, but fiscal consolidation in the next years is imminent.

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

## **BUSINESS OVERVIEW (continued)**

### **Macroeconomic Environment (continued)**

Budget revenues were slightly above 86 billion leva, rising by 20% compared to December 2024 and being 95.4% of the projected level. The shortfall came almost entirely from the lower VAT revenues which below 90% of the projected level. The tax revenues were 67.7 billion leva which is 15% higher than in 2024, but just 95.5% of the projected, while the non-tax revenues were about 1% lower than the target. The expenditures rose by 19% (14.3 billion leva) to 90.9 billion leva.

The biggest increases came from three sources: capital expenditures (69% increase or 4.7 billion leva more), social security payments (12% increase or 4.1 billion leva) and salaries (20% increase or 4.05 billion leva). The interest expenses swelled by 43% YoY to more than 1.44 billion leva and will continue to rise in next years due to the persistent budget deficits. The revenues of the social security funds (mainly pension and health insurances were 21.05 billion leva (representing an increase of 15% YoY), while the expenditures exceeded 36.6 billion leva, which is just 11% more than a year ago. This further widened the gap to 15.6 billion which is covered by transfers from the state budget and will continue to weigh heavily on the budget balance in the next years.

The state debt expanded by 14 billion leva in 2025 to 61.8 billion leva (28% of GDP). The Ministry of Finance issued 7.2 billion euro on the international markets in May (4 billion euro) and July (3.2 billion euro) in four tranches (with a maturity of 9, 10, 13 and 20 years). Another 3.3 billion leva were placed on the local markets which went to refinance almost the same amount (3.33 billion leva) maturing securities within the year. The new debt is much larger than the budget deficit, because some of the funds were destined for share capital increase of the state-owned Bulgarian Development Bank (4 billion leva, completed in August 2025) and Bulgarian Energy Holding (1.5 billion leva, also in August 2025).

As was expected, the entry of Bulgaria in the eurozone brought with it an improvement of the credit rating of the country. Soon after the positive decision, in July 2025 the rating agencies FITCH and S&P increased the rating of the country to BBB+ with stable outlook. The third big rating agency, Moody's, did not make any changes, but in January 2025 confirmed the rating of the country at Baa1 with stable outlook.

### **Banking system**

The past year was in many aspects the best for the Bulgarian banks. Many records were broken, especially in terms of lending and deposits. While the latter was expected, due to the imminent entry of Bulgaria in the eurozone, the rates of increase of the lending exceeded expectations, especially in mortgage lending. The income of the banks was under pressure from falling interest rates, rising expenses as well as higher impairment charges. As a result, the net profit of the banks remained almost at the same level as in 2024 (down 1.8% to 3.63 billion leva). The return on equity fell to 13.7%, well below last year's 17.1%, while the return on assets was 1.73% (2024: 2.0%). In 2025 the lending growth accelerated to 15% YoY almost 1.5 percentage point faster than in 2024. In nominal terms total loans increased by 12.7 billion leva to 123.3 billion leva. The market was dominated by household lending and mortgages in particular. Loans to households increased by 10.4 billion leva (21.7% YoY) to 58.4 billion leva, while loans to companies were up by 6.2 billion leva (9.9% YoY) to 68.8 billion leva. While in 2024 the lending to companies was depressed by the difficult political situation and tight monetary policy, in 2025 the positive macroeconomic outlook encouraged the companies to invest more.

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

More detailed analysis on the lending to nonfinancial companies shows that more than half of the new loans are with maturities longer than 5 years, whereas a year ago less than a quarter were such.

## **BUSINESS OVERVIEW (continued)**

### **Banking system (continued)**

Consumer loans grew by 13.5% YoY to 23.9 billion leva. In nominal terms the increase was 2.85 billion leva, or 6.5% lower than in 2024. This was more than overcompensated by the huge expansion of the mortgage loans – they rose by 30% on an annual basis to 35.8 billion leva. In nominal terms the increase was 8.22 billion leva or close to 50% higher than in 2024. To a great extent this is attributed to the higher prices of the residential real estate as people rushed to buy expecting the prices to rise further once the Bulgaria enters the eurozone.

The interest rates on new loans in leva to nonfinancial companies fell in 2025 by almost 40 bps to 4.09%. This also reflected the decrease in the EURIBOR rates which fell by 0.7 pps driven by the ECB's decisions to decrease its main interest rates. The rates of new consumer loans in leva fell by 60 bps in 2025 to 9.43%, while the rates of the mortgage loans were more or less stable and finished the year at a level of 2.48% (2024: 2.5%).

The growth of deposits was by far the biggest seen in the history of the country. Total deposits rose by 16.2% to 173 billion leva. In nominal terms the increase was 24.1 billion leva, or double the delta in 2024. This was largely to be expected as Bulgarian banks launched promotional and informational campaigns in the second half of the year trying to encourage the Bulgarian households and companies to deposit the cash they hold in leva prior the adoption of the euro. By the end of the year the cash in circulation fell by 37% (11.4 billion leva), compared with the end of 2024 and most of this cash was left in the clients' accounts. The nominal increase of the deposits was by 7.5 billion leva higher than the nominal increase of the loans, which provided a solid liquidity buffer for the banks and will allow them to keep the cost of funds low. On average, in 2025 the Bulgarian banks paid 26 bps interest on their deposits from clients which is practically the same what they paid a year earlier. Deposits from companies increased by 5.2 billion (9.17%) to 61.9 billion leva. Although the increase is twice as high as in 2024, it is well below the record 2022 when they increased by more than 10.6 billion leva. Similarly, the increase of household deposits (18.9 billion leva or 20.37% YoY) is also double the volume in 2024 and they reached 111.1 billion leva. The loans-to-deposits ratio remained unchanged at 74%.

Interest income increased by just 2.3% (152 million leva) to 6.88 billion leva. While interest income from loans to households rose by 408 million leva (18% YoY), loans to companies brought 144 million leva and placements with banks 252 million leva lower income, reflecting the falling Euribor rates.

Another 27 million leva were lost from lower derivative income. On the other hand, the banks offset this by replacing their maturing bonds with higher yielding ones which earned them 176 million leva higher income.

Interest expenses on liabilities were by 6.8% (79 million leva) higher YoY to 1.24 billion leva. The better part of the increase (62 million leva, 17% YoY) came from the cost of deposits which moved in parallel with the growth of the volumes. Net interest income was thus 1.3% (73 million leva) more than in 2024. The banks also realized lower income from trading (27 million

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

## **BUSINESS OVERVIEW (continued)**

### **Banking system (continued)**

leva) and other sources (27 million leva), but more than compensated by the double digit increase (10.1%, 164 million leva) of the net fee and commission income. All in, total income was just above 8 billion leva (2.3% YoY, 183 million leva).

Expenses were kept under control, rising by 5.1% (183 million leva) to 3.1 billion leva. Personnel costs rose fastest – by 10.1% (148 million leva), reflecting the wage inflation in the sector, while the Deposits Insurance Fund / Bank Restructuring Fund costs dropped by 28% (62 million leva). Personnel costs are already 60% of the total administrative costs, a 2 pps increase YoY.

Provisions for impairment were by 14% higher YoY (91.5 million leva) to 753 million leva, but as a share of average loans the ratio is the same as in 2024 – 0.6%. The nonperforming loans ratio improved by 34 bps to 3.1%. The volume of the nonperforming loans was up by 134 million leva, but only 52 million of those were overdue more than 180 days, almost all of them to companies. At the end of the year the coverage ratio stood at 86%, same as a year ago.

Throughout the year the banks continued to build up their capital buffers, as well as their eligible liabilities. Total CAD ratio stood at 26.56% as of the end of December 2025 (December 2024: 22.7%), while the CET1 ratio was 24.89% as of the same date (December 2024: 21.03%).

### **Major Changes in The Regulatory Environment**

Regulation (EU) 2022/2554 on digital operational resilience for the financial sector (DORA) officially entered full application on 17 January 2025. In 2025, several key DORA-related acts were adopted or entered into force, completing the regulatory framework necessary for operationalising the EU's digital resilience regime: notably, the RTS on major ICT incident reporting (RTS 2025/301) and the corresponding ITS on reporting templates (ITS 2025/302) were published on 20 February 2025, establishing harmonised content, timelines, and formats for incident notifications; the RTS on subcontracting of ICT services (RTS 2025/532) was adopted on 24 March and published on 17 April 2025, defining requirements for subcontracting arrangements involving critical or important functions; the RTS on Joint Examination Team (JET) composition (RTS 2025/420), published on 17 January 2025, defined how supervisory teams overseeing critical ICT providers are structured; and the ESAs' 2025 joint guidelines on oversight cooperation and on estimating aggregated losses from ICT incidents further strengthened supervisory consistency, while updates to the TIBER-EU framework in February 2025 aligned threat-led penetration testing with DORA's resilience testing requirements, collectively ensuring the full and effective application of DORA from January 2025 onward. In 2025, the EU adopted a comprehensive package of Implementing Regulations essential for operationalizing eIDAS 2.0, beginning with Regulation (EU) 2025/1568 of 29 July 2025, which established the procedural rules for peer reviews of notified electronic identification schemes. Alongside this, several additional Implementing Regulations were adopted to define the operational, security, and supervisory requirements of the European Digital Identity Wallet ecosystem, including 2025/847 on security breaches, 2025/848 on relying-party obligations, 2025/849 on the submission of information for the list of certified EUDI Wallets, 2025/1571 on supervisory reporting formats, and 2025/1572 on initiation of qualified trust services, collectively forming the technical, security, interoperability, and oversight framework needed for EU-wide deployment of the EUDI Wallet and associated trust services.

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

## **BUSINESS OVERVIEW (continued)**

### **Major Changes in The Regulatory Environment (continued)**

In 2025, the EU AI Act—which entered into force in August 2024—gradually started to apply, beginning with the first obligations taking effect on 2 February 2025, including the prohibitions on certain AI practices and AI literacy requirements. This was followed by additional obligations entering into force on 2 August 2025, when rules for general purpose AI models, notified bodies, EU level governance, confidentiality, and penalties became applicable, and the AI Office and AI Board became fully operational to coordinate enforcement across the EU. In parallel, the European Commission published the required Codes of Practice by 2 May 2025, providing the framework to support implementation—particularly for general purpose AI systems. The remaining obligations, including the full compliance framework for high risk AI systems, will enter into force progressively until 2026 and 2027, when the Act becomes fully applicable across all risk.

The EU AML Package was adopted in May–June 2024 and published on 19 June 2024—comprising the Single Rulebook AML Regulation (EU) 2024/1624, the AMLA Regulation (EU) 2024/1620, and 6AMLD (Directive (EU) 2024/1640). The AMLA Regulation began to apply on 1 July 2025; additionally, 6AMLD set an early 10 July 2025 deadline for Member States to transpose specific beneficial-ownership register rule. In 2025, AMLA became fully operational in Frankfurt. The EBA–AMLA handover of AML/CFT mandates was also finalised. In 2026, secondary legislation is underway: AMLA opened consultations on draft RTS for customer due diligence, business relationships/linked transactions, and enforcement (9 Feb 2026), with further Guidelines/RTSs expected on internal policies and controls, bank wide ML/TF risk assessment, outsourcing of AML activities, group wide requirements (including branches/subsidiaries), application of CDD (including information to be collected and ongoing monitoring), and risk based supervision and cooperation; in parallel, AMLA launched a data collection exercise (26 Jan 2026) to test/calibrate risk models ahead of the 2027 selection of entities for direct supervision from 2028.

The Introduction of the Euro in the Republic of Bulgaria Act has been adopted, with implementation beginning through the dual-pricing period starting on 8 August 2025 and continuing until 8 August 2026. The Act's key provisions introduce mandatory dual pricing in BGN and EUR, empower the government to impose temporary measures against unjustified price increases, require traders to justify price changes within five days, and establish significant penalties for non-compliance, including high fines for large retailers. It further obliges certain major traders to publish daily price lists during the implementation period, while only written warnings will be issued until 8 October 2025 for non-compliance with the initial dual-pricing and transparency rules. The Act on Credit Servicers and Credit Buyers entered into force on 20 June 2025. It introduces a licensing regime for companies managing non performing bank loans under the supervision of the BNB, with consumer protection oversight by the Consumer Protection Committee (CPC). Key requirements include mandatory debtor notification, a prohibition on claiming amounts beyond the original loan terms, and an obligation to treat borrowers fairly.

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

## **BUSINESS OVERVIEW (continued)**

### **Major Changes in The Regulatory Environment (continued)**

The Act regulates licensing and supervision of credit servicers, requirements for loan buyers, and obligations of credit institutions when transferring non performing loans. Its scope applies exclusively to NPLs granted by EU established credit institutions.

The Bankruptcy of Natural Persons Act was adopted on 19 June 2025 and promulgated in State Gazette No. 54 on 4 July 2025. The Act introduces, for the first time, a legal framework for the insolvency of individuals who are not traders, allowing a debtor who has been unable to pay debts exceeding ten minimum wages for more than 12 months to initiate proceedings. The law requires good faith on the part of the debtor and outlines circumstances that exclude it; proceedings are two instance before the district court. It provides for a repayment plan or discharge of residual debts where no assets are available, regulates the interruption and suspension of limitation periods, and imposes restrictions on the debtor once proceedings are opened, including a prohibition on disposing of property or making payments without the trustee's approval—except for essential living expenses. The insolvency estate encompasses all property rights of the debtor, including half of assets held in marital community property.

The Law on Crypto-Asset Markets was adopted in 2025. The act introduces a regulatory framework aligned with MiCA, DORA, and TFR, establishing new legal definitions such as crypto-asset, asset-referenced token, and e-money token. It regulates the public offering and admission to trading of crypto-assets, the licensing and state supervision of issuers and crypto-asset service providers, and sets rules for granting, refusing, and revoking licenses, including for asset-referenced tokens. The law further covers conduct requirements for issuers, sanctions for violations, and obligations for managing operational and IT risks. Issuers of e-money tokens fall outside its scope. Supervision is divided between the BNB and the FSC, and companies registered as virtual currency providers with the NRA as of 30 December 2024 may continue operating until 1 July 2026 without a full MiCA license.

The amendments to the Payment Services and Payment Systems Act introduce new licensing requirements for payment service providers and mandate the implementation of mechanisms for the use of ICT services, incident reporting, and ICT business continuity, response, and recovery plans. They require procedures for monitoring, handling, and tracking security incidents and customer complaints, regular testing, and reviewing the effectiveness of continuity and recovery measures, ensuring clear identification of critical operations. The Act also provides a limited exemption from Regulation (EU) 2023/1113 on information accompanying transfers of funds and transfers of certain crypto-assets for cash transfers up to BGN 300 used solely for payment of goods or services, subject to certain conditions regarding AML obliged providers and transaction traceability. All payment service providers must comply with DORA, with BNB as the supervisory authority. Additional amendments concern basic payment accounts, prohibiting fees for up to ten cash withdrawals and up to three credit transfers per month at the servicing bank. The changes align national rules with TARGET requirements and ensure readiness of the Bulgarian payments framework for euro area accession.

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

## **BUSINESS OVERVIEW (continued)**

### **Major Changes in The Regulatory Environment (continued)**

On 12 Feb 2025, EBA published its final draft Implementing Technical Standards (ITS) on the Pillar 3 data hub for large and other institutions, which will centralise prudential disclosures by institutions through a single electronic access point on the EBA website. This project is part of the Banking Package laid down in the Capital Requirements Regulation (CRR3) and Capital Requirements Directive (CRD6).

At its regular meeting on 10.01.2025, the Governing Council of the Bulgarian National Bank adopted a new Ordinance No. 6 of the BNB on Provision of Emergency Liquidity Assistance. The new Ordinance sets out the requirements, collateral and procedure under which, upon accession of the Republic of Bulgaria to the euro area, the Bulgarian National Bank, as a Eurosystem central bank and outside the scope of the Eurosystem's monetary policy operations, will be able to provide emergency liquidity assistance to a solvent bank.

The BNB Governing Council has adopted new Ordinance No. 46 of the BNB on frontloading and sub-frontloading of euro banknotes and coins and euro coin starter kits under Article 23, paragraph 9 of the Law on the Introduction of the Euro in the Republic of Bulgaria (LIERB), Ordinance No. 47 of the BNB on the conditions and procedure for providing information by credit institutions under Article 26 of the Law on the Introduction of the Euro in the Republic of Bulgaria and for retaining and authenticating BGN banknotes and coins, Ordinance No. 48 of the BNB on the exchange of damaged BGN banknotes and coins for euros after the introduction of the euro in the Republic of Bulgaria under Article 26, paragraph 15 of LIERB.

### **Eurobank Bulgaria performance and key indicators**

The year 2025 was yet another record year for Eurobank Bulgaria. Focus was placed on profitability and liquidity, rather than gaining market share in lending at any cost. Net profit for the year increased by 8% to 444 million leva. The return on equity was 15%, 1.7 pps. lower than in 2024, while the return on assets was 1.81% (2024: 2.02%).

Gross loans increased by close to 2.19 billion leva (14% YoY) to 17.3 billion leva. It was slower than the market and led to a loss of 20 bps market share. More than three-quarters (1.7 billion leva) was to households which now comprise 58% of the lending portfolio. Not surprisingly, the fastest growth was in the mortgage lending portfolio which rose by 27% (1.24 billion leva) to 5.8 billion leva. Consumer loans on their turn were up by 12% YoY (466 million leva) to 4.24 billion leva. Growth in the Small Business Banking Segment was the lowest of all – just 4% YoY (48 million leva) to 1.19 billion leva. Corporate lending was performing better and the portfolio expanded with 434 million leva (8%) to 6.1 billion leva.

Total deposits rose by 4.36 billion leva (25% YoY) to 21.6 billion leva. Market growth was 9 percentage points lower, leading to market share gain of 91 bps to 12.5%. More than 60% of the new deposits came from retail customers (predominantly households) whose deposits closed the year with a volume of 15.4 billion leva and market share of exactly 12%. Another 22% (959 million leva) came from the institutional clients and the remaining 16% (713 million leva) from corporate customers. Market share in the segment jumped by 216 bps to 13.35%.

The net liquidity inflow (net delta in deposits minus net delta in loans) was 2.18 billion leva which allowed Eurobank Bulgaria to reduce its deposits from financial institutions by 975 million leva (to 276 million leva) and improved the net loans to deposits ratio by 7 pps. to 78%. The liquidity inflow also included another 584 million leva taken as MREL eligible liabilities in order for the Bank to cover the increase of the RWA.

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

## **BUSINESS OVERVIEW (continued)**

### **Eurobank Bulgaria performance and key indicators (continued)**

Total operating income was up by 4% (40 million leva) crossing the 1 billion leva mark. Out of that number 798 million leva are from net interest income which increased by 3% (25 million leva). Most of the increase came from new loans and advances to customers, household lending in particular (51 million leva higher interest income YoY). Interest expenses rose by 21% YoY (34 million leva) to 198 million leva with the biggest contribution coming from MREL eligible liabilities (13 million leva) and corporate deposits (12 million leva) where the interest expenses increased by 45% YoY. Net fee and commission income was up by 13% (21 million leva) to 183 million leva with the main contributors being the money transfers, the maintenance of accounts and the loan related fees and commissions, reflecting the increase of the lending portfolio and the rise of transactional clients.

Eurobank Bulgaria continued to look for new cost optimization opportunities in order to improve its profitability. As a result, total operating expenses were practically flat YoY at 370 million leva. The biggest improvement came, however, from the Deposit Insurance Fund / Bank Restructuring Fund costs which dropped by more than one-third (8.5 million leva) to 16.4 million leva. Digitalization, automation as well as other optimization initiatives allowed the bank to contain the increase of the personnel costs to just 2% (3.7 million leva), compared with the average double digit increase for the market as a whole. As a result of the above, Eurobank Bulgaria managed to improve its cost-income ratio by close to 2 pps to 36.5%.

Provisions for impairment rose by 4% YoY (3.8 million leva), slightly lower than the average for the market, to 101 million leva. Cost of risk improved slightly by 4 bps to 68 bps. Although the NPEs increased by 8% YoY (32 million leva), it was below the growth rate of the lending portfolio, reducing the NPE ratio during the year by 11 bps to 2.4%. The stage 3 coverage ratio was 58%, marginally lower than in the previous year, while the total coverage ratio was 95% (2024: 103%).

In 2025 Eurobank Bulgaria increased its own funds only with the net profit for the first half of the year as this was enough to cover the increase of the RWA and there was no need for additional capital injections. The implementation of the CRR3/CRDVI rules reduced the RWA density of the bank, while another such boost is expected in 2026 with the entry of the country in the eurozone. Total capital adequacy ratio at the end of the year was 22.06% (2024: 21.07%), while the CET1 ratio was 20.44% (2024: 19.43%).

### **Events after the balance sheet date**

On 1 January 2026, the Republic of Bulgaria became the 21st EU member state to adopt the euro as its official national currency. The Bulgarian entities converted the opening balance sheet items as of 1 January 2026 to euro in accordance with the Act on the Introduction of the Euro as the Official Currency of the Republic of Bulgaria, using the prescribed conversion rate of 1.95583 BGN for 1 euro. The transaction did not have a significant impact on the financial statements of the Bank.

In February 2026, the Group entered into an agreement for the acquisition of a controlling interest in a software company in Bulgaria, for an upfront consideration of c. € 18 million plus additional consideration that is contingent on future profitability. The completion of the transaction is subject to customary regulatory approvals and is expected to be finalized within the first half of 2026.

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

## 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 non-financial risks (incl. operational risk) 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 Country Risk Committee (CRC) the role of approving all strategic risk management decisions. The Country Risk Committee is in charge of monitoring the quantitative and qualitative aspects of all credit, market, liquidity and non-financial risks (incl. operational risk). Risk Sector supports and complements the activities of the Country Risk Committee. In addition, Internal Audit is responsible for the independent review of risk management and the control environment.

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

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

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

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

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

## **RISK MANAGEMENT (continued)**

### **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 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 are subject to market risk.

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

## **RISK MANAGEMENT (continued)**

### **Market risk (continued)**

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

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

The Bank's market risk appetite is expressed in terms of 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 in the past has been against EUR, while the BGN/EUR currency rate remained pegged at 1.95583 as part of the Currency Board Arrangements. Bulgaria adopted the Euro on the 1<sup>st</sup> of January 2026, and, effective as of this date, is Postbank's local currency. For the purposes of these financial statements covering 2025 and 2024 periods, the local currency remains Leva.

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 an ongoing daily 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.

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

## **RISK MANAGEMENT (continued)**

### **Market risk (continued)**

#### **d) Interest Rate and Credit Spread Risk in the Bank Portfolio (IRRBB & CSRBB)**

Corporate governance and the measurement, monitoring, reporting, and management of interest rate risk and credit spread risk in the bank portfolio (IRRBB & CSRBB), as well as the applicable methodologies, are defined in the Bank's Policy for IRRBB & CSRBB. The bank measures the potential impact of these risks on both the economic value of equity (EVE) and net interest income (NII) and profit, in accordance with regulatory guidelines, and monitors monthly the calculated sensitivities against established internal and regulatory thresholds for key risk indicators (KRIs).

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

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

Market & Liquidity 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 or KRI threshold levels to the respective management bodies.

The Regulatory Reporting and Methodology Department is responsible for preparing and submitting regulatory liquidity reports.

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

## IMPORTANT EVENTS DURING THE FINANCIAL YEAR

Postbank is the fourth-largest bank in Bulgaria by assets, with an extensive branch network across the country and a significant client base of individuals, businesses and institutions.

It has been a leading force in innovation and in shaping trends in the Bulgarian banking sector for nearly 35 years and has been repeatedly awarded for its innovations. The financial institution occupies a strategic position in retail and corporate banking in Bulgaria. The bank is one of the market leaders in credit and debit cards, mortgage and consumer lending, savings products, as well as corporate banking solutions – serving clients ranging from small businesses to large international companies operating in the country.

The financial institution has one of the most well-developed branch networks and modern alternative banking channels, with special attention devoted to providing high-quality customer service.

2025 was another successful and significant year for Postbank, during which it continued to follow its successful strategy of offering not merely individual products, but comprehensive financial solutions with high added value for its clients. The bank achieved stable growth and a series of notable accomplishments, reflecting the institution's commitment to innovation and quality. During this period, Postbank continued to demonstrate its leadership in the banking sector, while also receiving prestigious recognition both in Bulgaria and internationally. A key mission of the institution is to provide its clients with high-quality services that reflect its values and commitments to a better future, while placing people, society and the environment at the centre of its activities, ensuring sustainable development and support for important social and environmental initiatives.

Postbank received yet another significant recognition for the effectiveness of its business operations when, in July 2025, the international rating agency Moody's Ratings ("Moody's") raised its long-term deposit rating for the third time within a single year – from Baa1 to A3. The updated assessment reflects the bank's stable capitalization, efficiency, strong recurring profitability and solid financial indicators.

The rating agency also upgraded Postbank's long-term issuer rating from Baa3 to Baa2. The outlook for both the long-term deposit rating and the long-term issuer rating remains stable. Moody's notes that the stable outlook is driven by improvements in the financial institution's operating environment, reflected in an adjustment of Bulgaria's macro profile, combined with the bank's resilient financial performance.

In October 2025, the Bulgarian Credit Rating Agency (BCRA) upgraded Postbank's long-term financial strength rating from BBB to BBB+, as well as its short-term rating – from A-3 to A-2, maintaining a stable outlook. The agency also affirmed the bank's national-scale long-term rating of AA- (BG), along with its national-scale short-term rating of A-1+ (BG), both with a stable outlook. The improved assessment by BCRA follows Moody's leading recognition of Postbank's business success and effectiveness, which in July raised its long-term deposit rating from Baa1 to A3 for the third time in a year, along with an upgrade of the issuer's long-term rating from Baa3 to Baa2.

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

### IMPORTANT EVENTS DURING THE FINANCIAL YEAR (continued)

In its statement, BCRA emphasizes that the high rating for the institution's business performance is based on its strong operational results and its sustainable leadership position in the banking sector, supported by numerous qualitative and quantitative criteria and indicators. The agency further notes that additional positive influence on Postbank's rating could arise from continued sustainable improvement in portfolio quality, maintaining and increasing generated profit and profitability indicators, alongside preserving solid levels of capital adequacy and liquidity.

The Bank was also among the leading institutions supporting Bulgaria's preparation for adopting the European currency.

Throughout the year, Mrs. Petia Dimitrova, Chief Executive Officer and Chairperson of the Management Board of Postbank and Chairperson of the Management Board of the Association of Banks in Bulgaria (ABB), participated in various nationally significant business events and conferences related to Bulgaria's accession to the euro area.

In March, Mrs. Dimitrova participated in the prestigious financial forum Money Growth and she emphasized on the readiness of the banking sector to adopt the single European currency, as the whole sector has been preparing for this moment for several years and also noted that this is the most logical final step for a country that has long been a member of the EU and the European Banking Union. "We believe that joining the euro area will contribute to the overall development of the country, and I sincerely hope that we will all work together in this direction," Dimitrova stated, outlining in detail the achievements of the ABB in this context. She shared that investments already made by the banking system exceed BGN 400 million - a financial burden banks are assuming to ensure that the transition to the new currency is smooth and seamless for citizens and businesses.

Also in March, Mrs. Dimitrova took part in the discussion "Bulgarian Tourism and Bulgaria's Accession to the Eurozone," organized by the National Tourism Board. The aim of the forum was to analyse the effects of the upcoming change on the operational work of the tourism sector, the potential benefits of Bulgaria's accession to the euro area, and the introduction of the euro as the primary means of payment as a factor for increasing the competitiveness of Bulgarian tourism. "Bulgarian tourism is becoming increasingly attractive – the country became a full member of the Schengen Area last year, which will give a significant boost to the sector. For businesses – and especially for the tourism industry – the adoption of the euro is a pragmatic issue of competitiveness, operational efficiency, access to capital and market expansion," she noted during the discussion.

In June, Petia Dimitrova also took part in the Financial Forum "Innovation" 2025. The event was organized by the Association "Bank of the Year". "It is important that the adoption of the euro takes effect at the beginning of 2026. For the banks and for every individual in the country, this is a key moment. The euro is the second most recognized currency in the world after the dollar, and the benefits for all citizens are significant," noted Petia Dimitrova at the time. She explicitly emphasized that Bulgaria has fulfilled all the criteria for adopting the common European currency and expressed confidence that the Convergence Report would be positive, contributing to the promotion of the euro.

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

## IMPORTANT EVENTS DURING THE FINANCIAL YEAR (continued)

A day after the positive reports of the European Commission and the European Central Bank regarding Bulgaria's readiness to join the euro area, institutional and business leaders from Bulgaria and Europe gathered in Sofia to outline the potential directions for the country's development within the new financial and geoeconomic architecture. This took place during the 16th edition of one of the most significant forums in Bulgaria – "The sound of Money" 2025. The event continued with the participation of nearly 40 visionaries playing a leading role in the fields of economics, finance, innovation and the transformation of key industries.

With Bulgaria's accession to the euro area, according to Petia Dimitrova, the country has a chance to join the select group of countries with an "A" credit rating.

"This would make investors more open to entering the country, and financing would become cheaper and more accessible," she stated firmly.

Petia Dimitrova addressed the audience and, using facts and statistical indicators, refuted several of the most common and widely circulated myths related to the adoption of the common European currency.

In October, Petia Dimitrova was elected Chairperson of the Management Board of the Atanas Burov Foundation at the annual General Assembly of Trustees.

"In the year marking the 150th anniversary of the birth of Atanas Burov, it is an honour for me to be elected Chairperson of the Management Board of the foundation bearing his name. I would like to thank my colleagues from the General Assembly of Trustees for their trust. I accept the position without hesitation, and I would like to emphasize that we are ready to develop and implement several core objectives that will strengthen the institution's public influence, so it may become 'the new modern'. The Foundation will continue to safeguard banking traditions, but it will also be a driving force for educational and financial innovation. We are inspired by the legacy of Atanas Burov, yet we look toward the future to build responsible financial culture and education," she stated following the election.

In November, Mrs. Dimitrova participated in the forum "Euro Days at UNWE", held at the higher education institution. "It is a true honour and pleasure for me to be here with you on the eve of not only a turning point, but an entirely new stage in Bulgaria's history – our country's accession to the euro area. I hope we all recognize this opportunity and make the most of it. The very fact that we are joining one of the wealthiest clubs in the world is major recognition for the efforts and the difficult path we have taken. In the banking sector, we believe that the adoption of the euro is an extremely important step in the development of our country, and I echo the words of Mrs. Christine Lagarde that Bulgaria's entry into the euro area means prosperity and security for our nation," stated Petia Dimitrova in her address to the participants.

## STRATEGIC PARTNERSHIPS

Postbank, one of the innovation and digital leaders in the Bulgarian banking sector, and the University of National and World Economy (UNWE) signed in February a memorandum for a five-year cooperation period. The partnership is part of Postbank's commitment to investing in high-quality education and promoting the development of digital literacy within Bulgarian society.

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

### STRATEGIC PARTNERSHIPS (continued)

The key document was signed on behalf of Postbank by Dimitar Shumarov, Deputy Chief Executive Officer, Chief Financial Officer and Member of the Management Board, and Asen Yagodin, Deputy Chief Executive Officer responsible for Corporate Banking and Capital Markets and Member of the Management Board. On behalf of the university, it was signed by the Rector, Prof. Dr. Dimitar Dimitrov. The ceremonial event was also attended by Assoc. Prof. Dr. Yanko Hristozov, Vice-Rector for International Affairs at UNWE, as well as guests from both institutions.

During the signing ceremony, the importance of the partnership between the two institutions was highlighted – particularly in terms of implementing joint projects, information exchange and improving the overall level of financial literacy in society.

Later in the year, the fully renovated International Centre for the Reception of Foreign Students was officially opened. The new and highly modern space reflects the bank's vision for high-quality, digitally oriented education.

The innovative centre is only one part of the long-term cooperation between Postbank and UNWE which also foresees several additional joint initiatives supporting education, professional development and opportunities for young people.

The renovated centre will be used by faculty members engaged in numerous international university projects, previously dispersed across different locations – such as Erasmus program admissions, international student enrolment and work on international educational and scientific projects.

The European Investment Bank (EIB) provided a EUR 75 million guarantee to Postbank in Bulgaria with the aim of expanding financing for mid-caps in the country and strengthening the national economy. Postbank will use the EIB support to provide loans totalling EUR 150 million to companies in Bulgaria. Under the risk-sharing agreement, the EIB guarantee covers a portfolio of investment loans and working capital loans for Bulgarian enterprises with up to 3,000 employees. This will enable Postbank to extend loans under preferential conditions, including lower interest rates or reduced collateral requirements.

Postbank, one of the innovation and digital leaders in the Bulgarian banking sector, and the National Representation of Student Councils (NRSC) signed a cooperation agreement. The key document was signed on behalf of Postbank by Dimitar Shumarov, Deputy Chief Executive Officer, Chief Financial Officer and Member of the Management Board, and on behalf of NRSC by Angel Stoykov, Chairperson of the NRSC. The partnership is part of Postbank's commitment to investing in high-quality education, fostering social and educational responsibility and promoting mass sports among students. Among the initiatives covered by the cooperation are the national award "Student of the Year 2025", as well as the popular social projects "Winter University" and "Summer University".

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

## NEW PRODUCTS AND KEY CAMPAIGNS

In 2025, Postbank introduced additional innovative products and services, focusing on providing convenience and additional benefits to customers. As a result of the financial sector's continuous shift toward digitalization, companies had to move faster in implementing solutions that create convenience for customers in order to remain successful. That is why Postbank continues to support its customers by developing and implementing modern, high-tech financial solutions that they can use remotely and through their preferred communication channel, providing them with additional value.

At the beginning of 2025, Postbank introduced to its customers an entirely new online and mobile banking platform designed to offer a distinctly different digital experience. The new digital channels combine cutting-edge technologies, innovative design and functionalities that make daily banking easier than ever.

The platform was launched for all users registered after 7 January 2025, and over the following months, all existing customers were gradually migrated to the new online and mobile banking platform, which fully replaced the previous service.

Also at the beginning of 2025, Postbank officially launched its new large-scale campaign once again featuring one of the most recognizable names in world tennis – Grigor Dimitrov.

This collaboration is a logical continuation of the existing successful partnership and reflects shared values: dynamism, innovation and determination for excellence.

The core message of the campaign - "Logical" - highlights Postbank's ambition to be a trusted and innovative partner for everyone who strives to achieve more. Through modern concepts and high-tech solutions, the bank is committed to providing personalized financial products and services that facilitate dynamic everyday life and meet contemporary expectations.

These include current offerings across several business lines: consumer and mortgage lending, credit cards, savings solutions and transactional products.

Reflecting global trends, the bank launched a digitally-first concept featuring short messages and videos. The campaign was filmed in an innovative and expressive style, notable for bold colours and energetic transitions. Each video presented a separate product and followed a specific colour scheme: red for consumer loans, blue for mortgage loans and gold for the bank's credit cards. The dynamic visual techniques emphasize the strength and precision of Grigor Dimitrov's game while symbolizing the ease and accessibility of the solutions Postbank provides. In this way, the audience clearly perceives the advantages of the financial products – from their high added value to their everyday convenience.

Postbank thus continued to stand out from its competitors with its innovative, customer-oriented approach, relying on digital banking solutions and simplified procedures for obtaining consumer loans. The use of credit cards issued by the bank has become increasingly popular among customers not only due to convenience, speed and security, but also thanks to the numerous additional benefits they provide. The bank's focus is on remote-banking technologies and the understanding that customers require diverse and accessible products and services across the full spectrum of banking offerings. The bank's aim was to provide modern, comprehensive and convenient everyday banking solutions, contributing to high levels of customer satisfaction and brand loyalty.

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

## **NEW PRODUCTS AND KEY CAMPAIGNS (continued)**

The “Logical” concept ensured strong presence across all channels – from traditional media to social networks. This strategy positioned the bank as a market leader and demonstrated its ability to create a unified and recognizable brand image across channels, resonating with the communication and purchasing habits of the modern consumer.

The selection of Grigor Dimitrov as brand ambassador symbolizes dynamism, innovation, and determination – key qualities that the bank values and supports in its customers.

Postbank also decided that, as of 3 February 2025, would remove the document processing fee for new consumer loan and overdraft applications. In addition, customers were offered the possibility to benefit from a fixed interest rate for the first 12 months of the loan term, giving them peace of mind and certainty regarding the instalment amount, which remains unchanged during that period. High competition, optimization of internal processes and the implementation of digital technologies enabled consumer loan applications to become easier than ever, with approvals now happening within hours rather than days or weeks.

During the year, Postbank began a new era in banking by introducing its Beyond Banking program – an innovative initiative created for the modern customer.

This strategic concept enhances traditional banking by connecting it with the needs, aspirations and lifestyle of today’s consumer.

The new model offers a contemporary concept combining banking services with solutions and partnerships with globally recognized companies in the fields of home and interior, technology, travel, education and everyday experiences. In this way, the financial institution reaffirmed its

long-term vision for developing the Phygital service model, combining the best elements of the digital and physical worlds.

Beyond Banking transformed the bank into an essential lifestyle hub bringing together finance, technology and lifestyle solutions in partnership with key companies, delivering a unified and holistic customer experience.

In April, Postbank launched a large-scale educational campaign aimed at improving digital financial literacy in the country. The project “Finance under Ctrl” is designed to guide users through the virtual world and the ecosystem of electronic payments, ensuring their online experience is as safe, convenient and enjoyable as possible by showing them how to protect their personal data and funds and how to recognize various online fraud schemes. For this purpose, the bank created the digital platform [www.finansipodctrl.bg](http://www.finansipodctrl.bg). There, users can access helpful information and practical advice presented through an interactive game format, which enhances the learning experience and makes understanding the topic more engaging. The initiative continues Postbank’s commitment to raising public awareness on key financial topics such as cybersecurity and electronic payments, demonstrating once again the bank’s social responsibility and its leading role in this field.

On 30 July 2025, Postbank successfully issued a EUR 500 million covered bond, with a seven-year maturity and a coupon of 3-month EURIBOR + 80 basis points. The covered bonds were issued under the Bulgarian Covered Bonds Act (CBA), which in 2022 transposed the European Covered Bonds Directive (Directive 2019/2162) into national legislation. Karoll AD acts as the cover pool monitor in accordance with the CBA.

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

### **NEW PRODUCTS AND KEY CAMPAIGNS (continued)**

The issuance was licensed by the Bulgarian National Bank (BNB) following the successful completion of the authorization procedure under the CBA.

The issue was assigned an Aa2 rating by the reputable international rating agency Moody's. Citi acted as the lead arranger for the issuance, and the bonds were registered and admitted to trading on the Luxembourg Stock Exchange.

The issue is fully retained by Postbank, with the bonds serving as an additional liquidity buffer, providing enhanced financial flexibility and capacity for growth. Through this instrument – a high-quality collateral tool commonly used in wholesale funding – the institution strengthens its resilience and expands its funding channels.

Postbank launched a new structured deposit “INDEX EURO STOXX SD 30-2025”. This structured deposit is an innovative savings product that combines the security of a bank deposit with the potential to earn a return linked to the performance of a selected market index, while ensuring full preservation of the initial principal amount. It is a guaranteed instrument under the terms and conditions of the Bank Deposit Guarantee Act and offers the potential for a higher return at maturity compared to standard time deposits.

“INDEX EURO STOXX SD 30-2025” is a five-year deposit in euro consisting of two components – a fixed annual interest rate and the possibility of additional interest at maturity, linked to the performance of the EURO STOXX Select Dividend 30 EUR (SD3E)\*\* index. The minimum opening amount is EUR 5,000, with no upper limit. The product offers guaranteed principal at maturity and a fixed annual interest rate of 1.80% on the deposited amount, payable annually in advance for the preceding year. Additional yield may be realized depending entirely on the performance of the EURO STOXX Select Dividend 30 EUR (SD3E) index, with 40% of its positive annual performance paid out in the event of growth. The index tracks the performance of the shares of 30 European companies across various economic sectors, selected based on the highest dividend yield criterion.

As part of its commitment to ensuring a transparent and seamless transition to the euro as the national currency, Postbank offered its “Small Business Banking” customers the opportunity to deposit BGN banknotes without a fee throughout December, at branch counters, cash-in ATMs and Digital Zones for Express Banking.

The promotional terms were available to customers using the following package programs and accounts: Dynamics (Start, Development, Online and Max), Freelance, Notary Package, Special Account for Insurance Broker, Special Account for Client Assets of Private Enforcement Agents, Interest-Bearing Account for Private Enforcement Agents, Fees and Expenses Account for Private Enforcement Agents and Transaction Account for Non-Governmental Organizations. All customers using other accounts or package programs could convert them free-of-charge into Dynamics package programs (Start, Development, Online and Max) with monthly billing to take advantage of the fee-free BGN cash deposit offer until year-end.

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

### **NEW PRODUCTS AND KEY CAMPAIGNS (continued)**

Postbank also introduced special terms for its mortgage loan offering with the arrival of spring. Until the end of April, customers were able to reduce their initial costs associated with financing a new home by benefiting from reimbursement of mortgage registration expenses up to BGN 500. This offer applied to mortgage loans in BGN applied for between 21 March and 30 April 2025, subject to subsequent approval and submission of disbursement documents by 30 June 2025. Additionally, during the campaign period, customers could take advantage of further discounts – no creditworthiness assessment fee, no collateral documentation review fee and no collateral valuation fee, when refinancing existing obligations.

In October, Postbank again provided customers the opportunity to obtain their dream home through a promotional mortgage lending campaign. Customers applying for a mortgage loan between 1 and 31 October 2025 could benefit from attractive conditions and reduce their initial costs associated with the loan through reimbursement of mortgage registration expenses up to BGN 1,000. The loan may be used for home purchase or refinancing existing obligations, with a maximum amount of up to EUR 500,000 and a term of up to 30 years. Financing covers up to 85% of the property value, and customers can choose between equal or decreasing monthly instalments. Postbank customers can also benefit from the convenience of the Online Mortgage Center, which introduces a new model for fast and convenient customer service. This digital solution enhances the mortgage financing process and builds upon the services offered by the bank's specialized Mortgage Centers. In this way, the bank expands the online mortgage application service to fully address customer expectations for remote consultation and communication during the loan approval process, transferring the experience into a digital environment.

### **AWARDS AND RECOGNITIONS**

Postbank strengthened its position in the banking sector after receiving two prestigious distinctions in the categories “Development Dynamics” and “Best Operational Digital Banking Project” at the 2025 “Bank of the Year” Annual Awards. The awards were presented to Mrs. Petia Dimitrova during the official ceremony and highlighted the bank's significant contribution to the stability and development of the financial system, especially in the context of Bulgaria's upcoming accession to the euro area. In her speech, Dimitrova emphasized the role of the banking sector as a key factor in ensuring trust and a smooth transition to the euro, thanks to significant investments in systems, training and digital transformation. The “Development Dynamics” award recognizes the bank's strong results and sustainable growth during the year, while the award for “Best Operational Digital Project” distinguished the innovative AI- and automation-based CRM platform that enhances service personalization. These awards add to Postbank's long-standing successful track record in the “Bank of the Year” competition, in which the institution has repeatedly been recognized for efficiency, digital transformation and high customer satisfaction.

Mrs. Petia Dimitrova was honoured with the special award “Mrs. Economics” 2025 for her outstanding contribution to the Bulgarian economy. The distinction, presented by Vice President Iliana Yotova at a ceremony in Sofia Tech Park, was part of the 35th anniversary edition of the “Mr. and Mrs. Economics” competition, organized by the Confederation of Employers and Industrialists in Bulgaria (KRIB) and Economics magazine.

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

## AWARDS AND RECOGNITIONS (continued)

The award is presented to five distinguished leaders who have significantly influenced the development of the business environment in the country over the years. In her remarks, Petia Dimitrova expressed gratitude to her colleagues, partners, shareholders and clients for their trust and support, which motivate her to continue being an innovative leader and a driving force for positive change. Dimitrova emphasized the importance of sustainable leadership and the role of the banking sector in the processes of European integration. The competition, recognized as one of the most authoritative business events in Bulgaria, honours individuals with proven achievements and influence in the industry. Its symbol is Stavri Kalinov's sculpture "The Fisherman and the Golden Fish"—a metaphor for success, vision, and the pursuit of pure ideas in the business world.

Postbank was once again recognized as a "Top Employer" in Bulgaria for 2025 by the international Top Employers Institute, reaffirming its leading position and high standards in human resource management. The distinction reflects the bank's consistent efforts to create a modern, supportive and technologically advanced working environment focused on employee development and well-being. Postbank holds numerous Bulgarian and international awards for innovative HR practices, internship programs, digital solutions and a strong employer brand, positioning itself as a preferred workplace and a model for sustainable and modern people management.

During the third edition of the "Business Honoris Causa" awards, organized by the "24 Chasa" media platform, companies with contributions to improving quality of life and supporting local communities were recognized. Postbank received an award in the category "Contribution to Environmental Protection", presented to Dimitar Shumarov – Deputy Chief Executive Officer and Chief Financial Officer of the bank.

In his speech, he emphasized that the true value of the award lies in the voluntary efforts of the bank's employees and their families who participate in environmental initiatives and highlighted the importance of educating the next generation in a spirit of dedication and social responsibility, without expecting recognition.

At the BAPRA Bright Awards 2025 – which this year recorded a record number of participants from PR and digital agencies, media and companies – Postbank was the only financial institution to receive an award. The bank won a silver distinction in the "Internal Communications" category for its Annual Meeting – an event that has become a strong example of team spirit, innovation and synergy between people and technology. More than 600 employees participated in the multi-sensory and modern event, which celebrated their achievements and outlined the vision for future digital transformation. The traditional corporate event evolved into an inspiring digital platform called META, through which the bank encourages employees to dream boldly, push boundaries and shape the future together. The BAPRA award highlights Postbank's successful approach to internal communications and its commitment to fostering a strong, united and innovative organizational culture.

Postbank was recognized for the thirteenth consecutive year as the best bank in Bulgaria for providing custodial and depositary services, according to the prestigious international publication Global Custodian. The recognition reflects its sustainable leadership and high scores in key areas such as asset management, safekeeping and servicing, technological solutions, cybersecurity and customer service quality.

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

### AWARDS AND RECOGNITIONS (continued)

In the most recent assessment, the bank improved across all categories, achieving an overall score of 6.67 and particularly high evaluations for asset management, asset servicing and client relationships. The distinction acknowledges the bank's consistent strategy, innovation and team efforts, which have maintained a high standard of service for local and international institutional clients since 2004.

At an official ceremony in Sofia, the awards for "The Greenest Companies in Bulgaria" 2025 were presented for the 15th consecutive year, organized by b2b Media. Postbank won the gold award in the "Leader in Green Initiatives" category for its consistent sustainability strategy and significant CSR projects focused on environmental protection. The bank distinguished itself as an organization that builds its philosophy on efficient resource use, waste reduction, pollution prevention and actions supporting the climate and biodiversity. Winners were selected by a ten-member jury chaired by b2b Media founder Nadya Marinova.

Postbank won two gold awards at the b2b Media Awards 2025, recognizing its achievements in innovation and corporate social responsibility. The bank was named "Most Innovative Company of the Year" for its consistent vision and customer-centric transformation model, establishing it as a dynamic sector leader. The second gold distinction - "Charitable Initiative of the Year" – was awarded for the impressive Postbank Visa Tennis Gala, the exhibition match between Grigor Dimitrov and Novak Djokovic, which became an example of a socially impactful initiative. The 11th edition of the competition honored the most successful, innovative and socially responsible companies in the fast-changing business environment.

Postbank received two international awards from the prestigious World Finance Digital Banking Awards 2025 by World Finance Magazine. The distinctions are in the categories "Best Consumer Digital Bank, Bulgaria" and "Best Mobile Banking App – M-Postbank, Bulgaria". The winter edition of the competition recognizes the best banks in delivering digital services and implementing innovative management models.

Postbank is the only financial institution from Bulgaria recognized in this year's edition. The awards reflect a series of innovations, including the entirely new electronic and mobile banking platform developed in record time. The modern design and new functionalities of the platform make personal finance management even more personalized, convenient and accessible.

Postbank was once again named "Best Retail Bank, Bulgaria" at the prestigious international World Finance Banking Awards 2025. The award, received for the seventh consecutive year, positions the institution among the world's best banks, demonstrating exceptional consistency and reaffirming its strong leadership in the segment. The bank's visionary strategy for the continuous introduction of innovative digital solutions aligned with global trends, combined with its innovative approach to transforming the branch network, were highly rated and deservedly won the prize. In addition, the institution's modern customer-centric approach and effective business model maintain consistently high customer satisfaction, further strengthening its leadership in the regional retail banking market and positioning it as a benchmark within the sector.

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

### **AWARDS AND RECOGNITIONS (continued)**

Postbank was recognized as “Most Innovative Bank” at the NEXT DiFi 2025 awards, which honour leading achievements in financial technologies and digital innovation. The bank also received a second distinction - a gold award in the category “Innovation in Mobile Banking” for its modernized e-Postbank and m-Postbank platforms implemented earlier in the year. The new digital services, developed in a short timeframe, offer faster, more secure and more personalized personal finance management, highlighting the bank’s long-term commitment to digital transformation. The awards affirm Postbank’s position as a leader in innovation and financial technologies that places customers and their needs at the centre of its strategy.

Postbank won two gold distinctions at the third annual Leaders of Influence Awards 2025, organized by b2b Media, which recognizes organizations with strong societal impact and influence. The bank won in the categories “Leading by Education” and “Education and Influence” for its innovative “Finance under CTRL” campaign, recognized by the jury as a modern and engaging approach to financial education. The campaign established a new type of dialogue with young people, using their language, digital platforms and cultural context, becoming an example of how creativity and relevance can create lasting change in both audience behaviour and brand positioning.

### **SUSTAINABLE DEVELOPMENT AND ESG**

Postbank continued to focus not only on its core business activities, but also on the needs of the local community by supporting programmes and initiatives in cooperation with established institutions and organisations. The bank strives to instil a sense of responsibility toward the environment among its employees, customers and the general public. Its aim is not only to create competitive advantages by incorporating added value into its products, but also to reduce its negative environmental impact by using every opportunity to contribute to the preservation of nature.

In 2025, the bank implemented several socially significant projects and initiatives in the areas of entrepreneurship, education and financial literacy, environmental protection, sports and corporate giving.

Postbank is an active member and supporter of initiatives led by the Atanas Burov Foundation, KRIB, AmCham, CanCham, NVSW, BBBA, the Association of Banks in Bulgaria, BORICA AD, Endeavor Bulgaria and the Bulgarian Business Leaders Forum.

Postbank expanded its cooperation with the leading educational organisations Junior Achievement Bulgaria and Telerik School Academy through a new trilateral strategic partnership, providing teachers and students across the country with access to essential financial management knowledge. Through joint efforts, the three institutions created a new programme to improve the financial literacy of young people and demonstrated their long-term commitment to high-quality education and the development of a sustainable financial culture. The partnership aims to create significant added value for the educational system by offering innovative resources and supporting the preparation of the younger generation for the financial realities of tomorrow. The programme features modern content with practical tasks and interactive lessons that facilitate teaching and help young people develop key skills.

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

### SUSTAINABLE DEVELOPMENT AND ESG (continued)

In 2025, Postbank launched the annual edition of its internship programme, offering an even more innovative, modern and distinctive experience for young talents. For the first time, the bank introduced the “Reverse Mentoring” approach, enabling interns not only to learn from the bank’s experienced professionals but also to teach them in key areas such as digital technologies, social media and corporate culture. The 2025 internship programme carried the message “Teach your boss – show what you can do” and aimed to create a two-way exchange of knowledge while encouraging collaboration between different generations within the organisation. This exceptional and unconventional approach not only strengthens the leadership skills of young people joining the bank’s successful team of proven experts but also supports the bank’s adaptation to the dynamic digital environment. The initiative is another strategic step in Postbank’s commitment to creating a motivating, inclusive and supportive working atmosphere, while reinforcing its visionary style and leadership as a strong and innovative employer brand.

In April, Postbank launched an initiative to support financial education by providing 100 free subscriptions for schools across the country to the “Financial Literacy” programme for the 2025-2026 academic year. The programme, developed in partnership with Junior Achievement Bulgaria and Telerik School Academy, offers modern lessons and practical exercises that help students from grades 8 to 12 acquire essential knowledge about personal finance management, savings, investing and budgeting.

Access is provided through the Buki.bg platform, and training is completely free for the first 100 public and municipal schools that sign up.

The content complies with state standards and is designed to be taught by any teacher, regardless of their background. The programme fosters independence, critical thinking, teamwork and an entrepreneurial mindset, preparing students to make informed financial decisions in real life. Through this initiative, Postbank continues its commitment to sustainable development and improving financial literacy in Bulgaria as part of its broader corporate social responsibility policy.

Nearly 70 Postbank volunteers actively participated in the initiative “The New Forest of Sofia – 3,” planting over 700 deciduous maple trees. The event took place around Busmantsi village and was part of a broader Sofia Municipality project aimed at creating a green belt around the capital by converting unused agricultural land into forest territories. The employees’ participation coincided with the celebration of Earth Day, highlighting their commitment to promoting environmental awareness and contributing to a cleaner and more welcoming urban environment. Their efforts supported the broader goal of planting 4,600 young saplings during the period, making a real impact on improving air quality and expanding green areas around Sofia.

Postbank emphasizes the importance of consistent efforts and volunteer culture; both deeply embedded in its corporate values. Through its internal program “Green Together,” the bank organizes numerous environmental initiatives each year, encouraging employees and their families to participate actively. As a result, the total number of trees planted by the bank’s volunteers now exceeds 5,000, demonstrating the organization’s sustained long-term commitment to environmental protection.

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

### SUSTAINABLE DEVELOPMENT AND ESG (continued)

In June, Postbank supported the celebration of the Vitosha district under the motto “Exercise and Clean Up – Vitosha Thanks You,” with dozens of volunteers participating in the two-day campaign in the Knyazhevo and Boyana neighbourhoods. Bank employees, their families, residents and partners worked together to clean, renovate infrastructure and landscape popular recreational and sports areas. On the first day, the areas around “Shisharka” bar were cleaned, new benches were installed and plants were added, with representatives of Vitosha district joining the initiative. The event also featured various activities – sports games, music and the renewal of tourist markings toward Momina Skala, making the experience meaningful, enjoyable and sustainable.

The initiative continued the next day at “Sborishte” square in the Boyana neighborhood, where benches, recreational areas and a playground were renovated. The campaign demonstrated that when institutions, businesses and citizens join forces, the results are real and inspiring.

Postbank became the first credit institution in the country to offer a mobile wallet with a wide range of functionalities specifically tailored for underage teenagers. ONE wallet by Postbank - a modern, secure and convenient solution for contactless payments and transactions – is designed for young people aged 14 to 18, enabling them to be active participants in the world of digital banking and to build sustainable financial habits from an early age. Through this approach, Postbank made another important step in its mission to support the youngest generation by providing impressive technological advantages tailored to their needs, while also ensuring peace of mind for parents and promoting responsible behaviour, mindful consumption and sensible financial management.

The digital wallet enables teenagers to make easy and convenient contactless payments at POS terminals using their smartphones, make fee-free transfers via mobile number to other app users, and monitor their account and card activity in real time – allowing them to manage their personal budget directly through Postbank’s intuitive application.

Postbank conducted a large-scale national campaign to improve financial literacy among students at all stages of education - from primary to secondary school.

As part of the initiative, the bank’s experts conduct interactive lessons based on games, simulations and discussions, helping children understand the value of money, personal budgeting and the importance of responsible consumption in an accessible and engaging way. The goal is to foster critical thinking, informed decision-making and habits that will support their future financial independence. Within just a few months, bank representatives held sessions with students from grades 1 to 12 in numerous cities across the country.

JA Bulgaria and Postbank marked the beginning of the new school year with the “Practical Finance” programme, in which 1,000 students from across the country will participate for a second consecutive year. The initiative is part of the long-term partnership between the two organisations and aims to develop young people’s financial literacy by introducing them to topics such as personal budgeting, savings and responsible consumption. For the 2025-2026 academic year, the programme is being delivered using an updated second edition of the learning kit, created through an innovative collaborative model - a shared internship, during which young people interested in finance worked closely with experts from Postbank and JA Bulgaria.

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

## **SUSTAINABLE DEVELOPMENT AND ESG (continued)**

During this process, the interns interviewed key professionals, analysed current trends in personal finance management and proposed ideas for enriching the educational content, which were incorporated into the official textbook. Thus, young people had the opportunity to become co-authors of the learning material that will help their peers develop financial skills.

Postbank launched a large-scale internal training and development programme for its employees – the Future Skills Academy - further reinforcing its leadership position as a top employer in the country. The long-term project is aimed at all company employees and focuses on enhancing their digital and personal skills. The Future Skills Academy is a comprehensive programme dedicated to human potential development, equipping staff with the skills needed to thrive in an increasingly technological world where people remain at the centre. The programme is part of the company’s long-term sustainable development strategy and its vision of “digital transformation with a human face.” Postbank’s goal is to prepare employees for both the present and the future by providing them with knowledge and inspiration to grow in their careers while confidently using new technologies.

Postbank supported the development of young talent by becoming the main partner of the 25th National Autumn Informatics Tournament, organised by the Sofia Regional Department of Education and the Sofia High School of Mathematics “Paisiy Hilendarski.”

The competition, held between 21 and 23 November 2025, brought together more than 245 students from grades 5 to 12, who demonstrated their skills in solving algorithmic problems. As a partner of the initiative, Postbank provided awards for the best teams and highlighted the importance of such events in promoting digital competencies, innovation and the development of future leaders in the field of technology.

In the Aula of the University of Architecture, Civil Engineering and Geodesy, a graduation ceremony was held for 496 bachelor’s and master’s graduates from the Class of 2025 of the Faculty of Public Health at the Medical University of Sofia, named after Prof. Dr. Tsekomir Vodenicharov.

As a partner of the faculty, Postbank supported the event, which was attended by the Rector of MU-Sofia, Prof. Dr. Boycho Landzhov, the university’s leadership, deans, directors of university units and representatives of partner hospitals and professional organisations.

During the ceremony, Filip Popov, Chief Retail Banking Officer at Postbank, congratulated the new graduates, emphasizing the importance of their efforts and their role as future professionals in public health. He highlighted the responsibility they assume - to work for the benefit of people, protect lives and uphold scientific principles in their profession.

As one of the leaders in the financial sector shaping trends and development directions, Postbank plays an integral role in the processes affecting Bulgarian society and supports projects in key areas of public life, such as education, culture, sports and environmental protection.

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

## SUSTAINABLE DEVELOPMENT AND ESG (continued)

For this reason, the financial institution once again served as a leading partner of the seventh edition of the chamber music festival “Untrodden Path.” For the first time, the event spanned four locations - in addition to the traditional Gotse Delchev and Kovachevitsa, concerts were also held in Dobrinishte and the village of Karpachevo. The festival is organized by Bulgarian classical musicians who live and work abroad. Among its founders are pianist Lora Chekoratova and violinist Georgi Valchev. According to the organizers, “Untrodden Path” is dedicated to the idea of art beyond the well-trodden routes - in nature and the authentic cultural atmosphere of small Bulgarian villages.

Postbank was also a partner of the first chamber music festival on the Northern Black Sea coast, held between 30 June and 3 July at the Palace in Balchik. With its dynamic contemporary program, the festival attracts classical music enthusiasts, tourists and visitors to the city, offering cultural entertainment at the start of the tourist season.

In partnership with Postbank, the Bulgarian News Agency (BTA) organized the 20th World Meeting of Bulgarian Media, held on 24 and 25 May 2025 in Sofia, the Klisura Monastery “St. St. Cyril and Methodius,” and Varshets. The theme of this year’s edition was “Media and Knowledge.” Journalists from 25 countries, including Bulgaria, participated in the event both in person and online. Among them were 46 journalists from 34 Bulgarian-language media outlets worldwide, as well as representatives of 36 media organizations from Bulgaria.

Throughout the year, the bank also continued its long-standing support and work with socially disadvantaged groups, encouraging their active participation in society. Support was provided to the “Future for the Children” Association in Kazanlak, a civil organization dedicated to helping at-risk children and their families.

Postbank also traditionally contributed to the festive decoration of Sofia. In line with its established values, the financial institution believes that societal well-being and development depend on efforts to improve the environment for everyone. Therefore, alongside its other socially oriented projects, Postbank has for several years been contributing to the festive atmosphere of the capital during the Christmas and New Year holidays.

### AWARDS:

- Postbank was honoured with two international awards from the prestigious World Finance Digital Banking Awards 2025, organized by the authoritative World Finance Magazine. The distinctions are in the categories Best Consumer Digital Banks, Bulgaria and Best Mobile Banking App – M-Postbank, Bulgaria.
- Postbank received a gold award at the Leaders of Influence Awards 2025 in the category Education and Influence.
- Postbank received a gold award at the Leaders of Influence Awards 2025 in the category Leading by Education.

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

**AWARDS (continued):**

- Postbank won a bronze Effie at the 18th edition of the prestigious Effie Bulgaria effectiveness awards, as the only financial institution recognized in the competition. The distinction was awarded for the large-scale educational campaign “Finance under Ctrl”, aimed at improving digital financial literacy in the country.
- Postbank received a silver award from the 10th anniversary edition of the BAA Awards in the category Corporate Social Responsibility. The award recognized the innovative digital financial literacy platform “Finance under CTRL”.
- Petia Dimitrova, Chief Executive Officer and Chairperson of the Management Board of Postbank, received the Grand Award “Mrs. Economy” 2025 for her outstanding contribution and impact on the development of the Bulgarian economy over the past decades.
- Postbank won the award “Most Innovative Bank” at the second edition of the competition dedicated entirely to financial innovations – NEXT DiFi 2025.
- Postbank won the gold prize in the category Innovation in Mobile Banking at the second edition of NEXT DiFi 2025.
- Postbank’s PMO team won third place in one of the most competitive categories – Project Management Office of the Year – at the prestigious PM Awards 2025, organized by the Project Management Institute Bulgaria.
- Postbank won the award for “Best Retail Bank, Bulgaria” for the eighth consecutive year in the World Finance Banking Awards 2025. The awards are organized by World Finance, an authoritative international publication monitoring global financial industry developments.
- Postbank received awards in the categories “Development Dynamics” and “Best Operational Digital Banking Project” at the 33rd edition of the Bank of the Year Annual Awards.
- Postbank was distinguished with the prestigious award “Leader in Digital Transformation” at this year’s edition of the Company of the Year 2025 Awards.
- Postbank won a gold award in the category “Leader in Green Initiatives” at the “Greenest Companies in Bulgaria” 2025 awards.

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

**AWARDS (continued):**

- Postbank won a silver distinction in the category “Internal Communications” and was the only bank recognized at the BAPRA Bright Awards 2025.
- Postbank won first place in the special category Excellence in Teamwork at the 8th edition of the Employer Branding Awards.
- Postbank received the prestigious “Business Honoris Causa” award, recognizing the bank’s contribution to environmental protection.

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 Report under Article 48.

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 2025, 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, 2025 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;
- Rumens Radushev – Chief Digital Transformation Officer and Member of the Management Board (appointed as of 04.02.2025);
- Iliya Karanikolov – Chief Risk Officer and Member of the Management Board (appointed as of 14.07.2025).

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

### **MANAGEMENT BOARD (continued)**

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

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

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

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

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

##### **3.1. Partners with unlimited liability**

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

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

###### **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 Management Board;

Foundation Atanas Bourov (non-profit legal entity) – Chairperson of the Management Board;

Hellenic Business Council in Bulgaria (non-profit legal entity) – Member of the Management Board (released as of 06.03.2025);

##### **3. Participants in the management of other companies or cooperatives as procurators, managers or board members (continued)**

Association Endeavor Bulgaria – Member of the Management Board;

Association of the Canadian Commercial Chamber in Bulgaria – Member of the Management Board;

PB Personal Finance EAD – Chairperson of the Board of Directors;

Borika AD – Member of the Board of Directors.

###### **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;

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

## MANAGEMENT BOARD (continued)

### **Dimitar Shoumarov**

PB Personal Finance EAD – Vice Chairperson of the Board of Directors

### **Panagiotis Mavridis**

Hellenic Business Council in Bulgaria – Chairperson of the Management Board and representative

### **Rumen Radushev**

PB Personal Finance EAD – Chief Executive Officer of the Board of Directors

## SUPERVISORY BOARD

As at 31 of December, 2025 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;
- Nikolaos Pavlidis – Member of the Supervisory Board;
- Georgios Oikonomidis – Member of the Supervisory Board (appointed as of 14.07.2025);
- Spyridon Pantelias – Member of the Supervisory Board (appointed as of 14.07.2025).

Members released in the calendar year 2025:

- Minko Gerdhizkov – Member of the Supervisory Board (released as of 31.03.2025)

### **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**

##### **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 – Sole owner and Managing Director

Ubad - Toro OOD, Bulgaria – Partner;

Lex Rx Capital OOD, Bulgaria – Co-owner and Managing Director

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

## **SUPERVISORY BOARD (continued)**

### **Raika Ontzova**

VPS Lilia & Ontzovi SD – Representative of General Partnership, Unlimited partner and Manager

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

#### **Stavros Ioannou** (Greece)

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

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

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

Eurobank private Bank Luxembourg, Luxembourg – Member of the Board of Directors;

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

#### **John David Butts**

Lex Rx Capital OOD, Bulgaria – Co-owner and Managing director

Lex RX Bulgaria EOOD, Bulgaria – Sole owner and Managing Director

#### **Raika Ontzova**

VPS Lilia & Ontzovi SD – Representative of General Partnership, Unlimited partner

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

In 2025, the Bank did not conclude contracts within the meaning of Art. 240 b para. 1 of the Commercial Law.

In 2025 the members of the Management and Supervisory boards have received remuneration amounting to BGN 5,267 thousand (2024: BGN 5,672 thousand).

## **BANK STRUCTURE**

Eurobank Bulgaria AD has one subsidiary as at 31 December 2025 - PB Personal Finance E.A.D.

## **OBJECTIVES FOR 2026**

Eurobank Bulgaria's strategy is centered on digital transformation, operational excellence, and client-centric innovation across all divisions, positioning the Bank for sustainable growth, regulatory resilience, and market leadership amid eurozone integration and rising competition.

The main focus in 2026 will be on profitability and increase of the revenues through organic growth, smart pricing, cross sales and transactional business boost. The liquidity inflow which was observed last year together with the released minimum reserves ensured a liquidity buffer which will be used to increase the interest earning assets while keeping the deposit costs low.

In 2026 expectations are that the demand for loans will remain strong in both segments – to households and businesses, due to the good macroeconomic environment and positive future prospects. The latter will also help keep the NPE inflow at a low level and allow Eurobank Bulgaria to decrease further its NPE ratio while keeping solid coverage over the nonperforming loans.

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

### OBJECTIVES FOR 2026 (continued)

After the successful completion of the euro adoption project, Eurobank Bulgaria will turn its focus on other strategic projects within its digital transformation strategy - implementing new systems, creating E2E digital experience and enhancing its digital channels with numerous new features, all of which are planned to be completed within the year.

The driver to become the most efficient Bank on the market will continue through streamlining functions and cost base optimization. Last but not least, Eurobank Bulgaria will continue to retain its profits to the extent necessary to support the expansion of the risk-weighted assets and ensure that the bank remains adequately capitalized and prepared to withstand any unexpected shocks.

In summary the key strategic priorities for 2026 are:

- Increase revenues and improve profitability through stable organic growth, smart pricing of lending production and control over the cost of funds.
- Contain costs through cost reduction initiatives and improve the cost-income ratio.
- Ensure stable growth of deposit volumes at reasonable prices to self-fund business growth.
- Focus on internal capital generation to support expansion of risk-weighted assets.
- Continue with sustainable NPEs reduction while maintaining prudent coverage ratios
- Foster a positive, productive and rewarding work environment in order to retain talent and improve employee satisfaction.
- Focus on digital transformation strategy – implementing new systems, creating E2E digital experience and enhancing digital channels.

### 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: 2026.03.24 19:35:08  
+02'00'

Petia Dimitrova  
Chief Executive Officer and  
Chairperson of the  
Management Board.  
24 March 2026  
Sofia, Bulgaria

**Dimitar Borisov**  
Shoumarov

Digitally signed by Dimitar  
Borisov Shoumarov  
Date: 2026.03.24 19:24:10  
+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 2025**

### **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 behavior.

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

## **CORPORATE GOVERNANCE STATEMENT 2025 (continued)**

### **2. Compliance with the National Corporate Governance Code (continued)**

The 2025 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 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 31.12.2025 is 7 (seven) 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, as of July 14<sup>th</sup>, 2025, Mr. Georgios Oikonomidis and Mr. Spyridon Pantelias were appointed as new independent non-executive Supervisory Board members, with a term of office equal to the term of office of the other members of the Supervisory Board, i.e. till 09.05.2028

Respectively, Mr. Minko Gerdzikov was released as SB members as of 31.03.2025 (entry from this date in the Commercial Register and Register of Non-Profit Legal Entities after respective resolution of the General Meeting of Shareholders).

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

**CORPORATE GOVERNANCE STATEMENT 2025 (continued)****3.2. Supervisory Board and Supervisory Board Committees (continued)**

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, 2025 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;
- Nikolaos Pavlidis – Member of the Supervisory Board (appointed as of 01.07.2024).
- Georgios Oikonomidis – Member of the Supervisory Board (appointed as of 14.07.2025);
- Spyridon Pantelias – Member of the Supervisory Board (appointed as of 14.07.2025).

Members released in the calendar year 2025:

- Minko Gerdzikov – Member of the Supervisory Board (released as of 31.03.2025)

The Chairperson and five 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).

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. Additionally, as of 09.09.2025, Ms, Ivi Vigka was released from her positions as a member of the Risk Committee, respectively Mr. Spyridon Pantelias was appointed as member and Chairperson of the Committee, via SB resolution dated 09.09.2025.

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 2025 the RC held 13 (thirteen) meetings.

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

## CORPORATE GOVERNANCE STATEMENT 2025 (continued)

### 3.2. Supervisory Board and Supervisory Board Committees (continued)

#### 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 SB, Management, Internal Audit and External Audit.

The Audit Committee shall be comprised of at least three members. As of December 2025,, 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 09.09.2025 Mr. Lambros Demosthenous was released as Audit Committee Chairperson, and Ms. Spyridon Pantelias was appointed as member of the Audit Committee , through a resolution of the GMS held on 09.09.2025. Additionally, Ms. Ontzova was appointed as AC Chairperson on 11.09.2025, internally by the members of the AC.

The Audit Committee members’ term of office is until 30<sup>th</sup> 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 2025 the Audit Committee held 11 (eleven) 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)

## CORPORATE GOVERNANCE STATEMENT 2025 (continued)

### 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. Additionally, as of 09.09.2025, Ms. Ivi Vigka was released from her position as Chairperson of the Remuneration Committee, and Mr. Georgios Oikonomidis was appointed as a member and Chairperson of the Committee, via SB resolution dated 09.09.2025.

In 2025 the Remuneration Committee consisted of three members. During 2025 the Remuneration Committee held 5 (five) 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 2025 the Nomination and Corporate Governance Committee consisted of three members. During 2025 the Nomination and Corporate Governance Committee held 13 (thirteen) meetings.

### 3.3. Management Board and Management Board Committees

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

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

## CORPORATE GOVERNANCE STATEMENT 2025 (continued)

### 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 composition of the MB as of 31 December 2025 is consisted of 7 (seven) 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 2025, 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;
- Rumen Radushev – Chief Digital Transformation Officer and Member of the Management Board (appointed as of 04.02.2025);
- Iliya Karanikolov – Chief Risk Officer and Member of the Management Board (appointed as of 14.07.2025).

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.

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

## CORPORATE GOVERNANCE STATEMENT 2025 (continued)

### 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)

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.

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

## CORPORATE GOVERNANCE STATEMENT 2025 (continued)

### 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)

##### 3.3.6. Troubled Assets Committee

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

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

The main duties and responsibilities of TAC are the following:

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

##### 3.3.7. Products and Services Committee

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. Sustainability Management Committee (SMC)

The SMC is a management committee established by the CEO. Its purpose is to provide strategic direction on sustainability initiatives, review the Sustainability Strategy, net-zero target and transition plans, to regularly oversee the progress of the Sustainability Strategy goals and performance targets and the proper implementation of sustainability related policies and procedures, in accordance with supervisory requirements and voluntary commitments. The SMC is also monitoring the relevant developments in the area of sustainability risks.

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

## CORPORATE GOVERNANCE STATEMENT 2025 (continued)

### 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)

##### 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.

##### 3.3.11. Executive Committee

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

The Committee consists of senior management personnel including 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.

##### 3.3.12. 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.

##### 3.3.13. 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.

##### 3.3.14. 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.

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

**CORPORATE GOVERNANCE STATEMENT 2025 (continued)****3. Composition and operation of General Meeting of the Shareholders, the Supervisory Board, the Management Board and their Committees (continued)****3.4. Main issues the SB dealt with during 2025:**

In discharging its responsibilities for 2025 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 merger through acquisition of a Oscar Estate EAD;
- Approval of Covered Bond issuance;
- Preparation, convocation and holding of regular and irregular GMS;
- Regular update on MB and SB Committees' meetings;
- Other decisions as per Bank's Statutes';
- Approval of AC Committee's ToRs;
- Approval of the 2024 annual financial statement;

**b) Capital Adequacy:**

- review of the 2025 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 2024 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 Policies;
- review and approval of the 2024 Pillar 3 Report;
- review on the Risk and Capital Strategy and Risk Appetite Framework;
- review of Audit Committee meeting minutes and Key Audit Issues.

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

## **CORPORATE GOVERNANCE STATEMENT 2025 (continued)**

### **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 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.

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

## CORPORATE GOVERNANCE STATEMENT 2025 (continued)

### 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 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.

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

## CORPORATE GOVERNANCE STATEMENT 2025 (continued)

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

#### 6.1. Principles of Internal Controls System (continued)

- **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 strengthen the Bank's ability to create, protect, and sustain value by providing the Supervisory Board and Executive Management with independent, risk-based, and objective assurance, advice, insight, and foresight. 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.

IAD focuses on sustainable implementation of the Bank long-term value creation strategy by:

- Supporting Bank's Senior Management to achieve goals and objectives within Risk Appetite by providing risk based objective assurance and insight.
- Focusing on current and future skills needs to support Bank's strategy.
- Being a leading and innovative IAF.
- Developing and maintaining an agile and flexible internal auditing function that considers the changing environment and emerging risks.
- 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 overall performance of the IAD to the Audit Committee.

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

## CORPORATE GOVERNANCE STATEMENT 2025 (continued)

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

#### 6.2. Internal Audit (continued)

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. IAD reports at least quarterly on progress and escalates to the AC any significant developments, changes in the initial risk assessment, additional regulatory requirements or other factors that may necessitate amendments to the Annual Audit Plan.

Financial and non-financial risks, traditional (e.g. credit, market, liquidity, compliance, operational) and emerging (e.g. sustainability) 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 detecting 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. IAD may provide assurance services where it has previously performed consulting services, provided that the nature of the consulting did not impair objectivity and individual objectivity is managed when assigning resources to the engagement.

IAD adheres to the mandatory elements of The Institute of Internal Auditors' International Professional Practices Framework, which are the Global Internal Audit Standards and Topical Requirements. The Head of IAD reports continuously and declares at least annually, in the context of the QAIP, to the AC and senior management regarding IAD's conformance with the Standards, which is assessed through the Quality Assurance and Improvement Program.

The program includes external and internal assessments of IAD's conformance with the Global Internal Audit Standards, as well as performance measurement to assess the IAD's progress toward the achievement of its objectives and promotion of continuous improvement.

The program also assesses, if applicable, compliance with laws and/or regulations relevant to internal auditing. Also, if applicable, the assessment includes plans to address the IAD's deficiencies and opportunities for improvement. The results of the QAIP are communicated at least annually to the Audit Committee.

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

## CORPORATE GOVERNANCE STATEMENT 2025 (continued)

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

#### 6.2. Internal Audit (continued)

IAD documents the outcome of audits in audit deliverables that are used to provide information to the following recipients (where required):

- Members of the Audit Committee;
- Members of other Supervisory Board Committees (when applicable);
- Members of Senior Management of the Bank;
- Members of Line Management;
- Eurobank Internal Audit Group;
- External Auditors;
- The Regulatory Authorities.

The Internal Audit Division prepares Annual Activity Report, which is provided to the Management Board, the Supervisory Board and the General Assembly of Shareholders, as well as the Bulgarian Central Bank (BNB) [BNB Ordinance 10].

#### 6.3. Compliance

The mission of Compliance (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.

Compliance has been established under the approval of the Management and Supervisory Boards and the Audit Committee of the Bank. It is a permanent function and independent from 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 Chief Compliance Officer 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 Compliance (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 Chief Compliance Officer 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:

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

**CORPORATE GOVERNANCE STATEMENT 2025 (continued)****6. System of Internal Controls and Risk Management Main Features (continued)****6.3. Compliance (continued)**

- 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;
- 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;
- Define and monitor the Risk Appetite Framework for compliance risk related themes;
- Specifically for Artificial Intelligence is responsible to develop and monitor the respective framework and coordinate the activities of other second lines of defense responsible to manage AI risks
- 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.

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

## CORPORATE GOVERNANCE STATEMENT 2025 (continued)

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

#### 6.3. Compliance (continued)

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.

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, etc.
- Internal Conduct rules including Conflict of Interest regulatory provisions, internal codes of conduct, Insider Dealing, anti-bribery and anti-corruption legislation and Antitrust and Competition laws and regulations
- Consumer Conduct laws and regulations (including, inter alia, the Payment Services Directive and the Deposit Guarantee scheme).

c. Personal data protection regulations

d. Other regulations, including:

e. the high-level monitoring through risk assessments, of the alignment of the Bank's activities with legal and regulatory requirements concerning outsourcing and third party risk, corporate governance, prudential regulation (credit market, liquidity and operational risk), information & IT security, cyber security risk, artificial intelligence, and the Sustainability Framework.

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)

## CORPORATE GOVERNANCE STATEMENT 2025 (continued)

### 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 Country Risk Committee (CRC) overseeing all risk management functions.

The purpose of the CRC is to assist the SB in the following risk related issues regarding the Bank:

- To advise and support the SB regarding the monitoring of the Bank's overall actual and future risk appetite and strategy, taking into account all types of risks to ensure that they are in line with the business strategy, objectives, corporate culture and values of the institution. The Bank's actual and future risk appetite and strategy shall be in line with the Group's risk appetite and strategy;
- To provide the SB with recommendations on necessary adjustments to the risk strategy resulting from, inter alia, changes in the business model of the Bank, market developments or recommendations made by the risk management function;
- To assist the SB in overseeing the implementation of the Bank's risk strategy and the corresponding limits set;
- To oversee the implementation of the strategies for capital and liquidity management as well as for all other relevant risks of the Bank, such as credit and market risks as well as non-financial risks such as the operational risk, including reputational conduct, legal, cyber, outsourcing, climate and environmental risks, etc., in order to assess their adequacy against the approved risk appetite and strategy;
- To oversee the progress of the Bank to enhance its resolvability in accordance with the requirements of the Resolution Authorities;
- To review a number of possible scenarios, including stressed scenarios, to assess how the Bank's risk profile would react to external and internal events;
- To oversee the alignment between all material financial products and services offered to clients and the business model and risk strategy of the Bank. The CRC should assess the risks associated with the offered financial products and services and take into account the alignment between the prices assigned to and the profits gained from those products and services;
- To assess the recommendations of internal or external auditors and follow up on the appropriate implementation of measures taken;
- To ensure that the Bank has developed an appropriate risk management framework which is embedded in the decision-making process (e.g., new products and services introduction, risk adjusted pricing, risk models, risk adjusted performance measures and capital allocation) throughout the Bank;

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

## CORPORATE GOVERNANCE STATEMENT 2025 (continued)

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

#### 6.4. Risk management (continued)

- To define the Bank's risk management principles and ensure the Bank has the appropriate methodologies and data sources; and sufficient and competent staff to identify, assess, monitor and mitigate risks; and
- To set, approve and oversee the implementation of the Bank's risk culture, core values and expectations regarding credit risk.

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

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

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

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

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

## CORPORATE GOVERNANCE STATEMENT 2025 (continued)

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

#### 6.4. Risk management (continued)

Eurobank Bulgaria takes risks in connection with its business and following principles underpin risk management within the Bank to ensure that taken risk is within a predefined risk appetite.

- Every risk taken needs to be approved as provided by the risk management framework.
- The risk taken needs to be adequately compensated.
- Risk should be continuously monitored and managed.
- The Bank's Executive and Senior Management have the responsibility for implementing the risk strategy approved by the MB and for developing the policies, methodologies, and procedures for identifying, measuring, monitoring, and controlling all types of risk.
- A consistent and effective framework for risk identification, assessment, monitoring, and control is in place, forming the basis for consistent definition of strategies, policies, and procedures across the Bank.
- Controlling and monitoring are key pillars of the Bank's Risk Management framework, together with risk identification, assessment, and measurement of risk exposure by using appropriate models and techniques in both a qualitative and quantitative manner.
- Control processes involve accepting, transferring, reducing, or avoiding risk, based on the results of the assessment and measurement processes. Control techniques include insurance, hedging, establishing limits, reducing, or terminating business operations or exposures, etc.
- The Bank's risk management framework is reviewed periodically and adjusted in accordance with the Bank's overall risk appetite and profile, as well as internal and external norms and banking best practices. In addition, the Bank aims to always ensure compliance with the regulatory requirements and guidelines.
- The Management is responsible for developing and maintaining processes and systems to ensure effective and efficient operations, adequate control of risks, prudent conduct of business, accurate disclosures, and compliance with internal and external rules.
- The Bank's internal control systems are designed to provide adequate segregation of duties, to prevent conflicts of interest with respect to the distinct functions of undertaking, approving, monitoring, and controlling risks.
- Adequate risk management process-related internal controls are maintained for all types of risks, involving risk based independent reviews and evaluations of their effectiveness by the Internal Audit function.

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

**CORPORATE GOVERNANCE STATEMENT 2025 (continued)****6. System of Internal Controls and Risk Management Main Features (continued)****6.4. Risk management (continued)**

- The Bank deploys forward looking, risk sensitive measurement systems and tools, including appropriate information technology (IT) applications and management information systems (MIS). The information systems in place ensure the preparation and communication of appropriate reports on risk profile, risk mitigation and risk management initiatives to the Bank's senior management, to the MB and to the SB.
- The Bank ensures that proper identification of risks inherent in new products and activities is undertaken and that these are subject to adequate procedures and controls before being introduced or undertaken. Risk Management Units have an active participation in the development and pricing of new products, the design of new procedures, in issues related to business decision-making, as well as in the assessment of the risk that may arise from important changes, aiming to adopt the proper risk management and control mechanisms.
- Both general and specific risk principles form the basis for the development of risk policies and procedure manuals.
- 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 to the securities are separated of the possession of the securities. All of the Bank's capital shares<sup>1</sup> 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.

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

*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)

**CORPORATE GOVERNANCE STATEMENT 2025 (continued)****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)**

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.11 of 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.


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

Consolidated income statement	Notes	Year ended 31 December	
		2025	2024
Interest income calculated using the effective interest method		986,568	929,929
Other interest income		8,666	6,166
Interest expense and similar charges		(197,570)	(163,629)
<b>Net interest income</b>	6	<b>797,664</b>	<b>772,466</b>
Fee and commission income		251,272	218,704
Fee and commission expense		(68,107)	(56,746)
<b>Net fee and commission income</b>	7	<b>183,164</b>	<b>161,958</b>
Net trading income	9	254	-
Gains less (losses) from trading securities	17	1,962	482
Gains less (losses) from investment securities	19b	5,504	7,292
Other operating income, net	8	3,570	9,790
<b>Revenue</b>		<b>992,118</b>	<b>951,988</b>
Dividend income		993	683
Revaluation of property, plant and equipment	21	(388)	(4,003)
Repossessed assets impairment		(91)	(1,637)
Other operating expenses	10	(354,080)	(341,407)
Deposit Insurance Fund expense		(16,423)	(24,935)
Impairment charge for credit losses	12	(100,828)	(97,091)
<b>Profit before income tax</b>		<b>521,301</b>	<b>483,598</b>
Income tax expense	13	(77,271)	(71,346)
<b>Profit for the year</b>		<b>444,030</b>	<b>412,252</b>

The consolidated financial statements were authorized by the management on 24 March 2026.

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The following notes set out on pages 64 to 209 form an integral part of these consolidated 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)

Consolidated statement of comprehensive income	Notes	2025	2024
Profit for the year		444,030	412,252
<i>Items that are or may be reclassified subsequently to profit and loss:</i>			
Debt securities at FVOCI			
-net changes in Fair Value, net of tax		12,395	16,051
-reclassified to profit or loss, net of tax		39	598
<i>Items that will not be reclassified to profit or loss:</i>		<b>2,544</b>	<b>1,292</b>
Change in FV of property, plant and equipment, net of tax		2,686	1,047
Remeasurements of retirement benefit obligations, net of tax		(142)	245
Other comprehensive income for the year	<b>14</b>	<b>14,978</b>	<b>17,941</b>
<b>Total comprehensive income for the year</b>		<b>459,008</b>	<b>430,193</b>

The consolidated financial statements were authorized by the management on 24 March 2026.

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The following notes set out on pages 64 to 209 form an integral part of these consolidated 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)

Consolidated statement of financial position	Notes	As at 31 December	
		2025	2024
<b>Assets</b>			
Cash and balances with the Central Bank	15	3,366,920	2,380,546
Loans and advances to banks	16	1,496,318	1,180,837
Trading assets	17	4,584	74,656
<i>of which pledged</i>	17	964	5,455
Derivative financial instruments	25	39,040	33,505
Loans and advances to customers	18	16,926,239	14,739,644
Investment securities	19a	4,266,374	3,464,426
<i>of which pledged</i>	19	587,243	1,061,300
Deferred tax assets	28	-	3,558
Current income tax recoverable		40,660	-
Property, plant and equipment, including right of use assets	21	421,243	321,839
Investment property	20	455	445
Intangible assets and goodwill	22	218,228	194,278
Other assets	23	182,444	163,296
<b>Total assets</b>		<b>26,962,505</b>	<b>22,557,030</b>
<b>Liabilities</b>			
Deposits from banks	24	30,356	973,063
Derivative financial instruments	25	38,661	35,807
Due to customers	26	21,603,027	17,240,258
Other borrowed funds	27	1,856,588	1,305,591
Deferred income tax liabilities	28	4,273	-
Current income tax payable		-	25,763
Provisions for other liabilities and charges	29	17,609	26,972
Retirement benefit obligations	30	4,955	4,389
Other liabilities	31	242,599	239,359
<b>Total liabilities</b>		<b>23,798,068</b>	<b>19,851,210</b>
<b>Shareholders' equity</b>			
Share capital		560,323	560,323
Statutory reserves		282,521	282,521
Retained earnings and other reserves		2,321,593	1,862,976
<b>Total shareholders' equity</b>	32	<b>3,164,437</b>	<b>2,705,820</b>
<b>Total shareholders' equity and liabilities</b>		<b>26,962,505</b>	<b>22,557,030</b>

The consolidated financial statements were authorized by the management on 24 March 2026.

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The following notes set out on pages 64 to 209 form an integral part of these consolidated 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)

Consolidated statement of changes in shareholders' equity	Share capital	Property revaluation reserve	Fair value reserve	Statutory Reserves	Retained earnings and other reserves	Total
<b>Balance at 01 January 2024</b>	<b>560,323</b>	<b>8,771</b>	<b>(24,837)</b>	<b>282,521</b>	<b>1,448,849</b>	<b>2,275,627</b>
Profit for the year	-	-	-	-	412,252	412,252
<b>Other comprehensive income</b>						
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
<b>Total comprehensive income for 2024</b>	<b>-</b>	<b>1,047</b>	<b>16,649</b>	<b>-</b>	<b>412,497</b>	<b>430,193</b>
<b>Balance at 31 December 2024</b>	<b>560,323</b>	<b>9,818</b>	<b>(8,188)</b>	<b>282,521</b>	<b>1,861,346</b>	<b>2,705,820</b>
<b>Balance at 01 January 2025</b>	<b>560,323</b>	<b>9,818</b>	<b>(8,188)</b>	<b>282,521</b>	<b>1,861,346</b>	<b>2,705,820</b>
Profit for the year	-	-	-	-	444,030	444,030
<b>Other comprehensive income</b>						
Change in fair value reserve on financial assets at FVOCI	-	-	12,434	-	-	12,434
Revaluation of property, plant and equipment	-	2,686	-	-	-	2,686
Remeasurements of retirement benefit obligations, net of tax	-	-	-	-	(142)	(142)
<b>Total comprehensive income for 2025</b>	<b>-</b>	<b>2,686</b>	<b>12,434</b>	<b>-</b>	<b>443,888</b>	<b>459,008</b>
<b>Merger of subsidiary (Oscar Estate)</b>					<b>(391)</b>	<b>(391)</b>
<b>Balance at 31 December 2025</b>	<b>560,323</b>	<b>12,504</b>	<b>4,246</b>	<b>282,521</b>	<b>2,304,843</b>	<b>3,164,437</b>

The consolidated financial statements were authorized by the management on 24 March 2026.

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The following notes set out on pages 64 to 209 form an integral part of these consolidated financial statements  
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(All amounts are shown in BGN thousands unless otherwise stated)

**Consolidated statement of cash flows**

	<b>Year ended 31 December</b>	
	<b>2025</b>	<b>2024</b>
<b>Consolidated Cash flows from operating activities</b>		
Interest received	1,010,143	964,897
Interest paid	(165,179)	(126,701)
Dividends received	993	683
Fees and commission received	249,931	218,292
Fees and commission paid	(65,517)	(50,971)
Amounts paid to and on behalf of employees	(192,521)	(180,991)
Net trading and other income received	2,621	2,408
Other operating expenses paid	(155,899)	(184,297)
Tax paid	(137,536)	(52,989)
<b>Cash from operating activities before changes in operating assets and liabilities</b>	<b>547,036</b>	<b>590,331</b>
<b>Changes in operating assets and liabilities</b>		
Net (increase) in reserve with the Central Bank	(135,427)	(149,842)
Net increase/(decrease) in loans and advances to banks	2,959	(2,566)
Net (increase)/decrease in trading securities	70,072	(37,384)
Net (increase) in loans and advances to customers	(2,294,151)	(2,285,719)
Net (increase)/ decrease in other assets	(17,379)	(23,922)
Net (decrease)/increase in derivatives instruments	696	(1,181)
Net (decrease)/ increase in due to other banks	(942,707)	832,158
Net increase in amounts due to customers	4,333,062	1,553,438
Net increase/ (decrease) in other liabilities	15,405	37,546
<b>Net cash flows from operating activities</b>	<b>1,579,566</b>	<b>512,859</b>

(Continued on the next page)

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

**Consolidated statement of cash flows (continued)**

	<b>Year ended 31 December</b>	
	<b>2025</b>	<b>2024</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment and intangible assets (Notes 21)	(151,064)	(81,536)
Purchase of investment securities	(1,505,653)	(1,357,081)
Proceeds on disposal of property and equipment	6	170
Proceeds from sale of investment securities	678,858	969,899
<b>Net cash flow/(used in) from investing activities</b>	<b>(977,853)</b>	<b>(468,548)</b>
<b>Cash flows from/ (used in) financing activities</b>		
Long-term financing received	586,749	273,816
Long-term debt repaid	(33,251)	(5,654)
Payment of lease liability	(19,171)	(19,440)
<b>Net cash used in financing activities</b>	<b>534,327</b>	<b>248,722</b>
Effect of exchange rate changes on cash and cash equivalents	532	(308)
<b>Net change in cash and cash equivalents</b>	<b>1,136,572</b>	<b>292,725</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>2,472,610</b>	<b>2,179,885</b>
<b>Cash and cash equivalents at end of year (Note 33)</b>	<b>3,609,182</b>	<b>2,472,610</b>

The consolidated financial statements were authorized by the management on 24 March 2026

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The following notes set out on pages 64 to 209 form an integral part of these consolidated 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 consolidated 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.

The Eurobank Bulgaria Group comprises of the parent company Eurobank Bulgaria AD and one subsidiary PB Personal Finance EAD. Eurobank Bulgaria AD provides retail, corporate banking and investment banking services in Bulgaria. Its Head Office is located in Sofia and it has 189 network locations and 11 business centers (2024: 193 network locations and 11 business centers). The registered office address is: 260 Okolovrasten pat, 1766 Sofia, Bulgaria. The Bank employees are 3,678 people (2024: 3,859).

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

On 12 December 2025, the merger of Eurobank S.A. with Eurobank Ergasias Services and Holdings S.A. by absorption had been completed following the receipt of all necessary permits and approvals from the competent authorities.

Fairfax Financial Holdings Limited” (“Fairfax”), which holds 32.67% of Eurobank’s total voting rights, corresponding to 1,186,363,895 voting rights of the Eurobank’s ordinary shares (effective as of 12 December 2025). Specifically, on 19 December 2025, Eurobank announced, following the relevant notification received from Fairfax, that upon completion of the Merger the previously disclosed holdings of Fairfax and its subsidiaries in Eurobank Holdings had become holdings in Eurobank and that the percentage of voting rights in Eurobank held directly and indirectly by Fairfax as at 12 December 2025 remained unchanged, amounting to 32.67% of Eurobank’s total voting rights, with no change in the relevant percentage.

### 2. Basis of preparation and material accounting policies

#### 2.1 Basis of preparation

These consolidated financial statements comprise of Eurobank Bulgaria AD and its subsidiaries and associates (hereafter together referred as Eurobank, Postbank, the Bank or the Group).

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.

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

## Notes to the consolidated financial statements (continued)

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

#### 2.1 Basis of preparation (continued)

##### Going concern assessment

The Management board of the Bank, assessing internal and external risks related with macroeconomic conditions and geopolitical environment – including the elevated geopolitical and economic uncertainty stemming from the international and trade policy decisions of the United States government, the continued war in Ukraine and the fragile situation in the Middle East, especially due to the war between Iran and USA/Israel, for which the assessment of any impact is premature. The heightened diplomatic tensions between major world powers, and their impact on global and local economic activity and the banking system and taking into account factors related to the 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.

##### 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 2025.

#### 2.1.1 New and amended standards and interpretations

##### (a) New and amended standards adopted by the Group as of 1 January 2025

The following amendments to existing standards as issued by the IASB and endorsed by the EU, that are relevant to the Bank's activities apply as of 1 January 2025:

##### IAS 21, Amendments, Lack of Exchangeability

The amendment to IAS 21 "The Effects of Changes in Foreign Exchange Rates", specifies how an entity can determine whether a currency is exchangeable into another currency at the measurement date and when such exchangeability does not exist, how to determine the spot exchange rate to be applied. 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 in the entity's financial performance, financial position and cash flows, as well as the estimated rates and techniques applied.

The adoption of the amendment had no impact on these financial statements.

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

A number of new standards and amendments to existing standards are effective after 2025, as they have not yet been endorsed by the EU or have not been early applied by the Bank.

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

## Notes to the consolidated 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 (continued)

Those that may be relevant to the Bank are set out below:

#### **IFRS 18, Presentation and Disclosure in Financial Statements (effective 1 January 2027)**

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” with many of the existing principles of IAS 1 retained with limited changes. The new standard sets out the requirements for presentation and disclosures in the 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 main changes of the new standard relate to the presentation and structure of the income statement, by introducing specified totals and subtotals, new classification categories of income and expenses depending on the entity’s specified main business activities, while it also introduces limited changes to other primary financial statements. The new standard requires disclosure of information for Management-defined Performance Measures (MPMs) and introduce new presentation options of the analysis of operating expenses on the face of income statement while it also includes new requirements for aggregation and disaggregation of financial information on the face of financial statements and in the notes.

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 effect of IFRS 18 on the presentation of its financial statements and relevant disclosures.

#### **IFRS 9 & IFRS 7, Amendments to the Classification and Measurement of Financial Instruments (effective 1 January 2026)**

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 the SPPI assessment of financial instruments with contingent features, non-recourse features, as well as for transactions that are contractually linked instruments.

Additionally, the amendments introduce disclosure requirements regarding financial instruments with contingent features, as well as investment in equity instruments designated at FVOCI.

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

#### **Annual improvements to IFRSs - Volume 11 (effective 1 January 2026)**

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, 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 these financial statements.

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

## Notes to the consolidated financial statements (continued)

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

#### 2.2 Material accounting policy

The accounting policies set out below have been consistently applied to the years 2025 and 2024.

##### 2.2.1 Basis of consolidation

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.

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.

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

## Notes to the consolidated financial statements (continued)

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

#### 2.2 Material accounting policy (continued)

##### 2.2.1 Basis of consolidation (continued)

###### *Merger (continued)*

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 2025, monetary assets and liabilities are translated at the reference Central Bank exchange rate – BGN 1 for EUR 0.5113 (2024: BGN 1 for EUR 0.5113) and BGN 1 for USD 0.60158 (2024: BGN 1 for USD 0.53118).

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

## Notes to the consolidated 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 another 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.

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

## Notes to the consolidated 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)*

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 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.

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

## Notes to the consolidated 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)

###### *(i) Fair value hedge (continued)*

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 are 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 of 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.

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

## Notes to the consolidated 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)*

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.

##### 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.

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

## Notes to the consolidated financial statements (continued)

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

#### 2.2 Material accounting policy (continued)

##### 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 consolidated 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)

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.

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

## Notes to the consolidated financial statements (continued)

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

#### 2.2 Material accounting policy (continued)

##### 2.2.8 Intangible assets (continued)

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

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.

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

## Notes to the consolidated financial statements (continued)

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

#### 2.2 Material accounting policy (continued)

##### 2.2.8 Intangible assets (continued)

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 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 in the income statement during the financial period in which they are incurred.

Investment property is derecognized 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.

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

## Notes to the consolidated financial statements (continued)

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

#### 2.2 Material accounting policy (continued)

##### 2.2.10 Financial assets

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

###### *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.

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

## Notes to the consolidated 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 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. The hold-to-collect (HTC) business model has the objective of holding 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 cashflows 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 a 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.

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

## Notes to the consolidated 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)*

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.

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.

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

## Notes to the consolidated financial statements (continued)

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

#### 2.2 Material accounting policy (continued)

##### 2.2.10 Financial assets (continued)

###### *Cash flow characteristics assessment (continued)*

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 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.

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

## Notes to the consolidated 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

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 has the practical ability to sell the asset in its entirety to unrelated third parties.

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).

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

## Notes to the consolidated financial statements (continued)

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

#### 2.2 Material accounting policy (continued)

##### 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.

##### 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.

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

## Notes to the consolidated financial statements (continued)

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

#### 2.2 Material accounting policy (continued)

##### 2.2.12 Financial liabilities (continued)

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 2025 and 2024 the Bank classifies all its financial liabilities at amortized cost, except derivatives 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 a repayment 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 a repayment, any costs or fees incurred are recognized as part of the gain or loss on the repayment. If the exchange or modification is not accounted for as a repayment, 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.

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

## Notes to the consolidated financial statements (continued)

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

#### 2.2 Material accounting policy (continued)

##### 2.2.14 Fair value measurement of financial instruments (continued)

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.

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

## Notes to the consolidated 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

###### *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 is 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 results from default events that are possible within the next twelve months. Subsequently, for those financial instruments that have experienced a significant increase in 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.

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

## Notes to the consolidated 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)

- 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.

#### *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.

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

## Notes to the consolidated 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)

###### *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:

###### *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).

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

## Notes to the consolidated 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)

###### *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);

###### *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.

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

## Notes to the consolidated 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)

- 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)
- Date of initial recognition (i.e., segmentation by period)
- 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 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.

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

## Notes to the consolidated 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)

###### *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 consolidated 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)

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.

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

## Notes to the consolidated 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)

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.

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.

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

## Notes to the consolidated 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)

###### *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. 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.

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

## Notes to the consolidated 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 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.

###### *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.

*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 consolidated financial statements (continued)

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

#### 2.2 Material accounting policy (continued)

##### 2.2.16 Sale and repurchase agreements and securities lending (continued)

- *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.

###### *(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.

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

## Notes to the consolidated financial statements (continued)

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

#### 2.2 Material accounting policy (continued)

##### 2.2.17 Leases (continued)

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.

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

## Notes to the consolidated financial statements (continued)

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

#### 2.2 Material accounting policy (continued)

##### 2.2.18 Income taxes (continued)

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 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 shall 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.

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

## Notes to the consolidated financial statements (continued)

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

#### 2.2 Material accounting policy (continued)

##### 2.2.19 Employee benefits (continued)

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 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.

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

## Notes to the consolidated financial statements (continued)

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

#### 2.2 Material accounting policy (continued)

##### 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. 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.

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

## Notes to the consolidated financial statements (continued)

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

#### 2.2 Material accounting policy (continued)

##### 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 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

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

## Notes to the consolidated financial statements (continued)

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

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 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 2025, and 31 December 2024, the range of lifetime PD thresholds based on the above segmentation, that triggers allocation to Stage 2 for lending exposures are set out below:

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

**Notes to the consolidated financial statements (continued)****3. Use of judgements and estimates in applying accounting policies (continued)****3.1 Impairment losses on loans and advances (continued)**

Portfolio	Product Type	2025 Lifetime PD at origination interval of the instrument	2025 SICR Threshold	2024 Lifetime PD at origination interval of the instrument	2024 SICR Threshold
Mortgage	Fixed term loans	0%-3%	500%	0%-20%	140%
	Fixed term loans	3.01-5%	300%	Above 20%	10%
	Fixed term loans	5.01%-15%	80%		
	Fixed term loans	Above 15%	70%		
Consumer	Fixed term loans	0-3%	180%	0-20%	40%
	Fixed term loans	3.01-5%	160%	Above 20%	20%
	Fixed term loans	5.01-10%	140%		
	Fixed term loans	10.01-15%	80%		
	Fixed term loans	15.01-20%	40%		
	Fixed term loans	Above 20%	10%		
	Revolving loans	0-3%	300%	0-5%	100%
	Revolving loans	3.01-5%	140%	Above 5%	Any increase
Consumer PF	Revolving loans	5.01-10%	60%		
	Revolving loans	Above 10%	10%		
	Fixed term loans	0-20%	40%	0-20%	40%
	Fixed term loans	Above 20%	20%	Above 20%	20%
SBB	Revolving loans	0-5%	100%	0-5%	100%
	Revolving loans	Above 5%	Any increase	Above 5%	Any increase
	Fixed term loans	0-5%	300%	0-10%	100%
	Fixed term loans	5.01-15%	100%	Above 10%	40%
	Fixed term loans	Above 15%	40%		
	Revolving loans	0-5%	300%	0-5%	100%
Large corporates	Revolving loans	5.01%-10%	80%	5.01%-15%	70%
	Revolving loans	Above 10%	10%	Above 15%	20%
	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%
Medium corporates	Fixed term loans	Above 20%	40%	Above 20%	40%
	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	<b>Above 20%</b>	<b>40%</b>	<b>Above 20%</b>	<b>40%</b>

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

## Notes to the consolidated financial statements (continued)

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

#### 3.1 Impairment losses on loans and advances (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 31.12.2025 is 35%, 40% and 25% for Adverse, Baseline and Optimal scenario, respectively, compared to 30%, 40%, 30% in 2024.

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 dynamics and inflation is based on the key assumptions for the baseline forecasts, as follows:

- The global economic environment remains challenging amid heightened policy uncertainty and ongoing geopolitical tensions. Trade policy unpredictability, particularly related to the United States' actions, continues to weigh on global supply chains and trade flows. Although partial agreements between major economies have reduced some uncertainties, elevated tariffs and geopolitical risks remain a potential source of volatility. In the Euro Area, economic activity is expected to remain resilient, supported by domestic demand, while inflation is projected to converge towards the ECB's medium-term target. Services inflation is expected to moderate gradually, although it may remain relatively elevated in the short term.  
The Bulgarian economy is expected to maintain a steady growth trajectory, supported primarily by domestic demand. Private consumption remains a key driver, supported by rising wages, higher disposable income and social transfers, although the pace of growth is expected to moderate gradually. At the same time, a tight labour market, favorable credit conditions and continued public spending are expected to sustain economic activity.
- Gross capital formation is projected to remain robust, supported by increased government investment and the continued absorption of EU funds. Bulgaria's accession to the Euro Area is also expected to stimulate investment activity and strengthen business confidence. Exports of goods may remain constrained in the near term due to weaker external demand and supply-side challenges, while exports of services are expected to continue following a stable upward trend. Imports are likely to remain strong, driven by resilient domestic demand, which may lead to a widening net trade deficit.

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

## Notes to the consolidated financial statements (continued)

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

#### 3.1 Impairment losses on loans and advances (continued)

- Harmonized Index of Consumer Prices (HICP) inflation is expected to remain elevated in the near term before gradually easing over the medium term. Strong domestic demand, persistent wage pressures and tight labour market conditions are expected to continue exerting upward pressure on prices. Euro adoption may also contribute modestly to inflation dynamics in the short term. Monetary policy in the Euro Area is expected to remain broadly stable, with the ECB maintaining policy rates close to current levels. Consequently, corporate borrowing rates are expected to stabilise, while household interest rates, particularly mortgage rates, are expected to remain broadly unchanged, supported by strong liquidity in the domestic banking sector.

The following risks have been taken into consideration:

#### i. Downside risks:

Escalating geopolitical tensions or renewed trade disputes could trigger additional global shocks and prolong economic uncertainty. A re-escalation of international trade tensions would weigh on global demand, disrupt supply chains and weaken external demand for domestic exporters. Additionally, potential economic slowdown or recession in the EU could significantly affect Bulgaria's growth outlook, leading to lower exports, weaker household income growth and higher unemployment. Uncertainty related to international sanctions and disruptions in energy markets could also increase inflationary pressures and affect domestic economic stability. Lower absorption of EU funds may further constrain investment activity and economic growth.

#### ii. Upside risk:

Easing geopolitical tensions and improved global trade conditions would support supply-chain normalization and strengthen economic activity. Stronger consumer confidence and improved business sentiment would stimulate domestic demand and investment activity. Higher fiscal spending, increased social transfers and wage growth could further support household incomes and consumption. Bulgaria's accession to the Euro Area is also expected to strengthen investment activity, improve financial integration and support economic growth through increased trade, tourism and capital inflows.

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 2025, the arithmetic averages of the scenarios' probability-weighted annual forecasts from 2026 to 2030, are set in the following table:

	Unit	Arithmetic Average (2026 - 2030) Probability weighted annual forecast
Gross Domestic Product	YOY % 2010 prices	2.56%
Domestic Demand	YOY % 2010 prices	2.43%
Unemployment Rate	%	4.28%
Retail Sales	YOY %	2.95%
Average Monthly Wage	YOY %	4.51%
Total Disposable Income Per Person	YOY %	4.62%
House Price Index	YOY % 2015=100	3.8%
Interest Rate Spread (companies)	%	4.05%
Imports (goods and services)	YOY %	3.09%

*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 consolidated financial statements (continued)

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

#### 3.1 Impairment losses on loans and advances (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. During 2025, Bulgaria's accession to the euro area effective 1 January 2026 was formally confirmed at EU level, including the final convergence assessment and the irrevocable fixing of the conversion rate. Inflation dynamics were closely monitored, while inflation remained positive, the observed consumer price developments through year-end 2025 did not indicate a material acceleration or shock-type behaviour beyond what was already incorporated in the Bank's IFRS 9 macroeconomic scenarios. Headline CPI inflation as of year end stood at levels broadly consistent with mid-year expectations, while monthly CPI and HICP changes towards year-end were marginal. There is no evidence of a sharp unanticipated and non-modelled inflationary spike, in addition, the newly adopted Law for the Euro implementation explicitly incorporates a consumer-protection principle, ensuring that the price conversion from BGN to EUR may not lead to unjustified price increases, thereby aiming to prevent inflationary effects during the transition.

The removed residual uncertainty regarding both the timing and mechanics of euro adoption, allowed for a clearer assessment of associated macroeconomic risks as of the reporting date.

*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 consolidated financial statements (continued)

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

#### 3.1 Impairment losses on loans and advances (continued)

Taking into account the expected positive effect from the euro adoption on the business portfolio, stemming from historically observed reduction of non-performing exposures and stronger corporate balance sheets in the year following euro adoption, driven by lower financing costs and enhanced market confidence, the Bank considers the downside risk to the Corporate and SBB exposures to be well captured.

Additionally, the inflationary observations, consumer protection rights developments, along with the stable CL portfolio performance or payment behavior aligned with model assumptions do not warrant the continuation of an additional, non-modelled management adjustment.

Maintaining management overlay at 31 December 2025 would therefore result in an element of conservatism that is no longer aligned with an unbiased and probability-weighted best estimate of expected credit losses and therefore management overlay was fully released (BGN 27,726 thousand as of 31.12.2024). The Bank closely monitors the development of the economy and the portfolio of the Bank and, in case a shift in either positive or negative direction is observed, the required level of additional buffers should be revisited accordingly.

#### *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 25% for the optimistic macro forecast, 40% for the baseline macro forecast and 35% 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	2026	2027	2028	2029	2030
Gross Domestic Product	YOY % 2010 prices	Optimal	5.87%	4.64%	4.27%	3.98%	3.98%
		Baseline	2.82%	2.76%	2.66%	2.53%	2.44%
		Weighted	2.61%	2.64%	2.58%	2.49%	2.50%
		Adverse	-0.03%	0.93%	1.13%	1.20%	1.30%
Domestic Demand	YOY % 2010 prices	Optimal	6.05%	4.91%	3.77%	3.58%	3.61%
		Baseline	2.61%	3.12%	2.26%	2.25%	2.26%
		Weighted	2.48%	3.03%	2.20%	2.17%	2.26%
		Adverse	-0.30%	1.44%	0.84%	0.90%	1.10%

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

**Notes to the consolidated 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)*

Indicator	Unit	Scenario	2026	2027	2028	2029	2030
Unemployment Rate	%	Optimal	2.77%	3.05%	3.41%	3.88%	4.33%
		Baseline	3.71%	3.83%	4.11%	4.46%	4.82%
		Weighted	3.87%	3.96%	4.18%	4.52%	4.86%
		Adverse	4.83%	4.76%	4.79%	5.04%	5.30%
Retail Sales	YOY %	Optimal	6.72%	4.49%	4.13%	4.01%	3.83%
		Baseline	3.89%	3.03%	2.82%	2.71%	2.64%
		Weighted	3.76%	2.94%	2.77%	2.67%	2.64%
		Adverse	1.43%	1.62%	1.62%	1.56%	1.64%
Average Monthly Wage	YOY %	Optimal	10.39%	6.85%	5.15%	4.58%	4.47%
		Baseline	7.18%	5.32%	3.81%	3.38%	3.27%
		Weighted	6.98%	5.20%	3.73%	3.32%	3.30%
		Adverse	4.24%	3.79%	2.51%	2.21%	2.36%
Total Disposable Income Per Person	YOY %	Optimal	10.29%	9.03%	7.68%	7.76%	6.96%
		Baseline	4.70%	5.34%	3.93%	4.22%	4.08%
		Weighted	4.50%	5.38%	4.27%	4.59%	4.36%
		Adverse	-0.06%	2.44%	1.70%	2.12%	2.19%
House Price Index	YOY % 2015=100	Optimal	9.76%	9.29%	8.11%	7.58%	7.31%
		Baseline	3.01%	4.44%	3.21%	3.05%	2.99%
		Weighted	3.15%	4.75%	3.74%	3.66%	3.68%
		Adverse	-1.62%	1.37%	0.49%	0.66%	0.87%
Interest Rate Spread (companies)	%	Optimal	2.47%	3.11%	3.75%	4.29%	4.38%
		Baseline	3.02%	3.59%	4.14%	4.61%	4.64%
		Weighted	3.09%	3.64%	4.18%	4.65%	4.67%
		Adverse	3.62%	4.07%	4.53%	4.96%	4.92%
Imports (goods and services)	YOY %	Optimal	8.51%	7.67%	5.82%	5.83%	5.53%
		Baseline	3.55%	4.20%	2.28%	2.38%	2.54%
		Weighted	3.17%	4.17%	2.53%	2.75%	2.82%
		Adverse	-1.27%	1.25%	-0.01%	0.39%	0.57%

Lending Portfolio	Scenario	Collective ECL change	% of allowance change
Retail	100% Optimistic	(7.94)	-6.34%
	No FLI	-	-
	100% Base	0,6	-0.49%
	100% Adverse	6.34	5.06%
Corporate	100% Optimistic	(6.45)	-13.20%
	No FLI	-	-
	100% Base	(0.16)	-0.33%
	100% Adverse	4.96	10.16%

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 consolidated 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)*

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 Country Risk Committee (CRC).

#### 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. 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.

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

## Notes to the consolidated financial statements (continued)

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

#### 3.2. Fair value of financial instruments (continued)

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.

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

## Notes to the consolidated financial statements (continued)

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

#### 3.3 Classification of financial instruments (continued)

##### *Contractual cash flow characteristics test (SPPI test) (continued)*

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. 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.

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

## Notes to the consolidated 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

##### *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 valuers.

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. 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 valuers 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.

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

## Notes to the consolidated financial statements (continued)

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

#### 3.7 Fair value of loans and advances of customers acquired (continued)

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.

#### 3.9. Operating Segment

An operating segment is a component of the Bank that engages in business activities from which it may earn revenue and incur expenses within a particular economic environment. Operating segments are identified on the basis of internal reports of components of the Bank in order to allocate resources to the segment and to assess its performance.

Segment revenue, segment expenses and segment performance include transfers between business segments. Such transfers are accounted for at market prices in line with charges to unaffiliated customers for similar services.

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

## Notes to the consolidated 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) 1623/2024 amending 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 operational risk is calculated based on Business Indicator Component. According to supervisory statements of the Bank for the purposes of the Bulgarian National Bank in accordance with Regulation (EU) 1623/2024 of the European Parliament and the Council, as of 31 December 2025, the Bank was in compliance with capital adequacy requirements, maintaining CET 1 ratio comfortably above the regulatory required level. As disclosed in the regulatory reports to the Central Bank, the capital adequacy ratio of the Bank is 22.1% and the CET 1 ratio is 20.4%.

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) 1623/2024 amending 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) 2024/3117. 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 IV 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%.

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

## Notes to the consolidated financial statements (continued)

### 4. Capital management (continued)

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.

### 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.

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

**Notes to the consolidated financial statements (continued)****5. Financial risk management and fair value (continued)****5.2. Financial risk factors (continued)**

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 periodically based on facts and circumstances following any changes in the relevant financial reporting standards, legal or regulatory framework and market practices.

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.

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

## Notes to the consolidated financial statements (continued)

### 5. Financial risk management and fair value (continued)

#### 5.2. Financial risk factors (continued)

##### *Risk Committee (continued)*

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 forbore 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;
- ✓ 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.
- ✓ 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.

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

## Notes to the consolidated financial statements (continued)

### 5. Financial risk management and fair value (continued)

#### 5.2 Financial risk factors (continued)

##### **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, 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.

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

## Notes to the consolidated financial statements (continued)

### 5. Financial risk management and fair value (continued)

#### 5.2 Financial risk factors (continued)

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. 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 assets 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 2026-2028, which envisages projected NPEs stock to reach EUR 223 million by the end of 2026, and EUR 238.5 million (NPE ratio close to 2.1%) by the end of 2028.

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

## Notes to the consolidated financial statements (continued)

### 5. Financial risk management and fair value (continued)

#### 5.2 Financial risk factors (continued)

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.

##### 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.

Considering 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 client's 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 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.

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

## Notes to the consolidated 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

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.

###### *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.

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

## Notes to the consolidated financial statements (continued)

### 5. Financial risk management and fair value (continued)

#### 5.2 Financial risk factors (continued)

##### 5.2.1 Credit Risk (continued)

- 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.

#### (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;

*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 consolidated financial statements (continued)

### 5. Financial risk management and fair value (continued)

#### 5.2 Financial risk factors (continued)

##### 5.2.1 Credit risk (continued)

- 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:

- 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;

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

## Notes to the consolidated financial statements (continued)

### 5. Financial risk management and fair value (continued)

#### 5.2 Financial risk factors (continued)

##### 5.2.1 Credit risk (continued)

- 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 consolidated 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.

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

## Notes to the consolidated 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)

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. 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.

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

## Notes to the consolidated financial statements (continued)

### 5. Financial risk management and fair value (continued)

#### 5.2 Financial risk factors (continued)

##### 5.2.1 Credit risk (continued)

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).

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.

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

## Notes to the consolidated 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

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.

###### 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.

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

## Notes to the consolidated financial statements (continued)

### 5. Financial risk management and fair value (continued)

#### 5.2 Financial risk factors (continued)

##### 5.2.1 Credit risk (continued)

###### *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 (GMRA) 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 consolidated 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**

	<b>As at 31 December</b>	
	<b>2025</b>	<b>2024</b>
Loans and advances to banks	1,496,334	1,180,884
Less: Impairment allowance	(16)	(47)
Loans and advances to customers:		
- Mortgages	5,833,330	4,592,947
- Consumer lending (including credit cards)	4,237,264	3,771,631
- Small Business lending	1,184,998	1,136,837
- Corporate lending	6,056,595	5,622,869
Less: Impairment allowance	(385,948)	(384,640)
Trading assets - debt securities	3,020	73,026
Derivative financial instruments	39,040	33,505
Debt securities at fair value through other comprehensive income	743,579	1,125,148
Debt securities at amortised cost	3,489,518	2,308,695
Less: Impairment allowance	(4,324)	(3,975)
Other financial assets (*)	133,873	117,618
Less: Impairment allowance	(6,161)	(6,011)
Guarantees and Letters of credit	389,991	370,570
Loan commitments	3,287,644	2,968,215
Less: Impairment allowance	(850)	(954)
<b>Total</b>	<b>26,497,887</b>	<b>22,906,318</b>

(\*) 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 2025 and 31 December 2024, 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.

**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.

*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 consolidated 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

###### (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 2025, the Bank’s default exposures amounted to BGN 406,684 thousand (2024: BGN 374,915 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 2025, the Bank’s gross amount of non-performing exposures amounted to BGN 406,684 thousand (2024: BGN 374,915 thousand). POCI loans included in non-performing exposures are BGN 4,616 thousand (2024: BGN 20,583 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 2025, the Bank’s gross amount of performing exposures amounted to BGN 16,905,503 thousand (2024: BGN 14,749,369 thousand).

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

**Notes to the consolidated 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)**

‘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 385,948 thousand (2024: BGN 384,640 thousand), of which BGN 89,647 thousand (2024: BGN 98,080 thousand) represents the individually impaired loans provision and the remaining amount of BGN 296,301 thousand (2024: BGN 286,560 thousand) represents the portfolio provision.

During 2025, the Bank’s total net loans and advances increased by 14.9%. 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 2025 and 31 December 2024. The values of collaterals presented are up to the net carrying amount of the exposures:

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

**Notes to the consolidated 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)**

As at 31 December 2025

	Non-impaired		Credit-impaired				Non-impaired		Credit-impaired				Carrying amount	Value of collateral
			Lifetime ECL		POCI		Total gross carrying amount/nominal exposure	Lifetime ECL		POCI				
			credit-impaired					credit-impaired						
	12-month ECL	Lifetime ECL not credit-impaired	Individually assessed	Collectively assessed	Individually assessed	Collectively assessed		12-month ECL	Lifetime ECL not credit-impaired	Individually assessed	Collectively assessed			
<b>Retail Lending</b>	10,030,272	970,993	47,044	200,291	2,277	4,715	11,255,592 (31,789)	(87,192)	(32,121)	(115,281)	(1,100)	(908)	10,987,201	6,625,527
- Mortgage	5,583,826	188,998	24,001	30,669	2,277	3,559	5,833,330 (990)	(4,924)	(16,803)	(8,259)	(1,100)	(175)	5,801,079	-
Value of collateral	5,580,775	184,051	6,634	22,278	1,173	3,352								5,798,263
- Consumer lending	3,398,668	677,863	-	159,621	-	1,112	4,237,264 (29,120)	(76,734)	-	(100,917)	-	(719)	4,029,774	-
Value of collateral	11,233	2,104		65										13,402
- Small business	1,047,778	104,132	23,043	10,001	-	44	1,184,998 (1,679)	(5,534)	(15,318)	(6,105)	-	(14)	1,156,348	-
Value of collateral	736,699	67,759	7,036	2,337		31								813,862
<b>Corporate lending</b>	5,369,964	530,313	115,436	40,708	-	174	6,056,595 (22,478)	(7,184)	(56,426)	(31,337)	-	(132)	5,939,038	
Value of collateral	3,281,805	420,484	48,144	6,665		43		-	-	-	-	-		3,757,141
<b>Total</b>	<b>15,400,236</b>	<b>1,501,306</b>	<b>162,480</b>	<b>240,999</b>	<b>2,277</b>	<b>4,889</b>	<b>17,312,187 (54,267)</b>	<b>(94,376)</b>	<b>(88,547)</b>	<b>(146,618)</b>	<b>(1,100)</b>	<b>(1,040)</b>	<b>16,926,239</b>	
<b>Total Value of collateral</b>	9,610,512	674,398	61,814	31,345	1,173	3,426								10,382,668
<b>Credit related commitments</b>	3,533,480	125,817	3,393	12,419	-	2,526	3,677,635 (775)	(62)	(3)	(10)	-	-	3,676,785	
Loan commitments	3,157,043	113,680	2,123	12,272	-	2,526	3,287,644 -	-	-	-	-	-	3,287,644	
Financial guarantee contracts and other commitments	376,437	12,137	1,270	147			389,991 (775)	(62)	(3)	(10)			389,141	
Value of collateral	486,280	66,753	4,732	420				-	-	-	-	-		558,185

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

**Notes to the consolidated 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)**

	As at 31 December 2024														
	Non-impaired						Credit-impaired						Total gross carrying amount/nominal exposure	Carrying amount	Value of collateral
	Non-impaired		Credit-impaired				Non-impaired		Credit-impaired						
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired		POCI		12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired		POCI				
		Individually assessed	Collectively assessed	Individually assessed	Collectively assessed			Individually assessed	Collectively assessed	Individually assessed	Collectively assessed				
<b>Retail Lending</b>	<b>8,584,121</b>	<b>679,970</b>	<b>47,067</b>	<b>181,684</b>	<b>2,491</b>	<b>6,082</b>	<b>9,501,415</b>	<b>(56,725)</b>	<b>(75,355)</b>	<b>(35,383)</b>	<b>(122,013)</b>	<b>(1,459)</b>	<b>(1,587)</b>	<b>9,208,893</b>	<b>5,322,878</b>
- 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
<b>Corporate lending</b>	<b>4,812,358</b>	<b>670,484</b>	<b>115,754</b>	<b>9,827</b>	<b>14,372</b>	<b>74</b>	<b>5,622,869</b>	<b>(15,596)</b>	<b>(9,756)</b>	<b>(58,111)</b>	<b>(5,497)</b>	<b>(3,127)</b>	<b>-31</b>	<b>5,530,751</b>	
Value of collateral	2,846,799	497,690	34,697	424	11,245	43	-	-	-	-	-	-	-	-	3,390,898
<b>Total</b>	<b>13,396,479</b>	<b>1,350,454</b>	<b>162,821</b>	<b>191,511</b>	<b>16,863</b>	<b>6,156</b>	<b>15,124,284</b>	<b>(72,321)</b>	<b>(85,111)</b>	<b>(93,494)</b>	<b>(127,510)</b>	<b>(4,586)</b>	<b>(1,618)</b>	<b>14,739,644</b>	
<b>Total Value of collateral</b>	<b>7,998,307</b>	<b>629,492</b>	<b>44,888</b>	<b>25,124</b>	<b>12,253</b>	<b>3,712</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,713,776</b>
<b>Credit related commitments</b>	<b>3,220,718</b>	<b>104,812</b>	<b>609</b>	<b>10,983</b>	<b>-</b>	<b>1,663</b>	<b>3,338,785</b>	<b>-914</b>	<b>-34</b>	<b>-</b>	<b>-6</b>	<b>-</b>	<b>-</b>	<b>3,337,831</b>	
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

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 consolidated 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 2025					
		Non-impaired		Credit-impaired			
	Internal credit rating	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	POCI	Total gross carrying amount	
<b>Retail Lending</b>							
- Mortgage	PD<2.5%	5,567,676	297	-	258	5,568,231	
	2.5%<=PD<4%	-	736	-	182	918	
	4%<=PD<10%	11,893	17,306	-	224	29,423	
	10%<=PD<16%	2,250	30,360	-	253	32,863	
	16%<=PD<99.99%	2,007	140,299	-	1,220	143,526	
	100%	-	-	54,670	3,699	58,369	
- Consumer	PD<2.5%	2,294,795	2,615	-	165	2,297,575	
	2.5%<=PD<4%	658,130	2,137	-	46	660,313	
	4%<=PD<10%	430,525	15,829	-	39	446,393	
	10%<=PD<16%	8,381	33,183	-	56	41,620	
	16%<=PD<99.99%	6,839	624,098	-	65	631,002	
	100%	-	-	159,621	740	160,361	
- Small business	PD<2.5%	963,279	4,068	-	-	967,347	
	2.5%<=PD<4%	53,421	4,071	-	-	57,492	
	4%<=PD<10%	29,528	10,183	-	-	39,711	
	10%<=PD<16%	708	11,248	-	-	11,956	
	16%<=PD<99.99%	842	74,562	-	-	75,404	
	100%	-	-	33,044	44	33,088	
<b>Wholesale lending</b>							
- Large Corporate	PD<2.5%	1,758,397	10,551	-	43	1,768,991	
	2.5%<=PD<4%	752,037	,0	-	-	752,037	
	4%<=PD<10%	1,256,171	110,013	-	-	1,366,184	
	10%<=PD<16%	-	130,033	-	-	130,033	
	16%<=PD<99.99%	7	40,121	-	-	40,128	
	100%	-	-	112,982	31	113,013	
-SME's	PD<2.5%	1,280,792	6,822	-	-	1,287,614	
	2.5%<=PD<4%	269,292	21,153	-	-	290,445	
	4%<=PD<10%	48,474	52,345	-	-	100,819	
	10%<=PD<16%	-	53,139	-	-	53,139	
	16%<=PD<99.99%	4,795	106,136	-	-	110,931	
	100%	-	-	43,160	101	43,261	
<b>Total</b>		<b>15,400,239</b>	<b>1,501,305</b>	<b>403,477</b>	<b>7,166</b>	<b>17,312,187</b>	
<b>Corporate Lending</b>							
	Strong	1,841,808	184,150			2,025,958	
	Satisfactory	2,388,900	142,455			2,531,355	
	Watch list	1,139,257	203,708		43	1,343,008	
	Impaired			156,142	132	156,274	
<b>Total</b>		<b>5,369,965</b>	<b>530,313</b>	<b>156,142</b>	<b>175</b>	<b>6,056,595</b>	

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

**Notes to the consolidated 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 2024				
		Non-impaired		Credit-impaired		Total gross carrying amount
Internal credit rating		12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	POCI	
<b>Retail Lending</b>						
- 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
<b>Wholesale lending</b>						
- 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
<b>Total</b>		<b>13,396,479</b>	<b>1,350,454</b>	<b>354,332</b>	<b>23,019</b>	<b>15,124,284</b>
<b>Corporate Lending</b>						
	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
<b>Total</b>		<b>4,812,358</b>	<b>670,484</b>	<b>125,581</b>	<b>14,446</b>	<b>5,622,869</b>

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

**Notes to the consolidated 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 2025				Total nominal amount
	Internal credit rating	Non impaired		Credit-impaired	
		12-month ECL	Lifetime ECL	Lifetime ECL	
	not credit-impaired		credit-impaired		
<b><u>Credit Related Commitments</u></b>					
<b><i>Retail Lending</i></b>					
Loan Commitments					
	PD<2.5%	838,549	4,022	400	842,971
	2.5%<=PD<4%	3,176	3,426	126	6,728
	4%<=PD<10%	484,622	14,493	91	499,206
	10%<=PD<16%	5	29,541	90	29,636
	16%<=PD<99.99%	7	10,754	23	10,784
	100%			7,970	7,970
Financial Guarantee contracts and Other Commitments					
	PD<2.5%	-	-	-	-
	2.5%<=PD<4%	-	-	-	-
	4%<=PD<10%	19,306	60	-	19,366
	10%<=PD<16%	-	-	-	-
	16%<=PD<99.99%	-	-	-	-
	100%	-	-	27	27
<b><i>Wholesale Lending</i></b>					
Loan Commitments					
	Strong	871,391	35,446	-	906,837
	Satisfactory	746,396	11,460	-	757,856
	Watch list	212,895	4,537	1	217,433
	Impaired	-	-	8,223	8,223
Financial Guarantee contracts and Other Commitments					
	Strong	107,622	305	-	107,927
	Satisfactory	190,544	7,106	-	197,650
	Watch list	58,965	4 666	-	63,631
	Impaired	-	-	1,390	1,390
<b>Total</b>		<b>3,533,478</b>	<b>125,816</b>	<b>18,341</b>	<b>3,677,635</b>

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

**Notes to the consolidated 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)**

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.

<b>Quality classification</b>	<b>Stage</b>	<b>Rating (MRA/ ICR/ NCR)</b>	<b>12-month PD ranges</b>
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 01.01.2025 to 31.12.2025 and from 01.01.2024 to 31.12.2024:

31 DECEMBER 2025

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

**Notes to the consolidated financial statements (continued)****5. Financial risk management and fair value (continued)****5.2 Financial risk factors (continued)****5.2.1 Credit risk (continued)**

	31 December 2025																Total
	Wholesale				Mortgage				Consumer				Small Business				
	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	
<b>Gross carrying amount at 1 January</b>	4,812,359	670,484	125,581	14,446	4,410,191	117,174	59,193	6,390	3,104,448	527,057	137,997	2,129	1,069,483	35,739	31,560	54	15,124,284
New loans and advances originated or purchased	1,207,451				1,661,922				1,278,086				310,337				4,457,796
Transfer between stages:																	
-to 12-month ECL	232,192	(229,949)	(2,243)		42,968	(42,129)	(840)		155,288	(154,424)	(864)		5,852	(5,472)	(379)		-
-to lifetime ECL	(255,246)	255,247	(1)		(131,219)	132,709	(1,490)		(477,591)	483,663	(6,072)		(87,682)	87,798	(116)		-
-to lifetime ECL credit-impaired loans	(47,465)	(33,223)	80,688		(2,761)	(6,771)	9,532		(66,791)	(89,616)	156,407		(4,554)	(5,389)	9,943		-
Loans and advances derecognised			(6,873)	(4,423)							(56,037)	(254)					(67,587)
Amounts written-off			(3,880)				(2,327)	(8)			(66,444)	(62)			(326)		(73,047)
Repayments	(584,380)	(129,631)	(38,355)	(9,849)	(395,681)	(13,394)	(9,744)	(568)	(596,524)	(87,907)	(4,903)	(244)	(242,662)	(11,159)	(7,899)	(10)	(2,132,910)
Foreign exchange differences and other movements	5,053	(2,615)	1,227	-	(1,594)	1,409	346	23	1,752	(910)	(463)	(457)	(2,996)	2,615	261	-	3,651
<b>Gross carrying amount at 31 December</b>	5,369,964	530,313	156,144	174	5,583,826	188,998	54,670	5,836	3,398,668	677,863	159,621	1,112	1,047,778	104,132	33,044	44	17,312,187
Impairment allowance	(22,478)	(7,184)	(87,763)	(132)	(990)	(4,924)	(25,062)	(1,275)	(29,120)	(76,734)	(100,917)	(719)	(1,679)	(5,534)	(21,423)	(14)	(385,948)
<b>Carrying amount at 31 December</b>	<b>5,347,486</b>	<b>523,129</b>	<b>68,381</b>	<b>42</b>	<b>5,582,836</b>	<b>184,074</b>	<b>29,608</b>	<b>4,561</b>	<b>3,369,548</b>	<b>601,129</b>	<b>58,704</b>	<b>393</b>	<b>1,046,099</b>	<b>98,598</b>	<b>11,621</b>	<b>30</b>	<b>16,926,239</b>

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 consolidated 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 2024																Total
	Wholesale				Mortgage				Consumer				Small Business				
	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	
<b>Gross carrying amount at 1 January</b>	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
<i>Transfer between stages:</i>																	
<i>-to 12-month ECL</i>	119,120	(119,019)	(101)	-	37,089	(35,943)	(1,146)	-	92,550	(91,920)	(630)	-	74,652	(74,415)	(237)	-	-
<i>-to lifetime ECL</i>	(354,838)	355,593	(755)	-	(62,156)	66,865	(4,709)	-	(375,813)	379,291	(3,478)	-	(20,675)	20,971	(296)	-	-
<i>-to lifetime ECL credit-impaired loans</i>	(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)
<b>Gross carrying amount at 31 December</b>	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)
<b>Carrying amount at 31 December</b>	<b>4,796,762</b>	<b>660,728</b>	<b>61,973</b>	<b>11,288</b>	<b>4,407,438</b>	<b>111,016</b>	<b>27,126</b>	<b>4,685</b>	<b>3,056,215</b>	<b>460,415</b>	<b>33,580</b>	<b>803</b>	<b>1,063,743</b>	<b>33,184</b>	<b>10,649</b>	<b>39</b>	<b>14,739,644</b>

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 consolidated 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)

*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 2025**

	<b>Retail lending</b>								<b>(Lifetime ECL credit- impaired)</b>
	<b>Mortgage</b>	<b>POCI</b>	<b>Consumer</b>	<b>POCI</b>	<b>Small business</b>	<b>POCI</b>	<b>Corporate lending</b>	<b>POCI</b>	
up to 90 days	25,323	3,994	55,492	1,033	9,724	31	86,126	42	181,765
90 to 179 days	2,695	452	43,878	49	3,487	-	7,220	-	57,781
180 to 360 days	2,328	6	42,550	14	6,498	-	17,010	-	68,406
more than 360 days	24,324	1,384	17,701	16	13,335	13	45,788	132	102,693
<b>Gross carrying amount</b>	<b>54,670</b>	<b>5,836</b>	<b>159,621</b>	<b>1,112</b>	<b>33,044</b>	<b>44</b>	<b>156,144</b>	<b>174</b>	<b>410,645</b>
Impairment Allowance	(25,062)	(1,275)	(100,917)	(719)	(21,423)	(14)	(87,763)	(132)	(237,305)
<b>Carrying amount</b>	<b>29,608</b>	<b>4,561</b>	<b>58,704</b>	<b>393</b>	<b>11,621</b>	<b>30</b>	<b>68,381</b>	<b>42</b>	<b>173,340</b>
<b>Value of collateral</b>	<b>28,912</b>	<b>4,525</b>	<b>65</b>	<b>-</b>	<b>9,373</b>	<b>31</b>	<b>54,809</b>	<b>43</b>	<b>97,758</b>

**31 December 2024**

	<b>Retail lending</b>								<b>(Lifetime ECL credit- impaired)</b>
	<b>Mortgage</b>	<b>POCI</b>	<b>Consumer</b>	<b>POCI</b>	<b>Small business</b>	<b>POCI</b>	<b>Corporate lending</b>	<b>POCI</b>	
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
<b>Gross carrying amount</b>	<b>59,194</b>	<b>6,390</b>	<b>137,997</b>	<b>2,129</b>	<b>31,560</b>	<b>54</b>	<b>125,581</b>	<b>14,446</b>	<b>377,351</b>
Impairment Allowance	(32,068)	(1,705)	(104,417)	(1,326)	(20,911)	(15)	(63,608)	(3,158)	(227,208)
<b>Carrying amount</b>	<b>27,126</b>	<b>4,685</b>	<b>33,580</b>	<b>803</b>	<b>10,649</b>	<b>39</b>	<b>61,973</b>	<b>11,288</b>	<b>150,143</b>
<b>Value of collateral</b>	<b>26,189</b>	<b>4,637</b>	<b>52</b>	<b>-</b>	<b>8,650</b>	<b>40</b>	<b>35,121</b>	<b>11,288</b>	<b>85,977</b>

*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 consolidated 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)**

Collaterals type held as security and other credit enhancements are presented in the table below:

<b>Mortgages</b>	<b>2025</b>	<b>2024</b>
Less than 50%	2,374,364	2,049,794
50%-70%	1,857,503	1,445,939
71%-80%	745,572	480,977
81%-90%	658,456	459,372
91%-100%	21,149	17,622
101%-120%	156,178	119,427
121%-150%	4,655	6,207
Greater than 150%	15,453	13,609
<b>Total exposure</b>	<b>5,833,330</b>	<b>4,592,947</b>
Average LTV	<b>44.71%</b>	<b>43.02%</b>

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

**Notes to the consolidated 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)**

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
	31.12.2025	31.12.2024	
Trading derivative assets	100	100	Cash
Derivative financial instruments	100	100	Cash
<b>Loans and advances to retail customers</b>	100	100	Properties (residential, commercial, administrative), cash collaterals, guarantees, equipment
Small Banking Business - Secured loans			
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
<b>Loans and advances to wholesale customers</b>			
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 consolidated 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)**

The breakdown of collateral and guarantees is presented below:

	As at 31 December 2025				
	Value of collateral received				Guarantee received
	Real Estate	Financial	Other Collateral	Total	
Retail Lending	6,252,089	17,652	355,785	6,625,526	185,397
Wholesale Lending	1,810,791	16,946	1,884,975	3,712,712	372,788
Public sector	-	-	44,428	44,428	-
<b>Total</b>	<b>8,062,880</b>	<b>34,598</b>	<b>2,285,188</b>	<b>10,382,666</b>	<b>558,185</b>

	As at 31 December 2024				
	Value of collateral received				Guarantee received
	Real Estate	Financial	Other Collateral	Total	
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
<b>Total</b>	<b>6,561,218</b>	<b>39,281</b>	<b>2,113,277</b>	<b>8,713,776</b>	<b>582,549</b>

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 2025 and 2024:

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

**Notes to the consolidated 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>Nature of assets</b>	<b>2025</b>	<b>2024</b>
Commercial property and other moveable assets	5,377	9,882
Residential property	1,367	1,402
Land	880	2,190
<b>Total</b>	<b>7,624</b>	<b>13,474</b>

<b>Reconciliation of Level 3 movement:</b>	<b>2025</b>	<b>2024</b>
<b>Balance at 1 January</b>	<b>13,474</b>	<b>14,323</b>
Additional	48	1,040
Sales	(5,845)	(1,842)
Impairment	(53)	(47)
Transfers	-	-
<b>Balance at 31 December</b>	<b>7,624</b>	<b>13,474</b>

**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.

Class property	Fair value 31/12/2025 (BGN th)	Valuation technique	Input	Range (BGN) (weighted average) 2025	Range (BGN) (weighted average) 2024	Connection between the unobservable input and FV
Land	880	Market comparison approach	price per m2	2.58 - 701.01 (72.23)	1.47 - 1189.69 (29.41)	A significant increase in price per m2 would result in a higher fair value
Residential	1,367	Market comparison approach	price per m2	30.00 - 2134.01 (103.65)	30.08 - 2036.04 (157.58)	A significant increase in price per m2 would result in a higher fair value
Commercial	5,377	Market comparison approach	price per m2	19.32 - 1622.01 (497.70)	19.62 - 1432.18 (321.64)	A significant increase in price per m2 would result in a higher fair value
		Income approach	rent per m2	3.21 - 13.42 (4.43)	3.17 - 13.93 (4.53)	A significant increase in price per m2 would result in a higher fair value
		Cost approach	price per m2	4.40 - 437.50 (75.03)	5.49 - 437.50 (144.97)	A significant increase in price per m2 would result in a higher fair value

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

**Notes to the consolidated 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-Dec-25																			
	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	Impairment allowance	12-month ECL-Stage 1	Lifetime ECL-Stage 2	Lifetime ECL credit-impaired-Stage 3	POCI	Impairment allowance	12-month ECL-Stage 1	Lifetime ECL-Stage 2	Lifetime ECL credit-impaired-Stage 3	POCI	Impairment allowance	12-month ECL-Stage 1	Lifetime ECL-Stage 2	Lifetime ECL credit-impaired-Stage 3	POCI	Impairment allowance
<b>Retail Lending</b>	10,030,272	970,993	247,336	6,992	(268,390)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-Mortgage	5,583,826	188,998	54,671	5,836	(32,251)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-Consumer	3,398,669	677,863	159,621	1,112	(207,490)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-Small business	1,047,777	104,132	33,044	44	(28,649)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Wholesale Lending</b>	5,177,342	530,312	156,177	175	(116,335)	13,230	-	-	-	(76)	176,434	-	-	-	(1,135)	2,960	-	-	-	(12)
-Commerce and services	1,292,902	93,284	75,083	101	(59,032)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-Manufacturing	1,071,536	81,847	22,212	43	(17,040)	-	-	-	-	-	49,296	-	-	-	(81)	2,960	-	-	-	(12)
-Construction	355,106	19,023	2,552	31	(4,669)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-Tourism	417,727	99,923	1,568	-	(1,679)	-	-	-	-	-	22,995	-	-	-	(14)	-	-	-	-	-
-Energy	366,909	83,573	-	-	(5,452)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-Other	1,673,162	152,662	54,762	-	(28,463)	13,230	-	-	-	(76)	104,143	-	-	-	(1,040)	-	-	-	-	-
<b>Total</b>	<b>15,207,613</b>	<b>1,501,306</b>	<b>403,478</b>	<b>7,166</b>	<b>(384,725)</b>	<b>13,230</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(76)</b>	<b>176,434</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,135)</b>	<b>2,960</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(12)</b>
<b>Credit related commitments</b>	<b>3,453,466</b>	<b>125,817</b>	<b>15,813</b>	<b>2,526</b>	<b>(850)</b>	<b>1,760</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>78,233</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>20</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Loan commitments	3,077,029	113,680	14,396	2,526	-	1,760	-	-	-	-	78,233	-	-	-	-	20	-	-	-	-
Financial guarantee contracts and other commitments	376,437	12,137	1,417	-	(850)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

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 consolidated 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 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
<b>Retail Lending</b>	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)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Wholesale Lending</b>	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)	-	-	-	-	-
<b>Total</b>	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)
<b>Credit related commitments</b>	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)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

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 consolidated 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;

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

## Notes to the consolidated 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)

- reduced payment plans;
- arrears repayment plan;
- loan term extensions/ partial debt forgiveness/ write down;
- 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.

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

**Notes to the consolidated 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)**

*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

*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.

*i) 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.

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

**Notes to the consolidated 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)**

The following tables present an analysis of Bank's forbore 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 forbore activities:

<b>Forbearance measures:</b>	<b>2025</b>	<b>2024</b>
Loan term extension	242,221	322,620
Reduced payment below interest owed	43,964	34,370
Interest rate reduction	27,631	12,927
Reduced payment above interest owed	75,274	120,816
Interest only	51,883	23,381
<b>Total gross carrying amount</b>	<b>440,973</b>	<b>514,114</b>
Less: cumulative impairment allowance	(78,114)	(75,349)
<b>Total carrying amount</b>	<b>362,859</b>	<b>438,765</b>

The following tables present a summary of the credit quality of forbore loans and advances to customers:

	<b>As at 31 December 2025</b>		
	<b>Total loans and advances</b>	<b>Forborne loans and advances</b>	<b>% of Forborne loans and advances</b>
<b>Gross carrying amounts:</b>			
12-month ECL	15,400,236	-	-
Lifetime ECL non credit-impaired	1,501,306	290,001	19.3
Lifetime ECL credit-impaired	410,645	150,972	37.1
<b>Total Gross Amount</b>	<b>17,312,187</b>	<b>440,973</b>	<b>2.6</b>
<b>Cumulative ECL Loss allowance :</b>			
12-month ECL allowance	(54,267)		
Lifetime ECL (not credit-impaired) allowance	(94,376)	(17,264)	
Lifetime ECL (credit-impaired) allowance of which:	(237,305)	(60,850)	
- Individually assessed	(89,647)	(33,635)	
- Collectively assessed	(147,658)	(27,215)	
<b>Total carrying amount</b>	<b>16,926,239</b>	<b>362,859</b>	<b>2.1</b>
Collateral received	10,382,666	227,329	

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 consolidated 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)**

	As at 31 December 2024		
	Total loans and advances	Forborne loans and advances	% of Forborne loans and advances
<b>Gross carrying amounts:</b>			
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%
<b>Total Gross Amount</b>	<b>15,124,284</b>	<b>514,114</b>	<b>3%</b>
<b>Cumulative ECL Loss allowance :</b>			
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)	
<b>Total carrying amount</b>	<b>14,739,644</b>	<b>438,765</b>	<b>3%</b>
Collateral received	8,713,773	255,004	

The following table presents the movement of forborne loans and advances:

<b>Gross carrying amount at 1 January 2024</b>	<b>403,479</b>
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)
<b>Carrying amount at 31 December 2024</b>	<b>438,765</b>
<b>Gross carrying amount at 1 January 2025</b>	<b>514,114</b>
Forbearance measures in the year	161,265
Repayment of loans	(104,484)
Write-offs of forborne loans	397
Loans and advances that exited forbearance status	(130,350)
Other	31
Less cumulative impairment allowance	(78,114)
<b>Carrying amount at 31 December 2025</b>	<b>362,859</b>

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

**Notes to the consolidated 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)**

The following table presents the Bank's exposure to forborne loans and advances by product line:

	As at 31 December	
	2025	2024
<b>Retail Lending</b>	<b>171,059</b>	<b>140,291</b>
- Mortgage	24,042	24,608
- Consumer	135,237	98,617
- Small business	11,780	17,066
<b>Wholesale Lending</b>	<b>269,915</b>	<b>373,823</b>
<b>Total gross carrying amount</b>	<b>440,973</b>	<b>514,114</b>
Less cumulative impairment allowance	(78,114)	(75,349)
<b>Total carrying amount</b>	<b>362,859</b>	<b>438,765</b>

The following table presents the Bank's exposure to forborne loans and advances by geographical region:

	As at 31 December	
	2025	2024
Bulgaria	440,973	513,396
Rest of Europe		478
Other countries		153
Greece		87
<b>Total gross carrying amount</b>	<b>440,973</b>	<b>514,114</b>
Less cumulative impairment allowance	(78,114)	(75,349)
<b>Total carrying amount</b>	<b>362,859</b>	<b>438,765</b>

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:

	As at 31 December	
	2025	2024
<b>Modified loans during the year</b>		
Gross carrying amount at 31 December	115,624	289,270
Modification (loss)	(463)	(795)
<b>Modified loans since initial recognition</b>		
Gross carrying amount at 31 December for which loss allowance has changed to 12-month ECL measurement	161,265	243,048

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

**Notes to the consolidated 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)****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 2025						
Non-impaired						
Rating	Trading securities	Debt securities at FVOCI	Debt securities at AC	Loans and advances to banks	Derivatives	Total
AA- to AA+	-	157,458	821,148	133,851	-	1,112,457
A- to A+	-	295,972	683,870	304,027	-	1,283,869
BBB- to BBB+	3,020	290,149	1,839,786	926,264	36,398	3,095,617
BB- to BB+	-	-	45,769	131,846	-	177,615
Lower than BB-	-	-	-	-	-	-
Unrated	-	-	94,621	330	2,642	97,593
<b>Total</b>	<b>3,020</b>	<b>743,579</b>	<b>3,485,194</b>	<b>1,496,318</b>	<b>39,040</b>	<b>5,767,151</b>

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
<b>Total</b>	<b>73,026</b>	<b>1,125,148</b>	<b>2,304,720</b>	<b>1,180,837</b>	<b>33,505</b>	<b>4,717,236</b>

**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.

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

**Notes to the consolidated 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)***(a) Geographical sectors*

	<b>Bulgaria</b>	<b>Greece</b>	<b>Rest of Europe*</b>	<b>Other countries</b>	<b>Total</b>
Loans and advances to banks	374,396	437,065	630,699	54,158	<b>1,496,318</b>
Trading assets – debt securities	3,020	-	-	-	<b>3,020</b>
Debt securities at fair value through other comprehensive income	150,597	-	437,235	155,747	<b>743,579</b>
Derivative financial instruments	2,642	36,398	-	-	<b>39,040</b>
Debt securities at amortised cost	858,755	525,945	1,903,976	196,518	<b>3,485,194</b>
<b>31 December 2025</b>	<b>1,389,410</b>	<b>999,408</b>	<b>2,971,910</b>	<b>406,423</b>	<b>5,767,151</b>

\*The five largest exposures of debt securities have issuers from the following countries: Ireland, Italy, Poland, Romania and France.

	<b>Bulgaria</b>	<b>Greece</b>	<b>Rest of Europe*</b>	<b>Other countries</b>	<b>Total</b>
Loans and advances to banks	-	59,987	1,062,278	58,572	<b>1,180,837</b>
Trading assets – debt securities	36,699	-	-	36,327	<b>73,026</b>
Debt securities at fair value through other comprehensive income	191,554	-	763,337	170,257	<b>1,125,148</b>
Derivative financial instruments	7,049	26,456	-	-	<b>33,505</b>
Debt securities at amortised cost	728,027	515,101	1,061,592	-	<b>2,304,720</b>
<b>31 December 2024</b>	<b>963,329</b>	<b>601,544</b>	<b>2,887,207</b>	<b>265,156</b>	<b>4,717,236</b>

\*The five largest exposures of debt securities have issuers from the following countries: Ireland, Italy, Poland, France, Romania.

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

## Notes to the consolidated 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

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.

	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)
<b>Assets as of 31 December 2025</b>					
Derivative assets	36,398	-	36,398	(36,398)	-
<b>Liabilities as of 31 December 2025</b>					
Derivative liabilities	(3,606)	-	(3,606)	41,887	<b>38,281</b>

	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)
<b>Assets as of 31 December 2024</b>					
Derivative assets	26,455	-	26,455	(26,455)	-
<b>Liabilities as of 31 December 2024</b>					
Derivative liabilities	(8,364)	-	(8,364)	59,312	<b>50,948</b>
Repurchase agreements with banks	(827,224)	-	(827,224)	862,112	34,888

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 consolidated financial statements (continued)

### 5. Financial risk management and fair value (continued)

#### 5.2 Financial risk factors (continued)

##### 5.2.1 Credit risk (continued)

##### 5.2.2 Market risk

Changes in interest rates, foreign exchange rates, credit spreads, equity prices and other relevant factors, such as their 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 measured by its Market & Liquidity Risk Department (MLR). This is performed in close cooperation with the Group Market and Counterparty Risk Unit (GMCR). MLR 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 and implementation of relevant risk models
- Development, maintenance and expansion of risk management infrastructure

The market risks the Bank is exposed to, are the following:

##### 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 in the past has been against EUR, while the BGN/EUR currency rate remained pegged at 1.95583 as part of the Currency Board Arrangements. Bulgaria adopted the Euro on the 1<sup>st</sup> of January 2026, and it is now Postbank's functional currency. 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.

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

## Notes to the consolidated financial statements (continued)

### 5. Financial risk management and fair value (continued)

#### 5.2 Financial risk factors (continued)

##### 5.2.1 Credit risk (continued)

##### 5.2.2 Market risk (continued)

#### 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. Relevant KRIs and threshold levels are established for all material risks as part of the Risk Appetite Framework and are monitored on a monthly 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 YE2025, VaR analysis is applied only with regard to the Bank's equity risk exposure.

#### Interest rate gap and sensitivity

The following table provides the contractual 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

31.12.2025	Carrying amount	Less than 1 month	1-3 months	3-12 months	1-5 years	More than 5 years
Balances with central banks	3,366,920	3,366,926	-	-	-	-
Loans and advances to banks	1,496,318	1,495,887	-	-	-	-
Debt securities	4,266,374	359,207	224,856	245,953	2,800,657	748,717
Loans and advances to customers	16,926,239	5,399,708	9,494,970	1,266,540	434,016	45,377
<b>Total interest bearing assets</b>	<b>26,055,851</b>	<b>10,621,728</b>	<b>9,719,826</b>	<b>1,512,493</b>	<b>3,234,673</b>	<b>794,094</b>
Due to credit institutions	(30,356)	(30,356)	(830,141)	(215,141)	(801,890)	-
Due to customers	(21,603,027)	(15,910,605)	(1,404,213)	(3,293,547)	(893,275)	-
<b>Total interest bearing liabilities</b>	<b>(21,633,383)</b>	<b>(15,940,961)</b>	<b>(2,234,354)</b>	<b>(3,508,688)</b>	<b>(1,695,165)</b>	-
Derivative financial instruments	379	(153,308)	(108,549)	(89,186)	351,267	-
<b>Interest rate gap</b>		<b>(5,473,848)</b>	<b>7,376,923</b>	<b>(2,085,381)</b>	<b>1,891,144</b>	<b>794,094</b>

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 consolidated financial statements (continued)

### 5. Financial risk management and fair value (continued)

#### 5.2 Financial risk factors (continued)

##### 5.2.2 Market risk (continued)

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
<b>Total interest bearing assets</b>	<b>21,765,453</b>	<b>8,747,218</b>	<b>9,112,046</b>	<b>1,087,240</b>	<b>1,972,205</b>	<b>878,589</b>
Due to credit institutions	(973,063)	(971,029)	(276,643)	(557,412)	(459,620)	-
Due to customers	(17,240,258)	(12,641,522)	(998,259)	(2,116,073)	(1,412,182)	-
<b>Total interest bearing liabilities</b>	<b>(18,213,321)</b>	<b>(13,612,551)</b>	<b>(1,274,902)</b>	<b>(2,673,485)</b>	<b>(1,871,802)</b>	-
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

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 2025 the impact on NII, under the scenario of a parallel shift in the yield curves, stands at BGN 35,928 thousand (+100 bps) and BGN (10,744) 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 2025 the impact on OCI, under the scenario of a parallel shift in the yield curves, stands at BGN (18,082) thousand (+100bps) and BGN 18,082 thousand (-100bps).

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

## Notes to the consolidated 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

The following table sets out the allocation of assets and liabilities subject to market risk between trading and non-trading portfolios:

As at 31 December 2025	Carrying amount	Market risk measure	
		Trading portfolios	Non-trading portfolios
<b>Assets subject to Market Risk</b>			
Cash and balances with Central Bank	3,366,920	-	3,366,920
Trading assets	4,584	4,584	-
Derivative financial instruments	39,040	39,040	-
Loans and advances to banks	1,496,318	-	1,496,318
Loans and advances to customers	16,926,239	-	16,926,239
Investment securities	4,266,374	-	4,266,374
Other financial assets	127,712	-	127,712
<b>Total assets subject to Market risk</b>	<b>26,227,187</b>	<b>43,624</b>	<b>26,183,563</b>
<b>Liabilities subject to Market Risk</b>			
Derivative financial instruments	38,661	38,661	-
Deposits from banks	30,356	-	30,356
Due to customers	21,603,027	-	21,603,027
Other borrowed funds	1,856,588	-	1,856,588
Other financial liabilities	144,260	-	144,260
<b>Total liabilities subject to Market risk</b>	<b>23,672,892</b>	<b>38,661</b>	<b>23,634,231</b>
<b>As at 31 December 2024</b>			
	Carrying amount	Market risk measure	
		Trading portfolios	Non-trading portfolios
<b>Assets subject to Market Risk</b>			
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
<b>Total assets subject to Market risk</b>	<b>21,985,221</b>	<b>108,161</b>	<b>21,877,060</b>
<b>Liabilities subject to Market Risk</b>			
Derivative financial instruments	35,807	35,807	-
Deposits from banks	973,063	-	973,063
Due to customers	17,240,258	-	17,240,258
Other borrowed funds	1,305,591	-	1,305,591
Other financial liabilities	215,723	-	215,723
<b>Total liabilities subject to Market risk</b>	<b>19,770,442</b>	<b>35,807</b>	<b>19,734,635</b>

#### Foreign exchange risk

The following table presents the Bank's exposure to foreign exchange risk as at 31 December 2025 and 2024:

*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 consolidated financial statements (continued)****5. Financial risk management and fair value (continued)****5.2 Financial risk factors (continued)****5.2.2 Market risk (continued)**

Assets	Notes	As at 31 December 2025					Total
		BGN	EUR	USD	CHF	OTHER	
Cash and balances with the Central Bank	15	2,495,773	860,257	6,819	919	3,152	<b>3,366,920</b>
Loans and advances to banks/ Due from credit institutions	16	-	1,347,907	85,896	22,431	40,084	<b>1,496,318</b>
Financial assets held for trading/ Securities held for trading	17	4,583	-	1	-	-	<b>4,584</b>
Derivative financial instruments	25	-	38,454	536	-	50	<b>39,040</b>
Loans and advances to customers	18	13,091,495	3,669,824	161,788	3,083	49	<b>16,926,239</b>
Investment securities	19	171,470	3,544,814	527,377	-	22 713	<b>4,266,374</b>
Other assets	23	87,035	94,172	1,234	0	3	<b>182,444</b>
<b>Total assets</b>		<b>15,850,356</b>	<b>9,555,428</b>	<b>783,651</b>	<b>26,433</b>	<b>66,051</b>	<b>26,281,919</b>
<b>Liabilities</b>							
Deposits from banks	24	-	30,356	-	-	-	<b>30,356</b>
Derivative financial instruments	25	-	38,247	414	-	-	<b>38,661</b>
Due to customers	26	13,513,231	6,955,691	1009,447	46,042	78,616	<b>21,603,027</b>
Other borrowed funds	27	-	1,856,588	-	-	-	<b>1,856,588</b>
Other liabilities	31	141,556	95,862	4,550	11	620	<b>242,599</b>
<b>Total liabilities</b>		<b>13,654,787</b>	<b>8,976,744</b>	<b>1014,411</b>	<b>46,053</b>	<b>79,236</b>	<b>23,771,231</b>
<b>Off balance sheet credit related commitments</b>		<b>2,720,312</b>	<b>863,216</b>	<b>92,136</b>	<b>-</b>	<b>1,970</b>	<b>3,677,634</b>

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 consolidated financial statements (continued)**

**5. Financial risk management and fair value (continued)**

**5.2 Financial risk factors (continued)**

**5.2.2 Market risk (continued)**

	Notes	As at 31 December 2024					Total
		BGN	EUR	USD	CHF	OTHER	
<b>Assets</b>							
Cash and balances with the Central Bank	15	1,337,315	1,033,193	6,116	942	2,980	<b>2,380,546</b>
Loans and advances to banks/ Due from credit institutions	16	280	1,066,515	70,033	6,758	37,251	<b>1,180,837</b>
Financial assets held for trading/ Securities held for trading	17	38,329	-	36,327	-	-	<b>74,656</b>
Derivative financial instruments	25	-	32,395	1,110	-	0	<b>33,505</b>
Loans and advances to customers	18	11,888,133	2,672,013	149,693	28,868	937	<b>14,739,644</b>
Investment securities	19	201,967	2,977,423	285,036	-	-	<b>3,464,426</b>
Other assets	23	41,399	61,001	9,204	0	3	<b>111,607</b>
<b>Total assets</b>		<b>13,507,423</b>	<b>7,842,540</b>	<b>557,519</b>	<b>36,568</b>	<b>41,171</b>	<b>21,985,221</b>
<b>Liabilities</b>							
Deposits from banks	24	10,892	961,040	669	393	69	<b>973,063</b>
Derivative financial instruments	25	537	35,150	120	-	-	<b>35,807</b>
Due to customers	26	10,837,084	5,521,374	767,835	34,757	79,208	<b>17,240,258</b>
Other borrowed funds	27	2,839	1,302,752	-	-	-	<b>1,305,591</b>
Other liabilities	31	115,194	96,116	4,034	226	153	<b>215,723</b>
<b>Total liabilities</b>		<b>10,966,546</b>	<b>7,916,432</b>	<b>772,658</b>	<b>35,376</b>	<b>79,430</b>	<b>19,770,442</b>
<b>Off balance sheet credit related commitments</b>		<b>2,621,087</b>	<b>658,418</b>	<b>57,307</b>	<b>-</b>	<b>1,974</b>	<b>3,338,785</b>

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 consolidated financial statements (continued)

### 5. Financial risk management and fair value (continued)

#### 5.2 Financial risk factors (continued)

##### 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. An important development in this regard is the bank’s direct access to ECB funding as of January 1, 2026, following Bulgaria’s accession to the Eurozone.

#### 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.

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

## Notes to the consolidated financial statements (continued)

### 5. Financial risk management and fair value (continued)

#### 5.2 Financial risk factors (continued)

##### 5.2.3 Liquidity risk (continued)

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;
- 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 2025 and 2024.

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

**Notes to the consolidated financial statements (continued)****5. Financial risk management and fair value (continued)****5.2 Financial risk factors (continued)****5.2.3 Liquidity risk (continued)**

As at 31 December 2025	Carrying	Gross nominal inflow/ (outflow)	Less than 1 month	1-3 months	3-12 months	1-5 years	More than 5 years
Financial Assets	amount						
<b>Non-derivative assets</b>	<b>26,188,147</b>	<b>30,017,023</b>	<b>8,364,148</b>	<b>512,073</b>	<b>1,983,723</b>	<b>10,240,627</b>	<b>8,916,452</b>
Cash and balances with Central Bank	3,366,920	3,366,920	3,366,920	-	-	-	-
Loans and advances to banks	1,496,318	1,496,725	1,496,725	-	-	-	-
Loans and advances to customers	16,926,239	20,181,489	3,266,954	408,089	1,747,859	6,880,744	7,877,843
Financial assets held for trading	4,584	2,777	1,577	-	12	1,001	187
Investment securities	4,266,374	4,841,400	104,260	103,984	235,852	3,358,882	1,038,422
Other financial assets	127,712	127,712	127,712	-	-	-	-
<b>Derivative financial instruments</b>	<b>39,040</b>	<b>305,516</b>	<b>276,726</b>	<b>1,703</b>	<b>7,978</b>	<b>19,109</b>	<b>-</b>
Inflow from net settled		31,241	2,451	1,703	7,978	19,109	-
Inflow from gross settled		274,275	274,275	-	-	-	-
<b>Total assets (contractual maturity)</b>	<b>26,227,187</b>	<b>30,322,539</b>	<b>8,640,874</b>	<b>513,776</b>	<b>1,991,701</b>	<b>10,259,736</b>	<b>8,916,452</b>
<b>As at 31 December 2024</b>	<b>Carrying</b>	<b>Gross nominal inflow/ (outflow)</b>	<b>Less than 1 month</b>	<b>1-3 months</b>	<b>3-12 months</b>	<b>1-5 years</b>	<b>More than 5 years</b>
<b>Financial Assets</b>	<b>amount</b>						
<b>Non-derivative assets</b>	<b>21,951,716</b>	<b>25,278,202</b>	<b>6,941,277</b>	<b>765,185</b>	<b>2,235,066</b>	<b>8,001,323</b>	<b>7,335,351</b>
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	-	-	-	-
<b>Derivative financial instruments</b>	<b>33,505</b>	<b>626,168</b>	<b>354,741</b>	<b>4,845</b>	<b>17,866</b>	<b>248,716</b>	<b>-</b>
Inflow from net settled		82,494	7,050	4,845	17,866	52,733	-
Inflow from gross settled		543,674	347,691	-	-	195,983	-
<b>Total assets (contractual maturity)</b>	<b>21,985,221</b>	<b>25,904,370</b>	<b>7,296,018</b>	<b>770,030</b>	<b>2,252,932</b>	<b>8,250,039</b>	<b>7,335,351</b>

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 consolidated 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**

*(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.

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 2025 and 2024. 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.

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

**Notes to the consolidated financial statements (continued)****5. Financial risk management and fair value (continued)****5.2 Financial risk factors (continued)****5.2.3 Liquidity risk (continued)**

As at 31 December 2025	Carrying amount	Gross nominal inflow/ (outflow)	Less than 1 month	1-3 months	3-12 months	1-5 years	More than 5 years
<b>Financial liabilities</b>							
<i>Non-derivative liabilities</i>	<b>23,634,231</b>	<b>(24,022,245)</b>	<b>(16,043,537)</b>	<b>(1,498,649)</b>	<b>(3,413,806)</b>	<b>(2,804,660)</b>	<b>(261,593)</b>
Due to other banks	30,356	(30,514)	(30,514)	-	-	-	-
Due to customers	21,603,027	(21,649,797)	(15,937,235)	(1,444,437)	(3,316,554)	(951,571)	-
Other borrowed funds	1,856,588	(2,197,057)	-	(51,705)	(86,124)	(1,806,403)	(252,825)
Lease liabilities	69,840	(70,457)	(1,368)	(2,507)	(11,128)	(46,686)	(8,768)
Other financial liabilities	74,420	(74,420)	(74,420)	-	-	-	-
<i>Derivative financial instruments</i>	<b>38,661</b>	<b>(300,558)</b>	<b>(283,914)</b>	<b>-</b>	<b>(3,633)</b>	<b>(13,011)</b>	<b>-</b>
(Outflow) from net settled		(31,233)	(14,589)	-	(3,633)	(13,011)	-
(Outflow) from gross settled		(269,325)	(269,325)	-	-	-	-
<b>Total liabilities (contractual maturity)</b>	<b>23,672,892</b>	<b>(24,322,803)</b>	<b>(16,327,451)</b>	<b>(1,498,649)</b>	<b>(3,417,439)</b>	<b>(2,817,671)</b>	<b>(261,593)</b>
As at 31 December 2025		<b>Gross nominal inflow/ (outflow)</b>	<b>Less than 1 month</b>	<b>1-3 Months</b>	<b>3-12 months</b>	<b>1-5 Years</b>	<b>More than 5 years</b>
<b>Off Balance sheet items</b>							
Credit commitments		(3,287,644)	(500,204)	(355,378)	(1,238,469)	(1,144,930)	(48,663)
Guarantees and other commitments		(389,991)	(56,785)	(36,580)	(203,426)	(87,948)	(5,252)
<b>Total amount</b>		<b>(3,677,635)</b>	<b>(556,989)</b>	<b>(391,958)</b>	<b>(1,441,895)</b>	<b>(1,232,878)</b>	<b>(53,915)</b>
As at 31 December 2024		<b>Gross nominal inflow/ (outflow)</b>	<b>Less than 1 month</b>	<b>1-3 months</b>	<b>3-12 months</b>	<b>1-5 years</b>	<b>More than 5 years</b>
<b>Financial liabilities</b>							
<i>Non-derivative liabilities</i>	<b>19,734,635</b>	<b>(20,027,469)</b>	<b>(13,811,990)</b>	<b>(1,024,561)</b>	<b>(2,200,300)</b>	<b>(2,702,610)</b>	<b>(288,008)</b>
Due to other banks	973,063	(973,842)	(973,842)	-	-	-	-
Due to customers	17,240,258	(17,285,386)	(12,704,210)	(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)	-	-	-	-
<i>Derivative financial instruments</i>	<b>35,807</b>	<b>(626,580)</b>	<b>(355,488)</b>	<b>(4,845)</b>	<b>(17,866)</b>	<b>(248,381)</b>	<b>-</b>
(Outflow) from net settled		(82,498)	(7,050)	(4,845)	(17,866)	(52,737)	-
(Outflow) from gross settled		(544,082)	(348,438)	-	-	(195,644)	-
<b>Total liabilities (contractual maturity)</b>	<b>19,770,442</b>	<b>(20,654,049)</b>	<b>(14,167,478)</b>	<b>(1,029,406)</b>	<b>(2,218,166)</b>	<b>(2,950,991)</b>	<b>(288,008)</b>
As at 31 December 2024		<b>Gross nominal inflow/ (outflow)</b>	<b>Less than 1 month</b>	<b>1-3 Months</b>	<b>3-12 months</b>	<b>1-5 Years</b>	<b>More than 5 years</b>
<b>Off Balance sheet items</b>							
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)
<b>Total amount</b>		<b>(3,338,786)</b>	<b>(905,989)</b>	<b>(290,695)</b>	<b>(1,042,733)</b>	<b>(1,040,439)</b>	<b>(58,930)</b>

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 consolidated 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 2025			Total Fair Value	Total Carrying Amount
	Level 1	Level 2	Level 3		
<b>Financial assets</b>					
Loans and advances to customers					
- Corporate	-	-	5,768,479	5,768,479	5,939,038
- SBB	-	-	1,191,393	1,191,393	1,156,348
- Consumer	-	-	4,139,432	4,139,432	4,029,774
- Mortgage	-	-	5,600,035	5,600,035	5,801,079
- Inv. securities AC	2,804,066	897,586	24	3,701,676	3,647,304
<b>Total</b>	<b>2,804,066</b>	<b>897,586</b>	<b>16,699,363</b>	<b>20,401,015</b>	<b>20,573,543</b>
<b>Financial liabilities</b>					
Other borrowed funds	-	1,855,976	-	1,855,976	1,856,588

	At 31 December 2024				
	Level 1	Level 2	Level 3	Total Fair Value	Total Carrying Amount
<b>Financial assets</b>					
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
<b>Total</b>	<b>1,587,911</b>	<b>767,835</b>	<b>14,406,957</b>	<b>16,762,703</b>	<b>17,044,364</b>
<b>Financial liabilities</b>					
Other borrowed funds	-	1,299,548	-	1,299,548	1,305,591

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 consolidated 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.

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.

#### **Financial instruments measured at fair value**

These financial instruments carried at fair value are categorised into the three levels of the fair value hierarchy as at 31 December 2025 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

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

**Notes to the consolidated 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)**

traded on exchanges, as well as mutual funds and unit-linked products that have regularly and frequently published quotes.

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 2025			
	Level 1	Level 2	Level 3	Total
<b>Financial assets measured at fair value:</b>				
Trading assets				
-Debt securities	3,020	-	-	<b>3,020</b>
-Equity securities	1,564	-	-	<b>1,564</b>
Derivative financial instruments	-	39,040	-	<b>39,040</b>
Investment securities				
- Investment securities at FVOCI	636,958	106,621	-	<b>743,579</b>
- Investment securities at FVTPL	-	20,361	17,240	<b>37,601</b>
<b>Total financial assets</b>	<b>641,542</b>	<b>166,022</b>	<b>17,240</b>	<b>824,804</b>
<b>Financial liabilities measured at fair value:</b>				
Derivative financial instruments	-	38,661	-	<b>38,661</b>
<b>Total financial liabilities</b>	<b>-</b>	<b>38,661</b>	<b>-</b>	<b>38,661</b>
	31 December 2024			
	Level 1	Level 2	Level 3	Total
<b>Financial assets measured at fair value:</b>				
Trading assets				
-Debt securities	36,327	36,699	-	<b>73,026</b>
-Equity securities	1,630	-	-	<b>1,630</b>
Derivative financial instruments	-	33,505	-	<b>33,505</b>
Investment securities				
- Investment securities at FVOCI	960,920	164,228	-	<b>1,125,148</b>
- Investment securities at FVTPL	-	19,158	15,400	<b>34,558</b>
<b>Total financial assets</b>	<b>998,877</b>	<b>253,590</b>	<b>15,400</b>	<b>1,267,867</b>
<b>Financial liabilities measured at fair value:</b>				
Derivative financial instruments	-	35,807	-	<b>35,807</b>
<b>Total financial liabilities</b>	<b>-</b>	<b>35,807</b>	<b>-</b>	<b>35,807</b>

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

**Notes to the consolidated financial statements (continued)**

**5. Financial risk management and fair value (continued)**

**5.3 Fair values of financial assets and liabilities (continued)**

<b><u>Reconciliation of Level 3 fair value measurement</u></b>	<b>2025</b>	<b>2024</b>
<b>Balance at 1 January</b>	<b>15,400</b>	<b>14,033</b>
Total gain/ (loss) for the period included in profit or loss	1,840	1,367
<b>Balance at 31 December</b>	<b>17,240</b>	<b>15,400</b>

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 2025:

<b>Type of financial instruments</b>	<b>Valuation technique</b>	<b>Unobservable input</b>	
	Discounted cash flow		
		Expected growth rate	
		Required rate of return	
<b>Unobservable input</b>	<b>Range of estimates (weighted average) for unobservable input</b>	<b>Range of estimates (weighted average) for unobservable input</b>	<b>Fair value measurement sensitivity to unobservable inputs</b>
	<b>2025</b>	<b>2024</b>	
expected growth rate	2.50-2.70% (2.60%)	2.95-3.15% (3.05%)	a significant increase in expected growth rate would result in higher fair value
required rate of return	12.90-13.60% (13.24%)	10.80-11.30% (11.04%)	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:

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

**Notes to the consolidated financial statements (continued)**

**5. Financial risk management and fair value (continued)**

**5.3 Fair values of financial assets and liabilities (continued)**

Type of financial instruments	Effect on Fair value	
	Favorable	Unfavorable
Equities		
2025:	674	(649)
2024:	585	(553)

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 2025 included a weighted average expected growth rate of 2.60% (with reasonably possible alternative assumptions of 2.50% and 2.70%) and required rate of return of 13.24% (with reasonably possible alternative assumptions of 12.90% and 13.60%).

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 the 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.

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

**Notes to the consolidated financial statements (continued)**

**5. Financial risk management and fair value (continued)**

**5.3 Fair values of financial assets and liabilities (continued)**

*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.

<b>6 Net interest income</b>	<b>2025</b>	<b>2024</b>
Loans and advances to customers	842,521	789,947
Loans and advances to banks	22,674	30,907
Investment securities	121,373	109,075
<b>Interest income calculated using the effective interest method</b>	<b>986,568</b>	<b>929,929</b>
Derivative instruments	6,040	3,612
Trading securities	1,103	448
Interest income on lease receivables	1,523	2,106
<b>Other Interest income</b>	<b>8,666</b>	<b>6,166</b>
<b>Total interest income</b>	<b>995,234</b>	<b>936,095</b>
The unwinding of the discount of the ECL allowance (Note 18) amounting to BGN 3,792 thousand (2024: BGN 2,523 thousand) is included in interest income on impaired loans and advances to customers. Interest income includes BGN 13,846 thousand (2024: BGN 15,974 thousand) interest income, recognised on impaired loans to customers, out of which BGN 1,766 thousand (2024: BGN 1,320 thousand) remain due by the customer as of year-end.		
Interest income includes BGN 56,570 thousand (2024: BGN 56,213 thousand) income from insurers related to insurance premiums paid by borrowers as an integral part of loan deal origination.		
<b>Interest expense and similar charges</b>	<b>2025</b>	<b>2024</b>
Deposits from customers	93,971	76,044
Deposits from banks	15,539	15,738
Other borrowed funds	86,133	70,846
Operating lease	212	214
Derivative instruments	1,715	787
<b>Total interest expense and similar charges</b>	<b>197,570</b>	<b>163,629</b>
<b>Total Net interest income</b>	<b>797,664</b>	<b>772,466</b>

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

**Notes to the consolidated financial statements (continued)****7 Net fee and commission income**

<b>Fees and commission income</b>	<b>2025</b>	<b>2024</b>
Money transfers	63,895	57,671
Account maintenance	55,748	48,390
Receipts from sales of services	37,610	34,582
Foreign exchange operations	33,139	27,852
Loans' fees and commissions	23,835	21,657
Cash operations	20,983	19,592
Management, brokerage and securities trading	4,023	3,029
Other fees	8,064	2,304
<b>Total fees and commission income from contracts with customers</b>	<b>247,297</b>	<b>215,077</b>
Financial guarantee contracts and loan commitments	3,975	3,627
<b>Total fees and commission income</b>	<b>251,272</b>	<b>218,704</b>

<b>Fee and commission expense</b>	<b>2025</b>	<b>2024</b>
Loans related fees	16,330	12,275
Transactions processing	44,551	38,841
Cash transactions and correspondent accounts	2,231	1,696
Other fees	3,334	2,818
Management, brokerage and securities trading	1,661	1,116
<b>Total fees and commission expense</b>	<b>68,107</b>	<b>56,746</b>
<b>Total Net fees and commission income</b>	<b>183,165</b>	<b>161,958</b>

**8 Other operating income, net**

	<b>2025</b>	<b>2024</b>
Net gain arising from derecognition of financial assets	2,881	3,336
Net gain from non-current fixed assets	781	455
Rental income	97	123
Other (expenses)/ income (Operating Leases IFRS 16)	47	(67)
Net (loss) from Modification of non-forborne loans	(236)	(461)
Net gain on sale of loans	-	6,404
<b>Total</b>	<b>3,570</b>	<b>9,790</b>

**9 Net trading income**

	<b>2025</b>	<b>2024</b>
Net results from derivative instruments	254	-
<i>of which:</i>		
<i>Gain (Losses) on derivative fin. Instruments – Hedging (Note 25)</i>	-	-
<i>Gain (Losses) on derivative fin. instruments - Non-Hedging</i>	254	-
<b>Net trading income</b>	<b>254</b>	<b>-</b>

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

**Notes to the consolidated financial statements (continued)**

<b>10 Other operating expenses</b>	<b>2025</b>	<b>2024</b>
Staff costs (Note 11)	199,812	196,111
Depreciation of PPE and ROA (Note 21)	35,662	34,109
Software costs	32,571	33,342
Repairs and maintenance	20,351	18,579
External services	15,465	15,609
Advertising and marketing	12,491	11,366
Security	13,946	11,170
Amortisation of intangible assets (Note 22)	8,232	10,107
Other operating costs	8,596	4,200
Travel and accommodation	1,554	1,887
Materials	1,986	1,784
Operating lease rentals	1,455	1,466
Insurance	872	827
Communication	1,087	850
<b>Total</b>	<b>354,080</b>	<b>341,407</b>

The amounts accrued in 2025 for the services provided by the registered auditors for statutory joint independent financial audit are as follows: for KPMG Audit OOD - BGN 482 thousand excluding VAT, for Baker Tilly Klitou and Partners OOD - BGN 100 thousand excluding VAT. In 2025 the Bank was charged with amounts for other non-statutory audit services provided by KPMG Audit OOD at a total amount of BGN 300 thousand excluding VAT and by Baker Tilly Klitou – BGN 20 thousand excluding VAT.

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.

<b>11 Staff costs</b>	<b>2025</b>	<b>2024</b>
Wages and salaries	164,567	161,775
Pension costs – defined contribution plans	18,791	17,654
Social security costs	10,537	10,112
Other	5,164	5,820
Pension costs / (income) – defined benefit plans (Note 30)	753	750
<b>Total staff cost</b>	<b>199,812</b>	<b>196,111</b>
<b>12 Impairment charge for credit losses</b>	<b>2025</b>	<b>2024</b>
Remeasurement of loss allowances	(120,489)	(99,757)
New financial assets originated or purchased	(30,284)	(30,091)
<b>Total (Note 18)</b>	<b>(150,773)</b>	<b>(129,849)</b>
Recoveries from write offs	49,542	33,819
Credit commitments release/(charge) of impairment	101	85
Other (impairments losses)/release	302	(1,146)
<b>Impairment losses recognized in PnL</b>	<b>(100,828)</b>	<b>(97,091)</b>

Other impairments losses include the ECL charge during 2025 and 2024 as per IFRS 9 regarding financial assets other than loans and advances to customers (securities, placements, etc.)

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

**Notes to the consolidated financial statements (continued)**

<b>13 Income tax expense</b>	<b>2025</b>	<b>2024</b>
Deferred tax (benefit) / expense (Note 28)	7,549	1,033
Current income tax	44,776	47,456
Domestic Top-up tax	24,946	22,857
<b>Total</b>	<b>77,271</b>	<b>71,346</b>

Tax is payable at an actual rate of 10% (2024: 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 2025.

The tax on the operating profit differs from the theoretical amount that would arise using the basic tax rate as follows:

	<b>2025</b>	<b>2025</b>	<b>2024</b>	<b>2024</b>
	<b>Tax</b>	<b>Amount</b>	<b>Tax</b>	<b>Amount</b>
	<b>rate</b>		<b>rate</b>	
<b>Profit before income tax</b>		<b>521,049</b>		<b>483,542</b>
Tax calculated at the basic tax rate	10%	52,105	10%	48,360
<i>Tax effect of:</i>				
non tax deductible expenses	0.24%	1,071	(0.07%)	(264)
non taxable income	0.10%	506	0.46%	2,243
(gain)/loss recognized in OCI	(0.30%)	(1,561)	(0.37%)	(1,850)
Domestic Top up tax	4.79%	24,946	4.73%	22,857
<b>Income tax expense</b>	<b>14.82%</b>	<b>77,271</b>	<b>14.75%</b>	<b>71,346</b>

Additional information about deferred tax is presented in Note 28.

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.

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

## Notes to the consolidated financial statements (continued)

### 13 Income tax expense (continued)

#### Pillar Two income taxes

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 2025, the Bank has calculated on country level and recognized part for Eurobank Bulgaria AD current tax expense at the amount of BGN 24,934 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					
	2025			2024		
	Before tax amount	Tax (expense)/benefit	Net of tax amount	Before tax amount	Tax (expense)/benefit	Net of tax amount
Investment Securities at FVOCI	13,816	(1,382)	12,434	18,499	(1,850)	16,649
Change in FV of property, plant and equipment	2,984	(298)	2,686	1,163	(116)	1,047
Remeasurements of retirement benefit obligation	(158)	16	(142)	272	(27)	245
<b>Total</b>	<b>16,642</b>	<b>(1,664)</b>	<b>14,978</b>	<b>19,934</b>	<b>(1,993)</b>	<b>17,941</b>

### 15 Cash and balances with the Central Bank

	2025	2024
Cash in hand	642,624	218,056
Balances with Central bank	2,724,296	2,162,490
<b>Total</b>	<b>3,366,920</b>	<b>2,380,546</b>
<i>of which:</i>		
Mandatory reserve with Central Bank in accordance with BNB Regulation 21	2,442,719	2,171,866

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 2025 and 2024 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.

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

**Notes to the consolidated financial statements (continued)**

<b>16 Loans and advances to banks</b>	<b>2025</b>	<b>2024</b>
Deposits in other banks	1,496,334	1,180,884
Less impairment loss allowance	(16)	(47)
<b>Total</b>	<b>1,496,318</b>	<b>1,180,837</b>

Included in the amount of loans and advances to banks is accrued interest of BGN 448 thousand (2024: BGN 537 thousand). The impairment provisions under IFRS9 as of end of December, 2025 amounted to BGN 16 thousand (2024: BGN 47 thousand).

Approximately 100 % (2024: 100 %) of the amounts due from other banks represent funds placed in banks domiciled in OECD (Organisation for Economic Co-operation and Development) countries.

<b>17 Trading assets</b>	<b>2025</b>	<b>2024</b>
Bulgarian government bonds	3,020	73,026
<i>of which pledged</i>	<i>964</i>	<i>5,455</i>
Shares	1,564	1,630
<b>Total</b>	<b>4,584</b>	<b>74,656</b>

**Equity securities:**

- Listed	1,564	1,630
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**Debt securities:**

- Listed	3,020	73,026
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<i>of which pledged</i>	<i>964</i>	<i>5,455</i>
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Included in the amount of the bonds is accrued interest in the amount of BGN 36 thousand (2024: BGN 570 thousand).

**Gains less (losses) from trading securities**

	<b>2025</b>	<b>2024</b>
Debt securities	2,028	407
Equity securities	(66)	75
<b>Total</b>	<b>1,962</b>	<b>482</b>

<b>18 Loans and advances to customers</b>	<b>2025</b>	<b>2024</b>
Consumer lending (including credit cards)	4,237,264	3,771,631
Small Business lending	1,184,998	1,136,837
Mortgages	5,833,330	4,592,947
Corporate lending	6,056,595	5,622,869
<b>Gross loans and advances</b>	<b>17,312,187</b>	<b>15,124,284</b>
Less allowance for impairment losses on loans and advances	(385,948)	(384,640)
<b>Net outstanding balance of loans and advances to customers</b>	<b>16,926,239</b>	<b>14,739,644</b>

Included in the amount of loans and advances to customers is accrued interest of BGN 53,679 thousand (2024: BGN 47,146 thousand).

	<b>2025</b>	<b>2024</b>
The ten largest exposures to customers	1,032,650	1,001,807
Percentage of gross loans	5.96%	6.62%

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

**Notes to the consolidated financial statements (continued)****18 Loans and advances to customers (continued)**

	31 December 2025																	
	Wholesale				Mortgage				Consumer				Small business					Total
	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		
<b>Impairment allowance as at 1 January</b>	15,595	9,756	63,608	3,158	2,751	6,158	32,069	1,705	48,233	66,641	104,418	1,326	5,741	2,555	20,911	15	384,640	
New loans and advances originated or purchased	2,224				548				26,350	-			1,162				30,284	
Transfers between stages:																		
-to 12-month ECL	999	(994)	(6)		104	(96)	(8)		1,580	(1,568)	(12)		32	(30)	(1)		-	
-to lifetime ECL	(2,784)	2,783	-		(1,998)	2,066	(67)		(30,190)	30,989	(799)		(3,424)	3,435	(11)		-	
-to lifetime ECL credit-impaired loans	(32,080)	(4,224)	36,306		(360)	(820)	1,179		(33,237)	(66,980)	100,217		(2,099)	(3,230)	5,328		-	
Impact of ECL net remeasurement	2,416	(45)	30,445	-	(1,510)	(177)	(10,639)	-	(27,609)	17,927	124,035	-	(2,831)	3,332	(14,855)	-	120,489	
Loans and advances derecognised/ reclassified as held for sale			(6,873)	(4,423)							(56,037)	(254)					(67,587)	
Amounts written-off			(3,880)	-	-	-	(2,327)	(8)	-	-	(66,444)	(62)	-	-	(326)		(73,047)	
Unwinding of discount			(1,031)	-	-	-	(96)	-	-	-	(2,590)	-	-	-	(75)		(3,792)	
Foreign exchange differences and other movements	36,764	3,003	(34,556)	1,397	(3,148)	781	(12,557)	(422)	(28,667)	38,726	(19,088)	(291)	34,083	4,049	(25,111)	(2)	(5,039)	
<b>Impairment allowance as at 31 December</b>	<b>23,134</b>	<b>10,279</b>	<b>84,013</b>	<b>132</b>	<b>(3,613)</b>	<b>7,912</b>	<b>7,554</b>	<b>1,275</b>	<b>(43,540)</b>	<b>85,735</b>	<b>183,700</b>	<b>719</b>	<b>32,664</b>	<b>10,111</b>	<b>(14,140)</b>	<b>13</b>	<b>385,948</b>	

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 consolidated 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				Total
	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	
<b>Impairment allowance as at 1 January</b>	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	
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)
<b>Impairment allowance as at 31 December</b>	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

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 consolidated financial statements (continued)****18 Loans and advances to customers (continued)****Loan commitments, financial guarantees and other commitments as of 31 December 2025 and as of 31 December 2024**

	12-month ECL-Stage 1	Lifetime ECL not credit- impaired-Stage 2	Lifetime ECL credit-impaired- Stage 3	Total
<b>Impairment allowance as at 1 January 2025</b>	<b>914</b>	<b>34</b>	<b>6</b>	<b>954</b>
New financial assets originated or purchased	336	-	-	<b>336</b>
Amounts charged during the year	(206)	6	2	<b>(198)</b>
Foreign exchange and other movements	(269)	22	5	<b>(242)</b>
<b>Impairment allowance as at 31 December 2025</b>	<b>775</b>	<b>62</b>	<b>13</b>	<b>850</b>

	12-month ECL-Stage 1	Lifetime ECL not credit- impaired-Stage 2	Lifetime ECL credit-impaired- Stage 3	Total
<b>Impairment allowance as at 1 January 2024</b>	<b>989</b>	<b>37</b>	<b>1</b>	<b>1,027</b>
New financial assets originated or purchased	188	-	-	<b>188</b>
Amounts charged during the year	(726)	33	6	<b>(687)</b>
Foreign exchange and other movements	463	(36)	(1)	<b>426</b>
<b>Impairment allowance as at 31 December 2024</b>	<b>914</b>	<b>34</b>	<b>6</b>	<b>954</b>

	2025	2024
<b>Impairment allowance as at 1 January</b>	<b>384,640</b>	<b>366,275</b>
Amounts written off	(73,047)	(80,991)
Movement recognized in profit or loss (Note 12)	150,773	129,849
Unwinding of Discount	(3,792)	(2,523)
Loans and advances derecognized during the year	(67,587)	(15,676)
Other movements (Collection costs, FX, Modification loss)	(5,039)	(12,294)
<b>Impairment allowance as at 31 December</b>	<b>385,948</b>	<b>384,640</b>

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 consolidated financial statements (continued)****19 Investment securities**

<b>a) Investment securities breakdown</b>	<b>2025</b>	<b>2024</b>
Investment securities at FVTPL	37,601	34,558
Investment securities measured at amortised cost	3,489,518	2,308,695
<i>of which pledged</i>	543,268	558,532
ECL on investment securities measured at amortised cost	(4,324)	(3,975)
Investment securities at FVOCI - debt instruments	743,579	1,125,148
<i>of which pledged</i>	43,975	502,768
<b>Total</b>	<b>4,266,374</b>	<b>3,464,426</b>

**Equity securities**

Unlisted 37,601 34,558

**Debt securities**

Listed 3,705,323 2,862,760

Unlisted 523,450 567,108

**Total** **4,266,374** **3,464,426****b) Investment securities at FVOCI**

The movement of investment securities at FVOCI is presented in the table below:

<b>Fair value as at 31 December 2025</b>	<b>743,579</b>
Additions	18,351
Disposals	(3,706)
Change in accrued interest	1,778
Amortization of discounts or premium	6,722
Net fair value gain	14,464
Foreign Exchange differences from translation into entity currency	(30,535)
Redemptions	(388,643)
<b>Fair value as at 31 December 2024</b>	<b>1,125,148</b>
Additions	588,974
Disposals	(52,357)
Change in accrued interest	1,424
Amortisation of discounts and premium	8,972
Net fair value loss	18,389
Foreign exchange differences from translation into entity currency	15,807
Redemptions	(611,919)
<b>Fair value as at 31 December 2023</b>	<b>1,155,858</b>

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

**Notes to the consolidated financial statements (continued)****19 Investment securities (continued)****b) Investment securities at FVOCI (continued)**

<b>Gains less (losses) and impairment of investment securities</b>	<b>2025</b>	<b>2024</b>
Transfer the fair value reserve from equity to income statement	43	(665)
(Losses) OCI Bonds (Securities)	(43)	1,228
Gain recognized on investment securities	5,504	6,729
<b>Total</b>	<b>5,504</b>	<b>7,292</b>

**c) Investment securities measured at amortized cost**

	<b>2025</b>	<b>2024</b>
Bonds issued by banks	891,676	1,591,058
ECL on Bonds issued by banks	(2,397)	(3,403)
Government bonds	2,341,214	350,169
ECL on government bonds	(1,899)	(474)
Other financial corporations bonds	256,628	367,468
ECL on Other financial corporations bonds	(28)	(98)
<b>Total</b>	<b>3,485,194</b>	<b>2,304,720</b>

The following table presents the movement of loss allowance on Investment Securities:

	<b>Investment securities measured at amortised cost</b>	<b>Investment securities measured at FVOCI</b>
	<b>12-month ECL</b>	<b>12-month ECL</b>
<b>Balance at 1 January 2024</b>	<b>2,922</b>	<b>1,260</b>
New financial assets originated or purchased	1,077	131
Changes due to change in ECL risk parameters,incl. FX effect	91	56
Financial assets disposed during the period	(115)	(80)
<b>Balance at 31 December 2024</b>	<b>3,975</b>	<b>1,367</b>
New financial assets originated or purchased	1,416	9
Changes due to change in ECL risk parameters (other than transfers)	(793)	(385)
Financial assets disposed during the period	(274)	(275)
<b>Balance at 31 December 2025</b>	<b>4,324</b>	<b>716</b>

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

**Notes to the consolidated financial statements (continued)**

**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.

<b>Investment property</b>	<b>2025</b>	<b>2024</b>
Beginning of the year	445	441
Impairment	10	4
<b>Closing balance 31 December</b>	<b>455</b>	<b>445</b>

Quantitative information about fair value measurements using significant unobservable inputs (Level 3)

Class property	Fair value 31/12/2025 (BGN)	Valuation technique	Significant Unobservable Input	Range (weighted average) 2025 (BGN)	Range (weighted average) 2024 (BGN)	Connection between the unobservable input and FV
Land	455	Market comparison approach	price per m2	13.43	13.13	A significant increase in price per m2 would result in a higher fair value

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

**Notes to the consolidated financial statements (continued)****21 Property, plant and equipment**

	<b>Land and Buildings</b>	<b>Leasehold improvements</b>	<b>Plant and equipment</b>	<b>Land and building – Right of use assets</b>	<b>Motor Vehicle – Right of use assets</b>	<b>Total property, plant and equipment</b>
<i>At 31 December 2023</i>						
<b>Gross amount</b>	118,577	61,654	117,357	140,113	5,000	442,701
<b>Accumulated depreciation</b>	(2,539)	(23,744)	(53,058)	(51,791)	(1,618)	(132,750)
<b>Net book amount</b>	<b>116,038</b>	<b>37,910</b>	<b>64,299</b>	<b>88,322</b>	<b>3,382</b>	<b>309,951</b>
<i>Year ended 31 December 2024</i>						
<b>Opening net book amount</b>	<b>116,038</b>	<b>37,910</b>	<b>64,299</b>	<b>88,322</b>	<b>3,382</b>	<b>309,951</b>
Additions	6,681	13,074	19,528	3,624	2,114	45,021
Arising from acquisition	-	-	-	-	-	-
Revaluations, impairment and write offs	(3,233)	(814)	79	-	-	(3,968)
Transfers	-	-	-	-	-	-
Terminations/Modifications	-	-	-	1,297	(405)	892
<b>Movement in accumulated depreciation</b>						
Depreciation charge (Note 10)	(1,110)	(5,407)	(9,698)	(16,676)	(1,218)	(34,109)
Termination/Modifications	-	-	-	3,497	555	4,052
<b>Closing net book amount</b>	<b>118,376</b>	<b>44,763</b>	<b>74,208</b>	<b>80,064</b>	<b>4,428</b>	<b>321,839</b>
<i>At 31 December 2024</i>						
<b>Gross amount</b>	133,478	71,545	134,683	145,034	6,709	491,449
<b>Accumulated depreciation</b>	(15,102)	(26,782)	(60,475)	(64,970)	(2,281)	(169,610)
<b>Net book amount</b>	<b>118,376</b>	<b>44,763</b>	<b>74,208</b>	<b>80,064</b>	<b>4,428</b>	<b>321,839</b>
<i>Year ended 31 December 2024</i>						
Opening net book amount	118,376	44,763	74,208	80,064	4,428	321,839
Additions	103,117	3,580	23,249	2,620	787	133,353
Revaluation, impairment and write offs	1,402	1,455	(68)	-	-	2,789
Transfers	-	-	-	-	-	-
Arising from acquisition of subsidiaries	-	-	-	-	-	-
Termination / Modifications	-	-	-	(8,249)	(300)	(8,549)
<b>Movement in accumulated depreciation</b>						
Depreciation charge (Note 10)	(3,650)	(3,582)	(10,906)	(16,106)	(1,418)	(35,662)
Termination / Modifications	-	-	-	7,323	150	7,473
<b>Closing net book amount</b>	<b>219,245</b>	<b>46,216</b>	<b>86,483</b>	<b>65,652</b>	<b>3,647</b>	<b>421,243</b>
<i>At 31 December 2025</i>						
<b>Gross amount</b>	<b>234,026</b>	<b>74,663</b>	<b>146,434</b>	<b>139,405</b>	<b>7,191</b>	<b>601,719</b>
<b>Accumulated depreciation</b>	<b>(14,781)</b>	<b>(28,447)</b>	<b>(59,951)</b>	<b>(73,753)</b>	<b>(3,544)</b>	<b>(180,476)</b>
<b>Net book amount</b>	<b>219,245</b>	<b>46,216</b>	<b>86,483</b>	<b>65,652</b>	<b>3,647</b>	<b>421,243</b>

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 consolidated financial statements (continued)

#### 21 Property, plant and equipment (continued)

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:

	2025	2024
<b>Land and buildings at revalued amount</b>	<b>219,245</b>	<b>118,376</b>
Revaluation reserve, net of tax	(12,503)	(9,817)
Difference between accumulated depreciation based on cost and based on revalued amount not yet transferred to retained earnings	628	1,792
Deferred tax on revaluation	(1,389)	(1,091)
<b>Land and buildings at cost less accumulated depreciation</b>	<b>205,981</b>	<b>109,260</b>

#### Quantitative information about fair value measurements using significant unobservable inputs (Level 3)

Class property	Fair value 31/12/2025 in BGN thousands	Valuation technique	Significant unobservable input	Range (BGN) (weighted average) 2025 in BGN	Range (BGN) (weighted average) 2024 in BGN
Land	40,711	Market comparison approach	price per m2	11.91 - 13025.83 (1185.02)	12.42 - 1411.99 (457.25)
Office	116,384	Income approach	rent per m2	6.10 - 27.07 (23.04)	6.55 - 28.42 (18.86)
Office	62,150	Market comparison approach	price per m2	58.26 - 6015.34 (2214.5)	59.11 - 3608.25 (1063.93)
Office	-	cost approach	price per m2	-	27.12
<b>Total</b>	<b>219,245</b>				

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 consolidated financial statements (continued)****22 Intangible assets and goodwill**

	Software	Licenses	Internally developed	Goodwill	Total intangible assets
<b>At 31 December 2023</b>					
<b>Gross book amount</b>	105,910	26,640	9,438	82,126	224,114
<b>Accumulated amortisation</b>	(46,034)	(10,728)	(2,707)	-	(59,469)
<b>Net book amount</b>	<b>59,876</b>	<b>15,912</b>	<b>6,731</b>	<b>82,126</b>	<b>164,645</b>
<b>Year ended 31 December 2023</b>					
Opening net book amount	59,876	15,912	6,731	82,126	164,645
Arising from acquisition	-	-	-	-	-
Additions	23,225	18,028	999	-	42,252
Revaluation and write offs	(2,512)	-	-	-	(2,512)
Transfers	-	-	-	-	-
Amortisation charge (Note 10)	(6,901)	(2,677)	(529)	-	(10,107)
<b>Closing net book amount</b>	<b>73,688</b>	<b>31,263</b>	<b>7,200</b>	<b>82,126</b>	<b>194,277</b>
<b>At 31 December 2024</b>					
<b>Gross book amount</b>	129,123	44,680	10,437	82,126	266,366
<b>Accumulated amortisation</b>	(55,435)	(13,417)	(3,236)	-	(72,088)
<b>Net book amount</b>	<b>73,688</b>	<b>31,263</b>	<b>7,201</b>	<b>82,126</b>	<b>194,277</b>
<b>Year ended 31 December 2024</b>					
Opening net book amount	73,688	31,263	7,201	82,126	194,277
Arising from acquisition	-	-	-	-	-
Additions	27,004	2,722	2,358	-	32,084
Revaluation, impairment and write offs	-	99	-	-	99
Transfers	-	-	-	-	-
Amortisation charge (Note 10)	(6,246)	(1,457)	(529)	-	(8,232)
<b>Closing net book amount</b>	<b>94,447</b>	<b>32,627</b>	<b>9,029</b>	<b>82,126</b>	<b>218,229</b>
<b>At 31 December 2025</b>					
<b>Gross book amount</b>	156,136	47,456	12,795	82,126	298,513
<b>Accumulated amortisation</b>	(61,689)	(14,829)	(3,766)	-	(80,284)
<b>Net book amount</b>	<b>94,447</b>	<b>32,627</b>	<b>9,029</b>	<b>82,126</b>	<b>218,229</b>

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

## Notes to the consolidated 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, 2025, is BGN 82,126 (2024 BGN 82,126).

No impairment loss was recognized on the CGU during the year ended 31 December 2025 (2024: 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	3%	13.25%	2%

Cost of disposal is calculated as % of assets and is based on observed averages from global industry practices (2-4% range).

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

**Notes to the consolidated financial statements (continued)**

**22 Intangible assets and goodwill (continued)**

*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.

<b>23 Other assets</b>	<b>2025</b>	<b>2024</b>
Amounts in transit	106,572	90,160
Prepaid expenses	46,242	37,162
Other debtors	13,892	24,662
Repossessed collaterals	7,624	13,474
Other assets	13,409	2,796
Materials	866	1,053
Less: impairment on other financial assets	(6,161)	(6,011)
<b>Total</b>	<b>182,444</b>	<b>163,296</b>

The financial assets contained in the Other assets note amounted to BGN 127,712 thousand (for the period ended 31 December 2024: BGN 111,607 thousand). The impairment on financial assets amounted to BGN 6,161 thousand (for the period ended 31 December 2024: BGN 6,011 thousand). BGN 54,732 thousand (for the period ended 31 December 2024: 51,689 thousand) of the non-financial assets are expected to be realized within 12 months.

<b>Impairment on other financial assets movement</b>	<b>2025</b>	<b>2024</b>
Opening balance at 1st of January	6,011	3,770
Charged to the income statement	1,530	2,904
Reversed to the income statement	(1)	(30)
(Used)/charged during year	(1,379)	(633)
<b>Closing balance 31 December</b>	<b>6,161</b>	<b>6,011</b>

<b>24 Deposits from banks</b>	<b>2025</b>	<b>2024</b>
Current accounts from other banks	30,356	24,568
Deposits from other banks	-	948,495
<b>Total</b>	<b>30,356</b>	<b>973,063</b>

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

### Notes to the consolidated financial statements (continued)

#### 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 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). Peak exposure occurs at an intermediate point during the swap's life. Since the notional amounts themselves are not exchanged, the percentage of notional amounts at risk is relatively low in normal market conditions.

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.

*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 consolidated financial statements (continued)****25 Derivative financial instruments (continued)**

The fair values of derivative instruments held are set out below

Year ended 31 December 2025	Contract / notional amount	Fair values	
		Assets	Liabilities
<b>Derivatives that do not qualify for hedge accounting and held for trading</b>			
<b>Foreign exchange derivatives</b>			
OTC currency swaps	271,903	198	14
<b>Total OTC currency derivatives for trading</b>	<b>271,903</b>	<b>198</b>	<b>14</b>
<b>Interest rate derivatives</b>			
OTC interest rate swaps	990,026	38,842	38,647
OTC IR options bought and sold	-	-	-
<b>Total OTC interest rate derivatives for trading</b>	<b>990,026</b>	<b>38,842</b>	<b>38,647</b>
<b>Derivatives designated as fair value hedges</b>			
OTC interest rate swaps	-	-	-
<b>Total recognised derivative assets / liabilities</b>	<b>-</b>	<b>39,040</b>	<b>38,661</b>
Year ended 31 December 2024	Contract notional amount	Fair values	
		Assets	Liabilities
<b>Derivatives that do not qualify for hedge accounting and held for trading</b>			
<b>Foreign exchange derivatives</b>			
<b>Total OTC currency derivatives for trading</b>	<b>708,431</b>	<b>1,020</b>	<b>631</b>
<b>Interest rate derivatives</b>			
OTC interest rate swaps			
<b>OTC IR options bought and sold</b>	<b>824,256</b>	<b>32,485</b>	<b>35,176</b>
<b>Total OTC interest rate derivatives for trading</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Derivatives designated as fair value hedges</b>	<b>824,256</b>	<b>32,485</b>	<b>35,176</b>
OTC interest rate swaps			
<b>Total recognised derivative assets / liabilities</b>	<b>-</b>	<b>33,505</b>	<b>35,807</b>

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.

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

**Notes to the consolidated financial statements (continued)**

**25 Derivative financial instruments (continued)**

In 2025 the Bank recognized a result of BGN 0 thousand (2024: BGN 0 thousand) from changes in the fair value of the hedging instruments, used as the basis of recognizing hedge ineffectiveness and a result of BGN 0 thousand (2024: BGN 0) from changes in the fair value of the hedged items attributable to the hedged risk. The amount of hedge ineffectiveness recognized for 2025 in the income statement is a result of BGN 0 thousand (2024 BGN 0 thousand). In 2025 there have been no fair value hedges (2024: highly effective).

For additional details for Fair value hedges refer to Note 2.2.3 Derivative financial instruments.

**31 December 2025**

Interest rate risk	Nominal amount	Carrying amount		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
		Assets	Liabilities				
Debt securities hedged	-	-	-	Investment securities at FVOCI - debt instruments	22,037	-	-

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.

**31 December 2024**

Interest rate risk	Nominal amount	Carrying amount		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
		Assets	Liabilities				
Interest rate swaps - hedge of debt securities	-	-	-	Derivative liability	-	-	-
Debt securities hedged	-	-	-	Investment securities at FVOCI - debt instruments	31,634	-	-

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

**Notes to the consolidated financial statements (continued)**

<b>26 Due to customers</b>	<b>2025</b>	<b>2024</b>
Large corporate customers	5,150,766	3,558,429
Medium corporate customers	1,079,795	1,000,273
<b>Total due to corporate customers</b>	<b>6,230,561</b>	<b>4,558,702</b>
Retail customers	15,372,466	12,681,556
<b>Total due to customers</b>	<b>21,603,027</b>	<b>17,240,258</b>

Included within due to customers is a related accrued interest payable of BGN 102,263 thousand (2024: BGN 72,616 thousand).

**27 Other borrowed funds**

	<b>2025</b>	<b>2024</b>
MREL Debt Eurobank S.A.	1,394,367	810,779
Subordinated Debt Eurobank S.A.	216,642	216,752
Long term debt from Bulgarian Development Bank	-	2,839
IFC loan	245,579	275,221
<b>Total</b>	<b>1,856,588</b>	<b>1,305,591</b>

Reconciliation of movements of liabilities to cash flows arising from financing activities is presented in the table below:

	<b>2025</b>	<b>2024</b>
<b>Opening balance at 1 January</b>	<b>1,305,591</b>	<b>1,036,249</b>
New funding	586,749	273,816
Repayment of long-term debt (principal)	(33,251)	(5,654)
Interest expense	85,712	68,078
Interest paid	(88,213)	(66,898)
<b>Balance at 31 December</b>	<b>1,856,588</b>	<b>1,305,591</b>

**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 2025 the loan has been fully repaid (2024: BGN 1,772 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 2025, the loan has been fully repaid (2024: BGN 1,067 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 credit). 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 2025 and 2024 the utilization of that line is BGN 0.

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 consolidated financial statements (continued)****27 Other borrowed funds (continued)**

In September 2024, Eurobank Bulgaria AD signed a new loan agreement with International Financial Corporation for the total amount of EUR 140,000 thousand, consisting of two tranches: EUR 56,000 thousand (received on 07.10.24) and EUR 84,000 thousand (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. As of 31 December 2025, the outstanding amount of the first tranche is EUR 49,777 thousand (vs. EUR 56,000 thousand as of 31 December 2024) while the second tranche is EUR 74,666 thousand (vs. EUR 84,000 thousand as of 31 December 2024).

**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. 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 2025, the loan was extended and as of 31 December 2025, the outstanding balance of the loan is BGN 146,687 thousand (2024: BGN 146,884 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. The purpose of the loan is to cover the MREL regulatory requirements in accordance with Regulation (EU) No 806/2014. As of 31 December 2025, the outstanding balance of the loan is BGN 97,792 thousand (2024: BGN 97,869).

In December 2022, Eurobank Bulgaria AD received a new intra-group loan from Eurobank S.A. for the amount of EUR 110,000 thousand. The regulator approved the loan to be included in Tier 2 capital as subordinated loan. As of 31 December 2025, the outstanding balance of the loan is BGN 215,141 thousand (2024: BGN 216,752 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. The purpose of the loan is to cover the MREL regulatory requirements in accordance with Regulation (EU) No 806/2014.

In March 2025, the loan was extended and as of 31 December 2025, the outstanding balance of the loan is BGN 97,792 thousand (2024: 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. The purpose of the loan is to cover the MREL regulatory requirements in accordance with Regulation (EU) No 806/2014. In June 2025, the loan was extended and as of 31 December 2025, the outstanding balance of the loan is BGN 264,037 thousand (2024: BGN 272,239).

In December 2023, Eurobank Bulgaria AD received a new intra-group loan from Eurobank S.A. for the amount of EUR 100,000 thousand. The purpose of the loan is to cover the MREL regulatory requirements in accordance with Regulation (EU) No 806/2014. In December 2025 the loan was extended and as of 31 December 2025, the outstanding balance of the loan is BGN 195,583 thousand (2024: BGN 195,962).

In March 2025, Eurobank Bulgaria AD received a new intra-group loan from Eurobank S.A. for the amount of EUR 300,000 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 2025, the outstanding balance of the loan is BGN 586,749 thousand.

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

**Notes to the consolidated financial statements (continued)****28 Deferred tax**

Deferred tax is calculated on all temporary differences under the liability method using a principal tax rate of 10% (2024: 10%). The movement on the deferred tax account is as follows:

	<b>2025</b>	<b>2024</b>
Deferred tax asset at the beginning of year	(3,558)	(4,734)
Deferred tax liability, net, recognized in OCI	282	143
Deferred tax expense/ (benefit) (Note 13)	7,549	1,033
Net deferred tax (asset) / liability at end of year	<b>4,273</b>	<b>(3,558)</b>
Deferred tax assets and liabilities are attributable to the following items:		
	<b>2025</b>	<b>2024</b>
Deferred tax liabilities		
Accelerated tax depreciation	9,987	9,331
Property revaluation	1,389	1,091
Deferred tax assets on actuarial loss	684	699
Gain on share exchange	519	519
Deferred tax liability on bargain gain (FV of securities, LG/ LC)	311	311
IFRS 16 contracts	9,550	7,793
	<b>22,440</b>	<b>19,744</b>
Deferred tax assets		
Unused holidays	242	193
Provision for legal proceedings	1,524	1,237
Provision for retirement benefit obligations	1,179	1,138
Deferred tax assets on provisions for restructuring	481	1,703
Deferred tax assets on bargain gain (FV of loans, shares)	1,103	7,160
Other temporary differences	4,499	4,510
IFRS 16 contracts	9,139	7,361
	<b>18,167</b>	<b>23,302</b>

The deferred tax charge/ (credit) in the income statement comprises of the following temporary difference:

	<b>2025</b>	<b>2024</b>
Depreciation	657	1,431
Unused holidays	56	(15)
Provision for legal proceedings and off balances	(287)	162
Other temporary differences	(93)	(1,559)
Provisions for restructuring and other liabilities	1,221	1,121
Provision for retirement benefit obligations	(41)	(186)
DTA PBB transaction	6,057	114
DTL IFRS 16 contracts	1,757	1,784
DTA IFRS 16 contracts	(1,778)	(1,819)
<b>Net deferred tax expense/ (benefit) (Note 13)</b>	<b>7,549</b>	<b>1,033</b>

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

**Notes to the consolidated financial statements (continued)**

**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:

<b>Legal provisions</b>	<b>2025</b>	<b>2024</b>
Opening balance at 1st of January	<b>12,422</b>	<b>14,065</b>
Charged to the income statement	6,240	2,885
Used during year	(2,032)	(1,713)
Reversed during the year	(1,373)	(2,799)
FX Revaluation	16	(16)
<b>Closing balance</b>	<b>15,273</b>	<b>12,422</b>

**(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:

<b>Provisions for restructuring</b>	<b>2025</b>	<b>2024</b>
Opening balance at 1st of January	14,550	18,353
Used during year	(12,214)	(3,803)
<b>Closing balance</b>	<b>2,336</b>	<b>14,550</b>

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

**Notes to the consolidated 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	
	2025	2024	2025	2024
Cash with Central bank (held as mandatory reserve)	2,442,719	2,162,502	23,229,610	19,151,597
Trading and investment securities (pledged under government accounts)	558,205	204,642	197,688	144,146
Investment securities (pledged under Repo agreement)	-	862,112	-	827,224
Loans pledged under long term debt agreement	-	5,444	-	2,839
<b>Total</b>	<b>3,000,924</b>	<b>3,234,700</b>	<b>23,427,298</b>	<b>20,125,806</b>

The total financial assets that have been pledged as collateral for liabilities (including amounts reflected above) as of 31 Dec 2025 was BGN 3,000,924 thousand (2024: BGN 3,234,700 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.

Pledged funds under Credit Support agreements are BGN 0 thousand (2024: BGN 2,959 thousand). Pledged assets under the Guarantee Mechanism pursuant to Article 46 of BNB Ordinance No. 16 amount to BGN 32,719 thousand as at 31 December 2025.

Pledged bonds as Eurocoins collateral amount to BGN 30,001 thousand as at 31 December 2025. 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.

On 30.07.2025 Eurobank Bulgaria issued BGN 977,915 thousand euro denominated covered bond, with a seven-year maturity and a coupon of 3-month EURIBOR + 80 basis points, rated Aa2 by Moody's, registered in Euroclear Bank SA/NV and Clearstream Banking S.A. and admitted to trading on Euro MTF segment on the Luxembourg Stock Exchange. The covered bonds were issued under the Bulgarian Covered Bonds Act (CBA), which in 2022 transposed the European Covered Bonds Directive (Directive 2019/2162) into national legislation. The issue has not been offered to investors and has been fully subscribed by Eurobank Bulgaria for own use as additional liquidity buffer.

The bonds are backed by a pool of primary assets - residential mortgage loans and have contractually committed overcollateralization level of 10% from the bond nominal value. Cover pool amounts to EUR 1,234,041 thousand. The issued bond - the liability, as well as the retained bond – the asset are initially recognized and subsequently measured as amortized cost.

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

**Notes to the consolidated financial statements (continued)**

**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

	<b>2025</b>	<b>2024</b>
<b>Retirement benefit obligation at 01 January</b>	<b>4,389</b>	<b>4,026</b>
Arising from acquisition	-	-
Service cost	621	605
Interest cost	132	145
Benefits paid	(345)	(115)
Remeasurement	158	(272)
<b>Retirement benefit obligation at 31 December</b>	<b>4,955</b>	<b>4,389</b>
<b>Expenses recognised in profit or loss</b>		
Service cost	621	605
Interest cost	132	145
<b>Total (income) / expense included in staff costs (Note 11)</b>	<b>753</b>	<b>750</b>
<b>Total remeasurement recognised in OCI</b>	<b>158</b>	<b>(272)</b>
<b>Significant actuarial assumptions</b>	<b>2025</b>	<b>2024</b>
<b>Discount rate</b>	3.58%	3.06%
<b>Future salary increase:</b>	3.00%	4.00%

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

## Notes to the consolidated financial statements (continued)

### 30 Retirement benefits obligations (continued)

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 of 31 December 2025 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.

<b>31 Other liabilities</b>	<b>2025</b>	<b>2024</b>
Other creditors	101,297	85,689
Lease liabilities	69,840	85,046
Accrued expenses	59,732	55,361
Tax obligations other than corporate tax	7,487	10,121
Unused paid leave accrual	2,420	1,917
Other	1,489	891
Deferred income	334	334
<b>Total</b>	<b>242,599</b>	<b>239,359</b>

The financial liabilities contained in the Other liabilities note amounted to BGN 144,260 thousand (2024: BGN 215,723 thousand).

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

## Notes to the consolidated financial statements (continued)

### 32 Capital and reserves

#### a) Share capital

As of 31 December 2025, 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 2024: 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 the Bank did not pay dividends on ordinary shares. According to the Dividend Distribution Policy adopted in 2025, the Bank will follow a dividend policy principle for a payout ratio in the area of 50% of its resilient profit for the financial year 2025, and thereafter.

The policy envisages various options for the timing of the distribution - single payments, or in parts within the financial year, based on General Shareholders Meeting decision.

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

**Notes to the consolidated financial statements (continued)**

**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:

	<b>2025</b>	<b>2024</b>
Cash in hand (Note 15)	642,624	218,056
Balances with Central bank excluding the minimum level of mandatory reserves	1,470,223	1,076,568
Loans and advances to banks	1,496,335	1,177,927
<b>Total amount of cash and cash equivalents</b>	<b>3,609,182</b>	<b>2,472,551</b>
Less impairment allowance	(22)	(60)
<b>Net amount of cash and cash equivalents</b>	<b>3,609,160</b>	<b>2,472,491</b>

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.

Pledged assets under the Guarantee Mechanism pursuant to Article 46 of BNB Ordinance No. 16 amount to BGN 32,719 thousand as at 31 December 2025.

**34 Related party transactions**

On 12 December 2025, the merger of Eurobank S.A. with Eurobank Ergasias Services and Holdings S.A. by absorption had been completed following the receipt of all necessary permits and approvals from the competent authorities.

Fairfax Financial Holdings Limited” (“Fairfax”), which holds 32.67% of Eurobank’s total voting rights, corresponding to 1,186,363,895 voting rights of the Eurobank’s ordinary shares (effective as of 12 December 2025). Specifically, on 19 December 2025, Eurobank announced, following the relevant notification received from Fairfax, that upon completion of the Merger the previously disclosed holdings of Fairfax and its subsidiaries in Eurobank Holdings had become holdings in Eurobank and that the percentage of voting rights in Eurobank held directly and indirectly by Fairfax as at 12 December 2025 remained unchanged, amounting to 32.67% of Eurobank’s total voting rights, with no change in the relevant percentage.

The volumes of related-party transactions, outstanding balances at the year end, and relating expense and income for the year are as follows:

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

**Notes to the consolidated financial statements (continued)****34 Related party transactions (continued)**

	31 December 2025			31 December 2024		
	Parent company	Other Group companies*	Key management personnel**	Parent company	Other Group companies*	Key management personnel**
Loans and advances to banks (weighted interest rate 2025: 1.01%, 2024: 1.19%)	437,065	489,199	-	59,988	195,610	-
Loans and advances to customers (weighted interest rate 2025: 1.35%, 2024: 1.04%)	-	-	1,481	-	-	869
Debt securities lending	430,386	-	-	419,606	9,894	-
Derivative financial instruments assets	35,190	-	-	26,455	-	-
Due to other banks	1,631,859	-	-	1,568,139	727	-
Due to customers (weighted interest rate 2025: 0.71%, 2024: 0.86%)	-	-	2,776	-	-	1,929
Derivatives Liabilities	2,398	-	-	7,907	-	9
Interest income	13,210	510	22	10,395	135	9
Interest expense	(82,701)	-	(216)	(72,338)	-	(26)
Fee and commission income	1,308	1,327	-	1,387	884	-
Fee and commission expense	(162)	(33)	-	(175)	(15)	-
Net trading (expense)/ income	43,682	-	-	26,201	-	-
Salaries and other short-term benefits	-	-	5,267	-	-	5,672
Other expenses	(83)	(739)	-	(21)	(821)	-

\*represent other entities under common control

\*\*represents key management personnel plus relatives and participation in other entities

All loans lent to related parties as of 31 December 2025 and as of 31 December 2024 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 members of the Management and Supervisory Boards, Procurator and the Heads of Internal Audit and Compliance departments.

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

**Notes to the consolidated financial statements (continued)**

**34 Related party transactions (continued)**

A list of the related parties of the Bank during 2025 is presented in the table below:

<u>Related party (company name)</u>	<u>Country</u>	<u>Related company category</u>
Eurobank S.A.	Greece	Parent company
Eurobank Fund Management Company (Luxembourg) S.A.	Luxembourg	Other company within the Group
Eurobank Holdings S.A.	Greece	Other company within the Group that was merged through absorption by Eurobank S.A.
Eurobank Factors Single Member S.A.	Greece	Other company within the Group
Eurobank Private Bank Luxembourg S.A.	Luxembourg	Other company within the Group
Eurobank Ltd( ex Hellenic Bank)	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 of 31 December 2025 and 31 December 2024, 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:

	<b>2025</b>	<b>2024</b>
Guarantees	307,932	255,181
Letters of credit	82,059	115,389
Loan commitments and other credit related liabilities	3,287,644	2,968,215
<b>Total</b>	<b>3,677,635</b>	<b>3,338,785</b>

*(c) Capital Expenditures*

As of 31 December 2025, the Bank had the following capital expenditure commitments:

	<b>2025</b>	<b>2024</b>
<b>Capital Expenditures</b>	<b>38,433</b>	<b>12,782</b>

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

### Notes to the consolidated 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 2025, the right-of-use assets included in property plant and equipment amounted to BGN 69,302 thousand (31 December 2024: BGN 84,492 thousand) (Note 21).

#### Lease Liabilities

As at 31 December 2025 the lease liability included under other liabilities amounted to BGN 69,840 thousand (31 December 2024: BGN 85,046 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 19,171 in December 2025 (BGN 19,440 in 2024).

Reconciliation of movements of liabilities to cash flows arising from lease financing activities is presented in the table below:

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

**Notes to the consolidated financial statements (continued)****36 Leases (continued)**

	<b>2025</b>	<b>2024</b>
<b>Opening balance at 1 January</b>	<b>(85,046)</b>	<b>(92,034)</b>
New Leases	(3,027)	(5,738)
Repayment of principal part of lease liability	17,504	17,809
Interest expense	(212)	(165)
Interest paid	212	165
Expense for leases of low-value assets	(1,455)	(1,466)
Payments for leases of low-value assets	1,455	1,466
FX Revaluation	64	(21)
Modifications and terminations	665	(5,062)
<b>Balance at 31 December</b>	<b>(69,840)</b>	<b>(85,046)</b>

**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:

	<b>2025</b>	<b>2024</b>
Not later than one year	127	89
One to two years	110	-
Two to three years	107	-
Three to four years	104	-
Four to five years	104	-
<b>Total</b>	<b>552</b>	<b>89</b>

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

**Notes to the consolidated financial statements (continued)****36 Leases (continued)***Finance Lease*

The following table presents the balances of the finance leases for the Bank as lessor for the period ended 31 December 2025 and 31 December 2024:

	2025	2024
Not later than one year	13,277	15,690
One to two years	11,437	11,496
Two to three years	7,968	9,571
Three to four years	4,949	5,988
Four to five years	1,904	2,857
More than five years	111	174
<b>Gross investment in finance leases</b>	<b>39,646</b>	<b>45,776</b>
Less: unearned finance income	(5,937)	(5,727)
<b>Net investment in finance leases</b>	<b>33,709</b>	<b>40,049</b>
Less: impairment allowance	(1,244)	(1,280)
<b>Total</b>	<b>32,465</b>	<b>38,769</b>

**37 Disclosure under art. 70, para. 6 of the Law on Credit institutions**

The data provided is as of 31 December 2025:

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	991,864	3,678	521,049	(77,234)	1,8%	253

\*In 2025 and 2024 the Bank has benefited from the preferences under the Government Program for compensation of non-household electricity customers and accounted for 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 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

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

**Notes to the consolidated financial statements (continued)**

**38 Operating segments**

Management has determined the operating segments based on the internal reports that are used to allocate resources and to assess their performance in order to make strategic decisions. The Bank aggregates segments when they exhibit similar economic characteristics and profile and are expected to have similar long-term economic development.

Operating segments follow the main business units of the Bank – Retail business, Corporate business and Capital markets. In more detail, Retail business incorporates customer current accounts, savings, deposits and investment savings products, credit and debit cards, consumer loans, small business banking and mortgages.

Corporate business incorporates current accounts, deposits, overdrafts, loan and other credit facilities, factoring, leasing, derivative products to corporate entities. Capital Markets incorporates financial instruments trading, services to institutional investors, custody and clearing services, mutual funds and equity brokerage.

Bank's management reporting is based on International Financial Reporting Standards (IFRS) as adopted by the EU. The accounting policies of the Group's operating segments are the same with those described in the principal accounting policies.

For the year 2025	Retail business	Wholesale business	Capital Markets	Total
Net interest income	513,928	184,180	99,556	797,664
Net fee and commission income	125,307	24,184	33,672	183,163
Other revenues	2,508	676	8,713	11,897
<b>Total Revenue</b>	<b>641,743</b>	<b>209,040</b>	<b>141,941</b>	<b>992,724</b>
Other operating expenses	(284,103)	(46,808)	(23,169)	(354,080)
Deposit Insurance Fund expense	(12,442)	(3,981)		(16,423)
Impairment charge	(75,852)	(25,369)	301	(100,920)
<b>Profit before income tax</b>	<b>269,346</b>	<b>132,882</b>	<b>119,073</b>	<b>521,301</b>
<b>Segment assets</b>	<b>11,664,792</b>	<b>6,125,477</b>	<b>9,173,236</b>	<b>26,963,505</b>
<b>Segment liabilities</b>	<b>15,635,158</b>	<b>6,238,612</b>	<b>1,925,605</b>	<b>23,799,375</b>

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

**Notes to the consolidated financial statements (continued)****38 Operating segments (continued)**

For the year 2024	Retail business	Wholesale business	Capital Markets	Total
Net interest income	477,168	207,420	87,877	772,465
Net fee and commission income	113,054	22,264	26,640	161,958
Other revenues	2,576	3,179	8,488	14,243
<b>Total Revenue</b>	<b>592,798</b>	<b>232,863</b>	<b>123,005</b>	<b>948,666</b>
Other operating expenses	(281,187)	(42,821)	(17,397)	(341,405)
Deposit Insurance Fund expense	(18,819)	(6,116)		(24,935)
Impairment charge	(75,271)	(22,310)	(1,147)	(98,728)
<b>Profit before income tax</b>	<b>217,521</b>	<b>161,616</b>	<b>104,461</b>	<b>483,598</b>
<b>Segment assets</b>	<b>9,758,791</b>	<b>5,664,267</b>	<b>7,133,972</b>	<b>22,557,030</b>
<b>Segment liabilities</b>	<b>12,961,962</b>	<b>4,575,839</b>	<b>2,314,462</b>	<b>19,852,263</b>

**39 Events after the balance sheet date**

On 1 January 2026, the Republic of Bulgaria became the 21st EU member state to adopt the euro as its official national currency. The Bulgarian entities converted the opening balance sheet items as of 1 January 2026 to euro in accordance with the Act on the Introduction of the Euro as the Official Currency of the Republic of Bulgaria, using the prescribed conversion rate of 1.95583 BGN for 1 euro. As a result, the Minimum required reserves (MRR) for banks dropped from 12% to 1%, releasing substantial liquidity into the banking system. The transaction did not have a significant impact on the financial statements of the Bank.

In February 2026, the Group entered into an agreement for the acquisition of a controlling interest in a software company in Bulgaria, for an upfront consideration of c. € 18 million plus additional consideration that is contingent on future profitability. The completion of the transaction is subject to customary regulatory approvals and is expected to be finalized within the first half of 2026.

On 28 February 2026 a conflict in the Gulf region has started. The subsequent geopolitical developments in the Middle East, including ongoing tensions, have continued to evolve and have contributed to increased uncertainty in global financial markets, particularly in relation to energy prices, shipping routes and regional trade flows. As of the date of these financial statements, The Bank has no material exposures to the Gulf region and management has not identified any significant effects arising from these developments.

Given the evolving nature of the situation, management continues to monitor developments closely.

There are no other significant subsequent events with effect on the financial statements as of 31 December 2025.