2023 Annual Reports and Accounts

Unlocking **transformation,** together.

For our clients, our people, and our communities.

Empowering Communities to Progress.

UniCredit Bulbank

Contents

FINANCIAL HIGHLIGHTS (Unconsolidated)

Thousands of BGN, unless otherwise stated

Income Statement Figures	YEAR		CHANGE
	2023	2022	
Net interest income	708 057	424 532	66.8%
Net fee and commission income	280 932	255 851	9.8%
Income from dividend, net gains/(loss) from trading income, hedging derivatives and investment securities	245 874	223 167	10.2%
Other operating income/expenses, net	(18 913)	(20 286)	(6.8%)
Operating income	1 215 950	883 264	37.7%
Operating expenses	(349 932)	(303 196)	15.4%
Gross operating profit	866 018	580 068	49.3%
Net impairment (loss)/reversal on financial assets	20 437	(87 912)	(123.2%)
Provisions for risk and charges	(2 660)	(1 980)	34.3%
Net income from PPE	(1)	15 240	(100.0%)
Profit before tax	883 794	505 416	74.9%
Net profit	806 695	465 885	73.2%
Volume Figures			
Total assets	32 124 499	28 889 110	11.2%
Net customer loans (eop)[1)]	20 397 934	17 267 825	18.1%
Customer deposits (eop)[2)]	24 863 665	23 231 250	7.0%
Shareholders' equity (eop)	3 662 015	3 251 993	12.6%
RWA (eop)	14 310 590	12 215 978	17.1%
Key Performance Indicators (%)			
Return on average assets (ROA)	2.6	1.7	0.9pp
Return on average equity (ROE)	23.3	14.1	9.2pp
Cost/Income ratio	28.8	34.3	(5.5pp)
Net profit margin	66.3	52.7	13.6pp
Capital/Asset ratio (eop)	11.4	11.3	0.1pp
Total capital adequacy ratio (eop)	20.41	23.29	(2.9pp)
Tier 1 capital ratio (eop)	20.02	22.89	(2.9pp)
CET 1 capital ratio (eop)	20.02	22.89	(2.9pp)
Risk weighted assets/Total assets ratio (eop)	44.5	42.3	2.3pp
Non-performing exposures/Gross loans	2.5	3.1	(0.6pp)
Net Loan/Deposit ratio	82.0	74.3	7.7pp
Resources (number) – (eop)			
Employees	3 234	3 443	(209)
Branches	130	133	(3)

[1] Loans and advances to customers and debt securities and pledged debt securities

[2] Deposits from customers and other financial liabilities at amortized cost

FINANCIAL HIGHLIGHTS (Consolidated)

Thousands of BGN, unless otherwise stated

Income Statement Figures	YEAR 2023	YEAR 2022	CHANGE
Net interest income	890 804	584 328	52.4%
Net fee and commission income	285 905	265 482	7.7%
Income from dividend, net gains/(loss) from trading income, hedging derivatives and investment securities	137 003	111 448	22.9%
Other operating income/expenses, net	(5 111)	3 550	(244.0%)
Operating income	1 308 601	964 808	35.6%
Operating expenses	(407 647)	(356 594)	14.3%
Gross operating profit	900 954	608 214	48.1%
Net impairment income/(expense) on financial assets	(22 243)	(112 465)	(80.2%)
Provisions for risk and charges	(1 071)	243	(540.7%)
Net income from PPE	22	15 196	(99.9%)
Profit before tax	877 662	511 188	71.7%
Net profit	789 884	460 431	71.6%
Volume Figures			
Total assets (eop)	32 460 012	29 302 000	10.8%
Net customer loans (eop)[1)]	20 653 219	17 608 322	17.3%
Customer deposits (eop)[2)]	24 827 068	23 239 194	6.8%
Shareholders' equity (eop)	3 969 417	3 576 606	11.0%
RWA (eop)	14 101 241	12 236 447	15.2%
Key Performance Indicators (%)			
Return on average assets (ROA)	2.6	1.7	0.9pp
Return on average equity (ROE)	20.9	12.6	8.3pp
Cost/Income ratio	31.2	37.0	(5.8pp)
Net profit margin	60.4	47.7	12.6pp
Capital/Asset ratio (eop)	12.2	12.2	0.0pp
Total capital adequacy ratio (eop)	22.87	25.82	(2.9pp)
Tier 1 capital ratio (eop)	22.48	25.43	(2.9pp)
CET 1 capital ratio (eop)	22.48	25.43	(2.9pp)
Risk weighted assets/Total assets ratio (eop)	43.4	41.8	1.7pp
Non-performing exposures/Gross loans	3.0	3.7	(0.7pp)
Net Loan/Deposit ratio	83.2	75.8	7.4pp
Resources (number) – (eop)			
Employees	3 692	3 985	(293)
Branches	139	142	(3)

[1] Loans and advances to customers, debt securities and pledged debt securities at amortised cost, finance leases

[2] Deposits from customers and other financial liabilities at amortized cost

CHAIRPERSON'S MESSAGE

"We ended 2023 with the best historical result that this bank has ever achieved, and we did so sustainably. As we enter 2024, we do so with a strong and motivated team, brimming with ideas for innovation and development, and with our greatest asset: the trust of over one million customers. We are committed to continuing to be their financial partner, just as we have been for the past 60 years."

TZVETANKA MINTCHEVA
CHAIRPERSON OF THE MANAGEMENT BOARD
AND CEO OF UNICREDIT BULBANK

Dear shareholders, partners, clients, and colleagues,

We are going through the biggest **transformation we have ever experienced.** Industries and businesses are changing but so does our society. We recognized 2022 as a pivotal year but 2023 challenged us even more with its unpredictable environment: ongoing geopolitical tension, political instability, disruption in supply chains, dynamic changes in interest rates, supersonic technological development.

We ended the 2023 with **the best historical result** that this bank has ever achieved and we did it in a **sustainable way.** Keeping **costs and risk under control**, we have managed to achieve a **record net profit** and continue to be **the most efficient bank** on the market.

We have continued our **growth trend, increasing our market shares** in Assets, Loans, Revenues and Net Profit, being **market leader** in Corporate and ranked the **most active bank** of 2023 in Retail Loans, after 24 consecutive months of increasing market share.

560 new customers have trusted our services every day, contributing to a 3% increase in our active customer base, in a market and country where we unfortunately know the population is declining.

In 2023, digitalization continued to evolve, with our app garnering over 2 million downloads across the three app stores. We saw a growth of over 70,000 active customers, reaching 640,000, with an average rating exceeding 4.7 and more than 135,000 reviews. Additionally, over 97% of all our transfers are conducted **electronically,** and sales are growing by over 71% with every fourth consumer credit being entirely remote.

These achievements enabled us to enhance customer satisfaction, with our NPS for 2023 increasing by 31 points and boasting a positive gap of +14 points compared to our main competitors. We were also lauded for our top-rated Online banking services by Corporate clients, and we observed an increase in NPS across all channels – branches, mobile, and call center.

All these accomplishments were achieved on an extremely strong and stable NPS basis (3% on a consolidated level, 2.5% on Total Bank).

The Bank received ten awards in the field of ESG factors management being an objective evaluation of the progress of the bank vis-a-vis the market.

Leading market positioning and outstanding financial results

As the only Top 5 bank to achieve full organic growth in the past decade (while all peers engaged in M&A activities), UniCredit Bulbank successfully maintained its leading position in the Bulgarian banking market. It closed 2023 as the market leader in the Corporate segment and was the most active Retail bank compared to its peers in Bulgaria, generating approximately a quarter of the Banking System's net profit in 2023.

In an environment of ongoing consolidation of the banking sector, which favored economies of scale of UCB's competitors and the system as a whole, **UniCredit Bulbank** is maintaining its operational efficiency excellence with its Cost to Income Ratio well below the market average and most competitors (27.5% for UCB compared to 36.1% for the Market). Moreover, UniCredit Bulbank continued to be **one of the best liquid and capitalized banks,** with a CET 1 ratio at 20.02% (stand-alone) and a **record Net Profit** at BGN 806.7mln. Additionally, UCB sustainably **outperformed the market** in ROA and ROE for another year in a row and achieved **increasing market shares** in Assets, Loans, Revenues and Net Profit.

From a commercial standpoint, in 2023, the Bank achieved its highest-ever new volume production in both Corporate and Retail Loans. It retained its position as the primary partner for companies operating in Bulgaria, evident from its indisputable leadership in the non-financial corporate sector, where it holds over one-fifth of the total exposure in the banking system (21.3% market share as of December '23, marking a growth of 29 basis points year-on-year). In Retail Loans, UniCredit Bulbank (including UCFin) outperformed the Banking System with a year-on-year growth of 22.4%, compared to the system's growth of 16.5% (+82 basis points to reach a 17.0% market share, the highest ever achieved after 24 consecutive months of increasing market share). This growth was supported by sustainable double-digit growth in both Mortgage and Consumer Loans.

Advancement in digital transformation

In 2023 **UniCredit Bulbank was the first on the market** to launch a **digital solution** for clients' behavior analysis based on payments activities.

Additional focus in 2023 was to further transform our online channel from transactional to self-service platform, unlocking opportunity for LEs to open additional current accounts, sending requests for disbursement/repayment of revolving loan, and to perform digital KYC review. More than 97% of all customer interactions with the bank are via our mobile banking app. On average, our customers log into the app over 21 times a month, which equals to one login every working day.

In addition to what has already been mentioned, in 2023 UniCredit Bulbank's Contact Center has launched Priority Line to prioritize individual and business customers, and to guarantee exceptional service. The Contact Center's Net Promoter Score has increased significantly with 77% reaching 46 points.

A cashless service model has been launched as a pilot initiative. The model challenged our customers' experience by transforming our branches into consultancy, support and sales points. Cash service is provided in our 24/7 Self Service Zones, supported by external vendor.

UniCredit Bulbank – employer of choice

UniCredit Bulbank continued to be considered a good place to work and a stable and reliable Employer, supported by the strong brand of UniCredit.

The bank has earned significant acclaim its gender equality policies through the EDGE Assess certificate for gender equality and inclusion in the workplace. EDGE certifications set leading global standards for assessing equality and inclusion in business.

Our strong commitment to employee well-being through excellence in human resource management policies and people practices was recognized by the Top Employers Institute also in 2023. UniCredit Bulbank has been awarded as a Top Employer in Bulgaria in the past several years as well.

UniCredit Bulbank remains committed to executing the UniCredit strategy and following the group values: integrity, ownership and caring

We will continue to work actively and achieve organic growth by building a sustainable business-risk model.

We enter 2024 with a strong and motivated team, with ideas for innovation and development, and with our greatest asset: the trust of over one million customers. We will continue to be their financial partner like we have been in the last 60 years.

For us, progress is a team sport, and we believe in being on the same team with all our stakeholders and working together for success of Bulgarian economy and society.

Following the commitment to empower communities to progress, UniCredit Bulbank will continue to grow and strengthen the client franchise, transform its service model, and optimize productivity, with disciplined risk management and controls as well as rigorous capital and balance sheet management. ESG activities will remain in focus with key objectives to further build on environmental and social client offers, to enrich the ESG Learning Journey, also including our clients, to further enhance the activities in the Carbon Footprint Reduction program, while maintaining full transparency on our activities through continuous communication and community building.

I would like to thank all – our shareholders, our clients and partners, and our colleagues. If we are so engaged, motivated and inspired to give our best, there will be no insurmountable obstacles to continue to evolve and deliver excellence to all our stakeholders.

TZVETANKA MINTCHEVA
CHAIRPERSON OF THE MANAGEMENT BOARD AND CEO OF UNICREDIT BULBANK

SUPERVISORY BOARD AND MANAGEMENT BOARD[1]

Supervisory Board (SB)

Emilia Palibachiyska	**Chairperson**
Pasquale Giamboi	**Members**
Atanas Georgiev	
Monika Rast	
Francesco Correale	

Teodora Petkova – Deputy Chairperson – released as of 08.11.2023
Francesca Giordana – released as of 15.05.2023

Management Board (MB)

Tzvetanka Mintcheva	**Chairperson and Chief Executive Officer**
Dalibor Cubela – from 07.12.2023	**Deputy Chairman and Deputy CEO**
Andrea Tognetti	**Executive Officer**
Borislav Bangeev	**Members**
Mario Collari	
Velko Djilizov	
Sandra Vojnovic	
Borislav Genov	
Milena Vukotic – from 22.08.2023	

SUPERVISORY BOARD AND MANAGEMENT BOARD[1]

ART. 247, PAR. 2, PT. 4 FROM THE COMMERCIAL LAW (01.01.2023 - 31.12.2023)

Members of the Supervisory Board

Emilia Palibachiyska
- UniCredit Bank Hungary ZRT. – Chairperson of SB

Pasquale Giamboi
- UNICREDIT BANK A.D. BANJA LUKA - Chairman of SB
- UNICREDIT BANKA SLOVENIJA D.D. - Chairman of SB – till 04.04.2023
- UNICREDIT BANK S.A. - Chairman of SB
- Felsina EOOD – Sole owner
- Felsina SRL - Italy - Sole owner

Atanas Georgiev
- D-1 MONITORING EOOD – Sole owner and Manager
- SITE INVEST EOOD – Sole owner and Manager
- PUBLIC SERVICES OOD - 33,3% ownership and Manager
- ENERGIEN PAZAR OOD - 40% ownership and Manager
- FACILITY MANAGEMENT CONSULTING OOD – Manager – till 13.03.2023

Monika Rast
- UniCredit Bank AG (change of the legal form from AG to GMBH on 15.12.2023) – Member of the MB/Executive Board

Francesco Correale
- UNICREDIT BANKA SLOVENIJA D.D. – Chairman of SB

<u>SB members released during 2023</u>

Teodora Petkova
- UniCredit Spa, Group Executive Committee Member
- ZAGREBACKA BANKA D.D. – Member of the Supervisory Board
- UNICREDIT BANK S.A. - Member of the Supervisory Board

Francesca Giordana
- Does not participate in the management of any other entities

Members of the Management Board

Tzvetanka Mintcheva
- UNICREDIT CONSUMER FINANCING EAD – Chairperson of SB
- BORICA AD – Member of BD
- UNICREDIT LEASING EAD - Chairperson of SB

Dalibor Cubela
- UNICREDIT CONSUMER FINANCING EAD – Deputy Chairman of SB
- UNICREDIT LEASING EAD – Deputy Chairman of SB

Andrea Tognetti
- Does not participate in the management of any other entities

Borislav Bangeev
- UNICREDIT CONSUMER FINANCING EAD – Member of SB
- UNICREDIT LEASING EAD - Member of SB

Sandra Vojnovic
- UNICREDIT CONSUMER FINANCING EAD – Member of SB
- UNICREDIT LEASING EAD - Member of SB

Borislav Genov
- UNICREDIT CONSUMER FINANCING EAD – Member of SB
- UNICREDIT LEASING EAD - Member of SB

Mario Collari
- Does not participate in the management of any other entities

Velko Djilizov
- Does not participate in the management of any other entities

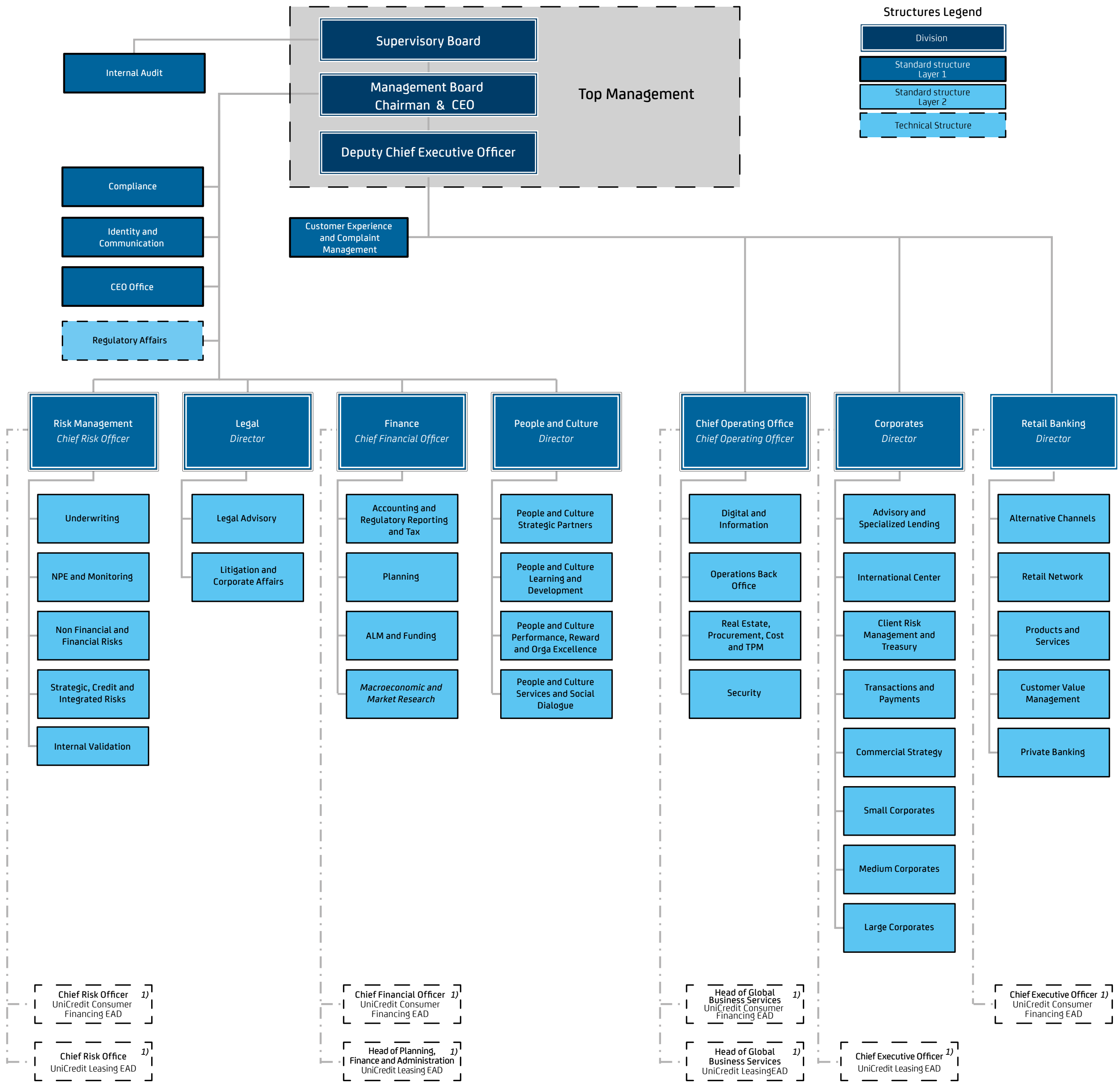
Milena Vukotic
- UNICREDIT LEASING SRBIJA D.O.O. BEOGRAD – Chairperson of SB
- UNICREDIT BANKA SLOVENIJA D.D.- Member of SB
- UNICREDIT CONSUMER FINANCING EAD – Member of SB
- UNICREDIT LEASING EAD - Member of SB

As of December 31, 2023 the loans extended to key management personnel amount to BGN 1 145 thousand (BGN 1 278 thousand in 2022). As of December 31, 2023 the benefits paid to key management personnel amounts to BGN 3 692 thousand (BGN 3 191 thousand in 2022).

In 2023 no shares and bonds were acquired, owned or transferred to MB and SB members of UniCredit Bulbank AD.

During 2023 no contracts under Art. 240b of the Commercial Law were concluded.

ORGANISATION CHART[2]



1) Functionally reports to Head of relevant structure.

[2] As of December 31, 2023

CREDIT RATING

UNICREDIT BULBANK CREDIT RATING (FITCH RATINGS)

Long-term	BBB
Short-term	F2
Outlook	Stable

2023 AWARDS

- Euromoney Trade Finance Survey: Best Service
- Euromoney Trade Finance Survey: Market Leader
- B2B Media Employer Branding Awards: PR campaign, Diversity&Inclusion Week Project
- B2B Media Employer Branding Awards: Culture and Values
- B2B Media Employer Branding Awards: Employer branding idea
- Euromoney: Best Bank for Private Banking 2023
- Global Finance: Best Bank in Bulgaria for 2023
- B2B Media - "The Greenest Companies in Bulgaria" - Green Office
- SDG Pioneers 2023 Awards - Financing Sustainable Development
- B2B Media - Equality and Care for Employees
- Global Finance: Best digital bank for 2023
- Global Finance: Best Mobile Banking Application in Bulgaria for 2023
- Global Finance: Best Corporate/Institutional Digital Bank for Trade Finance Services in Bulgaria for 2023
- Euromoney Awards for Excellence: Best Corporate Bank in Bulgaria
- Euromoney Awards for Excellence: Best Bank for Digital Solutions in Bulgaria
- Manager of the Year 2023: Tzvetanka Mintcheva

2023 Annual Reports
and Accounts

Unlocking **transformation,** together.

For our clients, our people,
and our communities.

Empowering
Communities to Progress.

UniCredit Bulbank

Our manifesto

We believe in **Europe's potential.**

Uniting behind a vision of a
better bank and a better future.
A transformation for our clients,
our people, and our communities.
Demonstrating what it means
to be the bank for Europe's future.

For everyone,
everywhere.

For our clients

who demand **best-in-class** products, ideas and service...

Putting our clients at the centre of everything we do

We are harnessing the scale of our Group to develop and offer best in class products and services throughout our markets. We are equipping our people with the right tools to focus their expertise, effort, and energy on delivering excellence for all of our clients, all of the time.

To read more about our clients and how we are supporting them, see pages 65-88

A culture where our colleagues can thrive

We foster Diversity, Equity & Inclusion and are committed to building a safe, positive, barrier free and inclusive working environment, where everyone feels empowered to unlock their fullest potential and succeed. We are committed to be the engine of social progress for our people and our communities.

To read more about how we create the best working environment for all our people, see pages 90-107


For our colleagues
helping to
build the bank for
Europe’s future…

For our communities

that want to be **drivers of change...**

Fostering a just and fair transition

We are focused on delivering a sustainable transition to green energy which does as little harm to the planet and its people as possible. We work consistently towards having a positive impact in line with our role and responsibilities as a social actor – knowing banks play an important role that goes far beyond lending.

To read more about our ESG commitments and initiatives, see pages 109-140

Innovating for our stakeholders

We understand that banking is increasingly not only a people business, but also a technology business. Digital technology is continually advancing, and capitalising on these advances for the benefit of all our stakeholders is the key to unlocking value.

To read more about our digital innovations and how they make our clients' lives easier, see pages 142-157

For everyone

who wants to **embrace digital innovation** and the future of banking...

For Europe's next generation

who want to **shape their future...**

UniCredit Foundation: Inspiring young people across Europe

We are on a mission to empower young people across Europe by enhancing equality of opportunities in education. Together we can unlock the potential of Europe's next generation.

To read more about our UniCredit Foundation, see pages 159-166

"At UniCredit,
we are **transforming**
to create value
for everyone, everywhere."

Andrea Orcel
Chief Executive Officer & Head of Italy UniCredit S.p.A.

Corporate information

Board of Directors, Board of Statutory Auditors, and External Auditors as at 31 December 2023

Board of Directors

Chairman Pietro Carlo Padoan

Deputy Vice Chairman Lamberto Andreotti

CEO Andrea Orcel

Directors Vincenzo Cariello, Elena Carletti, Jeffrey Alan Hedberg, Beatriz Lara Bartolomé, Luca Molinari, Maria Pierdicchi, Francesca Tondi, Renate Wagner, Alexander Wolfgring

Secretary of the Board of Directors
Gianpaolo Alessandro

Board of Statutory Auditors

Chairman Marco Rigotti

Standing Auditors Antonella Bientinesi, Claudio Cacciamani, Benedetta Navarra, Guido Paolucci

Manager charged with preparing the financial reports
Bonifacio Di Francescantonio

External Auditors

KPMG S.p.A.

UniCredit S.p.A.
A joint stock company

Registered Office and Head Office:
Piazza Gae Aulenti, 3 – Tower A – 20154 Milano, Italy

Share capital €21,277,874,388.48 fully paid in

Registered in the Register of Banking Groups and Parent Company of the UniCredit Banking Group, with cod. 02008.1 Cod. ABI 02008.1

Fiscal Code, VAT number and Registration number with the Company Register of Milan-Monza-Brianza-Lodi: 00348170101

Member of the National Interbank Deposit Guarantee Fund and of the National Compensation Fund

Stamp duty paid virtually, if due – Auth. Agenzia delle Entrate, Ufficio di Roma 1, No.143106/07 of 21.12.2007

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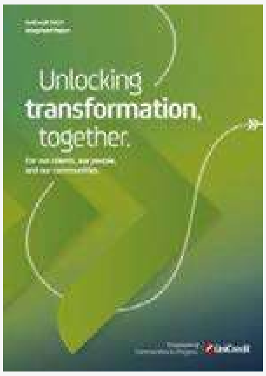

Download our UniCredit 2023 Integrated Report

See the microsite

See all the milestones that have helped make this a year of powerful transformation for UniCredit

See the microsite

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Our progress in 2023

This document, PDF format, does not fulfil the obligations deriving from Directive 2004/109/EC (the "Transparency Directive") and Delegated Regulation (EU) 2019/815 (the "ESEF Regulation" – European Single Electronic Format) for which a dedicated XHTML format has been prepared.

Who we are

UniCredit is a pan-European Commercial Bank with a unique service offering in **Italy, Germany, Central and Eastern Europe**. Our purpose is to empower communities to progress, delivering the best-in-class for all stakeholders, unlocking the potential of our clients and our people across Europe.

We serve over **15 million customers** worldwide. They are at the heart of what we do in all our markets. UniCredit is organised in four core regions and three product factories, Corporate, Individual and Group Payments Solutions. This allows us to be close to our clients and use the scale of the entire Group for developing and offering the best products across all our markets.

Digitalisation and our commitment to **ESG** principles are key enablers for our service. They help us deliver excellence to our stakeholders and creating a sustainable future for our clients, our communities and our people.

Where we operate

15m
customers worldwide

4
coverage regions

13
leading banks

A. Central Europe includes Austria, Czech Republic, Hungary, Slovakia and Slovenia.
B. Eastern Europe includes Bosnia and Herzegovina, Bulgaria, Croatia, Romania, Russia and Serbia.

What we do

At UniCredit we are building the **bank of Europe's future**. A bank that delivers consistently for our stakeholders and empowers people, business and communities across Europe to progress.

This year we were unrelenting in our execution of **UniCredit Unlocked**, a strategic plan which is transforming our bank and enabling us to set a new industry benchmark.

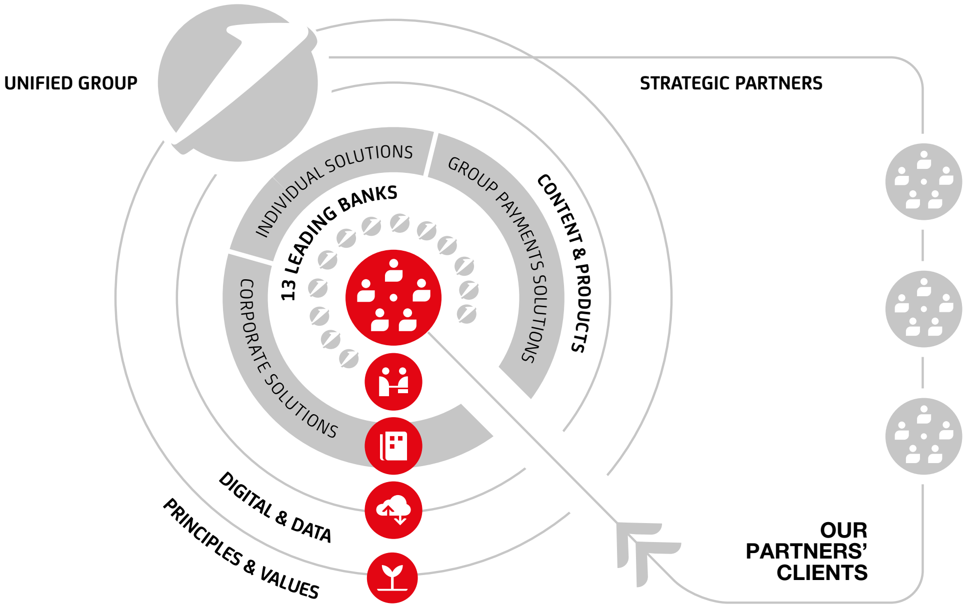
At its core, this is about putting **clients firmly at the centre of all we do**. For our clients we are a gateway to Europe, providing them with best-in-class solutions, strategic advice and innovation.

We deliver **competitive products and services** that create significant value for over one million SMEs, corporate, multinational corporates, financial institution and public sector clients – as well as 15 million retail, private banking, wealth management and family office clients across the Group.

As a result of **three years of transformation**, we have brought our thirteen banks together, leveraging their scale and reach across Europe to deliver competitive value-added services to our clients that are customised to their local needs. The strength of **two outstanding global product factories** – Corporate Solutions and Individual Solutions – is fundamental to this.

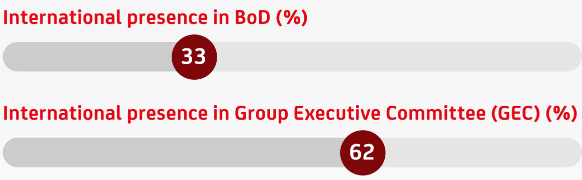
Our **simplified business model** and all our decision-making is driven by UniCredit's values of **Integrity, Ownership and Caring**. By embodying these values every day, we have become a true partner to our clients and an engine of social and economic progress in Europe. Today we are operating as one bank, leveraging our **pan European footprint** and the **strength of our workforce** to offer the very best to all our stakeholders: our clients, our people and our communities.

The impact of our transformation is clear – evidenced not only by our **strong financial performance** and **quality growth**, but the value we have unlocked within our bank and for all our stakeholders. This report outlines our achievements in 2023, a year which is the culmination of three years of transformation and has set up UniCredit for future success.



Our unique and diverse talent base

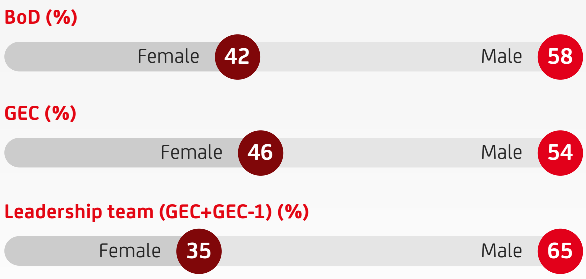
International mindset



Employee Networks on 5 diversity strands and broader D&I across Group countries

Data as at 31/12/23.

Gender balance



"The world may be uncertain, but our vision for UniCredit has never been clearer."

Pietro Carlo Padoan
Chairman UniCredit S.p.A.

Dear Stakeholders,

It is a pleasure to write to you as the Chairman of the UniCredit Board.

A little over two years ago, when we launched our new strategic plan UniCredit Unlocked, the world was beginning to build back its confidence and strength after the outbreak of COVID-19 in the previous year.

We embarked on an ambitious plan that would fundamentally change our banks across Europe and align our employees towards a new vision for UniCredit – to be the bank for Europe's future.

What we could not have anticipated is the ways that the world has transformed radically since then. The effects of the pandemic have now been compounded by the outbreak of international conflicts and resultant shocks to global markets, creating a macroeconomic environment characterised by high-interest rates, soaring inflation, and pervasive uncertainty.

Yet, while the world has continued to transform, so has UniCredit. Despite the turbulence of recent years, we have maintained our commitment to our transformation across UniCredit's 13 banks – to uniting behind our cultural values and shared purpose, to unlocking the strength within our Bank, to empowering communities to progress.

As a result, UniCredit has delivered 12 quarters of profitable growth while undertaking numerous initiatives to support our European communities, such as the financial resources worth a total potential value of 10 billion euros we issued for 'UniCredit per l'Italia' and our partnerships with Teach for All and Junior Achievements Europe.

And we are far from done. We are a better, stronger bank, more capable of foreseeing and reacting to geopolitical instability and shocks. We are in a position where we can act, rather than react. But our transformation is not over yet. We must use the advantage we have gained to build on our progress, so we are able to support our clients through whatever new challenges may arise.

We are in an evolutionary period – a time of transformation and flux, created by this uncertain environment. Businesses that are proactive, mobilising their human capital and cultural heritage in combination with strong governance, will avoid being overwhelmed by changes in the environment and continue to create value for clients. In the last year, UniCredit decided to adopt a one-tier system to enable more open, transparent decision making, which we believe will translate to better results for our clients.

Ownership and control are essential to the continued prosperity of our communities, particularly at this moment in time. This is as true in politics and society as it is in business. All of these form links in a chain of governance, and each link in the chain must perform its duties responsibly and adequately to ensure their mutual wellbeing.

Part of the reason for the success we have enjoyed, and which has helped us to support Italy through this period of instability, is that Italy has performed better than had been anticipated economically. We are seeing tangible progress being made, as demonstrated by the success of the NRRP.

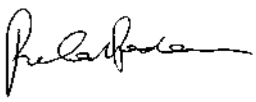
By continuing to act as a strong link in the chain of governance, we can support the ongoing recovery of Italy and other European countries, as part of our wider ambition to be the bank for Europe’s future. Through initiatives such as NextGenerationEU, for example – a recovery instrument that aligns with our own digital innovation and ESG-conscious ambitions, and which we have already supported – we will be able to catalyse the growth Europe needs, giving it the financial stability and resilience to become a major economic bloc.

We will facilitate this through our own stable and sustainable transformation – by keeping firm our dedication to delivering our best for UniCredit’s clients and communities across Europe, which is the reason why we are here today. We just need to keep going.

To all of my colleagues in UniCredit, I want to thank you for your diligent efforts. I also wish to thank our CEO Andrea Orcel for his leadership, which has had such a transformative effect on UniCredit, and the Board for their guidance. Their knowledge, experience, and fostering of a culture of ownership and responsibility within our Bank have been invaluable. I know they will enable us to accomplish even greater things in the future.

For our clients, for our communities, for Europe, let us show the world what the bank for Europe’s future looks like.

Yours sincerely,



Pietro Carlo Padoan
Chairman UniCredit S.p.A.

Credit: Andrea Cherchi

"2023 was a remarkable year and the product of three years of transformation. There will no doubt be challenges ahead in 2024, but I am confident in the direction our bank is taking."

Andrea Orcel
Chief Executive Officer UniCredit S.p.A.

Dear Stakeholders,

2023 was the best year in UniCredit's history and the crowning achievement of our first three years of transformation.

It will be remembered as the year we surpassed the targets we set at UniCredit Unlocked, and emerged as a better, stronger bank as a result. One capable of being the bank for Europe's future.

We are no longer a bank that settles for less. We have built a culture of excellence that puts our clients at the centre and prioritises long-term value creation over short-term gain.

This has been driven by a cultural and industrial transformation, which has redefined the way our bank operates. Before, there was no 'one UniCredit'. There were 13 disparate banks that lacked common principles, values and a clear strategy and were falling short of their potential.

Now our bank is united behind one vision, with all its parts operating in lockstep with the interests of the Group and Europe as a whole. A model that now empowers our people and gives our clients what they are asking for.

2023 was truly the year we came together behind one purpose and vision and executed an ambitious strategy that has propelled us from a laggard to a leader.

Surpassing our targets

Despite a challenging macroeconomic backdrop, 2023 was the year we surpassed targets that some thought impossible a year ago.

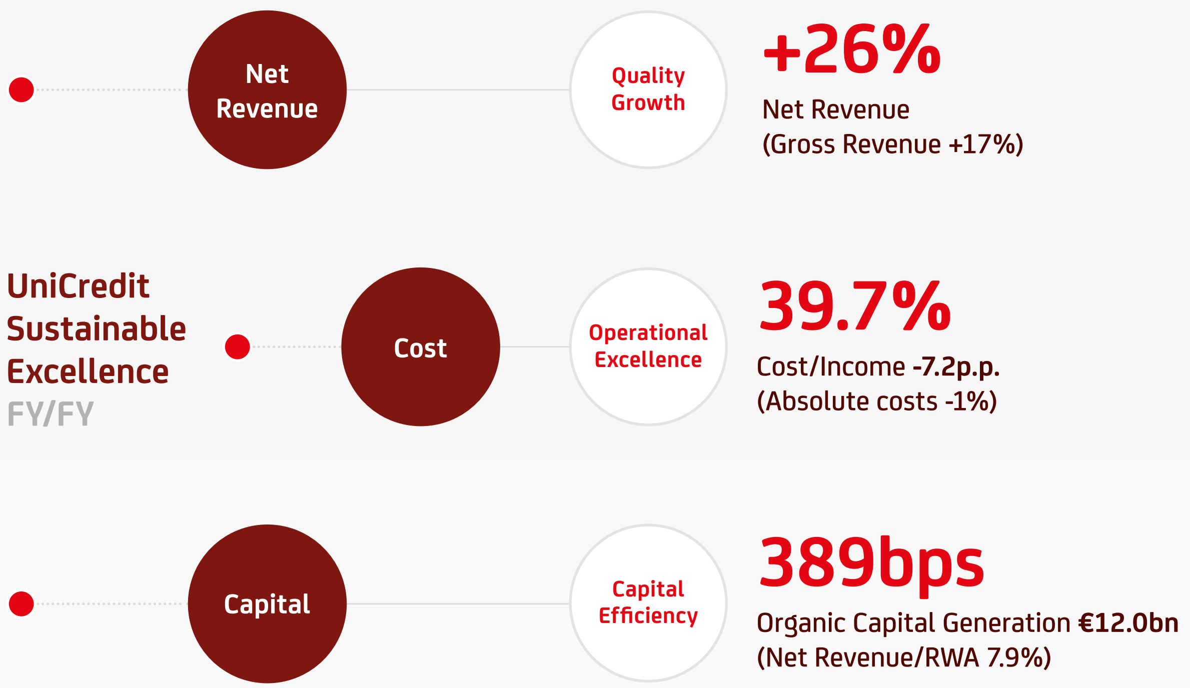
We achieved a RoTE of 16.6% (20.5% when correcting for the excess capital that we carry at 13% CET1).

Our net revenues stood at €23.3 billion – an increase of 26% year on year. This was mostly driven by exceptional net interest income and resilient fees while maintaining a low cost of risk.

We have enhanced our three product factories – corporate solutions, payments solutions, and individual solutions – to deliver best-in-class products for our clients at scale. As a result, our factories generated €9.9 billion in 2023, down 2% despite challenging market conditions.

We are now in our twelfth quarter of year-over-year profitable growth driven by outperformance across each of our three core financial levers, achieving the best results in UniCredit's history.

FY23 Highlights across our 3 levers

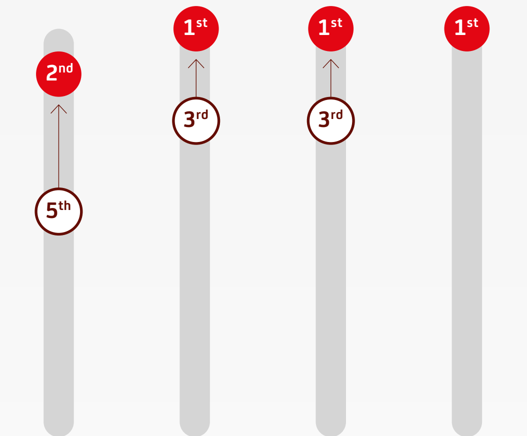


Credit: Andrea Cherchi

In comparison to our peers, we have best-in-class top-line growth, operating efficiency, and unrivalled organic capital generation. We have one of the highest CET1 ratios, one of the highest RoTE (the highest when corrected for our excess capital at 13%), quality credit portfolio and coverage, and the highest forward-looking precautionary overlays.

Superior performance vs. peers across all levers

Net Revenue/ RWA	Cost/ Income	NOP/ RWA	Organic Capital Generation
2nd	**1st**	**1st**	**1st**
from 5th	from 3rd	from 3rd	confirmed



FY22 **FY23**

Peers and UniCredit stated figures based on publicly available data

Peers and UniCredit stated figures based on publicly available data. Selected peers: BBVA, BNP Paribas, Commerzbank, Credit Agricole S.A., Deutsche bank, ING, Intesa Sanpaolo, Santander, Société Générale.

After three years of transformation, our RoTE has tripled, our net profit is over 2.5x compared to 2017-2019 averages[1], and we have delivered over €27 billion in organic capital generation. We distributed €17.6 billion over three years, which is equal to our market cap at the beginning of 2021.

This year alone we have generated €12 billion in capital organically, underpinning our proposed distribution of €8.6 billion (100% of net profit) in the fourth quarter – €3.0 billion dividends and €5.6 billion share buyback – while reinforcing our CET1 ratio by c.100 basis points to 15.9%.

In 2023 we delivered on the €5.25 billion commitment made in our FY22 shareholder distribution programme, and front-loaded the execution of a €2.5 billion share buyback as part of the FY23 distributions.

At the same time, per-share value creation has reached even greater heights, more than tripling EPS versus our historical run-rate, with DPS nine times higher, and tangible book value per share up almost a half.

The financial targets we have met and exceeded have not been at the detriment of our ESG commitments, which are embedded firmly in our business model.

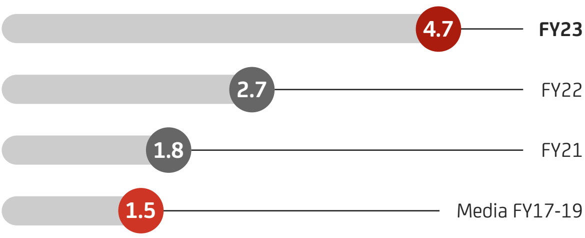
With a unique pan-European footprint, we have a responsibility to pursue a fairer, greener future.

We remain steadfast in our commitment to reach net zero by 2050 and in 2023, we became a single-use plastic-free bank and lent €7.6 billion in environmental loans.

The Social dimension of ESG continues to be a priority for UniCredit, and we are leading by example with €3.8 billion of social financing and €60 million of social contribution.

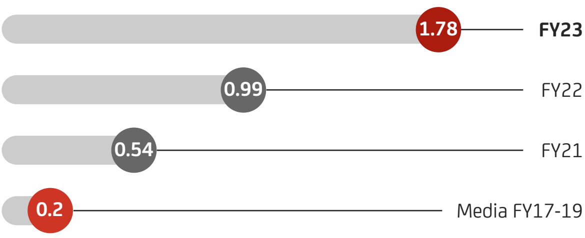
1. For comparison purposes the FY17-19 net profit is the simple average of Net profit recast figures for Group excluding Turkey and Fineco.

Propelled per share values



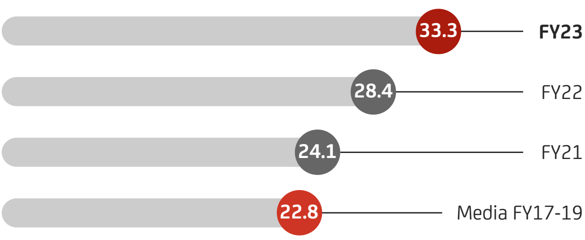
+3.1x

EPS[1] (€)



9.0x

DPS (€)



+46%

TBVPS (€, EoP)

1. Net Profit for FY22 and FY23 is stated net profit adjusted for impacts from DTAs tax loss carry forward resulting from sustainability test. The result is used for cash dividend accrual / total distribution. Underlying net profit for FY21. For comparison purposes the FY17-19 net profit is the simple average of Net profit recast figures for Group excluding Turkey and Fineco.

Our winning approach continues

There will no doubt be challenges ahead in 2024, but I am confident in the direction our bank is taking.

2023 was a remarkable year and the product of three years of transformation.

Every target we've set, we've exceeded, and now we are a leading European bank that is delivering consistently for its stakeholders. This would not have been possible without the belief, trust and hard work of thousands of people who work at UniCredit.

Our challenge now is to go beyond these record results and continue the performance of the past three years.

We must work to sustain our winning approach, defend our record financial performance, and set the stage for the next phase of UniCredit's growth.

We are now a leader in banking and we aspire to become champions. I have no doubt in our ability to do this.

Yours,

Andrea Orcel
Chief Executive Officer UniCredit S.p.A.

A year of powerful transformation

Together, every change we make, every month of the year, throughout all our businesses across all our geographies, all contributes to delivering the biggest transformation in our history.

Review all our milestones online

See the microsite

» January

Becoming the main sponsor of the San Carlo Theatre in Naples
Supporting culture and territorial social growth

Building new hospitals in Angola
UniCredit provided loans for three new hospitals

UniCredit named one of the Top Employers in Europe

UniCredit launched Bank iD service
Making everyday life more convenient for our clients in the Czech Republic

Introducing the euro as Croatia's official currency

UniCredit underwrites €7 billion acquisition of GD Towers from Deutsche Telekom

Key to icons

- Strategy
- Finance
- Clients
- People & Culture
- ESG
- Digital & Data
- UniCredit Foundation

» February

Net zero targets set for carbon-intensive sectors

100% single-use plastic-free bank
Reducing the use of millions of plastic bottles in a single year

Project financing for Enel's 3SUN photovoltaic Giga Factory
Supporting the expansion of what will become Europe's largest factory of high-performance bifacial photovoltaic (PV) modules

» March

UniCredit included as one of the Equileap Top 100 gender equality companies
Positive recognition for our efforts across the bank

Integrated Report
Human Capital

Launch of our first Group-wide Volunteering Community
Encouraging our employees to contribute one working day each year

Integrated Report
Human Capital

Eni and UniCredit partner around Open-es
An open alliance for sustainable growth and collaboration

2023 Milestones Timeline

April

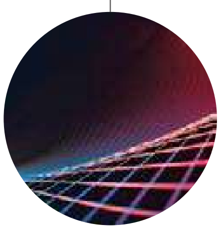
Share buy-back programme
€3.343 million share buy-back programme receives approval

Integrated Report
Financial Capital

Supporting Gerresheimer's growth plan in Germany
Helping to raise €272 million in capital for High Value Solutions and Medical Devices

May

1Q



Relentless transformation
9th consecutive quarter of profitable growth and best 1Q ever

Growing our partnership with Mastercard
A first for a large commercial bank in Europe – putting in place, an at scale single card multi market strategy

UniCredit Bulbank opens completely cashless branches
Supporting the shift to a cashless society in Bulgaria

» June

2nd tranche of UniCredit per l'Italia

Supporting the disposable income of individuals and households, and liquidity of Italian businesses

Integrated Report
Social and Relationship Capital

Sponsoring Pride parades in Milan, Vienna, and Munich

Reinforcing our strong commitment to diversity, equity and inclusion and support to the LGBTQIA+ community

Integrated Report
Human Capital

UniCredit acted as financial advisor to Dufry

Supporting them with the acquisition of Autogrill SpA

2nd edition of our Culture Day

Reflecting on our cultural transformation results

Launch of a Global Bank Insurance platform with Allianz

Aimed to renew the commercial offer of more than 20 insurance products

Integrated Report
Intellectual Capital

€292 million IPO for Ferretti

The first ever Hong Kong and Italian dual listing

2023 Milestones Timeline

» **July**

Launch of €1 billion Green Bond for the Federal State of Hesse

Supporting this pioneer in green financing in Germany

Integrated Report
Natural Capital

UniCredit and Trustpair announce partnership around IBAN check

Tackling fraud in B2B payments to protect our clients

Launch of 'Re-power your future' with Junior Achievement Europe

A €6.5 million programme to empower youth and prevent early school leaving

Integrated Report
Social and Relationship Capital

Another record-breaking set of results

Best 2Q and 1H ever

MSCI upgrade UniCredit's ESG rating to 'AA'

In recognition of the banks efforts to mitigate social risks and the robust integration of ESG practices

Hidroelectrica IPO in Romania

UniCredit acted as Joint Bookrunner in what was the largest IPO in Europe in 2023

» August

Publication of our Sustainability Bond Report
Setting out how our bonds have funded renewable energy, green buildings and social impact initiatives

» September

Sponsorship of the Louis Vuitton 37th America's Cup
As both a Global Partner and the exclusive Global Banking Partner

Renewing our main partnership for Filarmonica della Scala's 2024 season
Helping to foster musical excellence and culture in Italy and beyond

Integrated Report
Social and Relationship Capital

Installation of an innovative tree irrigation system
At our HQ in Hungary where we are now irrigating around 200 surrounding trees

October

onemarkets Fund celebrates its first anniversary
A family of eighteen funds with €3 billion of assets under management

UniCredit and Alpha Services and Holdings, announce merger
Creating a strategic partnership in Romania and Greece

Continuing to deliver quality profitable growth while investing for the future

3Q

Opening of our Innovation Hub in Germany
Creating a place where employees can actively shape the future of the bank

November

UniCredit Foundation and Teach For All renewed partnership
Furthering our commitment to boosting education and teaching

Integrated Report
Social and Relationship Capital

The launch of the UniCredit Art Collection website
Making art accessible for all and drawing on our long tradition of supporting arts and culture

Integrated Report
Social and Relationship Capital

» December

Our inaugural ESG Day
With our mission of Empowering a Just and Fair Transition we fostered new dialogues and raised awareness

€100 million+ Equity Private Placement for D-Orbit
The largest in Italy in 2023

Winner of the Global EDGE Certification for gender equity and inclusion
The first pan-European bank to win this certificate

Launch of our first ever Kids4Kids & Donation Day
Supporting children in need across Europe

Our transformation continues into 2024

Bank of the Year
In a first for the bank we were hailed as Global 'Bank of the Year' for 2023 by The Banker

4Q

Our transformation journey: record-breaking results, sights set on new heights

Our UniCredit Unlocked strategy

UniCredit Unlocked is a unique strategy which delivers for the present while transforming our bank for the future.

UniCredit Unlocked is aimed at reuniting a network of 13 independent banks into a cohesive pan-European leading entity, leveraging local strengths and harnessing collective capabilities through the centralisation of products and technology.

Despite the continued macro challenges and economic and geopolitical uncertainty since day one of UniCredit Unlocked, we have demonstrated **excellent progression and delivered remarkable results in industrial and financial transformation**.

Two years into our strategic plan, **UniCredit is united around a clear purpose and vision: empowering communities to progress while becoming the bank for Europe's future and setting a new benchmark for banking**. It is a transformed bank, moving at unprecedented pace, ready to face and take advantage of the future.

The overarching aims of the UniCredit Unlocked plan are to:

Continuous execution of our **winning strategy** that delivers for our stakeholders

Relentless focus on **industrial transformation**

Balancing three financial levers to steer our **financial plan**

A winning strategy

Our clients at the centre

- **Streamlined operations and enhanced tools** for fast and leaner processes
- **Decentralised and delegated decision making** to client facing colleagues, within a clear strategy and framework
- **Integrated and diversified service channels** at our clients' disposal, anytime and anywhere
- **Completed best-in-class products offer**, leveraging internal product factories and ecosystem of our partners

Our people valued and empowered

- **Enhancing empowerment and fostering accountability** at all levels through our culture
- **Unifying the organisation around a common objective, vision and purpose**
- **Investing in people**, through training and hirings in front line, product specialists and tech
- **Building a meritocratic environment** where performance is recognised and rewarded

Our investors remunerated

- **A unique pan-european champion** made of 13 leading banks, united in One group, leveraging Group solidity and synergies
- **Maintaining balanced focus on sustainable profitability, quality growth, operational and capital excellence and distributions**

In the rest of this report, we explain how we have progressed against our UniCredit Unlocked plan across the following areas:

Financial progress
Page 58 Read more

Clients
Page 65 Read more

People & Culture
Page 90 Read more

ESG
Page 109 Read more

Digital & Data
Page 142 Read more

Our industrial transformation priorities

1. **Empowering and unifying** through our culture

2. **Simplifying and delayering,** a new way of working

3. **Rationalising and strengthening** partnerships and procurement

4. **Investing** in our people and **growing** franchise and product factories

5. **Modernising and enhancing** Digital & Data

Pages 51–55 Read more

Our financial levers

Net revenue

Quality growth
Quality instead of volumes maintaining low expected loss (securing low stable CoR) and capital consumption growing in a capital light way

Cost

Operational excellence
Targeted instead of undifferentiated cost reduction – shrinking and optimizing the center while investing to secure the future

Capital

Capital excellence
Thoughtful capital allocation and active portfolio management **boosting returns on RWAs and capital**

Page 56 Read more

Our UniCredit Unlocked strategy

Our industrial transformation priorities

1. Empowering and unifying

A common vision, a unifying culture, and a winning mentality: promoting ownership and empowerment

Our approach:

- **Listening as a foundation:** Extensive listening to our stakeholders equally to define a bottom up unifying culture
- **Living by three values:** set of simple yet powerful values embedded in all we do – Integrity, Ownership and Caring
- **Leading by example with concrete commitment:** Living our Culture and ESG principles day by day through a number of initiatives, guided from the Group and proactively proposed by all the colleagues

Key achievements in 2023:

1st

Culture Day ever, involving over 30k colleagues organised in all countries' banks

Page 73 Read more

25 Culture Champions

And 24 sponsors, representing all Countries and areas to spread a positive cultural change

AA

MSCI improved ESG rating

Leading by example

9 green bonds issued since 2021; Net Zero banking alliance; actively supporting communities

9

Culture Road Shows with 7k colleagues involved, including Group CEO

1st

Bank recognised in LinkedIn Top Companies Italy with a positive, diverse and inclusive environment

400

Ideas collected from our people

€100m

to close gender pay gap and promote diversity and inclusion

1st

Pride sponsors and 1st ESG Day

Page 104 Read more

2. Simplifying and delayering

A new way of working, creating a lean, fast and efficient organisation cultivating empowerment within a clear framework

Our approach:

- **Leaner structure:** Delayered organisation, tackling visible complexity and unnecessary bureaucracy affecting accountability, daily operations quality and speed, realising significant efficiencies
- **Decisions in the right place:** Empowered people to propose and run the change, simplify tasks and improve automation, freeing up time to focus on value added business activities
- **Acting in a new way:** Everyone embracing a new way of working empowered to take ownership and make decisions and supported by a clear risk and compliance framework

Key achievements in 2023:

400
Employees' ideas collected turned into 200 simplification actions

-47%
Reports eliminating duplications

-30%
Reduction in organisational structures

UniCredit Services Integration into the Banks

Internalizing and taking back control of core IT capabilities, elevating the level and quality of service

Bringing business and digital closer together to better target and elevate best-in-class products and solutions for our client

Page 147 Read more

One
Leaner Corporate Center with unified Digital & Data

-57%
Committees streamlining

-25%
Simplification of processes based on E2E customer journeys

Our UniCredit Unlocked strategy

Our industrial transformation priorities

3. Rationalising and strengthening

Partnerships and procurement leveraging Group scale and bargaining power, to rationalise supplier contracts and build long-lasting Group relationships

Our approach:

- **Rationalise:** mindset that encourages rationalisation of old legacy structures, and equity participations, and leverage Group scale and bargaining power to act in best interest of our clients and realise efficiencies
- **Global ecosystem:** Building long-lasting Global partnerships and relationships with top industry players to further improve our clients' journey, choice and to access our partners clients

Key achievements in 2023:

-55%
Rationalisation of insurance partnership (from 9 to 4)

2
Group partnership on AM with Blackrock and Azimut

-20%
Reduction of equity participations

3.5m
Clients accessed through Alpha Bank partnership in Greece

New reinforced partnerships

Allianz, Mastercard, Alpha Bank, Azimut

Renegotiation of contracts

Reopening of legacy contracts with unfavourable conditions and negotiation from center in the best interest of our clients

Milestone – October

Alpha Bank and UniCredit: a long-term partnership

In October, we announced a long-term partnership with Alpha as an opportunity to grow our footprint in Romania, a high growth country in CEE, and create the third-largest bank in Romania by total assets. The partnership will also further boost our product factories' distribution in the Greek market – asset management and unit-linked products.

4. Growing and investing

In our people on the front-line and our distribution channels, in our franchise and building our product factories, to deliver an unmatched and fully-fledged product offering

Our approach:

- **People and franchise:** Investing in our people on the front-line and in our distribution channels to deliver the best tailored offering to our clients and cascade client insights to our product factories
- **Product factories:** Build up and invest in our factories to deliver an unmatched fully-fledged product offering and to capture capital light growth

Key achievements in 2023:

c.30hrs
Training per employee per annum since 2021

onemarkets
In-house product factory launched with 21 onemarkets funds issued and almost 4bn already distributed at the end of 2023

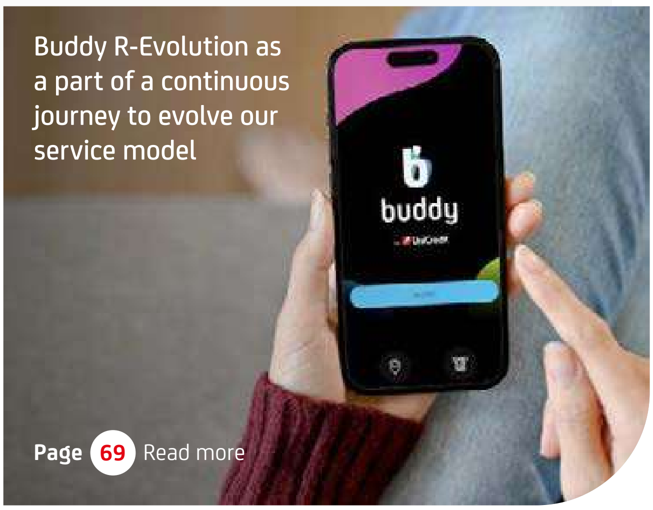
Built
3 market leading Product Factories: Individual Solutions, Corporate Solutions, Payment Solutions

Global Corporate Portal
Corporates & SMEs Group-wide served through a single entry point and with number of functionalities and self-service features

c.9k
Hirings in business o/w c.90% in the front-line

18
Key MDs hired in A&CM since end of 2021

>4m
Inbound calls managed by UCD in Italy in 2023, +23% YoY



Buddy R-Evolution as a part of a continuous journey to evolve our service model

Page 69 Read more

Our UniCredit Unlocked strategy

Our industrial transformation priorities

5. Modernising and enhancing

Digital and data, taking back control of core competencies, streamlining and enhancing our digital organisation, and standardising and modernising our digital technology

Our approach:

- **Take back control:** Attracting, engaging, and developing talents through involvement in strategic projects, insourcing key competencies and dedicated learning and development
- **Rationalise:** Streamlining and enhancing our digital organization and operating model, while reducing the sourcing model to curb spending
- **Converge:** Standardise and modernise our infra technology, rationalising the geographical footprint while improving our service quality

Key achievements in 2023:

>360
Apps decommissioned

75%
Tech/Non Tech Ratio in Digital & Data

48%
Of Data accessible on Global data platform

c.15%
Digital workforce reskilled

5
Data centres consolidated

c.35%
Lower external daily rates, through reduction of # vendors

Corporate Banking Innovation: Rolled out 3 integrated digital solutions to meet corporate banking needs

Retail banking innovation: Game-changing developments to retail banking customers across mobile banking, cards, investments and loans – making banking quicker, easier and more accessible

Pages 145 and 149 Read more

Our financial levers

Our industrial transformation is steered by our financial results. Optimising the balance of our three financial levers: Costs, Net Revenues and Capital, underpins our UniCredit Unlocked strategy. The three levers operate to produce superior returns, deliver best in class organic capital generation and a solid balance sheet.

It is a virtuous circle differentiated versus our peers and very different from the UniCredit of the past.

Quarter by quarter we are demonstrating great results, confirming our quality profitable growth trajectory. Our results are protected by lines of defense and propelled by investments to secure and boost profitability tomorrow.

Consistently re-enforcing our balance sheet to weather a changing macro environment

Uniquely positioned to strengthen or even increase our profitability leveraging our lines of defence to weather any potential shocks and distribution capacity, and support our long-term growth ambitions.

- **A best-in-class capital position**, with CET1 ratio well above regulatory requirements and ample excess capital
- **A solid liquidity position**, with best-in-class LCR and a self-funded balance sheet
- **A high-quality credit portfolio**, with low NPE ratio, prudent coverage, proactive staging, and vigilant origination

Our three financial levers working together

Cost

Operational excellence

Targeted instead of undifferentiated cost reduction – shrinking and optimizing the center while investing to secure optimal capital allocation

39.7%

Cost/Income

Net revenue

Quality growth

Quality instead of volumes maintaining low expected loss (securing low stable CoR) and capital consumption growing in a capital light

26% y/y

Net Revenue Growth

Capital

Capital excellence

Thoughtful capital allocation and active portfolio management boosting returns on RWAs and capital generation

7.9%

Net Rev/RWA

We can distribute 2x our peers for every unit of revenue without denting capital

16.6%

ROTE

Unlocking **transformation,** together.

For our clients, our people, and our communities.

See our microsite for more information on how we have progressed against our UniCredit Unlocked plan across the following focus areas:

- Financial progress
- Clients
- People & Culture
- ESG
- Digital & Data
- UniCredit Foundation

Financial progress

2023 was a record-breaking year for UniCredit and another milestone in our journey to be the bank for Europe's future. Our aim is to deliver sustainable, profitable growth for our shareholders while investing for the future.

- This is the year we grew our net profit to €8.6 billion, up 54%, while continuing to invest in the future and expensing €1.1 billion of integration costs
- We delivered a record return on tangible equity of 16.6%, 5.8 percentage points higher than last year, or 20.5% with a CET1 ratio of 13% adjusting for our notable excess capital
- **We generated €12 billion in capital organically this year**, underpinning our **proposed distribution of €8.6 billion (100% of net profit) – €3.0 billion dividends and €5.6 billion share buyback** – while reinforcing our CET1 ratio by 97bps to 15.9%

2023: UniCredit's best year ever...

12th consecutive quarter of **sustainable quality profitable growth** across all regions, with **top-tier returns**

...crowning three years of success

Exceeding expectations in 2021-23 despite macro challenges, due to relentless execution of our **transformation**

Profitability	FY23	FY21-23[1]
Net profit	8.6bn	>2.6x
Organic Capital Generation	12bn	>27bn
RoTE	16.6%	c.2.5x

1. All delta calculated as FY23 vs. avg FY17-19 (simple average of recast figures of Group excluding Turkey and Fineco for comparison purposes; OCG referring to period FY21-23).

Our progress so far

Creating value for our shareholders

UniCredit is united around a clear Purpose – Empowering Communities to Progress – alongside our Vision of becoming the bank for Europe's future. We are setting a new benchmark for banking.

Under our UniCredit Unlocked strategy, we continue to focus on our transformation as we seek to unlock further value for all our stakeholders.

Surpassing our targets

Our financial ambition when we launched our UniCredit Unlocked strategy was to reach a RoTE of circa 10% by 2024. **Once again this year we outperformed this target – achieving a RoTE of 16.6%** by taking proactive actions on efficient capital generation and cost management alongside the favourable interest rate environment.

In 2023 we also delivered on the €5.25 billion commitment made in our FY22 shareholder distribution programme. Furthermore, we front-loaded a €2.5 billion share buyback as part of the FY23 distribution policy of €8.6 billion.

Vis à vis the initial €16 billion shareholder distribution set out in our UniCredit Unlocked strategy for 2021-2024, **we have already achieved €17.6 billion distributions[1] over FY21-FY23 earnings, with the FY24 distributions of at least 90% of our FY24 net profit** further to come as part of the UniCredit Unlocked horizon. This excellent result was sustained by our superior organic capital generation which in 2023 reached 389 basis points in – well ahead of our UniCredit Unlocked yearly target of c.150 basis points and enabling **us to grow our already best-in-class CET1 ratio of 15.9% already reflecting the full €8.6 billion FY23 distribution**.

Creating shareholder value continues to be our focus, as evidenced by our improved profitability and per-share metrics. **We generated an FY23 EPS[2] of 4.71, which increased by 74% year on year, and a DPS of 1.78 – an increase of 80% year on year.**

1. Pending Shareholder and supervisory approval on the remainder of FY23 distributions.
2. Earning per share (EPS) calculated as Net Profit – i.e. Stated net profit adjusted for impacts from DTAs tax loss carry forward resulting from sustainability test – on avg. number of outstanding shares excluding avg. treasury and CASHES usufruct shares.

Global Bank of The Year 2023: a testament to our ongoing transformation

Milestone – December

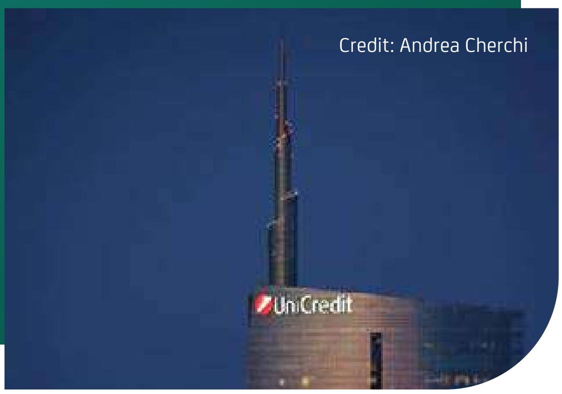
In December, UniCredit was hailed Global 'Bank of the Year' for 2023 at The Banker's annual ceremony in London, in a first for the bank, as well as being named 'Bank of the Year in Western Europe', 'Bank of the Year in Italy' and 'Bank of the Year in Bulgaria'.

Over the last two years, since the launch of its UniCredit Unlocked strategic plan, UniCredit has relentlessly worked on its cultural and industrial transformation, streamlining its systems, **increasing its digital and data capabilities, and embedding ESG principles in everything it does** – in order to become a fundamentally better, stronger bank for the communities it serves.

"We are immensely proud of these achievements. We will continue to raise the bar on behalf of our clients and communities on our path to be the bank for Europe's future."

Andrea Orcel
Group Chief Executive Officer and Head of Italy

Group



Credit: Andrea Cherchi

Our three financial levers

Our financial ambitions are influenced by three interconnecting levers that are largely under our own control: net revenues, costs and capital. By optimising these levers we can drive consistent, sustainable, profitable growth underpinning current and future shareholder distributions.

Net revenue

Our **net revenues stood at €23.3 billion – an increase of 26% year on year**. This was mostly driven by net interest income, up 31% year on year, with resilient fees underscoring the quality and diversification of our product factories despite the challenging macro environment.

Cost of Risk remained very low at 12 basis points in FY23, confirming the robust quality of our credit portfolio and the conservativeness of our staging, provisions, and overlays.

Cost

Our **cost base at year end was €9.5 billion, slightly down year on year** despite high inflation across the UniCredit footprint. This was driven by our disciplined and targeted approach to efficiencies to structurally reduce our cost base while protecting revenue growth.

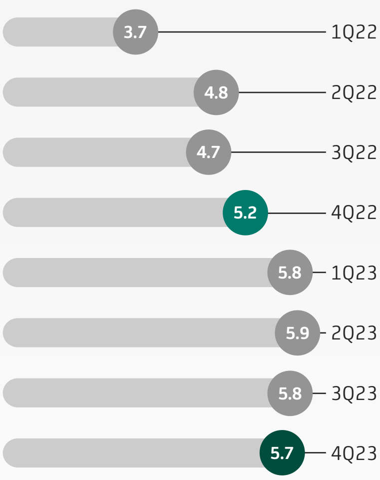
We continue to self-finance investments that will reduce the Group's structural long-term cost base, streamlining and simplifying our organisation and processes while continuing our hiring and investment strategy.

Capital

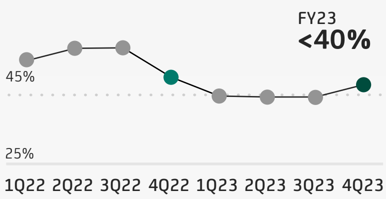
Our **organic capital generation of 389 basis points** is well above the ambitions laid out in our UniCredit Unlocked strategy, supported by a net profit of €8.6 billion and a €24 billion risk-weighted asset (RWA) efficiencies.

This success has been achieved thanks to, among other things, our proactive portfolio management – focused on capital efficiency while supporting clients.

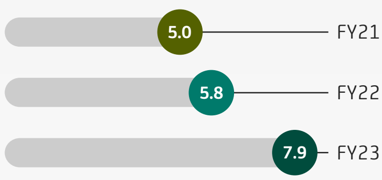
Growing net revenue base achieved quarter after quarter (bn)

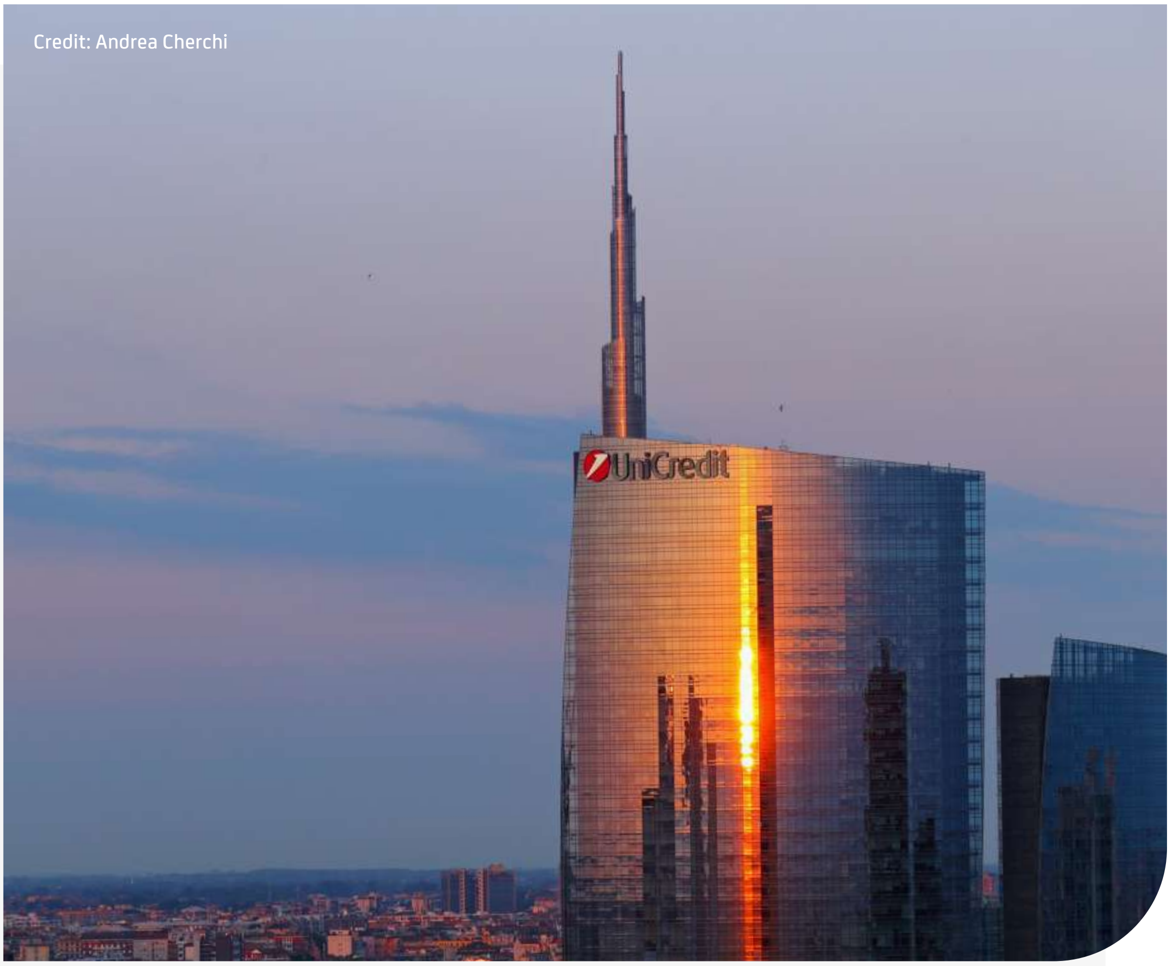


Leading cost/income ratio in the industry



Net revenue/RWA (%)





Credit: Andrea Cherchi

Driving shareholder returns

Milestone – April

In April, shareholders and the European Central Bank (ECB) approved our share buyback programme for a maximum of €3.343 million. The ECB's approval was based on the significant strength of the Group's capital levels and our best-in-class organic capital generation. Combined with the robustness of our liquidity position, these factors ensure we can weather stress scenarios from a position of strength.

The assessment took into account a capital trajectory under conservative assumptions and updated macroeconomic scenarios. It also considered the historical performance of the bank, which is operating at a new profitability floor; a new run-rate for earnings and distribution from which the business can grow further and continue to deliver strong results for all stakeholders.

Group

Read more about Financial Capital in the Integrated Report

See our microsite

Strategic initiatives and best-in-class partnerships

Underscoring our One UniCredit approach and further unifying all our markets, we continue to strengthen our best-in-class product factories. These in-house factories leverage our Group-wide scale and scope, and support an ecosystem of top-class partners.

In June 2023 we signed a landmark agreement with one of those partners: Mastercard. This was the first time any large commercial bank in Europe has put in place a single card multi-market strategy of this scale – allowing UniCredit to focus on emerging payments trends such as Mobile Payments and Wallets. The partnership will also enable us to develop innovative new solutions to satisfy customer needs – read more on page 59.

In Greece, our new strategic partnership with Alpha Bank is demonstrating the attractiveness of our products. Alpha Bank's customer base will benefit from access to a wider range of best-in-class product factories provided by UniCredit, creating a model that provides us with further growth potential; accelerating product development and knowledge transfer, giving us a stronger presence in this high-growth market.

We also expect our medium-term growth to be boosted by our strategic initiatives on fees. Our Asset Management strategy – based on rebuilding internal factories – is bringing higher retention of the value chain, more resilient revenue generation, and is expanding our reach. As a further example of the progress and development of our internal asset management capabilities, in 2023 we issued 18 onemarkets funds – which you can read more about on page 49 – as well as rolling out our internal investment platform in Central Europe.

Next steps

2024 Direction of travel

Looking to the future, 2024 is a normalisation year. We should absorb most or all of the headwinds facing us by further improving the quality of our earnings, our operational and capital efficiency and risk taking, while greatly rewarding the investors willing to embark with us on the next phase of our journey.

2024 Direction

Net Revenue
c.22.5bn

OCG
>300bps

RoTE
c.16.5%

Net Profit
Broadly in line with FY23

Double Digit Growth
EPS, DPS

c.10bn[1]
Best ever calendar year distributions

1. o/w c.€7.2 billion FY23 (Total FY23 distributions less part of first tranche SBB executed within 2023 (€1.4 billion)), c.€3 billion Interim FY24. Distribution subject to supervisory and shareholder approvals.

Looking beyond 2024, the second phase of UniCredit Unlocked entails the continuation of its vision and strategy driving further achievements.

We have transformed ourselves, and as such are comfortable committing to delivering significant value, quality and predictability over the long term.

UniCredit's future profitability is underpinned by its **substantial P&L buffers, with c.€1.8 billion overlays and a portfolio covered more than its peers** thanks to proactive staging, we can also leverage on **€1.1 billion integration costs** ensuring future cost efficiencies and providing an ample buffer, we will also benefit from lower systemic charges in excess of €200 million.

Our still ongoing industrial transformation represents an important lever to further increase our top line and further reduce costs. Our best in class capital position and organic capital generation will defend or further propel our distributions also leveraging on a bolted balance sheet.

P&L buffers

c.1.8bn

Overlays

On a **quality portfolio covered 1.5 billion more** than peers[1] ensuring a stable and structurally lower CoR to **protect or propel** in the future

c.1.1bn

Integration costs

In FY23 with **c.20% IRR**[2] to sustain future performance and a further reduction in cost base

>0.2bn

Systemic charges

Reduction in FY24 vs. FY23

Industrial transformation ongoing

Improving revenue quality

Building and investing in our in-house product Factories generating fees

Enhancing client journey

Investing in the **front-line** and **distribution channels**

Improving efficiency

Simplification and automation to further reduce costs and increase speed

Best-in-class capital position

Organic capital generation

Underpinning top tier distributions while continuously accumulating capital

Excess capital

CET1r at 15.9% FY23 significantly above target range allowing for strategic flexibility

Bolted balance sheet

Strong asset quality

A robust portfolio and structurally **low and stable CoR** ensured by vigilant origination and prudent coverage

Leading CET1r

Highest CET1r among peers even after considering distributions

Healthy liquidity ratios

Better liquidity ratios than peers and a self-funded balance sheet with **LCR >145% and LTDr at 86%**

1. Latest Publicly available data as of 3Q23: calculated as the sum of delta between UniCredit and simple average of peers of the ratio for each stage 1, 2 and 3 and multiplied with UniCredit loans of the respective stage; peer group: BBVA, BNP (2Q23), Deutsche Bank, ING, Intesa, Société Générale, Santander.
2. IRR calculated with returns on a 10 years time horizon.

Unlocking **transformation,** together.

For our clients, our people, and our communities.

See our microsite for more information on how we have progressed against our UniCredit Unlocked plan across the following focus areas:

- Financial progress
- Clients
- People & Culture
- ESG
- Digital & Data
- UniCredit Foundation

Clients

Our 15 million clients are our most important assets – they are the reason we exist and the **focus of everything we do**. While there remains much to do, the last 12 months saw us take great strides in accelerating UniCredit Unlocked and providing clients with a new way of banking. We did this by investing in **improved product factory capabilities, greater use of technology and a more streamlined, agile organisation**. All of which were delivered by a talented, committed workforce capable of empowering clients and communities and helping UniCredit be **the bank for Europe's future**.

Our ambitions

- To support our clients and keep them at the centre of everything we do
- To develop best-in-class products and services
- To strengthen our advisory services and strategic dialogue

15m
clients

1st
for a single card multi-market strategy of scale in Europe

Read more about how we are placing clients at the centre of everything we do:

See the microsite

Our progress so far

Putting clients at the centre

Every client interaction and decision starts with a simple question: **how can we improve to give clients the products, services and support they need to thrive?** This is true for all our clients, regardless of size – from individuals and SMEs to major corporates operating internationally.

Our bank network is a real advantage here and a cornerstone of the UniCredit Unlocked strategy. We have 13 banks across Europe – and we leverage their combined scale while also retaining their individual local identities and strengths.

International scale, local insight

As an international bank, UniCredit has a **unique footprint and unmatched experience**. And we are able to bring our pan-European reach – with all the proven capabilities and market-leading expertise gained over decades – to the challenges faced by clients as though Europe was one market.

At the same time, our extensive branch network gives us **a local presence that is deeper and broader than most of our international peers**. We enjoy close client relationships that have been established for years. Our teams are on the ground, part of the community and with firsthand knowledge of individuals, families and firms. People know and trust us – and we know them too. We understand local economies and cultures, and how people and businesses can succeed within them.

Developing products and services to empower clients and communities

Our products and services sit at the heart of how we serve clients, with our Client Solutions platform made up of three best-in-class product factories – **Corporate Solutions, Group Payments Solutions and Individual Solutions**.

While each factory has specific responsibilities, they all follow a unified approach with harmonised service segments and a standardised delivery model to support the banks in our operating countries. This approach helps us be **faster, lighter, and more profitable** – with enhanced product and execution capabilities – while all the time **keeping the client at the centre**.

Using local knowledge to unlock a corporate IPO

Big is not always beautiful – and we work hard to meet the needs of all our clients, regardless of size. In Hungary, for example, we helped **Civita Group Plc.** issue 587,500 new shares via an IPO that raised around HUF 453,550,000 (approx €1.2m) of fresh capital.

This was a relatively small but important transaction for UniCredit Bank Hungary Zrt. and for the local capital market, with our bank acting as sole arranger and lead distributor of the transaction.

Hungary

Read more on the microsite

HUF 453,550,000

raised by issue of new shares

Getting lucky

In Serbia, our commitment to great customer focus took an unusual form. Through the "Lucky Cash Loan from UniCredit Bank" competition, we paid off the cash loans of five customers, up to a value of €10,000 each. To enter, customers had to suggest ideas for improving the quality of life in the local community – and our bank will implement the best idea.

"We wanted to promote the cash loan, one of the traditional banking products, in an innovative and special way. As a bank for which community empowerment is one of the main pillars of our business, we aim to add value to this campaign and provide an opportunity for our clients to propose ideas for improving the conditions of their local community."

Rastko Nicić
Member of the Management Board
and Head of Retail at UniCredit Bank Serbia

Serbia

Read more on the microsite

Together, the product factories **leverage our scale** and provide targeted product expertise for our in-country teams, delivering on our promise of **local reach with European connection**. By bringing together two key differentiating qualities – international scale and local insight – we can serve our clients with the best products and advice we can source. **We are not only more international than the local banks our in-country teams compete against – we are also more local than our international peers**.

By **segmenting our clients equally across the Group**, we are able to take the scale of our product factories and tailor them to serve each different client segment in the most effective manner.

Proximity to those clients and countries, coupled with a well-diversified, high-quality product portfolio, drove our business throughout 2023 and enabled us to make good progress on our journey to becoming the bank for Europe's future. We continued to give our product factories the backing and investment they need to be truly best-in-class – and to support our clients with **high-value ideas, solutions, and services** across all geographies and segments.

Many of our achievements made headlines and related to major transactions and globally important partnerships that had a material impact on Europe's financial ecosystem. But we are just as proud of how we met more country- and region-specific needs. These initiatives caused fewer waves but nevertheless made a real difference to clients and individuals. For example, the ESG support we provided to help clients on their own journeys towards more environmentally responsible practices will have a far-reaching impact on Europe in the years to come.

Empowering women

Research shows that on average women live longer and earn lower salaries – which is why they have specific matters to consider when it comes to finances. And although some progress has been made over the years, many women remain insecure about finance.

In Germany, we are **improving the financial awareness of women and helping them to make autonomous decisions**. HypoVereinsbank has launched a series of educational initiatives targeted specifically at women, including customer events, webinars for customers and employees, and an awareness campaign known as #EmbraceEquity.

In addition, the bank has transformed how it engages with women, using customer questions such as "What if we separate?" to open the door to conversations around issues including pension provision.

"Educate yourself on the subject of finance and pass on your knowledge to others. And most importantly: invest whatever you can spare."

Daniela Meyer and Astrid Zehbe
Financial experts

Germany

Read more on the microsite

Exploiting our scale…

Geographically agnostic, our product factories are staffed by talented and experienced professionals who create tailored solutions for clients of all shapes and sizes. The factories manufacture at scale and give our in-country teams the tools they need – so they can concentrate all their efforts on **delivering for clients**.

We introduced a third product factory in 2023, launching **Group Payments Solutions** to complement the existing factories focused on Corporate and Individual Solutions. Previously part of Corporate Solutions, our payments activities have always leveraged our close day-to-day relationships with our clients. Now, as a standalone product factory, Group Payments Solutions further builds on the strength of those relationships and is helping us sharpen our competitive advantage in what is a significant and capital-light growth area. Our ambition on the payments front is to be **every European client's first choice**. This means we need to be at the vanguard of industry trends, particularly in terms of how we look at the client experience – allowing us to capture more high value payments in the process.

During the year, our onemarkets fund again demonstrated how close collaboration between a product factory – in this case Individual Solutions – and our country teams can make a difference for clients. From a standing start in October 2022, onemarkets had assets under management of €3 billion at the end of 2023.

The Group Payments Solutions product factory also celebrated a notable win with our new **Group-level partnership with Mastercard**. The first deal of its kind, this landmark partnership has raised the bar for the quality of support that clients can expect from payment solutions. In the past, agreements with Mastercard had been ratified at country level, with local teams negotiating terms for their local clients. While this ensured the services provided by Mastercard were customised to local needs and totally suitable in their scope and delivery, they lacked the cost-efficiencies and outstanding value that **only a bank with our scale can negotiate**. Again, we have delivered the best of both worlds through this new agreement – globally competitive and very advantageous terms, provided at a local level by teams with personal and detailed knowledge of their markets, their cultures and their clients. Please see page 59 for more details.

"We are keeping our clients at the centre of everything we do. This means being able to adapt and evolve rapidly alongside their needs – something even more critical when it comes to payments."

Alberto Palombi
Global Head of Group Payments Solutions

Hey Buddy

Times change – and research told us that customers in Italy wanted a combination of digital support and human engagement with our teams.

Our answer was to create **Buddy R-Evolution**, which we announced in 2023. In effect a "remote branch", this technologically advanced digital platform responds to customers' requests, offering them a **better way of banking and enabling them to manage their day-to-day finances more efficiently**.

"Putting our customers truly at the centre of the way we do business and our commitment to digital transformation are the fundamental pillars of UniCredit Unlocked. Buddy R-Evolution is a tangible demonstration of how we achieve both."

Andrea Orcel
Group Chief Executive Officer and Head of Italy

Italy

Read more on the microsite

...and our local presence

The clients and the communities we serve across Europe continue to face difficult times driven by geopolitical and economic uncertainty – and throughout 2023 we worked hard to help them navigate these challenges.

For example, in Italy, one of the ways we help clients is through the **'UniCredit per l'Italia** scheme. Backed by initiatives worth a potential total of €10 billion, this flagship programme empowers communities to progress by supporting the disposable income of individuals and households, as well as the liquidity of Italian businesses.

"In this phase of our country's economy, it is important to add the instrument of minibonds to the traditional support of the real economy, which allows SMEs to approach the capital market and diversify their sources of funding."

Remo Taricani
Deputy Head of UniCredit Italy

Like their counterparts across Europe, Italian businesses have also continued to benefit from the global expertise embedded in our product factories combined with the local knowledge of our in-country teams. In 2023, we passed the milestone **of €1 billion mobilised in favour of Italian SMEs** through our minibond instrument which allows businesses to obtain long-term funding and access greater credit stability – confirming our leadership in Italy's capital markets.

Keeping clients at the centre of everything we do means listening to their needs – not just about what we deliver but also **how we deliver it**. The opening of **UniCredit Bulbank's first completely cashless branches** in 2023 is a good case in point. This innovative format is a direct response to changing customer behaviours in Bulgaria, with visits to the bank now increasingly motivated by the need for consultations or the purchase of banking products and services. Research showed cash desk transactions down by 64% in recent years, and our new cashless branches have enabled us to evolve the roles of team members to meet customer needs more precisely.

And in Croatia, Zagrebačka banka smoothed the introduction of the euro as the country's official currency – showing strength, leadership and customer focus to become the **first Croatian bank to successfully enable the operation of mainstream euro banking services for clients**. Over the previous two years, plans for the transition to the new currency had led to the largest transformation project in the bank's history, with more than 16 workstreams and over 600 employees working together to carry out 10,000 tests of our systems. Thanks to all the hard work that took place in the background, Zagrebačka banka moved seamlessly to become the sixth member of the UniCredit Group operating in the euro area.

Supporting development in southern Italy

During the year we disbursed €17 million to support the investment plans of two companies that are implementing projects in the Campania Special Economic Zone (SEZ) area of Italy. The role of SEZs is to help bridge the economic disparities between the north and south of the country.

"The two investments supported by UniCredit, the first to be made in the Interporto Campano di Nola since the establishment of the Campania SEZ, bear witness to our desire to act as a financial partner of reference for companies wishing to invest in the south."

Ferdinando Natali
Head of South Region UniCredit Italy

Italy

Read more on the microsite

Strengthening our advisory services

Two years ago, we embarked on a journey to position UniCredit as the logical choice for advisory services. Starting from a relatively low base, we invested in people with the experience, expertise and contacts to help us get a seat at the table and make a difference. Those efforts have rapidly proved successful, and we are providing greater support to clients across the full spectrum of advisory and capital markets products – **delivering impactful content as well as market and product knowledge**.

During the year we played a major role on a number of key Equity Capital Markets transactions, including several in Italy, where we lead the market. As an example, we successfully listed **Ferretti**, a world leader in the design, construction and sale of luxury yachts.

Late in 2023, we took another important step forwards by creating **Advisory & Financing Solutions (A&FS)**, which unites our advisory and financing capabilities into a single, focused entity. A&FS brings together eight separate strengths in a new structure that provides a holistic approach for clients:

- Asset-based financing
- Debt capital markets
- Equity capital markets
- M&A
- Portfolio management
- Sectors
- Securitisation and asset-backed solutions
- Sponsor coverage

One of the new structure's key aims is to retain the focus on **capital-light advisory services**, supported by a product agnostic one-stop-shop of debt solutions.

New ways of working in Austria

Simplification is a key aim for us – and in 2023 we transformed how we engage with our Austrian clients by integrating the third party financing business of Bank Austria Finanzservice into UniCredit Bank Austria.

This new structure is changing our ways of working, giving us faster and simpler internal processes that lead to more rapid lending decisions for our clients.

"In order to further expand our joint number 1 position in the mortgage finance business, third party sales partner cooperations will in future be carried out directly from Bank Austria. This integration will make internal processes faster and simpler. Further major investments in the brokered financing business can be made more easily and efficiently within Bank Austria, and decision-making channels will become shorter."

Robert Zadrazil
CEO of UniCredit Bank Austria

Austria

Read more on the microsite

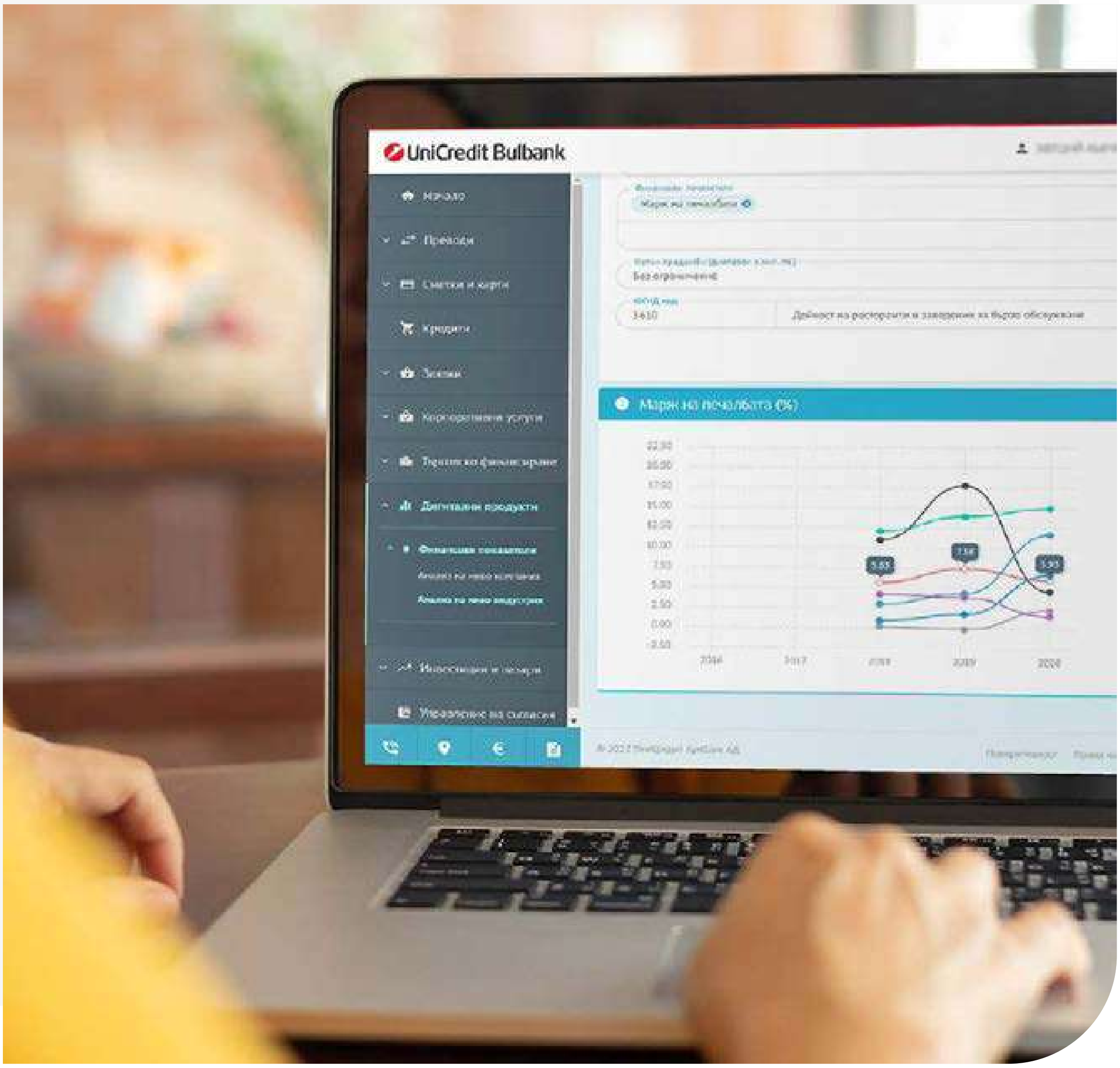
Microbusinesses, maxi revenue

Microbusinesses are a big growth area for UniCredit. In Bulgaria, greater digitalisation – supported by a streamlined contact, sales and service policy – has transformed how UniCredit Bulbank engages with microbusinesses, among other sub-segments.

Compared to the same period in 2022, the first half of 2023 saw a 20.3% increase in new business, a 12% increase in the loan portfolio and an 18% boost to income.

Bulgaria

Read more on the microsite



Changing how our sales team works

Successful transformation means being willing to change the ways we work. In Hungary, for example, this meant restructuring our sales team to boost client acquisition.

Backed by a 100% increase in agents, the regional manager of the Direct Sales Force is now solely responsible for client acquisition. This new structure has seen the number of new clients double thanks to initiatives such as the "increase your salary with UniCredit" offer which led to more than 600 existing corporate clients signing contracts.

"The game changer to unlock acquisition potential was to do things differently: value proposition, way of working and network presence was tackled to unlock potential."

Csaba Kiss
Head of Retail Network

Hungary

Read more on the microsite

Next steps

We have come a long way since starting our journey to transform UniCredit into a more client-focused bank. **But there is also a lot more yet to do**.

Our transformation will continue in 2024 and beyond, as we seek to elevate our fee base by investing in a **comprehensive offering that meets all clients' needs**, leveraging on our inherent strengths and best-in-class partnerships.

For our Client Solutions division, the goal is not primarily to win new clients, but to serve our existing ones better. Across 13 countries, 15 million clients – from individuals and SMEs with a handful of employees to large global corporates – trust UniCredit to provide them with the right products and services. Our task is to build on that trust by **evolving our processes and our ways of working** so that we can do more things for more of those clients, better than ever.

The combination of **local reach and European interconnection** is a powerful advantage that will again sit front and centre in how we engage with clients. Unlike many banks, we have the expertise to handle significant ECM transactions for blue chip companies, while also understanding our local clients and markets, and tailoring products and services to meet precise needs.

Four strategic levers will help us accelerate and outpace our competitors:

- **Asset Management** – increasing our funds offering, retaining a higher share of the value chain by leveraging products developed by our three product factories.
- **Insurance** – further internalising life insurance and enhancing our non-life offering, supported by refocused resources and improved technology platforms.
- **Payments** – unlocking our inherent strengths by collaborating with external partners, including technology partners.
- **Corporate Solutions** – continuing to grow our expertise and product reach.

These levers will be underpinned by our drive towards **greater digitalisation**. The last 12 months saw important enhancements to our UC Trader platform for FX and Commodities – and this is a real-life example of how digital connectivity can improve and simplify the client experience.

While we have undoubtedly set new standards, our transformation is far from complete – but we have all the tools we need to reach the next level and become the **go-to bank for the European mid-corporate space**.

Simple, fast, effective

Part of our focus on increased digitalisation, our online FX and commodity platform UC Trader gives clients direct access to live pricing and rapid execution for spot, forward and swap trades. We are continuing to make this state-of-the-art single dealer platform available to more clients, and were pleased to see it receive approval from regulators in Serbia during the year.

Serbia

Read more on the microsite

Our Clients milestones

The case studies on the following pages highlight the key achievements and developments of 2023.

Stellar advisory – supporting a leader in space logistics

Milestone – December

"This milestone marks a seismic leap in our company's evolution. Our profound gratitude not only goes to every investor in the round but also UniCredit, who expertly supported the process from start to finish."

Luca Rossettini
CEO of D-Orbit

"Our support for D-Orbit not only signifies the depth of the content we can bring to clients around emerging, high-growth sectors, but also our ability to execute and attract private capital across a wide and diversified investor base."

Luca Setti Carraro
Director – Alternative Capital Markets

UniCredit acted as Equity Private Placement Advisor to D-Orbit in the context of the €100 million+ first closing of its Series C funding round. This represented the largest equity private placement in Italy in 2023 and a landmark transaction in European private capital markets.

Founded in Italy in 2011, **D-Orbit** is a market leader in the space logistics and orbital transportation services industry with a track record of fifteen missions completed and 140+ payloads brought into space to date. The company directly addresses the logistics needs of the space markets via its ION Satellite Carrier, which can release satellites individually into distinct orbital slots – reducing the time to operations by up to 85% and the launch costs by up to 40%.

D-Orbit's vision is to create the logistics infrastructure that will power the future in-orbit economy by enabling the sustainable transportation of goods, information and people in space.

Thanks to the close collaboration between our Alternative Capital Markets and Ultra-High Net Worth teams, we played a leading role in the transaction – bringing the largest follower investor in the round, as well as ensuring the first closing happened by the end of the year, a key priority for management.

As ever, our capital markets competences, strategic dialogue and unparalleled equity distribution capabilities came to the fore in driving a successful outcome.

Proceeds from the investment round will fuel the continued expansion of **D-Orbit's** space-logistics service offering in areas such as in-orbit satellite servicing and space cloud computing, whilst also helping to reinforce **D-Orbit's** operational capabilities across the US, Europe and United Kingdom.

Italy

€3bn
assets under management
at the end of 2023

Unlocking transformation, together.

For our clients seeking our asset management expertise

Milestone – October

The end of 2023 marked the first anniversary of a fund that has signalled a new beginning for UniCredit and our clients. Drawing on the scale of our Group and the strong synergies between our product factories and our networks, onemarkets fund is reclaiming and reinforcing our asset management competencies, giving clients access to our in-house expertise alongside that of some of our industry's leading partners, such as BlackRock and J.P. Morgan.

onemarkets is a unique, balanced offering of 18 funds covering the Equity, Bond and Multi-Asset classes. It was initially launched in Italy, Germany and Austria, with the Czech Republic, Slovakia, Hungary, Romania and Bulgaria following later in the year. **In total, the fund had assets under management of €3 billion at the end of 2023.**

Now we are set to launch a further 12 funds under the onemarkets brand, driven by our understanding of our clients' needs and delivered by our people working as one team with a common purpose: **to unlock UniCredit and provide best-in-class products to all our clients.**

Group

"The first year of onemarkets Fund is a powerful demonstration of what we can achieve when our product factory works hand in hand with our networks by internalising value chains, innovating and designing best-in-class products and bringing the scale of the Group to bear – all whilst keeping the client at the centre in everything we do."

Richard Burton
Head of Client Solutions

"The launch of onemarkets Fund and the rollout across our networks in the past twelve months has been a huge team effort and is driven by knowing our clients' needs. Thanks to an increase in the funds rollout across the Group, which leverages on internal portfolio management skills and the expertise of best-in-class asset managers, we are seeing a positive dynamic and strong increase in assets under management. By continuing to work as one team with a common purpose, we will achieve even greater results in the future."

Claudia Vacanti
Head of Group Investment & Protection Products

Underlining our strength in telecoms

Milestone – January

Our track record in the Digital sector was further endorsed when we acted as Underwriter, Active Bookrunner, Mandated Lead Arranger, Facility and Security Agent as well as Hedging provider to the acquirer on the €7 billion GD Towers transaction. The deal enabled Deutsche Telekom (DT), the largest telecommunications provider in Europe by revenue, to divest a stake in GD Towers an established tower company in Austria and Germany which maintains telecommunications infrastructure across more than 40,000 sites. 51% of GD Towers has now been acquired by a JV of DigitalBridge and Brookfield, two of the leading global digital infrastructure funds.

This was an important step for our market-leading digital infrastructure franchise. **Despite a challenging market environment, we provided strong structuring and syndication expertise as well as solid distribution capabilities** – strengthening our reputation in the tech sector and our leading position in financing digital infrastructure in Germany. The **GD Towers** transaction added to previous deals with a volume of €9.5 billion for fiber infrastructure and €0.5 billion for data centers across 2022 and the beginning of 2023.

Germany

Read more on the microsite

"We would like to thank UniCredit for their role in facilitating DigitalBridge's acquisition of a majority stake in GD Towers in partnership with Brookfield. Their expertise was instrumental in the success of this landmark transaction. We look forward to the continued success of this venture and its future growth."

Zach Gellman
Principal DigitalBridge

"We want to express our appreciation to UniCredit for its support in the acquisition of GD Towers. This transaction exemplifies the significant amount of capital needed to enable the digitalisation of the global economy, one of three mega trends influencing our investment in infrastructure."

Marcus Da Costa
European Head of Capital Markets,
Brookfield Infrastructure

Enabling the introduction of the euro

Milestone – January

The first day of 2023 was a momentous occasion in the history of Croatia, as the euro became the country's official currency.

In the face of this pressure, Zagrebačka banka took the opportunity to show its strength and leadership, becoming the **first bank in Croatia to successfully enable the operation of main banking services for clients and a smooth transition to the new currency**.

"The process of introducing the euro is one of the most demanding projects that banks in Croatia have ever faced. Realizing its responsibility and role, Zagrebačka banka put the euro introduction project in the first place, allocating large technical, human, and financial resources, so that citizens and legal entities could dispose of their liquid funds in euros, and payment transactions would function in the new currency."

Ivan Vlaho
Zagrebačka banka CEO

Croatia

Read more on the microsite

M&A enabler – levelling up our strategic dialogue

Milestone – June

In May, UniCredit acted as financial advisor to Swiss travel retail player Dufry AG (now Avolta AG) in its acquisition of Autogrill SpA – a leading operator of food and beverage services since 1947 active in thirty countries.

The tie-up created a new Group with a dual purpose at its core: to develop a new range of products and services to meet the challenges of a sector in constant evolution, and to improve and innovate the customer experience around travelling.

The transaction valued **Autogrill** at circa. €4 billion, and took place in two steps – firstly, with the transfer of controlling shareholder Edizione's shares in **Autogrill** in exchange for newly issued **Dufry** shares.

Dufry then launched a mandatory public exchange tender offer on the remaining shares of **Autogrill**, offering shareholders the possibility to exchange Autogrill for Dufry shares at a rounded exchange ratio.

The tender offer was completed successfully with a final shareholding of **Dufry** in **Autogrill** of 94.5%, allowing the subsequent buyout of minorities and delisting.

The transaction at once underlines our public M&A credentials, as well as the close collaboration between various industry and capital markets teams – **UniCredit truly Unlocked as impactful content meets seamless market execution**.

"We want to be able to support our clients across the full spectrum of advisory and capital markets products – delivering impactful content, as seen here on the retail side, as well as execution capabilities. For us, it's about showing our value and having as many strategic conversations as possible."

Riccardo Penati
Head of Consumer, Healthcare and Retail Investment Banking

Switzerland (Dufry)

Italy (Autogrill)

Enabling growth in a tough environment

Milestone – April

Despite a challenging market and poor investor sentiment, we were able to help a leading German company raise €272 million via an Accelerated Bookbuild Offering. With 12,000 employees and 35 plants worldwide and 160 years of history, Gerresheimer AG is a global partner for the pharma, biotech and cosmetic industries. The company offers a comprehensive portfolio of pharmaceutical containment solutions, drug delivery systems and medical devices as well as solutions for the health industry. In short, the company plays an important role in improving people's health and well-being.

Acting as Joint Global Coordinators, our team provided timely and accurate advice to **Gerresheimer**. By using a customised wall-crossing approach, engaging in constant dialogue with investors and with the active participation of **Gerresheimer's** management and investor relations team, we were able to generate early momentum and high-quality demand. 3.14 million new shares were placed at €86.50 and delivered in April 2023.

This was the largest German primary ABB in the Healthcare sector since early 2021 – and the funds will be used by **Gerresheimer** to capture significant growth opportunities, with a particular focus on high value pharmaceutical containment solutions and medical devices for biologics, including GLP-1 based drugs for the treatment of obesity. This will further strengthen **Gerresheimer's** leading market position.

"The UniCredit team guided us through the accelerated bookbuilding process, provided valuable advice at every step of the way and ensured a fast and smooth transaction."

Dr. Bernd Metzner
CFO Gerresheimer AG

"We have been the core bank for Gerresheimer for many years. Working with the ownership across different product teams gave us a great opportunity to structure tailored solutions that delivered key benefits to our client."

Thomas Alms
Coverage Banker UniCredit Bank GmbH ("HypoVereinsbank")

Germany

Supporting the shift to a cashless society

Milestone – May

Driven by our goal of listening to the needs of local clients and responding accordingly, in Bulgaria UniCredit Bulbank opened its first completely cashless branches in 2023.

We created this innovative format following permanent changes in customer behaviour, with visits to the bank now increasingly motivated by the need for consultations or the purchase of banking products and services.

"The establishment of the bank's cashless offices provides flexible and innovative service solutions and improves the customer experience. At the same time, the employees in the branches show a stable trend of increasing productivity and efficiency, as the measurement of daily activity shows that 60% of the time is spent on consultations and after-sales service compared to engagement in cash and operational service."

Ekaterina Kirilova
Director of the Branch Network at UniCredit Bulbank

Bulgaria

Read more on the microsite

Floating a luxury yacht-maker

Milestone – June

Following its flotation in Hong Kong (HK) in the previous year, our team enabled luxury yacht-maker Ferretti Group to become the first ever company with a dual HK/Milan listing. We acted as Joint Global Coordinator and Joint Bookrunner on the Milan listing, with the offer priced at €3 per share, giving the company a valuation of around €1 billion.

Ferretti Group is the global market leader in the design, construction and sale of luxury yachts and pleasure vessels. The company has established a long-standing reputation for exceptional quality and exclusive design, futuristic technology and supreme performance on the water. The Group owns a unique portfolio of prestigious brands among the most exclusive in the nautical world: Ferretti Yachts, Riva, Pershing, Itama, CRN, Custom Line and Wally, and it is the only nautical group in the world that manufactures and offers a wide range of models in all sizes: from 8-metre motor yachts to 95-metre-plus super yachts.

"We design and manufacture the most beautiful yachts in the world, but inspiration alone is not enough. Behind it lies all the work without which we wouldn't now be able to hold up these numbers, and I'm twice as pleased because we are listed on both the Hong Kong and Milan stock exchanges, a process that took just 15 months with UniCredit's support: together, we've written a book that no one has ever written before and I'm certain that others will follow in our footsteps."

Alberto Galassi
Ferretti Group CEO

Ferretti Group is heir to Italy's centuries-old yachting tradition, with a unique sales portfolio consisting of seven prestigious brands. It owns and operates seven shipyards across Italy, serving clients in over 70 countries worldwide.

As well as being the first HK/Milan dual listing, this landmark transaction was also the first follow-on priced at reference market price (implying a premium to **Ferretti Group's** last closing price in EUR terms). Our team played a leading role, also acting as Listing Agent and navigating legal and operational procedures to allow fungibility of Milan and HK markets. Despite a subdued European IPO market, **we once again demonstrated our strong advisory and capital markets capabilities, providing strategic support and unparalleled equity distribution**.

Thanks to extensive early marketing and an intense investor education exercise, books were covered in less than one hour on the full deal size, with our UHNWI team bringing anchor commitments and the largest Italian order in the book – thereby once again playing a crucial role in **leveraging our network and generating solid, long term and high-quality demand**.

"We are now pitching more effectively than ever, with increased conviction and confidence, implying that we deserve to lead deals. The context was also important with Ferretti. In a booming market, all banks can show some degree of strength. It's when markets are less supportive that you appreciate true advisory capability."

Silvia Viviano
Global Head of Equity Capital Markets

Italy

Discover more about Intellectual Capital in our Integrated Report

See our microsite

Helping Italian households and firms

Milestone – June

The latest tranche of our 'UniCredit per l'Italia' plan was launched in 2023 to support the country with initiatives worth a potential total of €10 billion. Following the decisive actions we introduced in 2022 through the initial tranche of 'UniCredit per l'Italia', which enabled households and businesses to cope with rising energy and commodity prices, this latest series of initiatives aims to give concrete support to individuals and families grappling with inflation, as well as to provide new resources for the development of specific sectors and territories.

The new measures – which are another sign of our commitment to customers and to local communities – include:

- Concrete measures aimed at cost containment for customers, including flexible financing and new resources for spending and investments
- €4 billion to support the spending of individuals and households
- €6 billion in new financing for tourism, Made in Italy and Special Economic Zones ("SEZs")

Italy

Discover more about Social and Relationship Capital in our Integrated Report

See our microsite

€4bn
to support the spending of individuals and households

€6bn
in new financing for tourism, Made in Italy and Special Economic Zones

"Italian families and businesses have shown extraordinary resilience and adaptability in the face of significant macro-economic pressures, including rising rates and high inflation. These impressive individual reactions have enabled Italy's collective response to be stronger-than-expected, and the economic situation in recent months has been better than we might have feared."

Andrea Orcel
Group Chief Executive Officer and Head of Italy

"With this second tranche of 'UniCredit per l'Italia' we are reiterating our commitment to be on the side of all customers. We continue to support individuals, households and businesses to enable a more flexible management of their financial commitments, helping them to better address daily priorities, while also making available new resources for investments. In this way, we want to strengthen the foundations to guarantee the country sustainable growth that benefits all territories."

Annalisa Areni
Head of Client Strategies Italy

13

The new agreement leverages the collective strengths of our 13 banks across Europe

Unlocking transformation, together.

For the cardholders looking for better ways to pay

Milestone – May

Our new partnership with Mastercard is a great example of our new way of managing projects in UniCredit, bringing benefits to all stakeholders and acting as a united company.

Historically, each of our countries had negotiated separate agreements with **Mastercard**. In line with the UniCredit Unlocked strategy, that way of working has been superseded by a more collaborative approach. The new agreement leverages the collective strengths of our 13 banks across Europe to transform services for people and businesses.

This is the first time that a large commercial bank has put in place a single card multi-market strategy on this scale in Europe. And it means that every single UniCredit customer, from an individual to a multinational corporate, in every single one of our operating countries, can benefit from simplified products, reduced costs and an enhanced digital experience.

"UniCredit has been an important partner for many years. Together we have created real solutions that help people and businesses across Europe. This expanded relationship will build on that experience to bring new innovations to UniCredit cardholders."

Michael Miebach
Mastercard CEO

"This partnership epitomises the essence of UniCredit Unlocked and our commitment to leverage the full impact of our multi market footprint as one complete offering for the benefit of our clients."

Andrea Orcel
Group Chief Executive Officer and Head of Italy

Group

Read more on the microsite

Unlocking **transformation,** together.

For our clients, our people, and our communities.

See our microsite for more information on how we have progressed against our UniCredit Unlocked plan across the following focus areas:

- Financial progress
- Clients
- People & Culture
- ESG
- Digital & Data
- UniCredit Foundation

People & Culture

Our colleagues are the beating heart of the Group – and they have once again embraced **UniCredit Unlocked** to help us realise the great value within this institution. We are **transforming our Culture** to create an engaging and positive working environment where we can **Win. The Right Way. Together**. Our Culture is underpinned and inspired by our clear set of **Principles and Values: Integrity, Ownership and Caring**.

Our ambitions

- To attract, develop and retain the **best talent**, no matter their diverse traits
- To foster a **psychologically safe, positive and inclusive environment** where every employee can fulfil their potential
- To create a **better workplace** by redefining our culture and investing in people, technology and processes, supporting our vision of **being the bank for Europe's future**

46%
women in Group Executive Committee (GEC)

35%
women in Leadership Team

Read more about how we are transforming our culture for our people:

See the microsite

Our progress so far

Purpose, Culture and Values

One year after setting the foundation for our **UniCredit Culture**, we are seeing evidence of transformation across the organisation. Today, we are a **different and better bank** – a more solid, more resilient Group, united behind the common goal of driving social change and **empowering the communities** in which we operate to progress.

Our Culture puts us on the front foot, energised and emboldened, and helps us deliver on **our Purpose, Vision and Strategic Plan**. We put our Values at the heart of our decision making and we work together as one team – true partners to all our stakeholders.

Transforming our Culture

We began our **global Culture transformation** in 2022 and kicked into an even higher gear in 2023 – with more events, more colleagues involved, more initiatives and more remarkable results.

The best barometer of progress is our **annual Culture Day**, which we held for the second time in 2023. If the inaugural event in 2022 was a resounding success, with more than 17,000 colleagues joining to hear about how we are transforming Culture at UniCredit, the follow-up was more impressive still. In 2023, **30,000 people** across our markets gathered online and in-person for a fully immersive two-day event – which you can read more about on page 103.

We are continuing to **embed our Culture throughout the Group** via our Culture Network. Established during the first Culture Day and initially comprising 24 Culture Sponsors and 27 Culture Champions, the Network has since exploded in popularity – growing to more than 1,500 colleagues in the space of a single year. This collection of passionate, committed ambassadors supports our Group Culture team by **living our Values every day, helping reinforce our Culture across Europe**.

Members are motivated, engaged and eager to drive our Culture transformation every day, in every way. Alongside their day jobs, they work across all our countries and areas to develop and run initiatives that shape our Culture and help our people embrace our Values.

Improving the recruitment process

Recruiting the right people will be a crucial part of executing our UniCredit Unlocked strategy over the long term.

Against a backdrop of digitalisation and simplification, and to support the activities of our managers and People & Culture colleagues in all phases of the recruitment process, we have launched a **unified career portal** for colleagues in our Austrian, German, and Italian banks.

The new tool – **Avature** – is also helping us create a better candidate experience. In 2024, it will additionally be implemented across our CE&EE banks where digital tools such as chatbots are already supporting the standard recruitment approach.

"This is a further step in the standardisation and digitalisation of our employee lifecycle across UniCredit. It shows collaboration across People & Culture colleagues and the Digital team, who contributed with energy and passion to this initiative."

Siobhán McDonagh
Head Group People & Culture

Read more on the microsite

A constantly evolving Culture

As we strive to help colleagues develop a better understanding of our Values, Culture Network members in Germany rolled out the "Culture Jour fixe" (CJf) format. In addition to further embedding our Culture in the region, CJf is also allowing us to gather feedback on how our Culture can evolve across teams.

And, in line with truly living our **Ownership Value**, despite having only launched the initiative at the start of the year the format has already been reviewed and enhanced. Following feedback on CJf sessions throughout 2023, and supported by Culture Sponsor and CEO Marion Höllinger, members have quickly added interactive elements – including icebreaker exercises and the use of digital tools.

"We are so happy to see that our community is not only growing but has become such an important factor in promoting our three values and incorporating them in everything we do."

Tobias Bücher
Culture Champion Germany

Fabienne Ropeter
People & Culture Transformation

Germany

Read more on the microsite

In Germany, for example, our 30 Culture Network members spearheaded the development of the **"Culture Jour fixe" format**, helping gather more feedback to support managers and empower colleagues. In addition, colleagues in Italy introduced a moment during the working day where employees across our more than 2,000 UniCredit retail branches could share with others how they are representing our Values.

Throughout the year Culture Network members attend **Culture Bootcamps** designed to dive deeper into our Culture and give them the tools and knowledge to embed our principles, initiatives and mindset across the Group. The first Bootcamp was dedicated to Culture Champions and Sponsors, but since then more than 30 additional workshops have involved over 1,800 UniCredit colleagues.

If we are to fully transform our Culture, it is crucial that we keep every colleague involved and informed. An **annual Culture Progress meeting** has been established for Culture Sponsors and Champions to present our greatest achievements and concrete results to our Group CEO and top-level management. Taking place for the second time in October 2023, we discussed the outcomes of 50 best-in-class initiatives throughout the year – and how our Values are being lived every day by colleagues in all our markets.

Volunteering

As a bank we are **committed to fostering social progress** for our clients, creating opportunities for **young people across Europe** through the UniCredit Foundation – which you can read more about on pages 159–166 – and supporting those who are the most vulnerable. We are laser-focused on our **Purpose – Empowering Communities to Progress** – but, collectively, there is always more we can do.

In less than a year since its official launch, **our first Group-wide Volunteering Community** has grown impressively, engaging employees from all countries in nearly 280 initiatives.

Caring for colleagues hit by natural disaster

The floods of August 2023 caused devastation across much of Slovenia. To support colleagues, and to live our Value of Caring, we quickly organised for solidarity aid to be paid to all those affected – while also mobilising our volunteers to help those in the worst-impacted areas of the country.

We remained in constant communication with colleagues to offer advice and additional support, including free counselling sessions, alongside information about how they can get involved with our volunteering efforts.

19 colleagues were supported with solidarity aid and **280 hours** were dedicated to our communities by UniCredit volunteers.

"Such extraordinary and dramatic events also bring out the extraordinary goodness in people – and it has been shown so generously by the colleagues in the Bank. I am very grateful for all the good I have received."

Pavel Galjot
Senior Analyst in Planning

Slovenia

Read more on the microsite

Volunteering represents one of the key levers of our social contribution, demonstrating the many ways we care for our local communities. We empower all colleagues across the Group to volunteer their time, through:

- **Skills-based volunteering**, sharing skills and competencies to drive the progress of our local communities through education, mentoring and coaching
- **A dedicated Volunteering Day** for all UniCredit Group employees, who can dedicate their time to a cause close to their heart
- **Action Volunteering**, where we can quickly mobilise our resources in emergencies

We know that even a single day can make a big difference – and we recognise the importance of extending our efforts across Europe so we can **fulfil our Purpose**. Now, more than ever, it is essential that we maintain our commitment to the **"S" in ESG** by caring for the communities in which we operate.

In Slovenia, when **1.5 million people** were hit by flooding in August 2023, we quickly found ways to support our colleagues and our community. We paid solidarity aid to all affected colleagues and volunteered in person to help those in the worst-impacted areas of the country. Read more on page 93.

And, where we cannot volunteer in person, we find other ways to contribute. For example, colleagues and customers from UniCredit Bank Austria **donated €220,000 to relief efforts** in Turkey and Syria following the 7.8 magnitude earthquake that impacted more than **20 million people** in February 2023.

€220,000

UniCredit Bank Austria donated €220,000 to relief efforts in Turkey and Syria following the 7.8 magnitude earthquake in 2023

A top place to work in Europe

If we are to continue to make the greatest impact for our communities and our clients, we need a workplace that talented people want to join and remain part of. Our commitment to creating a **better environment for our colleagues** was underlined in 2023 when, for the seventh year running, UniCredit was named one of the **Top Employers in Europe** and across several countries in which we operate: Austria, Bulgaria, Germany, Hungary, Italy and Serbia.

Our commitment to our people

"This recognition is of critical importance to us and testament to the fact UniCredit is an employer that empowers its people to succeed. I am very proud that each year we reconfirm our commitment to providing a better working environment for all our people, and we are building a strong cultural foundation for our bank by embedding our Values of Integrity, Ownership and Caring in everything we do."

Siobhán McDonagh
Head of Group People & Culture

Taking our Culture on the road

In 2023, as we sought to embed our Culture across Europe, our Culture Roadshow reached more than 7,000 colleagues. We held meaningful discussions and activities in Bosnia and Herzegovina, Bulgaria, Czech Republic, Hungary, Italy and Serbia, following previous successful events in Austria, Croatia and Germany.

The Roadshow was led by our senior executives, helping to deepen our colleagues' understanding of how **UniCredit puts its Values into action**. Several of these sessions also involved local corporate clients sharing their experiences of culture within their own companies.

Group

Read more on the microsite

7,000+

UniCredit colleagues took part in the discussions and activities

Mapping our most influential colleagues

In Serbia, our new OrgMapper I INFLUENCE tool helps identify 'hidden' influencers – the most influential, capable and best-connected employees – within our workforce. The tool not only reveals who is best-placed to help embed our Culture with their colleagues – our 'UNInfluencers' – but identifies areas where we may need to work harder to get our messages across.

Our **UNInfluencers** are the people others go for advice, support, feedback and inspiration – they are the ones they trust the most, and help us bridge the gap between all levels of the organisation. In Serbia we have ranked **our top 20 UNInfluencers**, who will help strengthen our Values and develop cultural strategies in accordance with our mindset.

"I was very surprised and extremely proud when I found out that I was one of the UNInfluencers, because this is the voice of UniCredit Serbia, and the voice of my colleagues."

Vlasta Jovanović
Head of Advisory & Specialised Lending

Serbia

Read more on the microsite

Diversity, Equity and Inclusion

One sign of a top place to work is an **equitable, inclusive and diverse workforce**. At UniCredit we have long recognised the strength this can bring to our business – and the importance of a fairer, more inclusive and positive working environment.

We believe that when **Diversity, Equity and Inclusion (DE&I)** work in harmony great things happen:

- People feel respected and valued for their contributions, directly **impacting productivity**
- People feel a sense of belonging, connection and shared pride, **positively affecting health and well-being at work**
- People feel able to express their views and ideas, fuelling **creativity, innovation and diversity of thought**
- People feel their potential is acknowledged, helping to **unlock talent and improve performance and job satisfaction**

Together, this helps us achieve sustainable business growth and better serve everyone from clients and communities to shareholders.

Our commitment to DE&I is supported by our **six self-organised Employee Networks**. These dedicated teams have more than 1,000 members promoting DE&I and running initiatives around gender, disability, the LGBTQIA+ community, ethnicity, the generational gap and care giving.

And our progress is being recognised. UniCredit was ranked in the **Top 100 Globally for Gender Equality by Equileap** for the second year in a row, named one of **Europe's 2023 Diversity Leaders** on general diversity, ethnicity, LGBTQIA+, age and disability by the **Financial Times**, and included for the fourth time in **Bloomberg's 2023 Gender-Equality Index** – with an overall GEI score above the sector benchmark.

We are setting the benchmark for financial institutions the world over. UniCredit banks in Hungary, Bulgaria, Czech Republic, Slovakia, Romania, Croatia, and Serbia have been awarded **EDGE Certifications**, joining UniCredit's already certified banks in Italy, Germany and Austria – and making us the first banking industry organisation to hold the **Global EDGE Certification**.

Our **DE&I Global Policy** supports our Culture transformation and defines expected behaviours by everyone in our Group, increasing transparency and providing direction on the ways we are addressing positive change.

Read more about our DE&I framework and commitments

See our microsite

Putting our customers first

"We are thrilled to have launched our C.A.R.E.S. programme and we are already seeing the results, not only in-house – colleagues better understand now the importance of CX and act on it – but also in relation to our customers, who are more and more satisfied with our services, as seen in our NPS results, and in the sharply declining number of complaints. Certainly, it's a long journey, but we have made the first steps and see the road clearly ahead of us – and we are ready to follow."

Laura Tengerdi
Head of Customer Experience

UniCredit Bank Hungary has made customer experience a strategic priority – constantly acting in customers' best interests to provide both retail and corporate clients with outstanding service and tangible benefits.

As part of this commitment we launched our **UniCredit C.A.R.E.S. – Customer, Action, Return on investment, Employee and Strategy – programme**. Built around our **Value of Caring**, the programme puts customers and employees at the centre to make customer experience a key component of our daily activities – increasing loyalty and enhancing our performance.

Hungary

Read more on the microsite

Recruiting, retaining and developing the best people

As part of our **Vision to be the bank for Europe's future**, we are looking for people willing to walk with us in this direction. We strive to support our employees' growth by providing a unique and dynamic professional journey.

We are building a workforce that embodies our **Values – one with Integrity, that has Ownership and is Caring**. Those same Values are embedded in our recruiting processes and throughout our policies, ensuring transparency, fairness and equal opportunities for growth across the Group.

We **empower our people to progress** throughout their professional lives by listening to their needs, investing in skills-based training and development plans to meet them, and by promoting DE&I.

To further support colleagues' personal and professional growth, in 2023 we introduced a new **Employee Lifecycle Framework** to guide them through their journey with UniCredit. The Framework includes onboarding, learning and development, compensation and benefits, and offboarding and alumni.

We continued to encourage learning and knowledge sharing through initiatives including smart buddying for managers, 'ask me anything' sessions, a Flow & Grow rotation programme, our Women-2-Women Academy, and Generation Tandems – the latter harnessing and sharing the knowledge of the four generations of employees currently working across the Group Tandems – the latter reflecting the four generations of employees currently working across the Group.

Personalised training for individual talents

In Italy, the concept of Talento Diffuso (Distributed Talent) aims to identify the specific and unique talents of each individual and put them at the service of the organisation. We want every colleague to feel that they are an active part of both their own professional development and the cultural transformation of the Bank.

More than **8,000 colleagues** have joined the initiative by completing an online questionnaire to discover their unique and distinctive characteristics, mapped against our Values – and **2,200** have taken part in personalised training sessions as a result, led by our Talent Development Lab.

"We all have at least one talent that must be identified and trained to fully express ourselves. For me, talent is that trait that makes you unique. And talent differentiation can emerge only with constant training."

Ilaria Dalla Riva
Head of Administrative Office

Italy

Read more on the microsite

New opportunities for unemployed women

In Bosnia and Herzegovina, both unemployment and migration rates are high. To deliver on our Purpose of Empowering Communities to Progress, we launched a new initiative to support women in finding work.

Co-financed by the Embassy of Sweden and supported by the World Bank, we offered work experience and training to women who had been unemployed for more than one year. And, following the conclusion of the programme, four women were permanently hired by our Mostar bank – the only Bank in Bosnia and Herzegovina participating in this type of project and supporting local communities in this way.

"Even at a first glance, my impressions were positive – primarily thanks to the professional approach throughout the communication and at the interview. After three years of searching for a job and different experiences, mostly negative, in which employers did not respond to emails nor read the accompanying documentation with applications, this was a sign to me that this is a serious company with a professional approach."

Elsada Muhamedbegović
Participant in the programme at Mostar

Bosnia Herzegovina

Read more on the microsite

Next steps

Culture transformation is an ongoing process – and one that will never stop. It will continue to guide UniCredit in our **Vision to become the bank of Europe's future**, and as we grow and develop as an organisation.

In 2024, to support this transformation, we will develop further processes aligned with our Values – and we will continue to raise awareness among all our employees on the key mindset and behaviours we need from them in order to fulfil our mission.

We must also invest in the right people, and offer them growth opportunities, training and tools. They should be **empowered to deliver their jobs, build long-term careers and contribute to our Culture of excellence**.

In February we will officially launch our **unified, holistic well-being approach**, empowering our people throughout their employee lifecycle and in the moments that matter the most. We have selected key dates during the year when we will highlight specific topics – such as the **International Day of Education and International Women's Day** – to showcase our commitment and the offering we have created for employees, communities and clients alike.

In addition, to continue to drive the Bank forward, it is essential that we reshape the promise we make to our employees through a **revamped Employee Value Proposition (EVP)**. This will also help enhance the awareness and attractiveness of our employer brand, highlighting UniCredit as a great place to work.

Our new EVP will launch in 2024 and will be widely communicated through an integrated internal and external communications campaign, both reinforcing the pride and sense of belonging among our employees and helping to attract the best external talents.

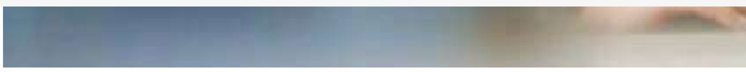
Our **third annual Culture Day** will take place in June, celebrating our **Culture journey so far** and setting goals for our future, while our connection with our countries will extend beyond 2023's Culture Roadshow – with new formats and an aim to involve even more colleagues. We will also continue to grow our Culture Network and develop its members to further embed our Culture throughout the Group.

Our People & Culture milestones

The case studies on the following pages highlight the key achievements and developments of 2023.

A world-leading gender equity and inclusion programme

Milestone – December



In 2023 we became the first pan-European bank with a Global EDGE Certification for gender equity and inclusion – made possible by our accelerated efforts on diversity and inclusion at our banks in Hungary, Bulgaria, Czech Republic, Slovakia, Romania, Croatia, and Serbia. In further recognition of our commitment to DE&I, these countries joined our already certified banks in Italy, Germany and Austria in championing gender equity and obtaining their EDGE Certifications.

EDGE Certification is the leading global standard for Diversity, Equity, and Inclusion, centred on a workplace gender and intersectional equity approach. To achieve this certification, our banks underwent rigorous third-party review of representation across the succession pipeline, pay equity, the effectiveness of policies and practices, and the inclusiveness of our Culture.

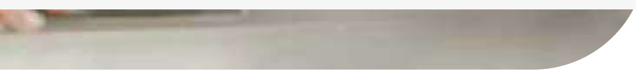
Group

"UniCredit is setting an example for sustainable business practices in Europe. I am proud that we have become the first banking industry organisation to hold EDGE Certification in 10 countries, and the first pan-European bank with Global certification. Being a champion in gender diversity, equity and inclusion is an integral part of our culture and reinforces our commitment to a clear set of principles and values as a crucial component of our continued business success."

Andrea Orcel
Group Chief Executive Officer and Head of Italy

"UniCredit's achievement in securing global EDGE Certification is a business game-changer. Starting with five of its business entities in 2022 and now expanding to include six more to cover more than 80% of its total workforce, UniCredit demonstrates a deep commitment to Diversity, Equity and Inclusion as a driver of sustainable success. Their global certification speaks volumes about their trust in EDGE as a voluntary standard and independent certification. It is also a strategic move to leverage a diverse talent pool, setting new benchmarks for an inclusive and equitable workplace for all. By becoming globally EDGE Certified, UniCredit is not just creating a heart-warming narrative; they are pioneering the future of business – diverse, equitable, inclusive, and exceptionally innovative. Congratulations!"

Aniela Unguresan
Founder of EDGE Certified Foundation



A Top 100 company worldwide for gender equality

Milestone – March

In recognition of our commitment to DE&I, we were extremely proud to be included in the Top 100 Globally for Gender Equality from Equileap for the second year in a row. Equileap is a leading organisation providing data and insights on gender equality in the corporate sector.

This assessment of more than 4,000 listed companies all over the world is based on 19 gender equality criteria, including gender balance – from the board to the workforce – the company's gender pay gap and policies relating to parental leave and sexual harassment, among other topics.

We significantly improved our performance versus last year, ranking as the **#2 company in Italy** and the **only bank in the country's top 100**. We were also named **#22** in the Financial Sector worldwide.

"The Equileap Top 100 Globally for Gender Equality Award confirms that we are making remarkable improvements in achieving gender parity and building equity for all as an integral part of our corporate culture and social strategy. And while we're proud of our progress, our ambition is to go further to create a truly inclusive environment for our people and our communities."

Sara Gay
Head of Group Diversity, Equity and Inclusion

Group

You can read Equileap's full 2023 report here

See our microsite

Discover more about Human Capital in our Integrated Report

See our microsite

30,000
people across our markets gathered online and in person for a fully immersive two-day event

Unlocking transformation, together.

For our colleagues who define our culture

Milestone – June

Our Culture transformation is in full flow, as we continue to embed our Values in everything we do – for colleagues, for clients and for the communities we operate in. And our second annual Culture Day was testament to our progress so far, with 30,000 people across our markets gathering online and in person for a fully immersive two-day event.

Featuring Group and local formats, our **Culture Day** kicked off in style with a unique **Metaverse experience**. Hosted by Nikolina Zečić, Head of Group Culture and featuring a panel discussion with Andrea Orcel, Group CEO and Head of Italy, Siobhán McDonagh, Head of Group People & Culture and fellow GEC members, it was a big step up from 2022's inaugural event – with almost twice as many colleagues joining us this time around.

The event was a key moment for reflection on the importance of **our guiding behaviours and Values**, and their impact on our business and our employees – as well as being an opportunity to celebrate all we achieved for our Culture throughout 2023.

We also proudly presented our **Value Heroes – 72 colleagues** who exemplify what it means to be part of UniCredit. By living our **Values of Integrity, Ownership and Caring**, they are transforming our business and inspiring us to build a better workplace for all.

"By celebrating Culture Day across UniCredit, we showcase the diverse tapestry of our organisation. Our Values of Integrity, Ownership and Caring are the common thread helping us to strengthen the foundation that propels us towards our ambition – being the bank for Europe's future."

Nikolina Zečić
Head of Group Culture

Group

Celebrating our LGBTQIA+ colleagues

Milestone – June

This year, for the first time, UniCredit was an official sponsor of Pride parades in Austria, Germany and Italy – as well as participating in other dedicated activities across all our markets. Pride Month, in June, was an important moment to renew our support to the LGBTQIA+ community and spread awareness and positivity, promoting equal rights for all and celebrating colleagues across the Group.

Led by the **Unicorns – our Employee Network dedicated to the LGBTQIA+ community** – colleagues reinforced their **"United in diversity"** slogan. Across the three countries where UniCredit was an official sponsor, **more than 300 colleagues and allies** joined the celebrations – with our teams in Austria and Germany riding dedicated Pride trucks in their respective parades.

And we showcased our dedication to supporting the LGBTQIA+ community beyond Pride Month alone, through initiatives including:

- Group training on Global DE&I Policies and Unconscious Bias
- DE&I Guidelines for Inclusive Language, Inclusive Recruitment and Gender Transition
- Diversity, Equity and Inclusion Global Policy and Policy against Harassment, Sexual Misconduct, Bullying and Anti-retaliation
- Continued sharing and usage of inclusive icons
- Preferred pronouns in e-signatures

"Being open to diversity is first and foremost an opportunity that enriches us. Listening to what is different from our view, brings innovation to our work."

Corrado Guarnaccia
Group Audit, Culture Champion and Unicorns ally

Group

Discover more about Human Capital in our Integrated Report

See our microsite

A certified Top Employer in Europe – seven years in a row

Milestone – January

We are committed to creating a better workplace for our people so that we can make a real impact in our communities and for our clients. And, for the seventh year running, UniCredit has been named one of the Top Employers in Europe and across several countries in which we operate.

The **European-level Top Employers Certification** was awarded to the Group thanks to the local certifications achieved by UniCredit banks in Austria, Bulgaria, Germany, Hungary, Italy and Serbia. The **Top Employers Institute programme** recognises organisations based on the results of their annual HR Best Practices survey, which covers 20 topics including people strategy, work environment, talent acquisition, learning, wellbeing, and Diversity, Equity & Inclusion (DEI).

"Being perceived as a Top Employer for many years is of fundamental importance to our Group and a significant point of pride. It truly demonstrates our commitment to providing a better working environment for all our people and empowering them to succeed thanks to our strong cultural foundation guided by our Values of Integrity, Ownership and Caring in everything we do. We have done a lot, but we will also continue to always do more so our people can collectively Win. The Right Way. Together."

Giuseppe Vastola
Head of Group People Attraction, Learning & Development and Succession Planning

Group

Unlocking transformation, together.

For the volunteers at the heart of our Group

Milestone – March

Volunteering has been at the heart of our social responsibility for many years. In 2023, to make it simpler and more rewarding for as many colleagues as possible to offer their time and skills, we launched our first Group-wide Volunteering Community.

This Community will engage colleagues across our countries to support those that need it the most, either individually or alongside their teams – putting our **Value of Caring into action and transforming our volunteering efforts**.

In less than a year since its official launch, our first **Group-wide Volunteering Community** has grown impressively, engaging employees from all countries in nearly **280 initiatives**.

"Alongside our efforts to protect the environment, we place great emphasis on the 'S' in ESG – and volunteering is one of the most important ways we can make a difference to the communities we operate in."

Siobhán McDonagh
Head of Group People & Culture

Group

Discover more about Human Capital in our Integrated Report

See our microsite

280

Our Volunteering Community engages employees from all countries in nearly 280 initiatives

Unlocking **transformation,** together.

For our clients, our people, and our communities.

See our microsite for more information on how we have progressed against our UniCredit Unlocked plan across the following focus areas:

- Financial progress
- Clients
- People & Culture
- ESG
- Digital & Data
- UniCredit Foundation

ESG

At UniCredit, our commitment to our communities, our people and our planet goes far beyond simply ticking a box. **We believe it is our responsibility to lead by example**: our Environmental, Social and Governance (ESG) principles are embedded in everything we do, and one of the five strategic imperatives of UniCredit Unlocked. It is a **collective mindset that we all take responsibility for** – and that we embody ourselves, we also demand from those we work with.

Our ambitions

- To hold ourselves to the highest possible standards in order to do the right thing both for our clients and for society
- To support our clients in a just and fair transition
- To reflect and respect the views of our stakeholders in our business and decision-making processes

€59.6m
social contribution to communities

€7.6bn
new environmental lending

Read more about how we are taking collective responsibility:

See the microsite

Our progress so far

An impact beyond lending

All banks have an important role to play when it comes to ESG – and **one that goes far beyond lending**. But we believe UniCredit is uniquely placed to be a true pioneer in creating behavioural change, helping clients in higher-emitting sectors to transition while looking at how we can **integrate ESG into our own day-to-day operations** to create a new benchmark in our industry.

In particular, this applies to social components.

We want to have a **positive social impact in line with our responsibilities as a social actor** – assisting our clients and communities in making meaningful progress towards a more sustainable, inclusive, and equitable society in the long term.

Supporting our clients

Our unique footprint across Europe, with expertise, resources and an on-the-ground presence in 13 countries, means we can make a **tangible difference in a way other banks simply cannot**. We are bigger, with a greater presence, and a bigger opportunity to drive change – our position allows us to support our clients and provide the right financing for the transition to Net Zero.

Our 15 million clients are at the centre of our behaviour and decision-making, and we are directly influenced by their needs. **But we also have a responsibility to hold them to the same high standards we set ourselves**. It is our responsibility to bring them with us and support them in their own transition as we progress towards our ESG targets.

One of the most powerful ways we can do this is through the financing of environmental initiatives. We are **empowering our clients and communities to progress** by supporting renewable energy projects and energy efficiency efforts.

For example, in February we signed a **financing agreement for up to €560 million for the expansion of 3SUN's solar panel plant in Catania, Sicily** – which will become Europe's largest high-performance photovoltaic module factory. And, in Bosnia and Herzegovina, our Mostar bank signed a **long-term loan agreement with Drin-Energija d.o.o. Grude for the construction of the Petnjik photovoltaic power plant** – which will produce nearly 60,000 GWh of electricity each year.

Financing social improvement

In Italy, we launched a new ESG Linked Loan on favourable terms for Italian SMEs with a turnover of more than €2 million. The first loans have already been disbursed to Piazza Italia (Naples), Silga (Ancona), Gruppo Bioimpianti (Milan) and Cab (Monza), for a total amount of around €20 million.

The new product has a maximum duration of 10 years and is available to companies that commit to achieving at least two social improvement objectives relating to employee welfare and community support.

€20m

of ESG Linked Loans have already been disbursed

Italy

Read more on the microsite

But our support goes far beyond financing. We are also educating our clients and stakeholders on ESG topics and the important role they too can play in protecting the planet and its communities. Our first ESG Day was **an important moment for elevating the conversation both with our colleagues and with our clients**, raising awareness of climate change, social inequalities, biodiversity and the circular economy.

"For UniCredit, sustainable finance is essential to support the energy transition, providing concrete solutions to accelerate the journey of our customers and the communities in which we operate towards a more equitable and sustainable future."

Andrea Orcel
Group Chief Executive Officer and Head of Italy

Making good on our own commitments

As we strive to create a new benchmark for the industry, **we must ensure we consistently practice what we preach**. In January 2023 we reinforced our collective commitment by disclosing 2030 targets for three of the most carbon-intensive sectors within our loan portfolio – Oil & Gas, Power Generation and Automotive – to reach our Net Zero ambition by 2050.

In January 2024 we integrated these targets with an additional carbon-intensive sector, steel. To support our efforts **we are now publishing our inaugural transition plan** – which you can read more about in our 2023 Integrated Report – illustrating how we are turning our commitments into actions.

These initiatives are just the first steps in our journey. **We will continue to review our portfolio and address different sector exposures**, while also updating our plan to adapt our course of action to the evolution of the context. For more information about this critical moment in our Net Zero journey, see page 124.

Internally, further evidence of our commitment to our ESG principles can be seen in another major initiative: our efforts to become **a fully single-use plastic-free bank**. Thanks to all our colleagues across the Group, we reached this milestone ahead of schedule – eliminating single-use plastic from products offered in more than 300 drink vending machines, 1,100 coffee machines and over 60 canteens and cafeterias in our buildings around Europe.

All 13 countries threw their weight behind this programme, despite each having different starting points – reflecting our Group-wide commitment to the circular economy. **Today, UniCredit is a more sustainable organisation, with increased institutional awareness throughout our markets.**

Helping budding entrepreneurs take their first steps

In Germany, UniCredit HypoVereinsbank is the country's only bank offering an inclusive learning programme for students both with and without disabilities. The aim is to provide students with practical learning resources to support their own start-up ideas – and, ideally, to accompany them as they launch their business.

Entrepreneurial thinking is encouraged and students are given supplementary qualifications for their further education and careers, as well as mentorship from our volunteers.

"I've been involved for several years now and I'm always amazed at how creative and committed our students are and what great ideas they come up with."

Sandra Schulze
UniCredit HypoVereinsbank

Germany

Read more on the microsite

Supporting the Marin Čilić Foundation's Gem Set Croatia tournament

Through Zagrebačka banka in Croatia, we supported the Marin Čilić Foundation in its goal to help young people explore and achieve their passions through education, sport and encouragement programmes – an initiative started by famous Croatian tennis player Marin Čilić.

Our combined support contributed to the organisation of the Foundation's Gem Set Croatia tournament, where 3,000 spectators gathered to watch celebrated sporting Croatians compete. Funds raised went towards the construction of a multifunctional sports field at the Petar Zoranić Elementary School in Stankovci, a town in the hinterland of Zadar, and helped the Foundation continue its mission – which, so far, has seen four school playgrounds built, 103 scholarships awarded, six school laboratories renovated, and participation from over 5,000 children.

"I am proud that this sports event is becoming a tradition that gathers many participants, because only together can we enable every child to realise their dreams. I am convinced that the playground in Stankovci will be full of children who will have the opportunity to play sports. I would like to thank to Zagrebačka banka and UniCredit for recognising our work."

Marin Čilić
Founder of the Marin Čilić Foundation

"Zagrebačka banka wants to empower its communities to progress by supporting projects intended for children and young people. We recognised the same values in our long-term partner the Marin Čilić Foundation, whose hard work enables children and young people to realise their full potential."

Dubravka Jusić
Head of Identity and Communication at Zagrebačka banka

Croatia

Unlocking transformation, together.

For our communities who benefit from financial inclusion

Through our 2022-2024 Social Strategy, we have significantly broadened our social commitment. Our ambition is to increase the measurable social impact we generate for our clients and the communities we operate in.

We have five strategic goals addressed to specific beneficiaries, that we support with financing and social initiatives:

1. **Foster financial inclusion and the health of vulnerable people and enterprises**, promoting the access and affordability of financial services to those vulnerable – including, students, pensioners, low-income, start-ups and female-led enterprises
2. **Support corporates to become more socially oriented**, sustaining the development of social enterprises and improvement of the social impact made by corporate clients
3. **Ensure communities' sustainable progress**, with focus on youth and education, supporting the stakeholders in our communities to tackle key social challenges
4. **Protect categories at a higher risk of being negatively affected by the transition**, supporting retraining and reskilling programmes for the areas most impacted
5. **Ensure positive work conditions for employees**, granting equal opportunities for all and striving for the highest working standards, including education, work-life balance and Diversity, Equity and Inclusion

"Our Social Strategy reflects our commitment to assist our stakeholders in making meaningful progress towards a more sustainable and equitable society. We are focused on practical ways to support our clients and communities with financing, education and high impact initiatives."

Ilaria Di Mattia
Head of ESG Strategy & Implementation

Group

€10bn

Social lending increased from €1bn to €10bn

A just and fair transition

Our presence in so many different countries also helps us understand that, while the communities we operate in share our desire to transition, they are not all at the same stage of their journey. We know this means that, in some cases, **we will need to evaluate the trade-off between environmental impacts and social repercussions**. Both factors are equally important for UniCredit, but we are realistic about their interaction and where we can add the most value.

Compromises will be necessary if we are to deliver on our goals for both, but we will make these with our ultimate Purpose in mind, **focusing our energies on where we can have most impact**.

Flexible and considered

A just and fair transition is one that leaves nobody behind. So, because some of the countries we operate in are more advanced in their transition to Net Zero than others, we need to be flexible in the parameters we place on financing initiatives.

For example, in countries whose communities might be more reliant on traditional fossil fuel industries than others, it would be irresponsible for UniCredit to introduce more stringent financing terms too quickly or too aggressively.

In such instances, while we remain steadfastly committed to the transition, it is vital that we also **consider those who will be impacted by our policies**. The collapse of a large employer that can no longer access financing because it cannot meet our demands, for example, would be catastrophic for the communities that rely on them for both employment and services – and would simply substitute an environmental problem with a social one.

Instead, **in line with our Value of Caring**, we are helping these businesses to transition in a sustainable manner by continuing to finance businesses that have committed to longer-term goals.

Taking a stand against greenwashing

At UniCredit, we believe that leading by example is the right thing to do. We have designed a new perimeter of action to guard against greenwashing – beginning with prevention activities and the issuance of ESG product guidelines.

In 2023 our Group ESG and Compliance functions coordinated a **multidisciplinary working group** to identify our definition of greenwashing, design the general principles and propose ESG product guidelines to be incorporated into the new product policy.

"Preventing greenwashing is of utmost importance as it safeguards our reputation and is the right thing to do for the Bank and our customers. We are dedicated to mitigating the risks of greenwashing and socialwashing, while actively supporting sustainable economic growth, the transition to a more inclusive and equitable society, and the development of a low-carbon economy."

Rossella Iorio
Head of ESG Service Excellence

Group

Read more on the microsite

Award-winning green financing

To support its transition to more sustainable practices, UniCredit provided leading European energy company ČEZ Group with a €320 million credit facility with interest linked directly to its ESG rating. In recent years ČEZ Group has moved into the top 15% of companies in the world in ESG ratings according to the CSR Hub rating aggregate.

Loans with ESG parameters accounted for 20% of the long-term investment loans provided by our corporate banking services in the Czech Republic and Slovakia. **As a result, in 2023 we were also named Best ESG bank in the Czech Republic by Euromoney magazine.**

"UniCredit is our partner in the field of sustainability, which is not only beneficial for the climate, but also a significant competitive advantage over companies that do not devote themselves to this area as intensively as we do."

Martin Novák
Board member and CFO, ČEZ Group

Czech Republic and Slovakia

Read more on the microsite

Financing life-changing medical facilities

In Moldova, in collaboration with the Volunteer for Life Association, we are Empowering Communities to Progress by supporting the creation of one of the most important medical infrastructure projects in the region: the Medical Rehabilitation Base.

Part of the Bicaz City Hospital, the total investment was over €800,000 – with UniCredit one of the project's main private partners. **The Base provides treatment for the people of Neamt county suffering from a wide range of neurological, oncological, orthopaedic and degenerative pathologies.**

"Since 2016 we have dedicated all our time and energy to help where others cannot reach, to build bridges between the NGO, public and private sectors through projects that over time have already proven their usefulness. We have thousands of beneficiaries served by dental clinics in Neamt county that treat children with different types of ailments, we built the first reception center for refugees following the outbreak of conflict in Ukraine that provides decent conditions (running water, toilets, heating, etc.), including special facilities for people with disabilities. In all these projects we have had partners without whom nothing would have been possible, such as UniCredit Bank, and we thank them for their support."

Ionuț Ursu
President of Volunteer for Life

Romania

Read more on the microsite

Equal weighting for E and S

In line with our Purpose of Empowering Communities to Progress, we believe the "S" in ESG is just as important as the "E". Our Social Strategy, which you can read more about on page 82, **is a clear and significant commitment to further embedding the social component into our overall ESG strategy** – focusing on social finance, our own social contribution to our communities, and the support we give our people.

We aim to offer suitable and accessible financial products, **fostering financial inclusion and protecting the health of vulnerable individuals**, as well as supporting social-oriented corporates.

We also focus on our own social contribution, supporting our clients and communities with donations, sponsorship and partnership, education and training on ESG topics – so that we can make a sustained, long-term difference.

Our Social Strategy underpins initiatives in all countries across the Group. In Austria, for example, our financial education initiatives – as detailed on page 88 – make it easier for young people to understand and deal with money, while UniCredit HypoVereinsbank in Germany is helping make business ideas a reality for young people with disabilities – read more on page 80. In Slovenia we are supporting the Spominčica Alzheimer Slovenia association to help those living with dementia – and became the country's first dementia-friendly bank in 2023.

We also empower all colleagues to volunteer their time, and launched our Volunteering Community this year – which you can read more about in our People & Culture section on pages 60–77 – in line with our values of Integrity, Ownership and Caring.

Slovenia's first dementia-friendly bank

In Slovenia we are Empowering Communities to Progress by supporting the Spominčica Alzheimer Slovenia association to help people with dementia – and we became the country's first dementia-friendly bank in 2023.
The association's mission is to help people with dementia and their relatives, raising awareness to reduce the stigma of this 'silent epidemic'.

Our colleagues at branches throughout the country completed intensive training on how to support people with dementia and help them remain active members of society for as long as possible, creating an inclusive environment for our customers.

"Raising awareness about dementia and setting up Dementia-friendly points is just one of the many activities to contribute to building an inclusive environment for everyone, and a safe space to talk about such topics."

Tine Verbole
Head of retail and small-business operations at UniCredit Slovenia

"We are glad that UniCredit Bank, as the first bank in Slovenia, joined us in realizing our important mission. With its 18 branches, it will contribute to the creation of a more dementia-friendly society."

Štefanija Lukič Zlobec
President of the Spominčica Association

Slovenia

Read more on the microsite

Helping young people understand money

Our financial education initiatives in Austria make it easier for young people to understand and deal with money, making good on our Purpose of Empowering Communities to Progress.

We run **workshops aimed at vulnerable young people covering topics such as personal budgeting, money traps on the internet and gambling**, with almost 2,000 pupils and apprentices taking part in our online Money Matters programme in 2023.

Austria

Read more on the microsite

All roads lead to a more sustainable society

In Italy we launched the third edition of our "Road to Social Change" initiative, a sustainability training path for businesses, non-profit organisations and institutions. Road to Social Change aims to generate positive social impact beyond lending alone, by developing and increasing competency and knowledge in the fields of sustainability and ESG.

Promoted by UniCredit's Banking Academy, our latest programme focused on the interdependence between economic, environmental, social and community areas, supporting our clients in taking significant steps towards a long-term sustainable, equitable and inclusive society.

"Sustainability in all its forms is an integral part of UniCredit's strategy. With Road to Social Change we intend to foster collaboration between the corporate world, non-profit associations and public bodies with educational paths for the training of new professionals centred on the social dimension of business."

Francesca Perrone
Head of ESG and Start Lab Italy

Italy

Read more on the microsite

Launching a new dashboard for ESG assessment

In 2023 we rolled out a new Group-wide ESG Digital Architecture capable of collecting, enriching and aggregating granular ESG Data – enabling us to integrate sustainability factors into lending and place our ESG principles at the heart of our processes.

A key tool of our ESG Digital Architecture is the ESG Cockpit, a unique dashboard supporting colleagues during the credit origination by displaying a set of relevant information for the sustainability assessment of each client – including Environmental, Social and Governance factors, transition risk and physical risk. **This deepens our knowledge and understanding of clients' ESG performance** while also allowing us to correlate credit risk processes and decisions to sustainability assessments.

The ESG Cockpit also displays actual loans and credit lines clients have requested, leveraging the data collected from our sustainability front-end to help our colleagues assess whether a given credit line is sustainable according to EU Taxonomy or market standards such as ICMA.

Group

Next steps

We will continue to lead by example, **further embedding ESG in everything that we do and empowering our communities to progress**. We will keep supporting our clients in their transition towards more sustainable business models, **committing to specific ESG penetration on Lending, Investment Products and Sustainable Bonds** – which you can read more about on page 124.

On the social side, **we will spend today to collect tomorrow** – investing in projects and initiatives with a long-term horizon. In terms of measurable impacts on society, **we will focus on youth and education, financial inclusion and the health of vulnerable people and enterprises**, as well as supporting corporates to become more socially oriented.

Our Net Zero journey has continued with new climate ambitions for steel – the backbone of the European economy but also one of the primary contributors to CO_2 emissions – and will **progress in 2024 with new targets to be set on other carbon-intensive sectors in our loan portfolio**.

Moreover, as the traditional scope of ESG broadens, we also intend to sharpen our focus on the nascent topics of **biodiversity and the circular economy**. We are part of the United Nations Environment Programme Finance Initiative (UNEP FI), a network of banks, insurers and investors accelerating sustainable development, and were the **first Italian bank to sign up to the Finance for Biodiversity Pledge**, giving us fixed deadlines to support biodiversity by the end of 2024. As part of our commitment to the circular economy, we will launch working groups in 2024 to develop a tangible action plan.

Within the Bank, **we will bolster institutional awareness around ESG topics and reinforce our active ESG culture** – building on the success of our first ESG Day and evolving our training and workshops for colleagues.

Our sustainability governance has been significantly strengthened in recent years at both steering and execution levels, which will help us further integrate ESG criteria into the Group's overall business strategy.

Finally, we will take steps to further foster stakeholder dialogue while continuing to raise awareness of climate change and social inequalities, as well as **our own role in advancing the necessary change in mindset**.

Our ESG milestones

The case studies on the following pages highlight the key achievements and developments of 2023.

Playing a key role in Europe's largest IPO of the year

Milestone – July

"Thanks to this deal, UniCredit confirmed its unrivalled expertise in the European both European equity capital markets and renewable energy across its core countries, whilst simultaneously reinforcing its reputation in Romania and the region."

Alexandra Cristina Popa
Corporate Finance Advisory Head, UniCredit Bank Romania

"Hidroelectrica's IPO marked a landmark moment, representing the largest listing in recent years in Central and Eastern European countries, with the company valued at that time at over 54.3 billion lei. The participation in this transaction confirms the valuable experience of UniCredit Group in the European capital markets and renewable energy sector."

Karoly Borbely
CEO Hidroelectrica

We were proud to act as Joint Bookrunner in the landmark Hidroelectrica S.A. IPO, which re-opened the IPO market in Romania. This was the largest IPO in Europe during 2023 and the largest ever ECM deal in Romania. It was also the largest privatisation of the last ten years in any CE&EE country – and it confirmed our unrivalled expertise in the ECM space across our core countries.

Hidroelectrica is the largest pure-play hydro generation platform in Europe and one of the largest renewable energy companies, with its installed hydro capacity supplemented by extensive capabilities in onshore wind. The company is the leading generation platform in Romania, playing a critical role in energy supply and energy transition. It generates 100% green electricity with close to zero carbon footprint.

The foundations for the successful transaction were built on a tailored and well-structured marketing plan that brought investors on board at an early stage. Widely anticipated by the market, the deal was a key focus of the investor community with 80+ accounts involved in early marketing phase.

Romania

Unlocking transformation, together.

For the planet and future generations

Milestone – February

In February 2023, taking another crucial step in our Net Zero journey, we announced the disclosure of 2030 targets for three of the most carbon intensive sectors within our loan portfolio – Oil & Gas, Power Generation and Automotive – to reach our Net Zero ambition by 2050. In January 2024, we complemented this first set of goals with targets for the Steel sector, another carbon-intensive sector in our portfolio.

To support the achievement of these goals, we are now publishing our inaugural Transition Plan, explaining how we are turning our commitment into actions. It includes dedicated initiatives focusing on:

- Strengthening advisory services for corporates in high-emitting sectors
- Significantly boosting our sustainable lending (green loans and sustainability-linked loans) to support our clients in their journey to decarbonise their operations and diversify away from carbon-intensive sectors
- Supporting clients in the development and scaling-up of innovative climate solutions
- Targeted partnerships with companies specialised in sustainability for specific sectors

Our ambition is to announce the disclosure of targets for further sectors in 2024.

"These targets reinforce our commitment to reach Net Zero on our own emissions by 2030 and on our financed emissions by 2050. This is alongside the action we have taken to drive forward a just and fair transition for all, particularly through green and sustainable financing and advisory activities."

Fiona Melrose
Head of Group Strategy & ESG

Group

How we became a single-use plastic-free bank

Milestone – February

In 2023 – and ahead of schedule – we reached our milestone of becoming a 100% single-use plastic-free bank. This was a major commitment to eliminating single-use plastic across the Group and saw us switch from plastic cups, bottles and packaging to paper, glass and wood – as well as installing water purifying machines and ensuring the separate collection and disposal of waste.

In a single year, thanks to the efforts of all our colleagues, we have saved millions of plastic bottles – replacing single-use plastic used in bottles, crockery, cups and spoons with re-usable or disposable alternatives. That includes products offered in more than 300 drink vending machines, 1,100 coffee machines and over 60 canteens and cafeterias.

UniCredit is now a more sustainable organisation, with increased institutional awareness throughout our markets. The single-use plastic-free initiative was embraced fully by all 13 countries, despite some of those local economies being further behind the curve than others.

"It was of course a challenging journey, monitored at central level but implemented thanks to the strong efforts of all our local colleagues and providers. Every country worked hard towards a plastic-free future, but naturally approached the project in different ways. We met our targets ahead of schedule, before our self-imposed deadline."

Salvatore Greco
Head of Group Real Estate

Group

Discover more about Natural Capital in our Integrated Report

See our microsite

Our green and social bonds are making an impact

Milestone – August

We believe in the importance of reporting on the impact our initiatives are making. In 2023 UniCredit SpA published its Sustainability Bond Report, related to the allocation and impact of three important, ESG-focused bonds: our €1 billion Senior Preferred Green Bond issued in June 2021, our €1 billion Senior Non-preferred Green Bond issued in November 2022, and our €155 million Retail Social Bond issued in October 2021.

The proceeds of the two green bonds have been allocated entirely towards the funding of renewable energy and green buildings, while the social bond has thus far financed 88 social impact initiatives in Italy. We continue to work towards having a positive social impact in line with our role and responsibilities as a social actor.

Our Sustainability Bond Report covers the allocation and impact of each bond in more detail, including our rationale for such financing and examples of eligible green and social assets.

"As a bank, we are committed to shaping a future for our clients and communities that is fairer, greener and more sustainable. This is by providing them with the tools, support and knowledge they need no matter where they are on their journey."

Massimo Catizone
Head of ESG Advisory

Group

For more information, read the full report

Download the Report

UniCredit becomes an official partner of the America's Cup

Milestone – September

We became an official Global Partner and the Global Banking Partner of the Louis Vuitton 37th America's Cup, which will be held in Barcelona from 12-20 October 2024. Our partnership with the long-running international sailing competition will help bring the excitement, drama, and triumphs of the race for the trophy to audiences worldwide.

The America's Cup is renowned for being both the world's oldest international sporting trophy, with the inaugural competition having taken place in 1851, and an incredible test of physical endurance for competitors. The last America's Cup was watched eagerly by an international audience of 931 million fans.

Our partnership is a powerful union based on shared values and a common focus on diversity, innovation and a steadfast commitment to sustainability. AC37 Event Ltd and World Sailing's sustainability agreement will ensure investments are made into community projects as part of Barcelona's innovative Blue Economy, which supports the region's marine environment, and that World Sailing's sustainability strategy, Agenda 2030, is supported.

This edition of the America's Cup will also see the **inaugural launch of the hydrogen-powered foiling chase boat** – a revolutionary new zero-emission foiling chase boat designed and built by Emirates Team New Zealand capable of over 50 knots.

Group

Read more on the microsite

"UniCredit is proud to be Global Partner of a competition with such a rich heritage as the America's Cup. The trophy is symbolic of the incredible feats that can be achieved through teamwork and a determined pursuit of a common goal. These are also the driving forces behind everything we do at UniCredit – our recent successes in spite of 'choppy waters' in the macro-economic environment are proof of this – and so this is a natural partnership."

Andrea Orcel
Group Chief Executive Officer and Head of Italy

"America's Cup are excited to welcome the UniCredit Group to the family, as Global Banking Partner of the Louis Vuitton 37th America's Cup in Barcelona. The UniCredit Group's values of integrity, ownership and caring are mirrored in all we have set out to achieve with the competition. We are excited to work with a partner who shares so many of the same values as us, and we look forward to working with Andrea and his global team to bring audiences a remarkable journey in 2024."

Grant Dalton
CEO of America's Cup Events

Building new homes for vulnerable people

Milestone – April

In Germany, UniCredit HypoVereinsbank provided a social impact financing loan to Berlinovo for the construction of a new residential building for homeless people and those at risk of homelessness, as well as for single mothers and women in need of shelter in Berlin.

In April 2023 the construction project in Marchwitzastraße in Berlin-Marzahn was completed. It comprises 87 apartments, each with 20m² of living space, with a total capacity to house 175 people.

"We are very proud to be Berlinovo's financing partner in this socially sustainable flagship project in Berlin. It will offer affordable housing for people at risk of homelessness as well as single mothers and women in need of shelter."

Antje Morgenstern McMaster
Head of Real Estate Berlin and customer advisor at UniCredit HypoVereinsbank

Germany

Read more on the microsite

At a glance
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Foundation

Unlocking transformation, together.

For all our stakeholders to involve them in our decision-making

Milestone – November

We are convinced that, beyond financing alone, we have a responsibility to educate our stakeholders and bring them with us as we set new benchmarks for our industry. As such, we hosted our inaugural ESG Day on 9 November 2023.

Months in the making, the one-day event saw over **10,000 participants** join either online or in person at our Gae Aulenti and Lampugnano offices in Milan.

At its core, the event was an opportunity to foster stakeholder dialogue, while continuing to raise awareness of climate change, social inequalities, biodiversity and the circular economy, as well as our own role in fostering the necessary change in mindset.

Attendees included colleagues, clients and partners, alongside a host of renowned experts, diving into a series of engaging and impactful discussions covering the full spectrum of ESG topics.

"ESG is one of our five strategic imperatives and we seek to embed it in everything we do as a bank. The purpose of this event was to enrich our ongoing dialogue with key stakeholders by creating a space for impactful discussions around some of the most critical challenges we all face today. This dialogue is fundamental in helping us fine-tune our approach as we continue our path to be the bank for Europe's future."

Rossella Iorio
Head of ESG Service Excellence

Group

The art of social and economic development

Milestone – January

UniCredit is committed to promoting art in all its forms, and is the main sponsor of the San Carlo Theatre in Naples, Italy – a UNESCO World Heritage site and the oldest opera house in Europe and the world. The support of this prestigious opera house enriches our commitment to promoting art in all its forms and is part of our broader efforts to support culture as a driver of social and economic development.

We recognise that investing in cultural and economic development will lead to a more sustainable future, fostering participation, creating a sense of belonging, and promoting the well-being of the communities where we operate – making good on our Purpose of Empowering Communities to Progress. **Our Bank is proud to support culture as a driver of social, economic and sustainable development of the communities and territories we serve**.

In 2023 the San Carlo theatre organised an Open Day exclusively for 17-26-year-old family members of UniCredit employees. **The goal was to bring more young people to the theatre, making them aware of its inclusive nature and the many training courses and workshops open to those who want to develop and grow their talents**. The open day included a guided tour of the theatre, defined by National Geographic as one of the ten most beautiful in the world.

"This sponsorship further enhances our Group's cultural partnerships. As a bank, we have a long tradition of supporting the most prestigious cultural activities in the country, with the awareness that investing in culture can generate significant benefits for the sustainable social and economic development of our territories."

Annalisa Areni
Head of Client Strategies at UniCredit Italy

Italy

Read more on the microsite

Launching our new UniCredit Art Collection website

Milestone – November

In 2023 we announced our strategy to make art accessible for all, drawing on the Bank's long tradition of supporting arts and culture. This strategy reaffirms our commitment to cultural partnerships, educational programmes, and community projects which enable greater access to the arts and foster social development.

One of the first key initiatives was the **launch of the new UniCredit Art Collection website**. This is one of Europe's largest corporate art collections and includes over 200 artworks from more than 100 artists from our collections in Austria, Germany and Italy.

The collection was built through a passion for art shared by Italy, Austria and Germany, whose assets form most of the collection, but it has gradually grown to include countries in Central and Eastern Europe. It spans a wide range of periods, from old masters to a modern international dimension with artworks from the second half of the 20th Century, with strong territorial ties closely linked to the historical roots of each geographic area that UniCredit serves.

The new online platform leverages our digital infrastructure to share these masterpieces with a wider audience and educate people about our artistic heritage. The gallery also includes an educational section to educate and inspire children and adults to learn about our artists and their artworks.

"The UniCredit Art Collection, one of the largest corporate collections in Europe, has an important symbolic value. It reflects our Group's shared European identity and heritage. At UniCredit, we will continue to spread artistic knowledge and experience as a factor for cultural and social growth and development, enhancing the value of our UniCredit Art Collection through a wider public access."

Andrea Orcel
Group Chief Executive Officer and Head of Italy

Group

See the UniCredit Art Collection website

Discover more

Discover more about Social and Relationship Capital in our Integrated Report

See our microsite

Capturing rainwater to support our local ecosystem

Milestone – September

Our colleagues in Hungary do everything they can to support local communities with the tools at their disposal. But perhaps their most impactful project in 2023 was not a big financial investment – rather, they began watering the trees around their central office building on Liberty Square in the Belváros district of Budapest, in the spirit of sustainability.

They realised they could use the huge surface area of the roof of our building to collect rainwater and reuse it for the trees in the area. They have since built the necessary systems to allow this, and the cistern has also been connected. **Today they can provide a water supply to around 200 trees and their system has a throughput of 12-15m^3/h**.

But their support for the community did not end there. As part of the irrigation project they also installed 27 bicycle racks on both sides of our office building, which can be used by their colleagues and those working and living in the area.

"The cistern and the concept behind it are in line with our sustainability goals, so there was no question of finding a solution for rainwater collection on the roof of our headquarters. Our solution, executed in partnership with the local district, shows that small steps can go a long way in supporting local communities. Sustainability is also an increasingly important issue for our customers, and we are supporting our business and reputational objectives with this solution."

János Anschau
Head of Operations at UniCredit Hungary

Hungary

Creating the largest solar panel factory in Europe

Milestone – February

Large-scale renewable energy sources will be crucial in the transition to Net Zero. In February we signed a financing agreement for up to €560 million for the expansion of 3SUN's solar panel plant in Catania, Sicily – which will become Europe's largest high-performance photovoltaic module factory.

3SUN is an Enel Green Power company. The factory's production capacity is set to increase 15-fold from the current 200 MW/year to 3 GW by July 2024. The project will promote the latest generation of high-efficiency solar technology in Europe and help reduce the continent's energy dependence.

"We are pleased to have made a decisive contribution to the success of this deal, which will provide our country with a high-tech production facility of a size that will help to significantly reduce its dependence on fossil fuels. In 2022 UniCredit generated €11.4 billion in new green and sustainability-related loans."

Andrea Orcel
Group Chief Executive Officer and Head of Italy

"We are proud to continue supporting the Enel Group, this time in Italy, and we are pleased to do so together with UniCredit for the expansion of Italy's largest solar panel factory. A strategic initiative that will contribute to the reduction of our country's energy dependence, developing domestic production in a high-tech sector and increasing employment in the Sicilian territory."

Alessandra Ricci
CEO of SACE

Italy

Read more on the microsite

An open alliance for sustainable growth and collaboration

Milestone – March

To further support our efforts to educate our stakeholders on the transition to Net Zero, in 2023 we partnered with Italian energy company Eni on its Open-es ecosystem. This initiative seeks to enhance cross-business collaboration and support companies in measuring and improving their ESG performance.

Open-es is an alliance that joins together entrepreneurial, financial and associative networks, supporting all stakeholders on their sustainable development path through a digital and innovative platform.

We act as a value-chain leader partner, playing a strategic role in the sustainable development of the Italian corporate sector – and, more broadly, with initiatives and solutions aimed at companies of every size.

Launched by Eni in 2021 and today involving more than 10,000 companies and 20 partners, Open-es represents an inclusive and collaborative community with a virtuous commitment on ESG targets.

Italy

"At UniCredit, we want to raise awareness and equip our clients with the information, tools and innovations that can support their climate transition plans. Our partnership with Eni as regards Open-es represents the latest step in this journey, and highlights the importance of collaboration up and down the value chain in these efforts."

Fiona Melrose
Head of Group Strategy & ESG

"We launched Open-es with the aim of creating an open and cross-industry alliance to foster the sustainable development of all companies with an inclusive approach. This new partnership confirms that when we join the efforts of big industrial and financial players, we can accelerate the energy transition with a systemic mindset that involves the entire production system."

Costantino Chessa
Head of Procurement at Eni

10,000

Open-es involves more than 10,000 companies and 20 partners

Spreading festive cheer for the children who need it most

Milestone – December

In partnership with local NGOs dedicated to child welfare, we ran two initiatives to spread joy and kindness during the festive season. Our new Kids4Kids event, alongside our traditional Donation Day, saw colleagues donate more than 8,500 gifts to children in need throughout the countries where we operate.

Kids4Kids culminated in 45 family events organised by our local banks, where children aged 3-10 enjoyed everything from art lessons, gift designing, and drawing to theatre, face painting, slime labs and photo booths. For those unable to participate in person, our Donation Day gave the opportunity to donate toys to children in their local area.

Our colleagues' contributions are a testament to our power to unite hearts beyond the boundaries of our geographies to support the communities we serve and make a difference – putting **integrity, ownership and caring** at the heart of our decision-making and everything we do.

Financing the construction of three new hospitals in Angola

Milestone – January

We provided a €222 million loan for the construction of three new hospitals in Angola, with a total capacity of 400 beds. The hospitals – which are being built in Cabinda, Luena and Huambo – represent the first projects implemented by Vamed Health Projects Italy, an Italian company active in the design, construction and supply of systems and medical equipment for turnkey hospital projects, as well as staff training, commissioning and start-up of the facilities. They primarily use Italian sub-suppliers.

Vamed Health Projects Italy was founded in 2017 in Florence, and is part of the **Vamed Group** which is active in the hospital sector across Europe, Asia, Africa, the Middle East, and Latin America, with branches in 40 countries. This project was a partnership between UniCredit, SACE and SIMEST.

"UniCredit's loan for these projects is fully in line with the Bank's activities in supporting Italian businesses engaged overseas. Considering, in addition, that the projects aim to improve the healthcare offering serving densely populated and developing geographic areas, there is full consistency with our UniCredit Unlocked plan, oriented to provide customers with suitable tools and to support investment projects with a positive social impact."

Francesca Beomonte
Global Head of Structured Trade & Export Finance

Italy

Supporting decarbonisation

Milestone – July

Our team in Germany played a major part in enabling the move to a decarbonised economy, acting as Structuring Advisor and Joint Bookrunner for the launch of Europe's largest-ever Subsovereign Green Bond, for the Federal State of Hesse.

Following the first successful issue which took place in 2021, this latest Green Bond raised €1 billion and showcased a large breadth of 30 different projects consistent with the State's Sustainability Strategy. This result is a testament to the strong investor perception of the **German State of Hesse** within its European investor base.

We were honoured to once again collaborate successfully with the State, drawing on our solid investor network and deep knowledge of ESG transactions. **Hesse** remains a pioneer in green financing. Back in 2021, **Hesse** was the first state to issue a green bond in the so-called benchmark size over 500 million euros and the second transaction was the largest green bond issued by a federal state.

The Green Bond covers several ecologically sustainable fields of action. These include, for example environmentally friendly public transport, measures for the forest, organic farming and nature conservation as well as CO_2-neutral state administration.

By issuing Green Bonds, **Hesse** aims to fulfil the increasing need of investors to invest financial resources in an ecologically sustainable manner. The result is a win-win-win situation: the State benefits from particularly favourable conditions for the bond and a broader investor base, while investors can acquire sought-after green bonds. **The main winners, however, are the climate and the environment**.

"The State of Hesse ticks all the boxes for green investors. Hesse is the first German State to issue a €1 billion green bond. The issuer prepared the ground for this very successful transaction with intense virtual investor work which was extraordinary well received. About 75% of the bonds were allocated to ESG investors, which speaks for the quality of the projects and the issuer."

Thomas Witzel
Director Public Sector Entities UniCredit Bank GmbH ("UniCredit HypoVereinsbank")

Germany

Leading by example

Milestone – July

In 2023 we continued our journey from laggards to leaders in ESG as MSCI, a leading international ESG rating company that assesses over 8,500 companies globally, upgraded UniCredit to an 'AA' rating. Companies are scored on an industry-relative AAA (leader) to CCC (laggard) scale, and this year we became a "leader" – moving up from an "average" A score previously.

The upgrade was driven largely by our efforts to strengthen our focus on social issues, with MSCI citing our industry-leading consumer protection practices and financial literacy programmes, as well as the fact we do not offer high-risk financial products to our retail customer base.

"This upgrade reflects the strides we have made to integrate all ESG factors into our bank's governance, business, risk and credit management, metrics and operations. On the social side, we know that banks such as ours have an important social function which goes far beyond lending, and we will continue to support impactful initiatives and hold ourselves to account."

Fiona Melrose
Head of Group Strategy & ESG

Group

Renewing our decades-long partnership with Filarmonica della Scala

Milestone – September

Our partnership with Filarmonica della Scala – the philharmonic orchestra of Milan, Italy – has been running for more than 20 years, bringing together culture and social responsibility to ensure a positive impact on social and economic development.

In 2024, having renewed our role as Main Partner, we will support Filarmonica della Scala in offering activities and projects aimed at improving the quality of life in the communities in which it operates. In addition, and further supporting our Purpose of Empowering Communities to Progress, we will fund scholarships for young musicians – giving them the opportunity to develop their talent and helping develop and promote the musical excellence of younger generations.

We are also introducing the UniCredit Award, recognising and supporting emerging musical talent.

"We firmly believe that a responsible financial institution should support the cultural and social fabric of the communities in which it operates, and that is why in recent years we have strengthened our commitment to social and cultural themes. Being alongside Filarmonica della Scala as Main Partner since 2003 reflects our commitment to contribute to cultural growth toward a more inclusive and prosperous world for present and future generations. Filarmonica della Scala, a symbol of musical excellence and passion, represents a priceless heritage. We are delighted to continue this partnership that embodies UniCredit's core values."

Andrea Orcel
Group Chief Executive Officer and Head of Italy

Italy

Discover more about Social and Relationship Capital in our Integrated Report

See our microsite

20 years

Our partnership with Filarmonica della Scala – the philharmonic orchestra of Milan, Italy – has been running for more than 20 years

Unlocking **transformation,** together.

For our clients, our people, and our communities.

See our microsite for more information on how we have progressed against our UniCredit Unlocked plan across the following focus areas:

- Financial progress
- Clients
- People & Culture
- ESG
- Digital & Data
- UniCredit Foundation

Digital & Data

As a key part of our vision of being the bank for Europe's future, we are putting **Digital & Data at the heart of everything we do**. To better meet our customers' and clients' daily banking needs, and to support our colleagues' personal and professional development, we are creating innovative digital solutions, continually refining cybersecurity in the face of rapidly evolving threats, and building a digital culture throughout the Group.

Our ambitions

- **To optimise our investment model**, reducing complexity and implementing leaner governance while simplifying our Digital services
- **To bring core competencies in house**, upskilling our workforce and hiring top talent to develop strong technical competencies
- **To establish a new way of working**, increasing efficiency and lowering costs while delivering for our stakeholders
- **To implement a fresh client approach based on value creation**, aligning our services around products and functions that are closely aligned to our clients' needs

133
currencies with rapid conversion at realtime rates

700
new people have joined our digital team

Read more about how we are putting Digital & Data at the heart of everything we do:

See the microsite

Our progress so far

Laying the foundations for true Digital transformation

Under our UniCredit Unlocked strategy, the Bank's Digital transformation is well underway. But such a revolution in the way we approach Digital solutions is not as easy as simply flicking a switch.

Instead, our transformation is taking place in **two structured, considered phases: foundation then innovation**. We need to establish strong foundations that allow us to be truly innovative, so we can develop better solutions, faster and more efficiently.

For legacy banks across Europe, the complexity of their operations makes them particularly vulnerable to technological disruption. Many struggle to keep pace with the innovation their customers and clients demand.

Indeed, UniCredit is a large entity operating across 13 countries that has grown through many rounds of acquisitions over many years – and that brings Digital & Data-related challenges, especially in the form of complex and fragmented IT infrastructure. In such a rapidly evolving landscape, it is crucial that we are able to **quickly and effectively adapt to new developments and customers' needs as they arise**.

Therefore, our aim throughout 2023 has been to continue standardising our infrastructure – **with a focus on cloud-based technology** – to create a platform that not only delivers a high-quality experience in the here and now but is also flexible enough to support our future innovation.

Optimising and simplifying our investment model

As part of laying our foundations, the simplification of our digital processes remains a priority for the Bank. Indeed, **we believe digitalisation and simplification should go hand in hand** – the speed that digital innovation affords is only valuable if it is not disrupted by numerous manual checkpoints, for example.

To **reduce complexity and implement leaner governance**, we have reassessed the IT platforms and applications we pay for versus those we create in-house, as well as the consultants and suppliers we outsource to – with a view to ensuring we are investing our resources as efficiently and effectively as possible.

In addition to bringing cost efficiencies, these actions support the simpler, faster development of innovative new applications that bring us closer to our clients.

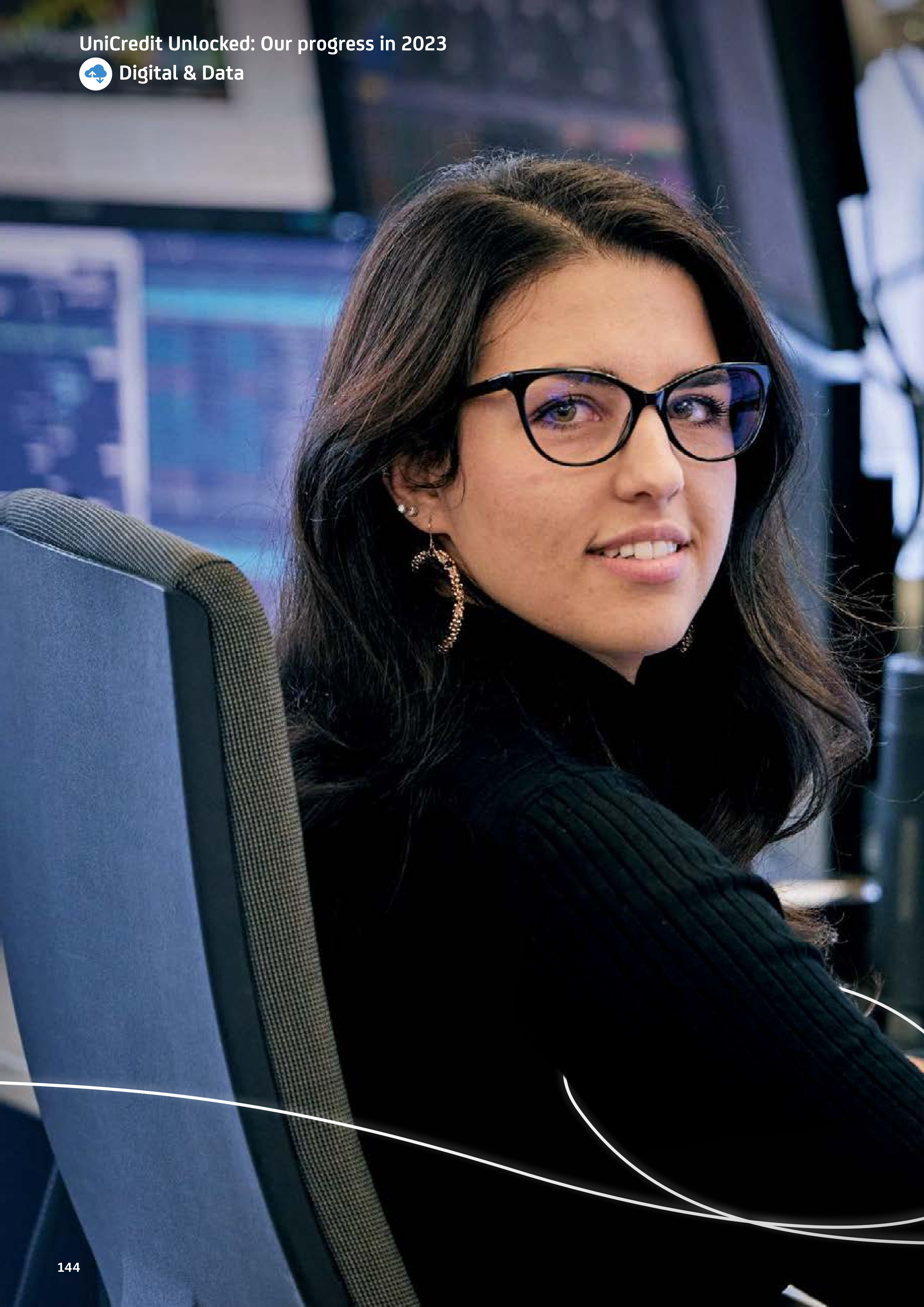
Broadening Digital accessibility

Caring is one of our three core values – and that means providing an inclusive Digital experience for everyone. In 2023 we have been working hard to increase the accessibility of our Digital touchpoints, with a view to embedding the necessary features and technical specifications to break down barriers to our services wherever they exist.

As part of this, we have also developed an **online training course on Digital Accessibility**, designed to introduce colleagues to the importance of designing and developing products and services that are accessible to all users. Colleagues can learn about common disabilities that can change the way users interact with apps and websites, as well as how to ensure their experience is smooth.

Accessibility matters to us because it reflects our commitment to our client and colleagues. It is about fostering inclusion within our company culture. **We believe everyone should have equal access to digital solutions** – and, by catering to the needs of people with disabilities, we embrace diversity in the workplace, fostering empathy and collaboration.

Group



Unlocking transformation, together.

For our corporate banking clients with more sophisticated needs

The needs of our corporate banking clients are always evolving. In 2023 we rolled out three integrated digital solutions to meet them.

Embedded banking: Our ambition is to make banking easier, faster, and more efficient. Embedded banking gives clients almost instant access to critical information and services – helping them take better decisions, faster.

By integrating our traditional Working Capital products into clients' SAP Enterprise Resource Planning systems, clients can gain insights into their balance sheets, cash positions and working capital KPIs, alongside advice on how to optimise them – without leaving their in-house digital portal.

Digital assets: We obtained a BaFin banking licence for an innovative project in Germany enabling our clients to invest in traditional securities, issued by UniCredit, using Distributed Ledger Technology (DLT).

This state-of the art approach enables clients to purchase fractionalised securities to diversify their investment portfolios, manage cluster risk, and lower entry barriers for alternative investments such as art. At the same time, this improves our operational efficiency and streamlines back-office processes by saving on issuance and registry fees.

Evolving our corporate channels: We developed a digital marketplace and a new eBanking interface to make it easier for clients to seamlessly integrate our digital products and services into their workflows. This supports our goal of creating digital solutions that are user friendly, flexible and adaptable to the unique needs of each client, thanks to our reusable, scalable platform and modular product offering.

Group

Embracing and fostering diversity within our Digital team

Diversity and inclusion are critical if we are to unlock the advantages of a modern workforce. We are a company in the market for top talent – and that talent comes in all forms. By being open to a fully diverse range of candidates we are ensuring we are open to the full range of skill sets, as well as to the full range of perspectives and ideas that different backgrounds bring.

We are reflecting diversity both in our intake of new talent – more than 700 new people have joined our Digital team since our transformation began under our UniCredit Unlocked strategy – as well as in our management and development of those already in house. We are doing so by **actively looking to create diverse teams** from the leadership level down, as well as through programmes such as reverse mentoring, targeted support groups and workshops.

"By embracing diversity we enrich the overall employee experience – not only by exposing people to new ideas, cultures, and perspectives, but by creating an environment where everyone feels welcome, safe and accepted. And what's good for our colleagues is good for our business – fostering an environment where we are comfortable and happy to commit to our work, while also working smarter and producing higher-quality work."

Joanna Pamphilis
Head of Investments & Securities Digital Products, and Accountable Executive, Diversity & Inclusion, Group Digital & Information

Group

And towards the end of 2023, as part of this optimisation, we delivered an **updated overall target architecture for the Bank's IT systems**. Based on the principles of cloud infrastructure and customer experience, this new architecture will support our further innovation throughout 2024.

To avoid administrative tasks becoming unnecessarily complex as the Bank evolves, the Digital team is focused on continually **streamlining processes to minimise administrative burdens** and maximise speed and efficiency. Read more on page 152.

Developing strong technical competencies

Our successful Digital transformation will also require an upskilled workforce with strong technical competencies. Historically, as a large Bank with many different functions, we have outsourced a significant portion of our Digital development. Now, our goal is to bring these skills in house through a **concerted programme of training and hiring**.

And to date, under our UniCredit Unlocked strategy, **more than 700 new people have joined our Digital team** as we bolster our technical competencies – including experts in various fields needed to build, maintain and innovate on our digital platforms.

We are also **upskilling existing employees through our UniCredit University Digital**. Developing strong technical competencies in-house supports our optimisation efforts, too, by reducing the need to hire consultants, use suppliers or buy software, for example.

Establishing a new way of working

The way our digital team works directly impacts what we can deliver to stakeholders. We have rolled out a new agile way of working, enabling us to **increase efficiency through shorter development cycles and lower overall costs**. This also involves the promotion of reusable components to drive economies of scale when developing innovative new digital products and services.

This approach, as adopted by many tech companies, reflects our ambition to set a benchmark as an innovative, flexible and technology-focused bank – and to be seen as an employer of choice for candidates pursuing an exciting and fulfilling career in tech who may not otherwise have considered a role in the financial services sector.

Separately, in 2023 we created and implemented a **new digital operating model**. Directly aligned with the needs of our users across all our business lines, this model is **based on technical competencies** – encouraging the development of skills in house, reducing management overheads, and providing a direct line to execution for the business.

Improving our in-house Digital expertise

A major part of the Bank's Digital strategy is to insource our IT talent, making sure we have the expertise to build, manage and maintain our own technology in house. Over the course of 2023 we have done much to expand the impact of our UniCredit University Digital, which was established to empower our colleagues with new digital skills.

Training is provided both with the help of our existing in-house experts and through top external academics. UniCredit University Digital consists of two broad offerings: **knowledge sharing**, through events and content that give an overview of different topics and trends; and **dedicated development plans** for specific Digital roles.

Courses cover everything from how to use basic digital tools to Artificial Intelligence (AI), design thinking, digital accessibility, and how to have an innovation mindset. The platform also provides **access to academic research from Bocconi and MIT**.

Group

Unlocking transformation, together.

For our retail banking customers who want quick, easy, accessible banking

In 2023 we brought a range of game-changing developments to retail banking customers across mobile banking, cards, investments and loans – making banking quicker, easier and more accessible.

Standardising and improving the customer experience
We are particularly focused on further improving our customer experience by creating a new digitally native experience that is **consistent from end to end** across different devices and all channels, to meet the need for simplification, interoperability and automation.

This is being developed on our new customer experience platform, UCX, which uses the new architectural principles of **composable software development** to standardise customer experience across countries.

Simplifying the loan application process
We introduced new digital features to simplify and speed up the loan application process for all our clients – whether they are new or longstanding, and whether they prefer to interact in-branch, online, or through our mobile app. For example, thanks to improvements to our UCX platform, we have **reduced the average time it takes to get a credit evaluation** confirmed to around **60 minutes** on all channels – with times as fast as 16 minutes when using assisted channels, such as in branches.

We have also **reduced the number of fields required** to be filled in to just 10 and reduced the number of clients required to produce income documentation to under 20%, thanks to the introduction of income models that determine affordability based on information already available to the Bank.

Fully online account opening
Our new account opening process makes it easier and more convenient for customers to open new accounts entirely online – and even via comparison portals like Germany's Check24 – in just a few minutes. This process is available 24/7, so customers can open new accounts wherever and whenever is convenient for them.

Change on the cards
We rolled out a series of new innovations around card products this year. For example, the Genius Pay prepaid card is an instant digital card built on the Bank's state-of-the-art UCX architecture, providing customers with a unified digital journey across all channels. We also enriched the functionalities of our regular card services – adding instant virtual card issuance, digital wallet enrolment, card delivery and PIN setting.

Digital investments
In Germany, we introduced a **fully digital and paperless process for customers to manage their investments** right from contract creation and advisory through to reporting. We provide advanced analytics, in-depth scenario analysis, portfolio optimisation and customised on-demand reports, ensuring our teams are fully equipped to hold effective conversations with customers about their investments.

In Italy, we added new features enabling our team to use advanced risk metrics and analytics when performing their preliminary assessment of clients' investment portfolios – improving risk assessment and monitoring.

New features and a new look for mobile banking
We rolled out visual improvements to the Homepage, Product Area, Payment Area, and More sections of the mobile app. The refreshed design has been configured to **simplify interaction for customers** – making it quicker and easier to address their needs, while providing a more engaging user experience for customers looking into our insights, features, and products.

Group

Innovation has not taken a back seat

While much of 2023 has been dedicated to establishing the foundations of the Bank's Digital transformation, we have **continued to innovate and improve the Digital experience for our clients**.

For example, with our retail client base in mind, our newly developed **UCX platform** leverages the latest technology and **operates in the cloud**, giving customers access to all our new products. On the back end, the platform's API connectivity and microservices structure allows for easy and flexible integration, while **colleagues can quickly adapt and reuse individual components** across various channels, products, and countries – meaning we can develop new solutions and bring them to market quicker and more effectively than ever before.

We also launched several brand-new solutions in 2023, including our **Global Bank Insurance platform** designed and offered in partnership with Allianz. **Built on our own tech platform**, this new solution makes insurance products available via a seamless omnichannel digital sales experience in multiple countries – read more on page 156.

For business clients, we have implemented a new back end for the **UniCredit PayFX** application, a market-leading solution that enables clients to make **payments in 133 currencies** with rapid conversion from their domestic currency at real-time rates.

We also continue to innovate on behalf of our colleagues within the Bank. For instance, in 2023 we rolled out a proof of concept for an innovative **AI search tool** for one of our key knowledge bases, UniContact.

Much like ChatGPT, the tool recognises and interprets natural-language queries and provides tailored, natural-language responses informed by the extensive UniContact database – saving hours of administrative time and improving the speed colleagues can access information, as well as the quality and completeness of that information.

You can read more about our innovations in retail banking on page 149 and corporate banking on page 145.

Simplifying digital processes at Bank Austria

To support the simplification of our Digital processes, Bank Austria launched a number of new initiatives in 2023, partnering with Zscaler to improve IT performance, and improving customer data visualisation through the '360° Tool'.

Zscaler aims to increase the performance and stability of Microsoft Office365 applications like Outlook, Teams and OneDrive by using cloud technology – improving and **optimising the digital experience** for our colleagues. The 360° Tool, meanwhile, offers a holistic overview of customer data on a single screen, allowing colleagues to see important customer data at a glance – reducing the time spent searching for information in disparate systems.

"I am proud of the energy and commitment the team has showed in implementing these initiatives. Thanks to their work, we have taken important steps towards simplification, making daily life easier for our colleagues."

Michael Landolt
Chief Digital & Information Officer

Austria

Digital innovation improves mobile banking for customers in Croatia

In Croatia, Zagrebačka banka has introduced several new digital innovations to make daily banking faster and more efficient for customers.

Within the m-Zaba app, innovations have included **real-time notifications for incoming payments** and a **streamlined credit card application process**. We also digitally migrated more than 50% of clients to contracted overdrafts – eliminating the need for physical branch visits – and unified four distinct overdraft processes into one cohesive system, accessible both in branch and on mobile.

"We remain committed to maintaining our position as market leader, tracking global trends and technological advances to ensure that our clients have access to the best possible banking experience."

Slaven Rukavina
Member of the Management Board of Zagrebačka banka and Head of Retail

"We are continuously improving our m-zaba app by integrating new, advanced features."

Ivan Hećimović
Head of Alternative Channels of Zagrebačka banka

Croatia

Read more on the microsite

Next steps

In 2024, thanks to the groundwork carried out so far, we are moving into the innovation phase of our Digital transformation – switching focus to concentrate on driving value for clients from exciting new technologies such as cloud, data and AI.

Our focus is now on implementing a **new digital infrastructure based in the cloud** and revamp our data platform to put us in a position to maximise the value of AI solutions – capturing more, higher-quality data to feed Digital innovation and support strategic decision-making for top-level management. While in 2023 we achieved a rate of 48% high-quality data available in the Bank's new modern data platform – a number we aim to improve on again in 2024.

We will also continue our work on key elements of the foundation phase – the process of building our in-house technical competencies, for example, is an ongoing journey. **Our aim is to be fully in control of both our Digital technology and our Digital talent**, making UniCredit far more nimble, adaptable and efficient.

Unlocking transformation, together.

For our colleagues who enable faster data-driven decision making

We are streamlining and modernising processes across the Digital team to minimise administrative tasks, standardise regulatory compliance, and drive greater speed and efficiency.

To support our efforts in 2023 we ran a survey of 2,500 end users of our Digital processes – those inputting data and those using it – to garner a broad perspective on how they could be simplified. Feedback included automating certain steps and deleting others altogether, while **adapting processes to reflect an agile working model** – and we have made significant changes in response.

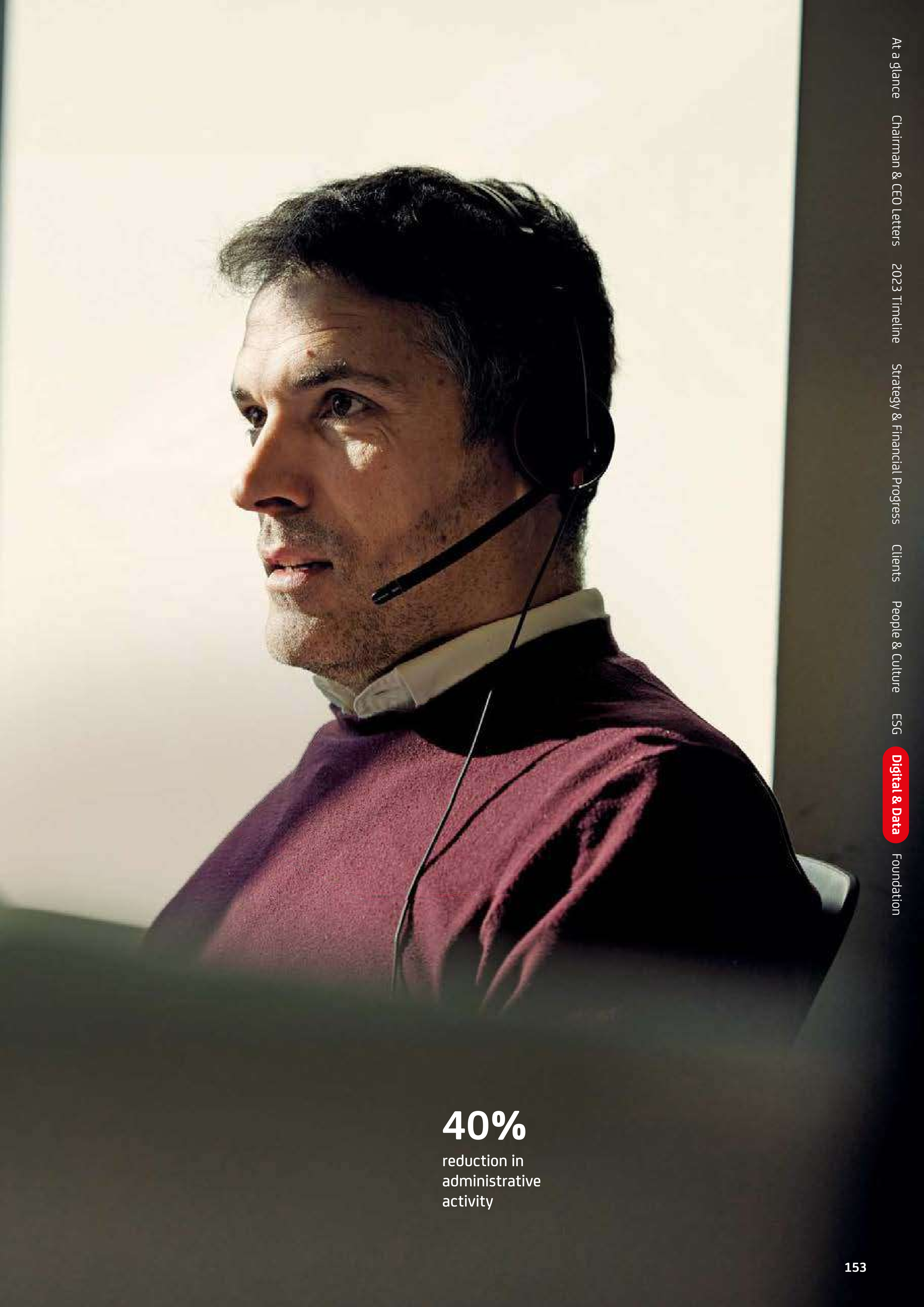
Previously, the Digital team ran three separate processes in parallel when developing products: project management, change management and release management. This involved submitting a lot of the same data several times over. Today, we run a single 'End-to-End Delivery' process – reducing associated administrative activity by 40%, cutting complexity and enabling project managers and software developers to focus on innovation.

At a more granular level, we have also introduced a single monitoring functionality known as 'Digital End-to-End Execution Monitoring'. This replaces several different processes for monitoring the time teams are devoting to different projects, how tasks are being in- or outsourced, project progress, and financial investment.

Again, this is significantly reducing the workload for project managers – while enabling senior management to quickly review how resources are being deployed and how work is progressing on all fronts. This provides **high-quality, standardised information to top management**, enabling them to make well-informed, data-driven decisions.

For simplification to remain effective it must be a continuous process of review and optimisation. We will continue streamlining and refining to ensure the right data flows through our systems as efficiently as possible, driving better and faster results for our colleagues, our clients and the whole Group.

Group



40%

reduction in administrative activity

Our Digital & Data milestones

The case studies on the following pages highlight the key achievements and developments of 2023.

Our new Innovation Hub launches at UniCredit HypoVereinsbank

Milestone – October

"Our new Innovation Hub represents our commitment to foster innovation and awareness around the immense opportunities of technology, data and AI. It is the next milestone on our path to excel in banking for our clients. Our colleagues will enjoy broader access to best practices from different industries and an environment where ideas for growth can be collectively nurtured."

Artur Gruca
Chief Digital & Operating Officer

In Germany, UniCredit HypoVereinsbank launched its new Innovation Hub – a physical space where colleagues can actively shape the future of the Bank. The Hub helps colleagues put innovation into practice, networking with others and gaining new perspectives.

The Innovation Hub features:

- **Collaboration areas:** Several spaces suitable for everything from workshops to team events or idea-sharing sessions. These areas include an Idea Lab – an open space with high-top tables and a multi-touch board for hybrid meetings – and an enclosed Think Tank for focus work.
- **An 'Expo' area:** Here, innovations and impulses from the external world are presented in a vivid way. Employees can expect a mixture of installations, practical applications and interactive elements.
- **Content sessions:** All employees are empowered to suggest a topic for 'Food for Thought' sessions, during which colleagues can share their knowledge on digital or innovative topics.
- **Meet-ups and lounge area:** The Innovation Hub offers numerous opportunities to network with others – regardless of department or hierarchy. Events with an external audience are also planned for this space, for example to engage customers or recruitment candidates.
- **A stage:** Inspiring speakers, new perspectives and trending topics – the stage area offers a range of interactive discussions on innovation, transformation and digitisation. Talks take place in a hybrid format so all colleagues can participate.

Germany

Global Bank Insurance platform launched in partnership with Allianz

Milestone – June

In January 2023 we launched a multi-year programme in partnership with Allianz and CNP that aims to renew the commercial offer of more than 20 insurance products – making them available through a seamless omnichannel digital sales experience across multiple countries. The programme, known as the Global Protection Platform, will run from 2023 to 2027.

After just six months, we rolled out the first two products under the programme: the TermLife and Privatschutz products, released in Italy and Germany respectively. **These are the first of several new products we plan to launch**, each taking advantage of the omnichannel features of our Global Platform – such as bundling insurance offerings together with other banking products to provide customers with a more flexible and complete sales journey.

Group

Bank iD enables fast, simple interface with authorities

Milestone – January

At the beginning of 2023 we launched our Bank iD service in the Czech Republic, allowing all our clients to easily and securely log into the online services of authorities and state institutions, and public administration portals.

For example, our clients can check the validity of their documents, review the driver's points system, obtain a criminal record extract, apply for a parental allowance, pick up an e-prescription, explore the Cadastre of Real Estate – a state-administered real estate information system – file a tax declaration or open a personal databox.

Since November, **communication with the authorities has been even easier and more user-friendly** thanks to a new way of logging in on mobile devices that speeds up the log-in process for mobile users and removes the need to enter log-in details. We are the first bank in the Czech Republic using the full potential of mobile banking to provide access to public institutions, making access to our digital channels even more convenient for our clients.

"Bank iD is essentially a digital ID that makes it easier for people to authenticate themselves with authorities such as the Government. Our clients can save hours of time when communicating with the e-Government authorities and a whole range of tasks can be handled online with just a few clicks, all from the comfort of their home."

Lucie Janderová
Bank iD Product Owner

Czech Republic and Slovakia

A new partnership to help prevent B2B payments fraud

Milestone – July

We announced a new partnership with Trustpair, the leading platform in Italy preventing B2B payments fraud. Now, Trustpair can enrich its digital platform by offering IBAN Check – a UniCredit solution related to Open Banking developed in conjunction with CBI S.c.p.a.

Thanks to IBAN Check, Trustpair's clients will be able to check in real time the correct association between the IBAN and Fiscal or VAT Code of Italian beneficiaries. This level of control **adds security and efficiency to onboarding and payment operations**, and minimises inefficient manual interventions and the risk of fraud.

IBAN Check is **one of the first in an ecosystem of value-added services based on API technology**, which UniCredit is pivoting towards as part of its Group digitalisation strategy.

"One of the strands of our digital strategy is to improve the client experience through simplification and a laser focus on customer needs. Payment solutions will be paramount for us moving forward, with API connectivity and Open Banking key areas where we will continue to invest."

Raphael Barisaac
UniCredit's Global Head of Payments & Cash Management

Italy

Unlocking **transformation,** together.

For our clients, our people, and our communities.

See our microsite for more information on how we have progressed against our UniCredit Unlocked plan across the following focus areas:

- Financial progress
- Clients
- People & Culture
- ESG
- Digital & Data
- UniCredit Foundation

UniCredit Foundation

Unlocking the potential of Europe's next generation
Education is one of the most powerful tools that humanity has for shaping a brighter future. Through the UniCredit Foundation, we aim **to unlock the potential of Europe's next generation** by providing them with equal education opportunities.

Our ambitions

- **To build better futures** for our young people and their communities across Europe
- **To ensure growth and development** across all of society by investing in education
- **To leverage our extensive educational network**, our partnerships and our in-depth knowledge of our communities to **create equal opportunities in education**
- **To give Europe's next generation the keys to unlock their innate potential** and empower them to become the changemakers of our society

€20m
of Group funding to the Foundation in 2023

1,700
UniCredit employees contributed to helping support organisations

Read more about how we are unlocking the potential of Europe's next generation:

See the microsite

Our progress so far

The UniCredit Purpose is to empower communities to progress – and the Foundation is a key component in that ambition. Its aim is to **equip Europe's students with the tools they need to build a better future for themselves and their communities**. We made good progress over the last 12 months, thanks in particular to an increase in Group funding from €4 million in previous years to **€20 million**. This welcome boost enabled us to make a real difference in more ways than ever before.

The Foundation's Purpose is to **unlock the potential of Europe's next generation** by providing them with equal education opportunities in three priority areas:

School

High quality schooling is the starting point in the battle to reduce inequalities. A **quality school**, where students are placed firmly at the centre of the learning experience, can be a transformative force where the individual is empowered to thrive and is valued and respected, regardless of background – paving the way for a more equitable and just society.

Job

Young people with low levels of education have historically had difficulty in entering the labour market. The school-to-work transition is a particular problem for vocational school students, whose employment rates remain consistently lower than those of other high school graduates.

University

We strive to **support the best talents** in the fields of economics and finance through scholarships, and via research grants and awards in the countries where we operate.

We made good progress in 2023, investing a total of €20 million in these priority areas.

Our approach

Education can never be a short-term fix. It is a long-term process that requires sustained commitment and support. The bank's decision to sanction a fivefold increase in our budget for 2023 not only gave us greater confidence to plan ahead, it also increased our responsibility to achieve the results we are all looking for. In 2023, we targeted our support via four distinct channels:

Entering into partnerships

At a Group level we have established **major long-term partnerships** that can deliver sustainable outcomes across the full range of our operating countries. These partnerships are with established organisations with proven track records of achievement. (See the 'For the students who quit studying' and 'For the teachers changing futures' case studies.)

Working at grassroots level

We also support initiatives at a **much more local level**, leveraging the practical grassroots knowledge of our teams and networks in individual countries and regions to address specific local issues. (See the '€3 million makes a difference' case study.)

Creating opportunities

We offer **scholarships, research grants, and awards** to give young people the chance to study at top class institutions abroad. The aim is to foster a research environment that advances knowledge, publishes high quality research and makes a real, lasting impact on communities as well as on the young people themselves. (See the 'Giving students the skills to succeed' case study.)

Engaging with our people

We give our people a range of opportunities to enhance their own lives and those of others across the world. We not only offer a **gift matching scheme ("Gift Matching Program")** that doubles employee donations, but have also developed summer school scholarships that can improve employees' skills and knowledge. In 2023, the number of scholarship schemes doubled from 10 to 20. Furthermore, we also provide a framework through which our people can donate funds to **help communities affected by humanitarian emergencies**. Early in 2023, more than 1,700 employees contributed to help organisations such as Red Cross, Save the Children and UNHCR support victims of the earthquake in Turkey and Syria. Total donations amounted to more than **€300,000**.

Double the impact

Since 2003 we have doubled all donations made by employees to non-profit organisations chosen by colleagues themselves.

In total, our financial support via the Gift Matching Program has amounted to €52.91 million*.

"As a manager I truly believe that **financial performance goes hand in hand with corporate culture**, creating the grounds for sustainable performance over time and motivating people to unleash their potential. Gift Matching Program gives me a sense of accomplishment in seeing people expressing themselves and exchanging proposals on initiatives that we choose to support with enthusiasm over time."

Gabriele Zuccarello
UniCredit Compliance Quality Assurance

Group

*This amount includes the donations made by colleagues and the corresponding matching provided by the Foundation.

Giving students the skills to succeed

Over the last decade, the Foundation has granted more than 300 scholarships and fellowships to support almost 1,200 young students and researchers, with total funds provided now standing at €25.5 million. Many of these projects enable young people from countries across Europe to study at some of the world's leading academic institutions.

Investing in research to fight inequality in education

Our commitment continued through 2023 with a further €1.1 million funding research projects on education, including collaboration with **CID at Harvard University**.

While there is abundant research into educational needs in developing countries, much less exists on the challenges faced in Europe. The aim of these grants is to improve understanding of how education can fight inequalities – and then to bring that knowledge back to our operating countries where it can become the foundation that drives future progress.

Promoting talent in economics and finance

During 2023 we gave students the chance to apply for around **30 prestigious scholarships and fellowships focusing on economics and finance**. Based on ten separate competitions with total funding of **€1.9 million** available, these grants enable students to pursue Doctoral or Masters programmes at renowned universities in Europe and the USA. One of our key aims is to encourage 'brain gain'. After their studies, we want these talented students to return home and use their new knowledge to make a difference in their own countries.

Group

Next steps

Firm believers in the transformative power of education, we want to touch lives and change them for the better through a focus on long-term programmes. And while we are proud of our progress and sure of our direction, we have only scratched the surface of what is possible – there is still so much more we can do to unlock the potential of Europe's next generation.

Many of the achievements of the last 12 months were built on our in-depth knowledge and connections with the communities in which we operate – and we will now work hard to make these connections even more robust and proactive.

Based on clear, demonstrable knowledge and understanding, guided by academic research and enabled by local insights that sit within our country organisations and teams, our future work will focus on:

- Continuing to leverage the work of the academics we have supported, while also providing funding for **new research**
- Developing **targeted programmes** that meet the educational needs of young people in all the countries where we operate
- Tackling the diverse aspects of educational poverty through a **multifaceted, community-level approach**
- **Building even stronger relationships** between the central Foundation team and our colleagues working in the territories at a local level – continually striving for and measuring our impact

Our UniCredit Foundation milestones

The case studies on the following pages highlight the key achievements and developments of 2023.

€3 million makes a difference

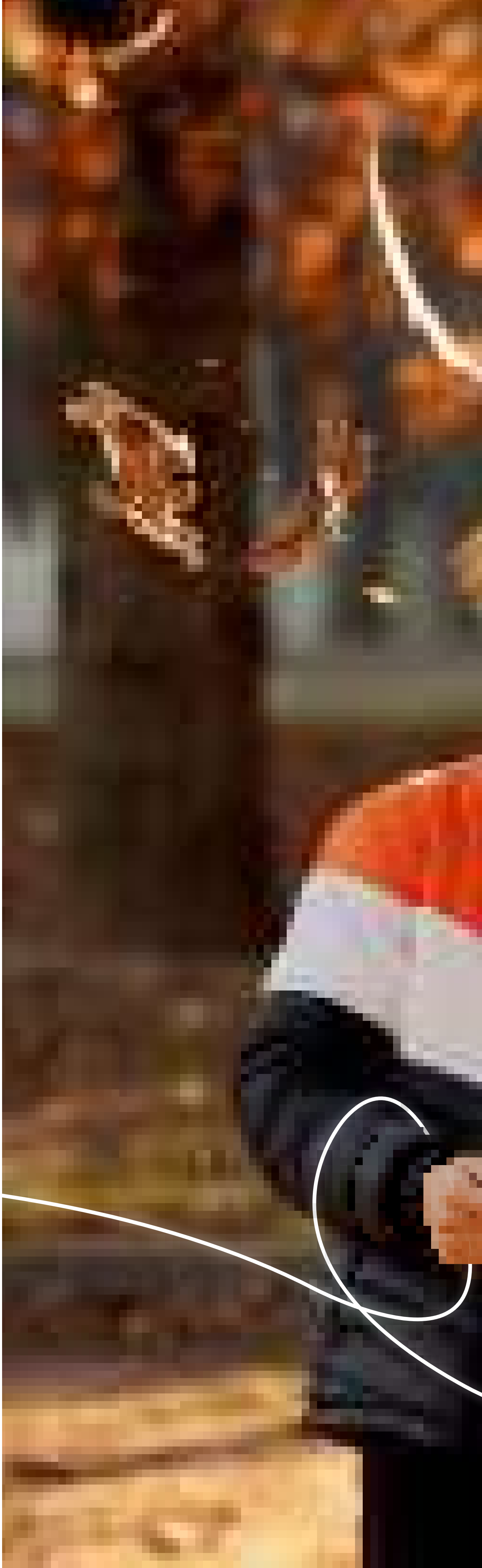
Milestone – June

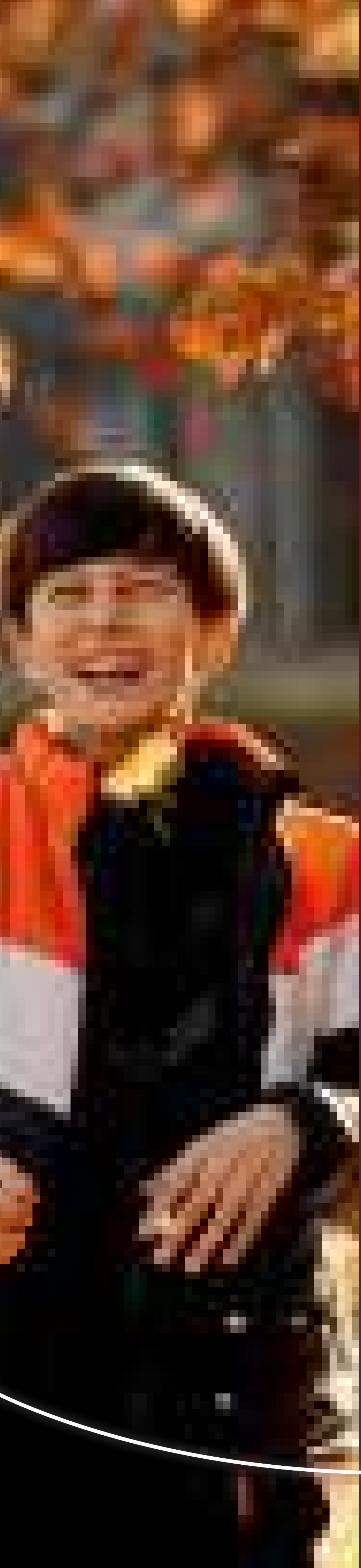
2023 was the first year we issued a general Call for Education that invited non-profit organisations to apply for funding **to tackle school dropout rates and encourage lower and upper secondary school students to acquire skills for university or the job market**. We **contributed €3.2 million** to **18 programmes** during the year, across the countries where we operate.

"It is our responsibility to consistently **recognise and support young talents** within the communities where we operate, as they will lay the foundation for the progress and success of our continent in the years to come."

Andrea Orcel
Chairman of UniCredit Foundation

Group





Unlocking transformation, together.

For underprivileged students eager to continue learning

Milestone – July

School dropout is one of the biggest challenges facing Europe's educators. It not only stifles employment opportunities – it leaves a lasting impact on lifetime earnings.

We have teamed up with **Junior Achievement (JA) Europe** to provide practical hands-on engagement with over **400,000 students** in **10 countries** where we operate, inspiring young people through the transformative power of learning.

A **€6.5 million** programme over three years, the main objective of "Re-power your future" is to **support students aged 10-19 by involving them in school activities** – improving outcomes, preventing them from dropping out of school and guiding them in an informed choice about future careers. The initiative has been built on strong partnerships with local schools, businesses and community organisations. Its focus is on teaching students how to think entrepreneurially, **inspiring young minds to pursue careers aligned with their passions and envisioning a future of possibilities for themselves**. From 2024 onwards, we have added a new volunteering aspect to the project, enabling our employees to donate their time and skills to support the **JA Europe** team.

"We can achieve a more equal and prosperous Europe only when every young European has access to opportunities and resources to thrive and succeed. Together, UniCredit Foundation and JA Europe have the ambition to change the landscape of Europe's education systems by significantly preventing and reducing the current rates of school dropout."

Salvatore Nigro
CEO of JA Europe

Group

Discover more about Social and Relationship Capital in our Integrated Report

See our microsite

216,000+
Total cumulative students trained over the period 2022-2026

2,000+
Total cumulative teachers selected and trained over the period 2022-2026

Unlocking transformation, together.

For the teachers who are changing futures

Milestone – November

More than any other single intervention, education has the power to reduce inequalities and transform lives.

Our three-year **€5.5 million** partnership with global education network **Teach For All** aims to promote **fairness in education – nurturing collective leadership in young people** and, in the long term, transforming society. **Teach For All** is a global network of 61 independent, locally led and funded partner organisations whose stated shared mission is to "expand educational opportunity around the world by increasing and accelerating the impact of social enterprises that are cultivating the leadership necessary for change."

Active in six of our operating countries – Austria, Bulgaria, Germany, Italy, Romania and Slovakia – **our partnership focuses on training educators to work in underserved schools in order to alleviate educational disparities and cut dropout rates**.

Building on the robust existing relationship established between Teach For All and the UniCredit Group in 2022 – which has already trained and supported 592 teachers and improved the educational experiences of over 40,600 students – our new and extended partnership will train over **2,000 extraordinary teachers**, providing education to over **216,000 students** by 2026. In addition, Teach For All's network partners will develop the leadership skills of more than **3,600 alumni** and more than **10,870 system-wide teachers**. In 2023, our employees also played their part by volunteering their time and expertise to support Teach For All's efforts, and many more will be engaged in the years to come.

"We are proud of this partnership with UniCredit Foundation. Its support will be instrumental in helping us to scale our work and develop a pipeline of teacher-leaders who continue to change educational outcomes for some of the most marginalised students in Europe. Together, we are committed to ensuring that every child has access to opportunities to fulfil their potential and shape better futures for themselves and the world."

Wendy Kopp
Co-Founder and CEO, Teach For All

Group

Discover more about Social and Relationship Capital in our Integrated Report

See our microsite

Group Executive Committee (GEC)

The **Group Executive Committee** (GEC) is a Managerial Committee that has been set up in order to ensure the effective steering, coordination and control of Group business, as well as an effective managerial alignment across the Group.

Images to be replaced

ANDREA ORCEL

Group Chief Executive Officer and Head of Italy

MARION HÖLLINGER

Head of Germany

GIANFRANCO BISAGNI

Group Chief Operating Officer

TEODORA PETKOVA

Group Head of Central Europe and Eastern Europe

RICHARD BURTON

Head of Client Solutions

STEFANO PORRO

Chief Financial Officer

Images to be replaced

SIOBHÁN MCDONAGH

Head of Group
People & Culture

ALI KHAN

Group Digital &
Information Officer

FIONA MELROSE

Head of Group
Strategy & ESG

JOANNA CARSS

Head of Group
Stakeholder Engagement

TJ LIM

Group Risk Officer

SERENELLA DE CANDIA

Group Compliance Officer

GIANPAOLO ALESSANDRO

Group Legal Officer –
Secretary of the Board
of Directors

REMO TARICANI
PERMANENT GUEST TO GEC

Deputy Head of Italy

Board of Directors

Images to be replaced

Directors' term in office is three financial years, unless a shorter term is established at such time as they are appointed, and ends on the date of the Shareholders' Meeting called to approve the financial statements relating to the last year in which they are in office.

The Board of Directors currently in office was appointed by the **Ordinary Shareholders' Meeting on April 15, 2021** for the financial years 2021 - 2023, on the basis of a proportional representation mechanism ("voto di lista"), and its terms of office ends on the date of the Shareholders' Meeting called to approve the 2023 financial statements.

As regards the actions taken in recent years to strengthen **our governance** and align it with international best practices, improving the composition and functioning of the Board of Directors has been a fundamental commitment for our Group.

PIETRO CARLO PADOAN

Chairman of the
Board of Directors

LAMBERTO ANDREOTTI

Deputy Chairman

ANDREA ORCEL

Group Chief Executive Officer

VINCENZO CARIELLO

Director

ELENA CARLETTI

Director

JEFFREY ALAN HEDBERG

Director

Images to be replaced

BEATRIZ LARA BARTOLOMÉ

Director

LUCA MOLINARI

Director

MARIA PIERDICCHI

Director

FRANCESCA TONDI

Director

RENATE WAGNER

Director

ALEXANDER WOLFGRING

Director

GIANPAOLO ALESSANDRO

Group Legal Officer –
Secretary of the Board
of Directors

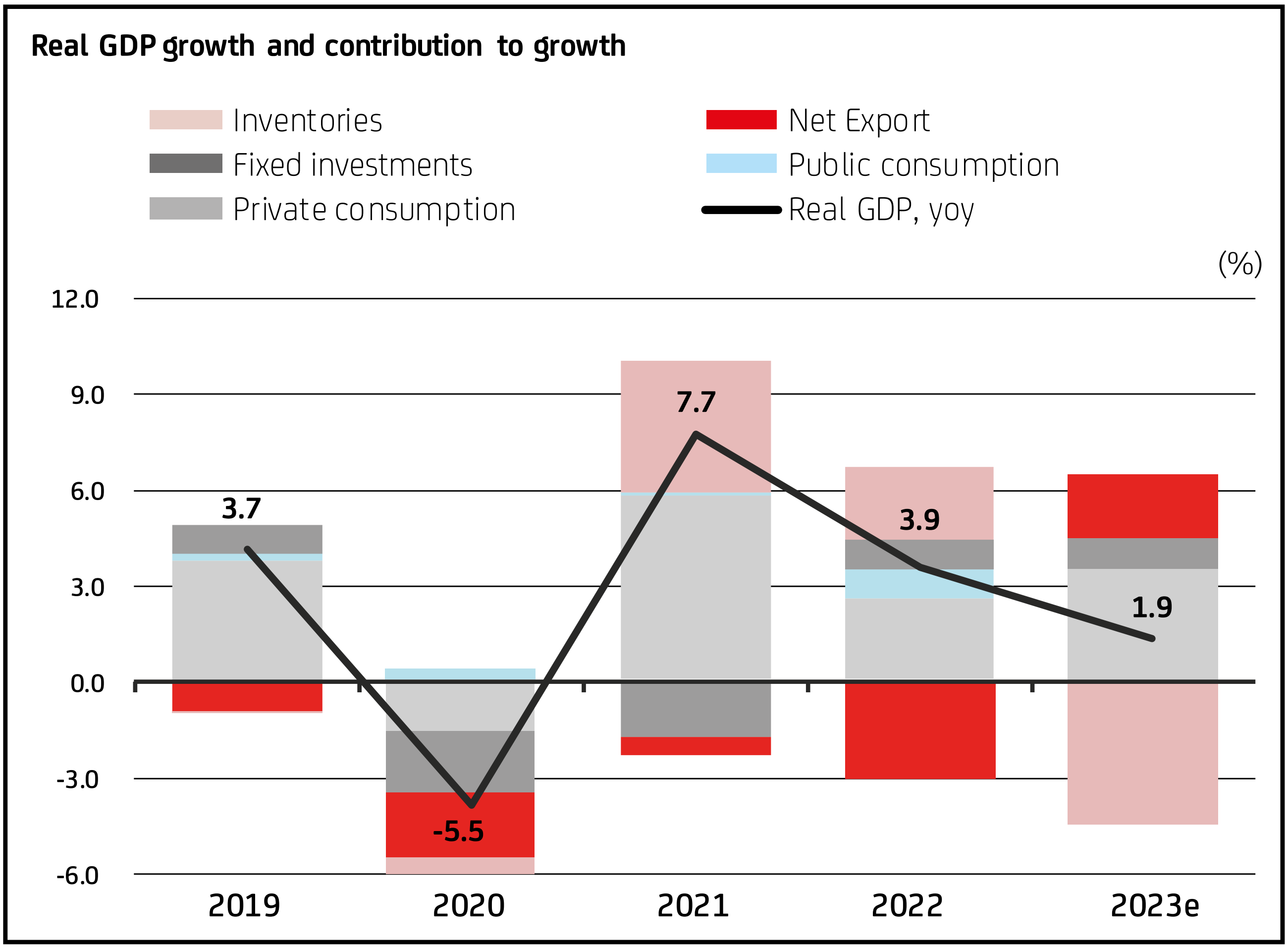
Annual Reports
and Accounts 2023

Unlocking **transformation,** together.

For our clients, our people,
and our communities.

Empowering
Communities to Progress.

UniCredit Bulbank



Source: National Statistical Institute, UniCredit Bulbank

Last year was marked by the end of the prolonged period of political instability and by the appointment of a functioning pro-European government, which is committed to deepen country's integration into the EU and implement the structural reforms, needed to unlock the significant amount of funding Bulgaria is entitled to receive under its Recovery and Resilience Plan.

The parties with pro-European geopolitical orientation agreed on constitutional amendments in several main areas. The amendments are likely to improve the work of the judiciary system and the balance of power between state institutions. Importantly, the amendments set up a special procedure for direct individual constitutional complaint, while also envisage that persons with dual nationalities will be eligible to become members of the parliament and the cabinet.

Although Bulgaria's real GDP growth lost momentum to an anticipated 1.9% last year, it was nevertheless stronger than the pace of economic expansion in the most CEE economies. GDP growth deceleration was above all attributable to the massive downward adjustment in inventories and to weak exports, as demand in Bulgaria's main trading partners was almost stagnant. At the same time, private consumption remained resilient on the back of tight labor market, which pushed real wages growth back into the positive territory. Also importantly, the transmission of higher interest rates in advanced economies to a higher cost of credit for local households was very slow, which helped private consumption get a boost from the double-digit growth in retail credit last year.

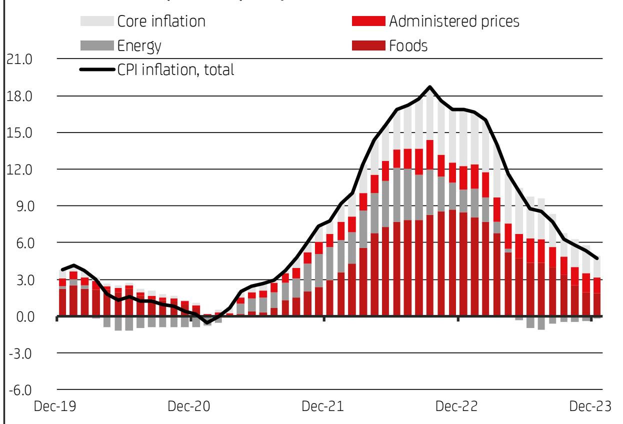
Consumer price inflation, calculated according to the national methodology, slowed down to just 4.7% yoy in December 2023, from its peak in September 2022 at 18.7% yoy. Meanwhile, core inflation reached its peak in January 2023, at 13.1% yoy, but eased to 5.7% in end of 2023. Alleviation of both headline and core prices inflation reflects base effect in combination with lower input-prices pressure, as functioning of the global supply chains has been gradually improving. Services price inflation remained sticky, but looks likely to fall further, despite tight labour market.

The unemployment rate marginally increased, as export-oriented part of the Bulgarian economy reported some job losses due to the weak external demand in the country's main trading partners. Nevertheless, labor market remained very tight last year, with labor shortages rising in almost every sector of the economy, according to the regular business surveys conducted by the NSI. Nominal wages increased strongly underpinned not only by rising labor shortages, but also by government-funded increases of statutory minimum wage and wages in the public sector of the economy.

Ministry of finance posted a cash deficit equivalent to 3.0% of the country's GDP last year, while on an accrual basis budget deficit is estimated to have reached 2.2% of GDP. The result is in line with both the government target and the limit established in the Stability and Growth Pact. In addition, the result is far better than the 6.4% of GDP deficit envisaged in the forecast of the caretaker government in March 2023, which, at that time, almost put at risk euro entry in 2025.

The BNB continued to work intensely on the preparation for Bulgaria's full membership in the euro area, while support for the euro introduction increased in the last Eurobarometer survey, compared to one year ago when elevated inflation fueled peoples' concerns. Meanwhile, EU governments have agreed on a partial accession of Bulgaria to the border-free Schengen area from March 2024. Agreement envisages only air and maritime border controls to be removed initially. This means that more time would be needed before elimination of land border controls help Bulgaria reap the full benefits stemming from the reduction of economic costs and air pollution, which long ques of tracks and other transport vehicles cause while waiting to pass land borders now.

Contribution to CPI dynamics by components (%)



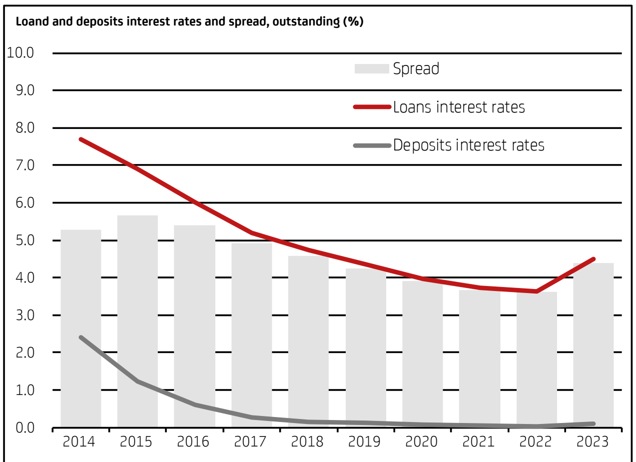
Source: National Statistical Institute, UniCredit Bulbank

MACROECONOMIC INDICATORS	2023	2022	2021	2020	2019	CHANGE 2023/2022
Nominal GDP[1] (BGN million)	186776	165384	139012	120553	120396	12.9%
GDP per capita[1] (BGN)	29201	25650	21322	17430	17319	13.8%
Real GDP growth[1], swda (%)	1.90	3.9	7.7	(4.0)	4.0	(2.0 pp)
LEONIA, avg (%)	3.10	0.02	(0.58)	(0.65)	(0.48)	+3.1 pp
Inflation, eop (%)	4.7	16.9	7.8	0.1	3.8	(12.2 pp)
Inflation, avg (%)	9.6	15.3	3.3	1.7	3.1	(5.7 pp)
Unemployment rate[1], SA (%)	4.5	4.2	5.3	5.1	4.2	+0.3 pp
Official exchange rate, eop (BGN/USD)	1.81	1.86	1.65	1.72	1.74	(2.8%)
Official exchange rate, avg (BGN/USD)	1.80	1.85	1.73	1.61	1.75	(2.8%)
Current account balance[2] (BGN millions)	1396	(2346)	(2395)	48	2245	(171.8%)
Current account balance[2] / GDP[1] (%)	0.7	(1.4)	(1.7)	0.0	1.9	+1.9 pp
Net foreign direct investments[2] (BGN millions)	5925	4104	2442	5395	2421	48.2%
Net foreign direct investments[2] / GDP[1] (%)	3.2	2.5	1.8	4.5	2.0	+0.8 pp
Gross foreign debt, eop (BGN millions)	86844	86900	80607	76260	73766	(0.1%)
Gross foreign debt / GDP[1] (%)	46.5	52.5	58.0	63.3	61.3	(6.0 pp)
Public debt, eop (BGN millions)	41381	37095	32528	28859	23563	11.6%
Public debt / GDP[1] (%)	22.2	22.4	23.4	23.9	19.6	(0.3 pp)
BNB FX reserves (BGN millions)	81999	75151	67666	60334	48574	9.1%
Budget balance, cash basis / GDP[1] (%)	(3.0)	(0.8)	(2.9)	(2.9)	(1.0)	(2.2 pp)

Source: Eurostat, Bulgarian National Bank, National Statistical Institute, Ministry of Finance and UniCredit Bulbank projections
[1] UniCredit Bulbank forecast for 2023
[2] Data as of November 2023

BULGARIAN BANKING SECTOR IN 2023

Unprecedented tightening of monetary conditions in the developed economies pushed average interest rate on foreign currency denominated loans in Bulgaria to 5.18% last year, from 2.76% in 2022. The latter was in line with expectations, because prices of foreign currency denominated loans are linked to global money market rates, which makes the process of transmission of changes in the global rates to changes in the price of credit at home take place almost simultaneously.



Source: Bulgarian National Bank, UniCredit Bulbank

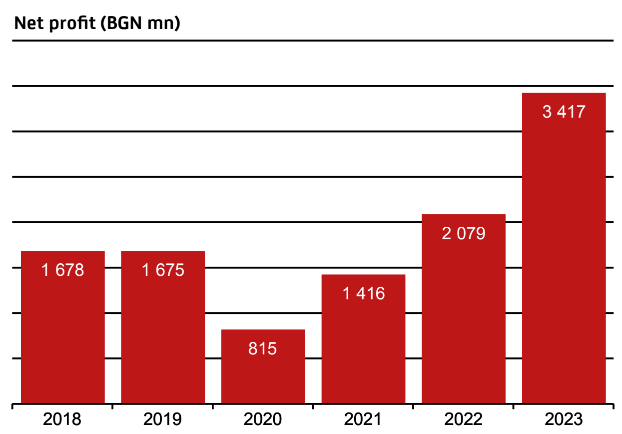
At the same time, interest rates on BGN denominated loans proved very resilient to the changes in the monetary conditions in the developed economies, as prices of most of these loans are linked to changes in the cost of deposits that local banks attract from households and companies. The latter played an instrumental role in keeping the cost of BGN denominated loans very little changed last year (rising to 4.27% on average in 2023, from 3.95% in 2022), thereby supporting demand for new BGN denominated loans, and particularly for new retail loans, despite aggressive monetary policy tightening undertaken by the central banks in practically all European economies. Importantly, against the backdrop of abandon local liquidity, interest rates on average customer deposit increased only marginally, thereby pushing loan-to-depo interest rate spread up to level last seen back in 2018.

Against this favorable environment for the prices of BGN denominated loans and still elevated inflation, demand for new loans remained very strong. In response, retail credit growth accelerated to 15.9% yoy last year (from 14.6% in 2022), with mortgage credit growth (up 20.5% yoy) spearheading the expansion. Meanwhile, corporate lending grew by 6.9% yoy in 2023, which was below both nominal GDP growth (12.9%) and corporate lending growth in 2022 (10.4%).

Net profit posted a significant 64% yoy rise to BGN 3.4 bn last year, which in BGN terms is the highest level reached ever since the start of transition to a market economy in 1989. However, when calculated relative to the size of the economy, net profit in 2023 (1.8% of GDP) was still one notches below the peak posted in 2008, when sector's profit was equivalent to 1.9% of the country's GDP. Record high profitability last year was above all attributable to the 50% increase in NII, while fee and commission income was only 3% up, as push toward digital channels helped customers gain tangible cost savings, despite the double-digit increase in the volume of products and services used. At the same time, administrative costs rose in line with inflation, while local lenders set aside only BGN 444 mln provisions (the lowest level since 2008), as decent GDP growth and strong labor market both helped the share of non-performing loans go down to only 4% (the lowest level registered ever).

The authorities undertook several additional regulatory measures, in order to strengthen further banking sector's resilience to potential negative shocks. To withdraw liquidity from the local money market and reduce capacity of banks to extend more credit, the BNB raised the MRR on the funds attracted by banks to 12% and increased the countercyclical capital buffer rate to 2.0%.

Against this very positive backdrop, 2023 is set to go down in history books as one of the strongest years for the Bulgarian banking sector. Not only Bulgaria's banking system is one of the best-capitalized banking systems in the European Union, according to the European Banking Authority, but also its liquidity position is very high, with ratios of liquidity coverage and net stable funding well above the minimum regulatory requirements. What's more, ROAE at 20.2% last year, is perhaps the strongest evidence that the sector is set to remain attractive for private capital looking ahead.



Source: Bulgarian National Bank, UniCredit Bulbank

BANKING SYSTEM KEY FIGURES	2023	2022	2021	2020	2019	CHANGE 2023/2022
INCOME STATEMENT (BGN MILLION)						
Operating income	6912	5276	4452	4162	4232	31.0%
incl. Net interest income	4846	3227	2757	2649	2746	50.2%
incl. Net non-interest income	2066	2049	1695	1513	1486	0.9%
Operating costs	2705	2448	2215	2264	1933	10.5%
Operating profit	4207	2827	2237	1898	2299	48.8%
Provisions (net)	444	588	661	991	511	(24.5%)
Pre-tax profit	3763	2239	1576	907	1789	68.1%
Net profit	3417	2079	1416	815	1675	64.4%
BALANCE SHEET (BGN MILLION)						
Total assets	172075	155406	135410	124006	114201	10.7%
Loans to customers (incl. non-residents)	97394	86081	75875	69500	66293	13.1%
thereof: Non-performing loans	3853	4447	4969	5711	6120	(13.4%)
Deposits from customers (incl. non-residents)	136768	126197	109356	100671	91853	8.4%
Shareholders' equity	20019	17281	16607	15352	14397	15.8%
KEY PERFORMANCE INDICATORS (%)						
Loans-to-Deposits ratio (on residents)	69.1	67.4	68.6	68.8	72.5	+1.7 pp
Cost / Income ratio	39.1	46.4	49.7	54.4	45.7	(7.3 pp)
NPLs ratio	4.0	5.2	6.5	8.2	9.2	(1.2 pp)
Cost of Risk[1]	0.5	0.8	1.0	1.5	0.8	(0.3 pp)
ROAE (after tax)	18.3	12.3	8.9	5.5	11.9	+6.1 pp
ROAA (after tax)	2.1	1.4	1.1	0.7	1.5	+0.7 pp
RESOURCES (NUMBER, EOP)						
Acting commercial banks at the end of the period	23	25	25	24	24	-2

Source: Bulgarian National Bank
[1] Provisions flow / Avg gross loans

MARKET POSITIONING

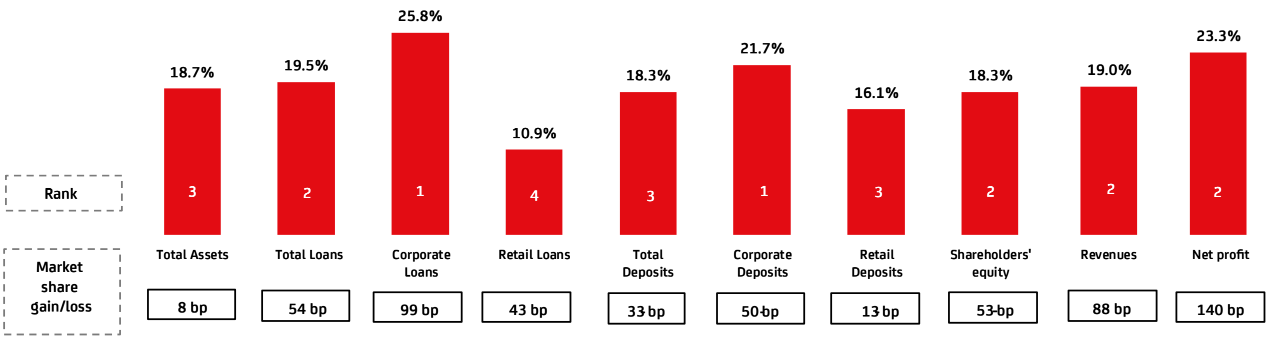
Being the only one bank growing fully organically in the past decade (DSK, UBB and Postbank all participated in M&A), **Unicredit Bulbank** successfully managed to preserve its **leading position** on the Bulgarian banking market closing 2023 as **market leader** in corporate, the **most active** Retail bank and **the most efficient** bank (keeping the lowest Cost / Income ratio) in Bulgaria generating roughly ¼ of Banking System's 2023 Net profit, thus **outperforming the main peers** in all the key lines of Revenues growth y/y (NII, Fees and Non-Interest Income).

Unicredit Bulbank continued to be **one of the best liquid and capitalized banks** (CET 1 at 20.02% - stand-alone) with a **record Net Profit** at BGN 806.7 mln, growth of 73.2% y/y (stand-alone). Moreover, UCB sustainably **outperformed the market** in ROA and ROE for another year in a row, achieved **increasing market shares** in Assets and Loans, and marked **the highest y/y improvement** of Cost / Income ratio compared to main peers.

The success of the bank was underpinned by its diversified business model and its solid financial foundations with a very robust capital and liquidity position and strong risk discipline. **Highest ever new loans volumes production in both Corporate and Retail**, decreasing NPE ratio, lower loan loss provisions benefitting from a sustainable business origination and prudent risk approach, excellent excess liquidity management, further acceleration of our efforts in the digital area, streamlined liquidity optimization policy of the Bank as well as focus on capital light fee generating products, were **the key drivers for the extraordinary results.**

The **strong market position** originates from the sustainable business strategy, outstanding reputation and customer centric commercial approach. It involves constant focus for creating a positive customer experience as well as focus on innovations in all areas. The digitalization of products and services, streamlining processes and efficiency continue to be top priority for the bank.

Market Shares



Source: Regulatory financial statements and Monetary Statistics of UniCredit Bulbank and BNB.

Serving more than 1 million customers through a branch network of 130 units UniCredit Bulbank is part of UniCredit, successful Pan European Commercial Bank, delivering a unique Western, Central and Eastern European network to its extensive and growing client franchise. UniCredit Bulbank's synergies with its parent are very strong, thus building another competitive advantage especially in terms of robust positioning in international businesses.

In 2023 in **Total Assets**, UCB achieved 18.7% market share, +8 bps y/y (+11.2% y/y vs growth of 10.7% for the Banking System).

UCB keeps higher Market Share in **Shareholders' Equity** at 18.3% as of Dec 2023 supported by the strong Net Profit.

UCB's CET1 capital ratio remained much higher (20.02% as of Dec'23) than the minimum BNB requirement of 13.00% (including applicable capital buffers) and was further supported by a net profit of BGN 806,7 mln.

Based on a specially tailored commercial approach, oriented to establish a long-term relation with both corporate and individual customers, **UCB** continues to be one of the **Top Market Lenders** with a market share of 19.5% in Total Gross Loans (or 19.9% if including the business, generated mainly through the Bank's subsidiary specialized in consumer financing – UniCredit Consumer Financing (UCFin).

Real GDP in 2023 is estimated to consolidate at around 1.9% y/y. Both Banking System and UCB achieved a positive y/y lending growth above the level of GDP (lending growth of 11.9% for Banking System vs growth of 15.1% for UniCredit Bulbank).

From a commercial perspective, in 2023 **the Bank achieved the highest ever new volume production in both Corporate and Retail Loans**.

In **Corporate Loans** sector UCB continues to be absolute **market leader** with 25.8% market share. The Bank remained the main partner of companies operating in Bulgaria as indicated by the indisputable leadership position in the sector of non-financial corporations, where the Bank holds above 1/5 of total exposure in the banking system (21.3% market share as of Dec'23, growth of 29 bps y/y).

Despite the challenging business activity and following a strict risk discipline, in **Retail Loans**, **UniCredit Bulbank** (including UCFin) **outperformed the Banking System** achieving growth of 22.4% y/y vs growth of 16.5% for Banking System (+82 bps to 17.0% market share, **the highest ever** after **24 consecutive months of increasing market share**) supported by a sustainable **double digit growth** in both Mortgage and Consumer Loans. Moreover, amongst top peers, UCB is ranked as the bank achieved the highest y/y growth in Retail Loans and is the only one marked more than 20% growth. Thanks to continuous processes' simplification, new service model implementation, **UCB outperforming the Banking System** achieved growth of 22.1% y/y in **Mortgage Loans** achieving market share of 20.0% and above the market share of total Retail Loans (including UCFin). **Consumer Loans** (including UniCredit Consumer Financing's contribution) outperformed the market achieving growth of 22.9% y/y vs growth of 13.0% for Banking System (+114 bps to 14.2% market share). In 2023, the Bank achieved **the best ever** new loans volumes production of consumer and mortgage loans.

In 2023 **UCB** continues to be amongst **the most trusted banks on the Deposit market**, achieving a moderate growth of 7.2% y/y (market share at 18.3%).

In **Retail deposits** the bank recorded growth of 10.2% y/y vs growth of 11.0% for the market, market share reached 16.1%, -13 bps y/y. Deposits' trend was in line with bank's strategic target to optimize the level of excess liquidity as well as to redirect customer's fund to the investment products offered on financial markets.

Within **Corporate segment** UCB remains indisputable market leader with market share of 21.7%(-50 bps y/y) keeping its distinguished position vs the second largest competitor at more than BGN 1 billion.

In an environment of ongoing consolidation of the banking sector, which favored economies of scale of UCB's competitors and the system as a whole, **UniCredit Bulbank growing fully organically** continues to be **the most efficient bank in Bulgaria** keeping its Cost to Income Ratio below the market average and main competitors (27.5% for UCB vs 36.1% for the Market).

Although the challenging market environment, UniCredit Bulbank kept its market share in Revenues stable at 19.0% (+88 bps y/y), **above** the market share in Total Assets at 18.7%.

With a **Net Profit of BGN 806.7 mln**, the Bank accumulated almost 1/4 from Banking System's 2023 Net Profit for another year in a row (23.6% market share, growth of 120 bps y/y), **outperforming** the Market Average in terms of all fundamental efficiency and profitability indicators: ROA, ROE, Net Profit Margin and Cost to Income Ratio and kept significantly lower NPE ratio.

UNICREDIT BULBANK ACTIVITY REVIEW

Unconsolidated Financial Results

On a backdrop of macroeconomic uncertainty, the continuing world military conflicts and ongoing consolidation of Bulgarian banking sector, UniCredit Bulbank successfully managed to strengthen its profitability reaching a remarkable growth of 73.2% y/y in Net profit, thanks to better performance in all revenue lines.

Focus on creating positive customer experience, digitalization, diversifying the product and service's offer, building lean processes along with its excellent reputation helped **UniCredit Bulbank to mark another year of success.**

In 2023 **Operating income** increased by 37.7% over 2022, amounting to BGN 1 216 mln, growing organically with main contributors net interest income, net fees and commissions and net income from derivative instruments.

The major source of operating income growth was **Net interest income** at BGN 708.1 mln with increase by 66.8% y/y, supported by growth in lending volumes, optimized excess liquidity volumes incl. through increased bond's investments and more income from derivatives, partially offset by the gradual increase in deposits' rates.

Net fees and commission income (BGN 280.9 mln), up by 9.8 y/y, thanks to growth in all main categories: fees from transactional services (collections and payments services as well as account services and packages), fees from financial services as well as from brokerage services. The growth was triggered by increased economic activity in the country as well as by dedicated commercial actions of business divisions especially on high value added financial services areas (trade finance, investment products, corporate finance advisory, etc.).

Net gains on financial assets and liabilities held for trading and hedging derivatives (incl. FX revaluation) also increased by 30.7% y/y to BGN 137.1 mln, due to higher net income from derivative instruments and high results from customer-driven FX sales gains, while **Dividends and net gains/(losses) from financial assets mandatorily at fair value and at fair value through other comprehensive income** reported a decrease by 8.0% y/y.

Other operating income/expense, net are in the amount of BGN -18.9 mln, where the main contributors in 2023 are the expenses for the Deposit guarantee fund and Resolution and restructuring fund annual contributions.

Operating expenses (BGN -349.9 mln) increased by 15.4% y/y, coming from: staff expenses, related to inflation salary adjustments and selective salary review; depreciation costs, related to various transformation and digitalization strategic projects. Annual increase of other administrative expenses is driven by the higher ICT expenses, linked to costs for design and implementation of new business and strategy functionalities; expenses, related to money counting services and transport; as well as the higher advertising and marketing expenses.

In thousands of BGN

INCOME STATEMENT	YEAR		CHANGE	
	2023	2022	%	AMOUNT
Net interest income	708057	424532	66.8%	283525
Net fee and commission income	280932	255851	9.8%	25081
Net gains on financial assets and liabilities held for trading and hedging derivatives	137111	104920	30.7%	32191
Dividend income and net gains from financial assets MFVPL and at FVTOCI	108763	118247	(8.0%)	(9484)
Other operating income/expenses, net	(18913)	(20286)	(6.8%)	1373
OPERATING INCOME	**1215950**	**883264**	**37.7%**	**332686**
Operating expenses	(349932)	(303196)	15.4%	(46736)
GROSS OPERATING PROFIT	**866018**	**580068**	**49.3%**	**285950**
Net impairment (loss)/reversal on financial assets	20437	(87912)	(123.2%)	108349
Provisions for risk and charges	(2660)	(1980)	34.3%	(680)
Income from property, plant and equipment	-1	15240	(100.0%)	(15241)
Income tax expense	(77099)	(39531)	95.0%	(37568)
NET PROFIT	**806695**	**465885**	**73.2%**	**340810**

REVENUE STRUCTURE	YEAR	
	2023	2022
Net interest income	58%	48%
Net fee and commission income	23%	29%
Net income from dividends, trading income, hedging derivatives and investment securities and other net operating income/expenses	19%	23%
OPERATING INCOME	**100%**	**100%**

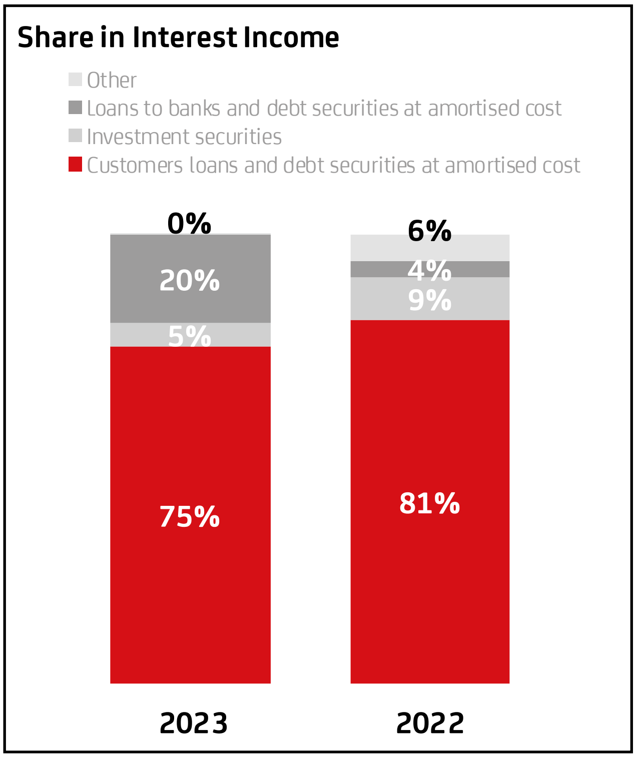
In line with the trend in Operating income, **Gross operating profit** rose by 49.3% to BGN 866.0 mln.

As of December 2023 **Net Impairment (loss)/reversal on financial assets** represented a positive amount of BGN +20.4 mln, supported by update of the risk profile (ratings) of large projects and releases from recoveries in NPE portfolio in a favorable macro environment.

Unconsolidated Financial Results (continued)

In 2023 **Net interest income** (BGN 708.1 mln) remained the **major item in revenues composition** for UniCredit Bulbank, rising its share to 58% (48% in 2022). However, the share of non-interest income decrease to 42% in 2023 vs 52% in 2022.

Interest income calculated using the effective interest method (BGN 802.8 mln) increased by 73.5% y/y and is primarily earned from the lending business, which accounted for 75% of total interest income, affirming the Bank's strategic focus on commercial banking and the commitment to the local economy.



Interest income from customer loans and debt securities (BGN 602.7 mln) increased by 60.9% y/y, while **interest income from investment securities** (BGN 40.5 mln) dropped by 6.2% y/y and accounted for 5% from interest income (compared to 9% in 2022). In 2023 **interest income from loans and advances to banks and debt securities** significantly increased and amounted to BGN 159.5 mln at the end of the year and marked 20% from interest income (compared to 4% in 2022).

Interest expenses (BGN -94.8 mln) increased by 148.5% y/y, where the main contributor is the y/y increase in **interest expense on issued debt securities** (BGN -53.2 mln in 2023, representing 56% of total interest expenses vs 14% for 2022) and in **interest expense on deposits from banks** (BGN -31.7 mln in 2023, representing 33% of total interest expenses vs 13% for 2022). **Interest expenses on customer deposits** (BGN -8.2 mln) also reported an annual growth and accounted for 9% of total interest expenses (4% in 2022). **Interest expenses on derivatives used for hedging** (BGN -1.4 mln) considerably declined by 89.2% y/y, reaching a share in total interest expenses of 1% (33% in 2022). **Interest expenses on assets** marked a decrease of 97.9% y/y.

In 2023, besides the general recovery of economic activity, the Bank continued it's strong focus on deepening the penetration in capital light fee generating products. Partnership programs in the area of investment products, adding new functionalities to the digital channels and further enhancements of cards business continued to be the key drivers for enlarging fee-generating product portfolio. All this, along with the traditional strong synergy with the external product factories for consumer financing and leasing made the net fees and commissions income again one of the key driver for revenue growth.

Net fee and commission income (BGN 280.9 mln) accounts for 23% of total operating income and recorded a growth of 9.8% y/y, mainly in fees on accounts services and packages by 16.0% y/y, induced by the resuming increased business activity during the year; net fee for collection and payment services stated 8.9% growth y/y, followed by fees from financial and brokerage services with 7.2% y/y growth and other net fees and commissions increased by 6.5% y/y.

Operating expenses increased annually by 15.4%, which is driven by: a growth of 11.5% y/y for **personnel costs** (reaching BGN -178.0 mln), in line with the general labor market trends for inflation salary review and adjustments; **General and administrative expenses** (BGN -112.4 mln) increased by 18.1% y/y, as above stated mainly due to higher ICT expenses; costs, related to money counting services and transport; as well as the higher advertising and marketing expenses. **Expenses for amortization, depreciation and impairment losses on tangible and intangible fixed assets, investment properties and assets held for sale** grew by 23.0% y/y to BGN – 59.5 mln, due to investments in new business and operational strategic projects.

At the end of 2023 NPE ratio decreased to 2.5%, 0.6 pp better vs. a year ago (3.1%). NPE coverage ratio marked 75.9% (82.2% in 2022).

Profit before tax recorded a remarkable positive development of 74.9% y/y, reaching BGN 883.8 mln and as a result **Net profit after tax** reached BGN 806.7 mln (+73.2% y/y), which represents more than 20% from the Net profit of the Bulgarian banking system.

Unconsolidated Assets and Liabilities

In terms of **Total assets** the Bank recorded a growth of 11.2% y/y, reaching BGN 32 125 mln. In 2023 the balance sheet trends were driven by the Bank's strategy for liquidity optimization and organic growth. Total assets development was supported by the increase in customer deposits (+7.0% y/y). However, on the

Unconsolidated Financial Results (continued)

In thousands of BGN

STATEMENT OF FINANCIAL POSITION STRUCTURE	YEAR		CHANGE	
	2023	2022	%	AMOUNT
ASSETS				
Cash and balances with Central Bank	6 069 757	7 070 403	(14.2%)	(1 000 646)
Investment securities and non-derivative financial assets held for trading	2 193 660	2 537 085	(13.5%)	(343 425)
Derivatives held for trading and held for hedging	177 868	247 565	(28.2%)	(69 697)
Loans and advances to banks and debt securities at amortised cost	2 787 613	1 282 131	117.4%	1 505 482
Loans and advances to customers and debt securities, net	20 397 934	17 267 825	18.1%	3 130 109
Property, plant, equipment, right of use assets and investment properties	234 426	238 781	(1.8%)	(4 355)
Intangible assets and other assets	263 241	245 320	7.3%	17 921
TOTAL ASSETS	**32 124 499**	**28 889 110**	**11.2%**	**3 235 389**
LIABILITIES AND EQUITY				
Deposits from banks	1 583 312	1 577 699	0.4%	5 613
Deposits from customers and other financial liabilities at amortized cost	24 863 665	23 231 250	7.0%	1 632 415
Financial liabilities held for trading, derivatives used for hedging and fair value changes of the hedged items	244 706	275 135	(11.1%)	(30 429)
Debt sequrities issued	1 401 400	313 701	346.7%	1 087 699
Other liabilities	369 401	239 332	54.3%	130 069
TOTAL LIABILITIES	**28 462 484**	**25 637 117**	**11.0%**	**2 825 367**
SHAREHOLDERS' EQUITY	**3 662 015**	**3 251 993**	**12.6%**	**410 022**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**32 124 499**	**28 889 110**	**11.2%**	**3 235 389**

assets side a significant increase of net customer loans and debt securities was recorded (+18.1%), reinforced by loans to banks and debt securities at amortized cost.

Net loans and advances to customers, incl. debt securities increased to BGN 20 398 mln, primarily component related to loans and advances to customers at amortized costs (more than 15% of y/y growth). The production of the consumer lending to individuals continued to be performed via the Bank's specialized subsidiary – UniCredit Consumer Financing. As a result of this strong growth, **net loans and advances to customers, incl. debt securities** already constitute more than half (63%; + 3.7 pp y/y) of the total assets of the Bank, confirming its strategic commitment on **sustainable development of traditional commercial banking**.

Investment securities portfolio (investment securities, pledged investment securities and non-derivative financial assets held for trading) decreased to BGN 2 194 mln, (-13.5% y/y) and occupied a share in total assets of 7% (9% in 2022). Almost the entire portfolio comprised of Bulgarian government bonds.

In 2023 **Net loans and advances to banks and debt securities at amortised cost** striking an increase of 117.4% y/y to BGN 2 788 mln, where the major contributor is the loans and advances to banks. At the end of 2023 this position represented 9% of Total assets from 4% in 2022.

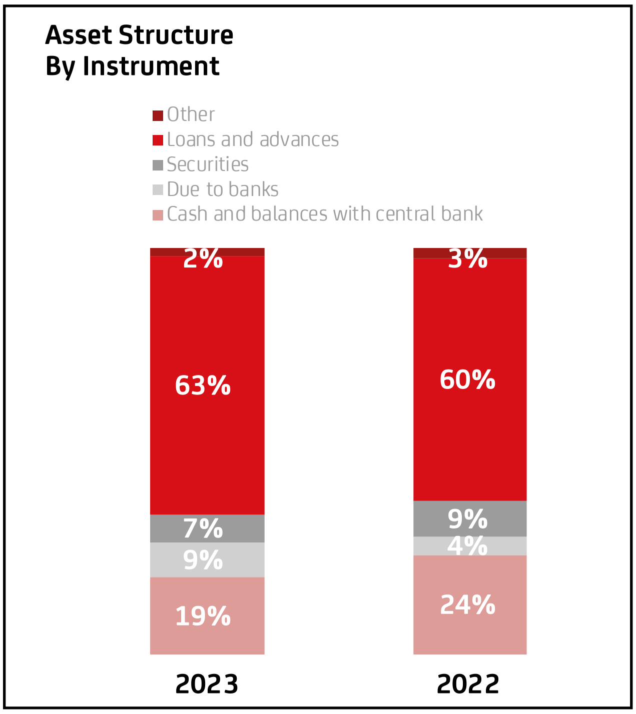
Intangible assets and other assets are at the amount of BGN 263 mln (1% share of total asset) and comprise of other items on the asset side of the statement of financial position, such as intangible assets; investments in subsidiaries and associates; current tax assets; non-current assets and disposal groups classified as held for sale; other assets, mainly receivables and prepayments, and foreclosed properties.

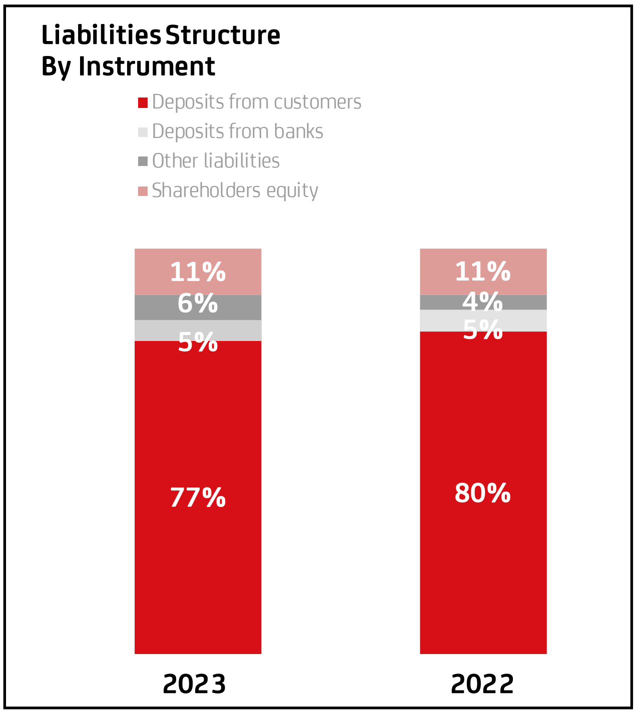
Customer deposits and other financial liabilities at amortized cost reached BGN 24 864 mln and kept their very high share in total liabilities (excl. equity) of 87%. Thus, the Bank affirms its self-funding profile. Taking advantage of the banking system liquidity, its strong market position and impeccable reputation, UniCredit Bulbank achieved growth in customer deposits of 7.0% y/y, in both segments Retail and Corporate. In 2023 **Net loans/deposits ratio** increased to 82% (74% in 2022).

Deposits from banks at the amount of BGN 1 583 mln, remaining with insignificant share in total liabilities (6% in 2023 and 2022).

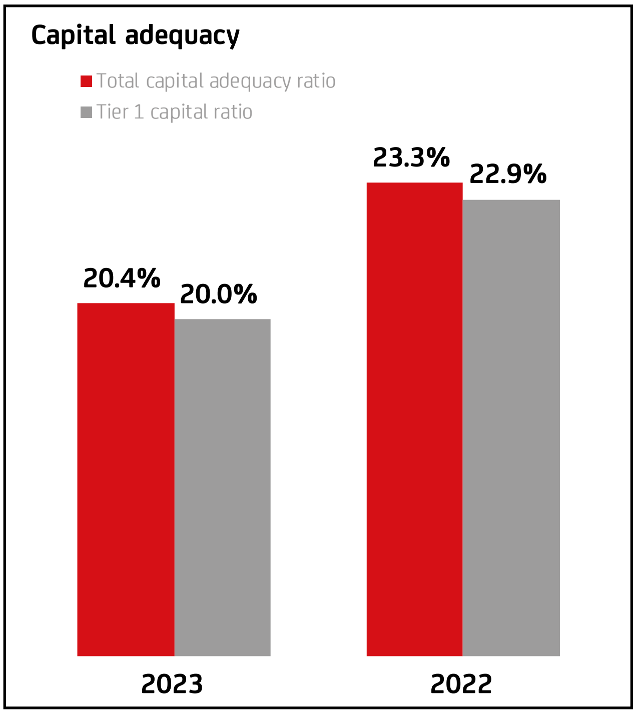
Shareholders' equity reached BGN 3 662 mln, with 11% share in total liabilities and equity and increase of 12.6% y/y.

Unconsolidated Financial Results (continued)





In compliance with Basel III (CRD IV) regulatory framework, in 2023 UniCredit Bulbank fulfilled **with significant excess** the minimum requirements including regulatory buffers of 16.5% for total capital adequacy ratio and 14.5% for Tier 1 ratio. The **total capital adequacy ratio registered 20.4%** and **Tier 1 ratio reached 20.0 %**. The comparable levels of total and Tier I capital adequacy indicate the **high quality of the capital instruments – i.e. mainly Tier I eligible ones**.



Unconsolidated Financial Results (continued)

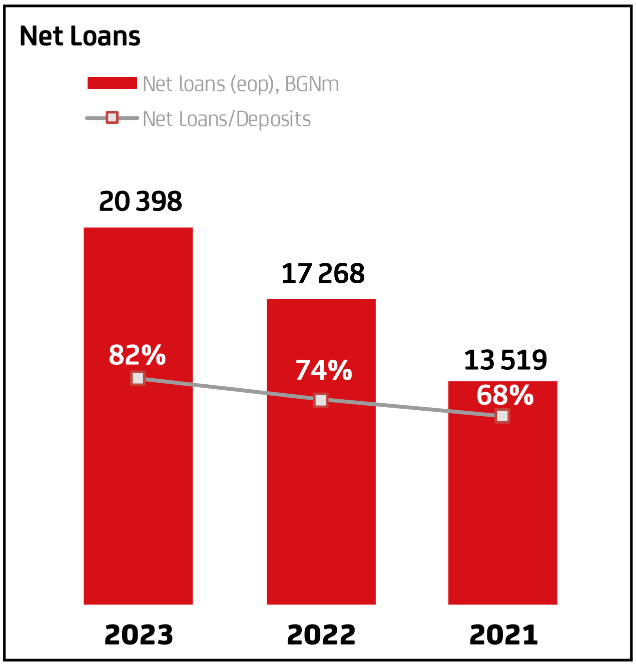
Customer Loans

While managing to be the most active Bank on the loans market in 2023 Unicredit Bulbank growing fully organically and relentlessly **supported its clients and the real economy.** We worked together in a rapidly changing business environment, always supporting our customers and protecting our people. **The commercial initiatives were addressed to providing a comprehensive range of financing products** tailored for the specific needs of the customer and covering the full range of not only banking services but also leasing and consumer financing solutions.

UniCredit Bulbank affirmed its leading market position with **net customer loans, incl. debt securities** at the amount of BGN 20 398 mln and **gross customer loans, incl. debt securities,** amounting to BGN 21 080 mln. The Bank continued to be one of the biggest players on the Bulgarian lending market with a share of 19.5%.

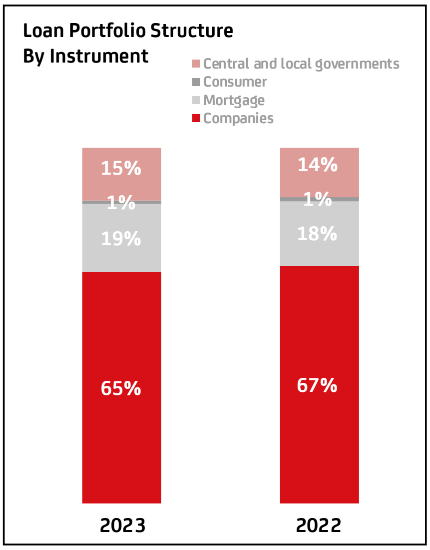
Loans to companies and central and local government represented the largest portion (80%) of the Bank's loan portfolio and amounted to BGN 16 839 mln, up by 16.0% y/y. With regard to corporate customers, the Bank is indisputable leader and continuously facilitated sound businesses initiatives and profitable projects. The differentiated strategy by corporate sub-segments, along with the long-term trusted relationships and high quality of risk management resulted in effective financing solutions for the customers. **Loans to individuals** amounted to BGN 4 241 mln, rose by 20.6% y/y, representing 20% share of total loans. In 2023 mortgage loans marked a positive trend of 22.2% y/y, reaching BGN 4 033 mln. Their share in loans to individuals increased to 95% (19% share in total loans).

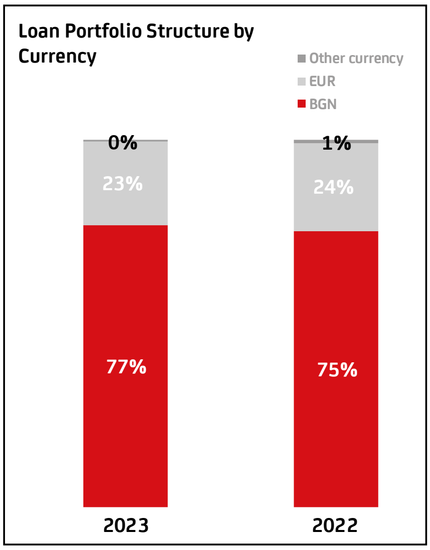
At the end of 2023 loans in BGN grew by 6.2% y/y and keeping

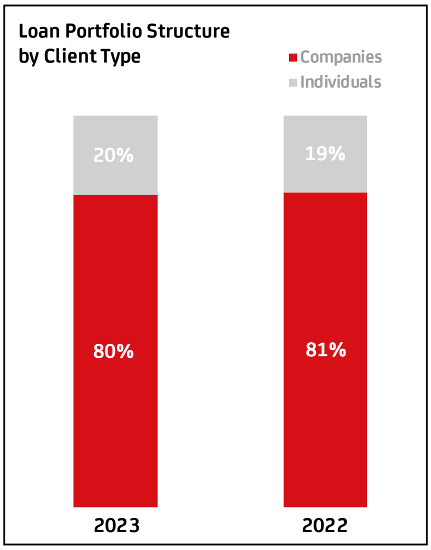


their share at 77% of Bank's gross loan portfolio. The share of loans in EUR stayed flat at 23% in the end of 2023, while the loans in other currencies remained immaterial with less than 1% share.

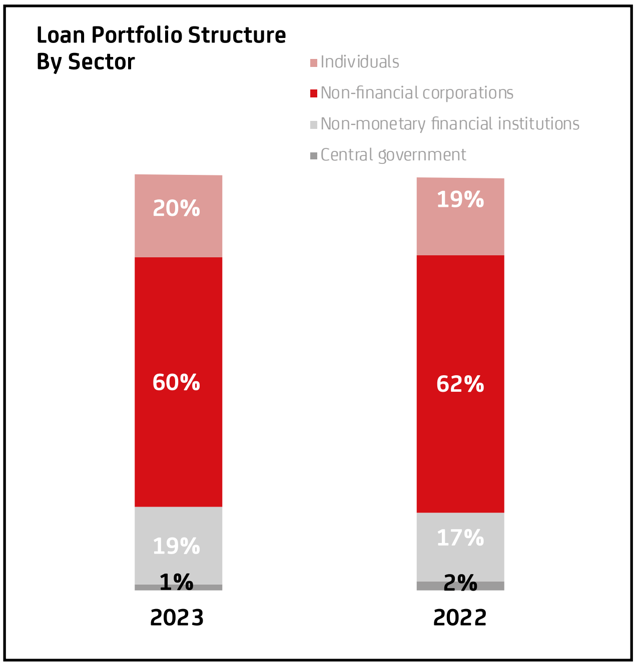
Regarding the **structure by economic sectors**, over the course of the past 12 months, loans granted to non-financial corporations represented the largest portion in the total loans volume. They took the share of 60%, while the loans to non-banking financial institutions increased its share to 19%. The share of loans to individuals represented 20% of total loans portfolio, while the







Unconsolidated Financial Results (continued)

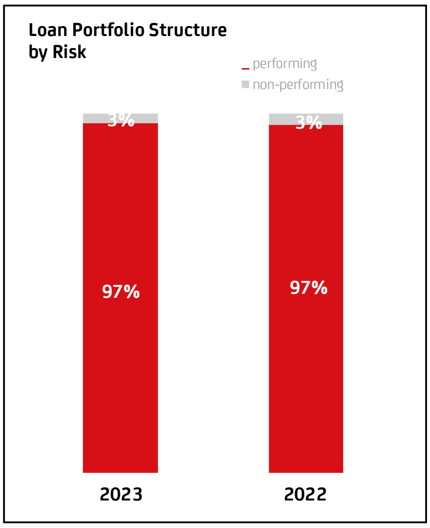


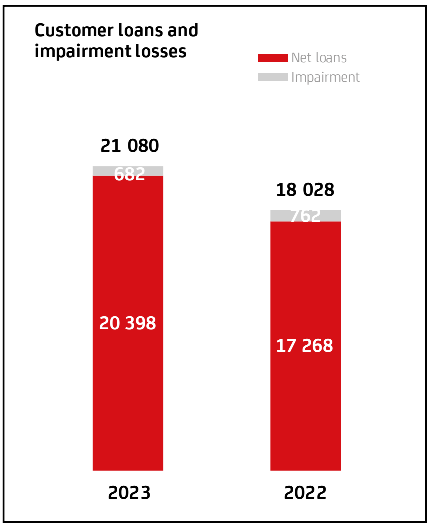
loans to central government remained at 1% in 2023.

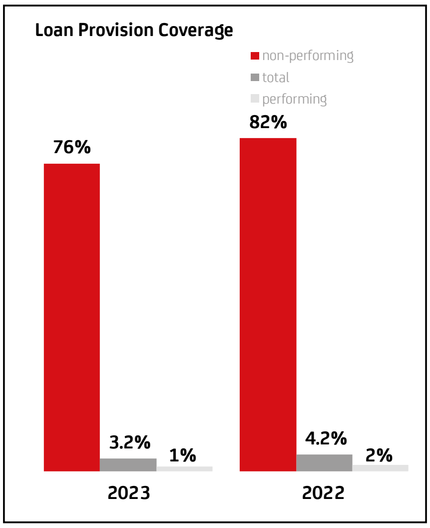
Despite the challenging macroeconomic scenario the Bank continued to observed its strategic goals related to **assets quality** activities. Benefitting from a continued disciplined risk approach the performing loans portfolio stayed at 97% (+17.7% y/y growth) and amounted to BGN 20 546 mln. On the other hand, the non-performing loans decreased by 5.7% y/y to BGN 534 mln.

As of December 2023 the Bank reported NPE ratio at 2.5%. The loan loss provision coverage of non-performing exposures decreased by 628 bp and stated 75.9%. Total loan loss impairment allowances drop by 10.5% on an annual basis and reached BGN 682 mln. Total coverage ratio is set at 3.2% (4.2% for 2022).

In terms of industry structure at the end of 2023 the most significant growth in share was achieved by sector Financial services (increase by BGN 939 mln y/y), followed by Sovereign (BGN 649 mln). In line with the Bank's strategy, Housing loans registered an increase by 22.2% y/y. At the end of 2023 the largest areas of concentration were Financial services (19%), Sovereign (15%) and Housing loans (19%).







Thousands of BGN

INDUSTRY STRUCTURE	2023		2022	
	AMOUNT	SHARE	AMOUNT	SHARE
Financial services	4 105 762	19%	3 167 175	18%
Sovereign	3 145 899	15%	2 496 637	14%
Manufacturing	2 960 485	14%	2 694 948	15%
Commerce	2 802 024	13%	2 684 298	15%
Construction and real estate	1 788 294	8%	1 653 985	9%
Transport and communication	681 615	3%	686 410	4%
Agriculture and forestry	503 543	2%	492 013	3%
Services	481 540	2%	352 816	2%
Tourism	372 058	2%	288 239	2%
Retail (individuals)	**4 240 632**	**20%**	**3 515 056**	**19%**
Housing loans	4 032 518	19%	3 300 749	18%
Consumer loans	136 378	1%	161 110	1%
Other	71 736	0%	53 197	0%
TOTAL LOAN PORTFOLIO	21 081 852	100%	18 031 577	100%

Unconsolidated Financial Results (continued)

Customer Deposits

UniCredit Bulbank confirmed its position as one of the major contributors on the market of customer deposits with **18.3% market share** leveraging on its distinguished reliability and faithfulness.

In 2023 UniCredit Bulbank's **Deposits from customers and other financial liabilities at amortized cost** grew by 7.0% y/y to BGN 24 864 mln supported by both Retail and Corporate segments, where the Bank continues to be one of the most trusted and preferred banks.

UniCredit Bulbank became the Bank of choice for the individual clients and companies thanks to its undisputable safety and stability as well as excellent reputation.

In terms of **clients type**, deposits of Individuals had an upward momentum of 9.8% y/y, ending 2023 at BGN 13 126 mln and the company's deposits (incl. budget and state deposits, leases and factoring related liabilities) registered an significant increase of 4.1% y/y to BGN 11 738 mln. In 2023 the share of Individuals deposits reported 53% in customer deposits, compared to 47% share of deposits from companies, signaling once again the solid funding profile of UniCredit Bulbank with well-diversified and stable deposits franchise.

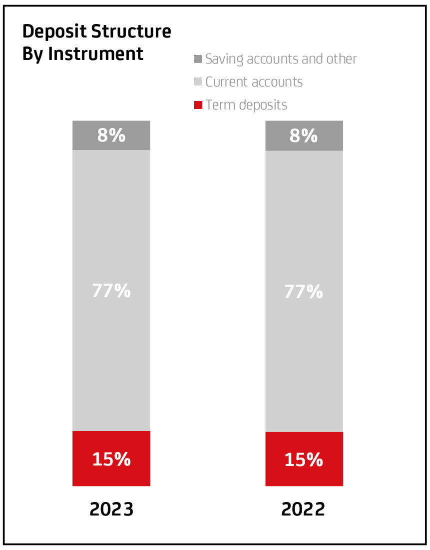
With regard to the **product structure**, current accounts increased by 7.1% y/y and remained its share at 77% year-end. Term deposits increased by 8.2% y/y, with 15% share in total funds. Saving and other accounts remain with 8% share similar to prior year level.

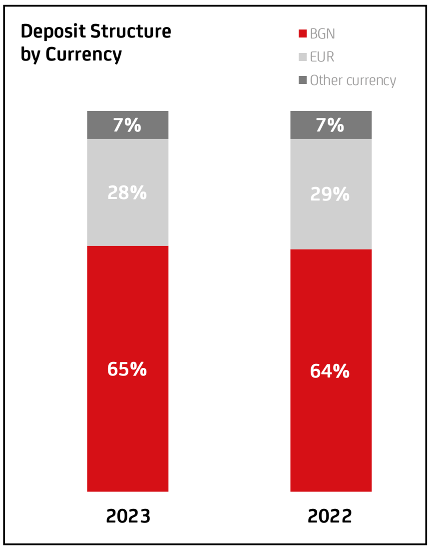
In terms of **currency distribution,** the structure of deposits remained balanced, 65% share of BGN denominated deposits vs 35% in EUR and other currencies. The growth of the deposit base is predominantly driven by BGN denominated deposits which increased by 8.7% y/y, while those in other currencies grew by 10.2% y/y.

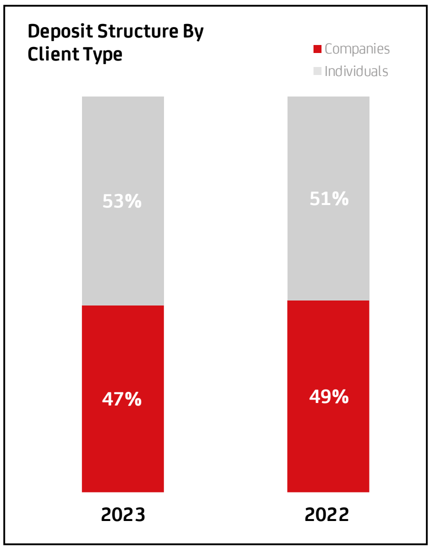
Following customer behavior trends, the Bank continuously enriched its product portfolio. Besides the standard deposits, a variety of long-term investment and saving solutions are offered to customers, such as structured deposits, mutual funds of Amundi Investments, life insurances and pension funds of Allianz.

Events after the reporting period

There are no significant events after the reporting period with effect on the financial statements as of December 31, 2023.







Consolidated Financial Results

As of 31 December 2023 UniCredit Bulbank's subsidiaries and associates (UniCredit Bulbank Group, the Group), their consolidation method and the respective participation in their equity are presented as follows:

COMPANY	PARTICIPATION IN EQUITY	CONSOLIDATION METHOD
UniCredit Consumer Financing EAD	100.0%	Full consolidation
UniCredit Leasing Group	100.0%	Full consolidation
UniCredit Factoring EAD	100.0%	Full consolidation
UniCredit Fleet Management EOOD	100.0%	Full consolidation
Cash Service Company AD	25.0%	Equity method

The **consolidated net profit** of UniCredit Bulbank Group for 2023 marked BGN 789.9 mln, reaching a remarkable growth of 71.6% y/y, driven by better performance in all revenue lines.

Focus on creating positive customer experience, digitalization, diversifying the product and service's offer, building lean processes along with its excellent reputation helped **UniCredit Bulbank Group to mark another year of success.**

In 2023 **Operating income** increased by 35.6% over 2022, amounting to BGN 1 309 mln, growing organically with main contributors net interest income, net fees and commissions and net income from derivative instruments.

The major source of operating income growth was **Net interest income** at BGN 890.8 mln with increase by 52.4% y/y, supported by growth in lending volumes, optimized excess liquidity volumes incl. through increased bond's investments and more income from derivatives, partially offset by the gradual increase in deposits' rates.

Net fees and commission income (BGN 285.9 mln), up by 7.7% y/y, thanks to growth in all main categories: fees from transactional services (collections and payments services as well as account services and packages), fees from financial services as well as from brokerage services. The growth was triggered by increased economic activity in the country as well as by dedicated commercial actions of business divisions especially on high value added financial services areas (trade finance, investment products, corporate finance advisory, etc.).

Net gains on financial assets and liabilities held for trading and hedging derivatives (incl. FX revaluation) also increased by 30.7% y/y to BGN 137.1 mln, due to higher net income from derivative instruments and high results from customer-driven FX sales gains, while **Dividends and net gains/(losses) from financial assets mandatorily at fair value and at fair value through other comprehensive income** reported y/y decrease by BGN -6.6 mln.

Other operating income/expense, net are in the amount of BGN -5.1 mln, where the main contributors in 2023 are the expenses for the Deposit guarantee fund and Resolution and restructuring fund annual contributions.

Operating expenses (BGN -407.6 mln) increased by 14.3% y/y, coming from: staff expenses, related to inflation salary adjustments and selective salary review; depreciation costs, related to various transformation and digitalization strategic projects. Annual increase of other administrative expenses is driven by the higher ICT expenses, linked to costs for design and implementation of new business and strategy functionalities; expenses, related to money counting services and transport; as well as the higher advertising and marketing expenses.

In thousands of BGN

INCOME STATEMENT	YEAR		CHANGE	
	2023	2022	%	AMOUNT
Net interest income	890 804	584 328	52.4%	306 476
Net fee and commission income	285 905	265 482	7.7%	20 423
Net gains on financial assets and liabilities held for trading and hedging derivatives	137 111	104 920	30.7%	32 191
Dividend income and net gains from financial assets MFVPL and at FVTOCI	(108)	6 528	(101.7%)	(6 636)
Other operating income/expenses, net	(5111)	3 550	(244.0%)	(8 661)
OPERATING INCOME	**1 308 601**	**964 808**	**35.6%**	**343 793**
Operating expenses	(407 647)	(356 594)	14.3%	(51 053)
GROSS OPERATING PROFIT	**900 954**	**608 214**	**48.1%**	**292 740**
Net impairment loss on financial assets	(22 243)	(112 465)	(80.2%)	90 222
Provisions for risk and charges	(1 071)	243	(540.7%)	(1 314)
Income from property, plant and equipment	22	15 196	(99.9%)	(15 174)
Income tax expense	(87 778)	(50 757)	72.9%	(37 021)
NET PROFIT	**789 884**	**460 431**	**71.6%**	**329 453**

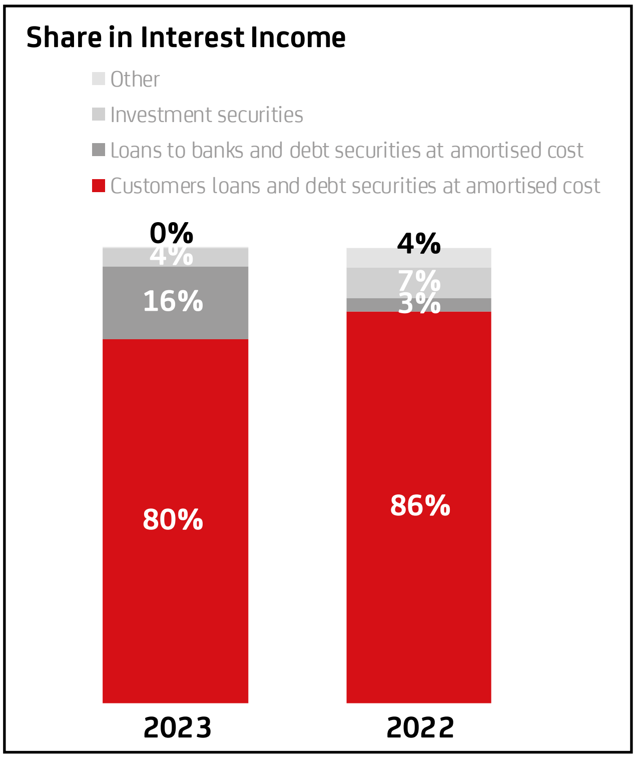
Consolidated Financial Results (continued)

In line with the trend in Operating income, **Gross operating profit** rose by 48.1% to BGN 901 mln.

As of December 2023 **Net Impairment loss on financial assets** is at the amount of BGN -22.2 mln (down by 80.2% y/y), supported by update of the risk profile (ratings) of large projects and releases from recoveries in NPE portfolio in a favorable macro environment.

REVENUE STRUCTURE	YEAR	
	2023	2022
Net interest income	68%	61%
Net fee and commission income	22%	28%
Net income from dividends, trading income, hedging derivatives and investment securities and other net operating income/expenses	10%	11%
OPERATING INCOME	**100%**	**100%**

In 2023 **Net interest income** (BGN 890.8mln) remained the **major item in revenues composition** for UniCredit Bulbank, rising its share to 68% (61% in 2022). However, the share of non-interest income decrease to 32% in 2023 vs 39% in 2022.



Interest income calculated using the effective interest method (BGN 988.7 mln) increased by 58.1% y/y and is primarily earned from the lending business, which accounted for 80% of total interest income, affirming the Bank's strategic focus on commercial banking and the commitment to the local economy.

Interest income from customer loans and debt securities (BGN 788.7 mln) increased by 46.7% y/y, while **interest income from investment securities** (BGN 40.5 mln) dropped by 6.2% y/y and accounted for 4% from interest income (compared to 7% in 2022). In 2023 **interest income from loans and advances to banks and debt securities** significantly increased and amounted to BGN 159.5 mln at the end of the year and marked 16% from interest income (compared to 3% in 2022).

Interest expenses (BGN -97.9 mln) increased by 137.9% y/y, where the main contributor is the y/y increase in **interest expense on issued debt securities** (BGN -53.2 mln in 2023, representing 54% of total interest expenses vs 13% for 2022) and in **interest expense on deposits from banks** (BGN -33.3 mln in 2023, representing 34% of total interest expenses vs 16% for 2022). **Interest expenses on customer deposits** (BGN -9.8 mln) also reported an annual growth and accounted for 10% of total interest expenses (8% in 2022). **Interest expenses on derivatives used for hedging** (BGN -1.4 mln) considerably declined by 89.2% y/y, reaching a share in total interest expenses of 1% (30% in 2022). **Interest expenses on assets** marked a decrease of 97.9% y/y.

In 2023, the Group continued it's strong focus on deepening the penetration in capital light fee generating products. Partnership programs in the area of investment products, adding new functionalities to the digital channels and further enhancements of cards business continued to be the key drivers for enlarging fee-generating product portfolio. All this, along with the traditional strong synergy with the external product factories for consumer financing and leasing made the net fees and commissions income again one of the key driver for revenue growth.

Net fee and commission income (BGN 285.9 mln) accounts for 22% of total operating income and recorded a growth of 7.7% y/y, mainly in fees on accounts services and packages by 16.0% y/y, induced by the resuming increased business activity during the year; net fee for collection and payment services stated 8.1% growth y/y; net fees from financial and brokerage services reported 11.2% y/y growth, while other net fees and commissions decreased by -39.9% y/y.

Operating expenses increased annually by 14.3%, which is driven by: a growth of 10.7% y/y for **personnel costs** (reaching BGN -201.3 mln), in line with the general labor market trends for inflation salary review and adjustments; **General and administrative expenses** (BGN -120.7 mln) increased by 17.2% y/y, as above stated mainly due to higher ICT expenses; costs, related to money counting services and transport; as well as the higher advertising and marketing expenses. **Expenses for amortization, depreciation and impairment losses on tangible and intangible fixed assets, investment properties and assets held for sale** grew by 19.2% y/y to BGN – 85.7 mln, due to investments in new business and operational strategic projects.

Consolidated Financial Results (continued)

At the end of 2023 NPE ratio decreased to 3.0%, 0.7 pp better vs. a year ago (3.7%). NPE coverage ratio marked 74.2% (80.6% in 2022).

Profit before tax recorded a remarkable positive development of 71.7% y/y, reaching BGN 877.7 mln and as a result **Net profit after tax** marked +71.6% y/y.

Consolidated Assets and Liabilities

In terms of **Total assets** the Group recorded a growth of 10.8% y/y, reaching BGN 32 460 mln. In 2023 the balance sheet trends were driven by the strategy for liquidity optimization and organic growth. Total assets development was supported by the increase in customer deposits (+6.8% y/y). However, on the assets side a significant increase of net customer loans and debt securities was recorded (+17.3%), reinforced by loans to banks and debt securities at amortized cost.

Net loans and advances to customers, incl. debt securities and finance leases increased to BGN 20 653 mln, primarily component related to loans and advances to customers (more than 14% of y/y growth). The production of the consumer lending to individuals continued to be performed via the Group's specialized subsidiary – UniCredit Consumer Financing. As a result of this strong growth, **net loans and advances to customers, incl. debt securities and finance leases** already constitute more than half (64%; + 3.5 pp y/y) of the total assets of the Group, confirming its strategic commitment on **sustainable development of traditional commercial banking**.

Investment securities portfolio (investment securities, pledged investment securities and non-derivative financial assets held for trading) decreased to BGN 2 194 mln, (-13.5% y/y) and occupied a share in total assets of 7% (9% in 2022). Almost the entire portfolio comprised of Bulgarian government bonds.

In 2023 **Net loans and advances to banks and debt securities at amortised cost** striking an increase of 117.4% y/y to BGN 2 788 mln, where the major contributor is the loans and advances to banks. At the end of 2023 this position represented 9% of Total assets from 4% in 2022.

Intangible assets and other assets are at the amount of BGN 228 mln (less than 1% share of total asset) and comprise of other items on the asset side of the statement of financial position, such as intangible assets; investments in subsidiaries and associates; current tax assets; non-current assets and disposal groups classified as held for sale; other assets, mainly receivables and prepayments, and foreclosed properties.

Customer deposits and other financial liabilities at amortized cost reached BGN 24 827 mln and kept their very high share in total liabilities (excl. equity) of 87%. Thus, the Group affirms its self-funding profile. Taking advantage of the banking system

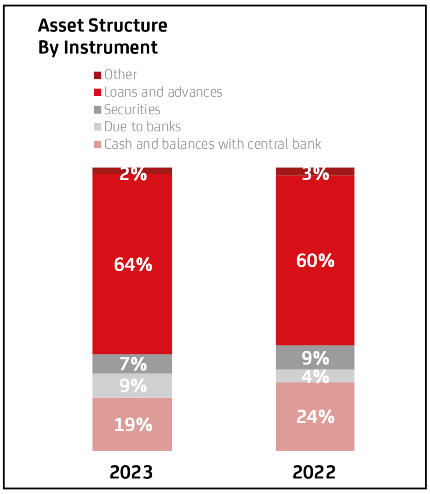
In thousands of BGN

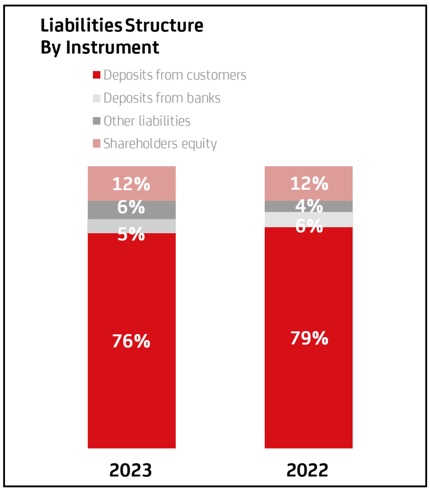
STATEMENT OF FINANCIAL POSITION STRUCTURE	YEAR		CHANGE	
	2023	2022	%	AMOUNT
ASSETS				
Cash and balances with Central Bank	6 069 757	7 070 405	(14.2%)	(1 000 648)
Investment securities and non-derivative financial assets held for trading	2 193 660	2 537 085	(13.5%)	(343 425)
Derivatives held for trading and held for hedging	177 868	247 565	(28.2%)	(69 697)
Loans and advances to banks and debt securities at amortised cost	2 787 613	1 282 131	117.4%	1 505 482
Loans and advances to customers, incl. debt securities and finance leases, net	20 653 219	17 608 322	17.3%	3 044 897
Property, plant, equipment, right of use assets and investment properties	349 994	339 770	3.0%	10 224
Intangible assets and other assets	227 901	216 722	5.2%	11 179
TOTAL ASSETS	**32 460 012**	**29 302 000**	**10.8%**	**3 158 012**
LIABILITIES AND EQUITY				
Deposits from banks	1 595 495	1 613 792	(1.1%)	(18 297)
Deposits from customers and other financial liabilities at amortized cost	24 827 068	23 239 194	6.8%	1 587 874
Financial liabilities held for trading, derivatives used for hedging and fair value changes of the hedged items	244 706	275 135	(11.1%)	(30 429)
Debt sequrities issued	1 401 400	313 701	346.7%	1 087 699
Other liabilities	421 926	283 572	48.8%	138 354
TOTAL LIABILITIES	**28 490 595**	**25 725 394**	**10.7%**	**2 765 201**
SHAREHOLDERS' EQUITY	**3 969 417**	**3 576 606**	**11.0%**	**392 811**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**32 460 012**	**29 302 000**	**10.8%**	**3 158 012**

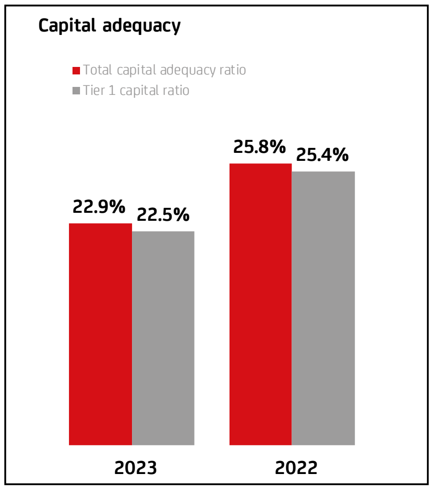
Consolidated Financial Results (continued)

liquidity, its strong market position and impeccable reputation, UniCredit Bulbank achieved growth in customer deposits of 6.8% y/y, in both Retail and Corporate. In 2023 **Net loans/deposits ratio** increased to 83.2% (75.8% in 2022).

Deposits from banks at the amount of BGN 1 595 mln, remaining with insignificant share in total liabilities (6% in 2023 and 2022).







Shareholders' equity reached BGN 3 969 mln, with 12% share in total liabilities and equity and increase of 11% y/y.

In compliance with Basel III (CRD IV) regulatory framework in 2023 UniCredit Bulbank fulfilled **with significant excess** the minimum requirements including regulatory buffers of 16.5% for total capital adequacy ratio and 14.5% for Tier 1 ratio. The **total capital adequacy ratio registered 22.9%** and **Tier 1 ratio reached 22.5 %**. The comparable levels of total and Tier I capital adequacy indicate the **high quality of the capital instruments – i.e. mainly Tier I eligible ones**.

Deposits from banks up by 33.2% y/y to BGN 1 614 mln, remaining with insignificant share in total liabilities of 6% in 2022.

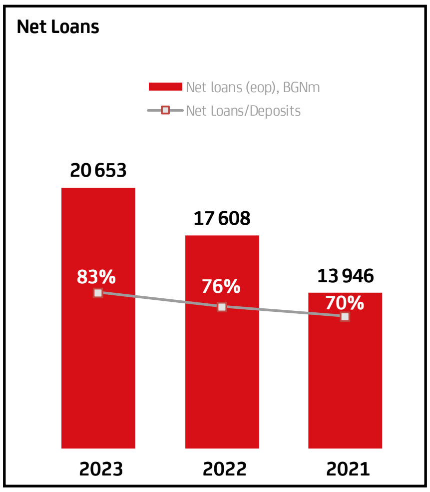
Shareholders' equity reached BGN 3 577 mln, with 12% share in total liabilities and equity. The decrease of 3.6% y/y is attributable to revaluation and other reserves, mainly related to change of revaluation reserve on investment securities.

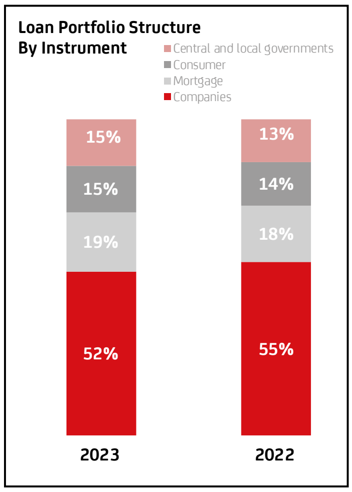
In compliance with Basel III (CRD IV) regulatory framework, in 2022 UniCredit Bulbank fulfilled **with significant excess** the minimum requirements including regulatory buffers of 15.5% for total capital adequacy ratio and 13.5% for Tier 1 ratio. The **total capital adequacy ratio registered 25.8%** and **Tier 1 ratio reached 25.4%**. The comparable levels of total and Tier I capital adequacy indicate the **high quality of the capital instruments – i.e. mainly Tier I eligible ones**.

Customer Loans

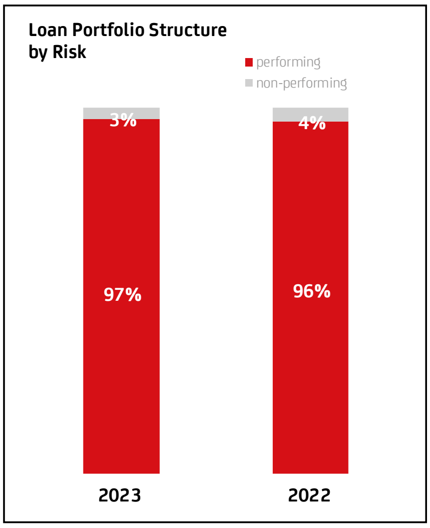
While managing to be the most active participant on the loans market in 2023 Unicredit Bulbank Group growing fully organically and relentlessly **supported its clients and the real economy.** We worked together in a rapidly changing business environment, always supporting our customers and protecting our people. **The commercial initiatives were addressed to providing a comprehensive range of financing products** tailored for the specific needs of the customer and covering the full range of not only banking services but also leasing and consumer financing solutions.

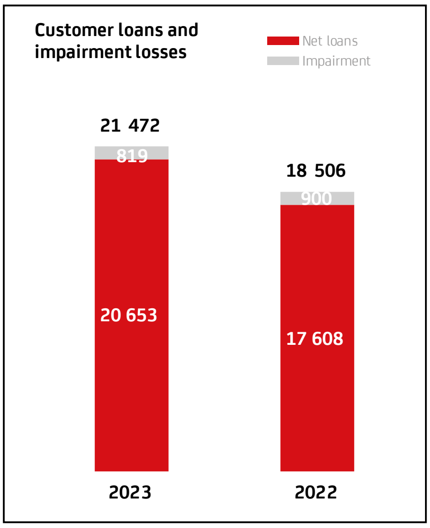
The Group affirmed its leading market position with **net customer loans, incl. debt securities and finance leases** at the amount of BGN 20 653 mln and **gross customer loans, incl. debt securities and finance leases,** amounting to BGN 21 472 mln. **Loans to companies and central and local governments** represented the largest portion (66%) of the Group's loan portfolio and amounted to BGN 14 265 mln, up by 12.8% y/y. With regard to corporate customers, the Group continuously facilitated sound

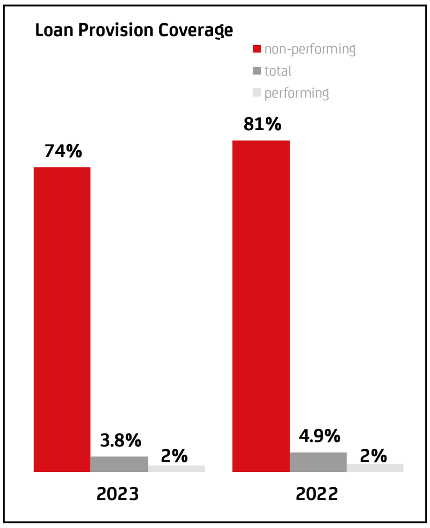




Consolidated Financial Results (continued)







businesses initiatives and profitable projects. The differentiated strategy by corporate sub-segments, along with the long-term trusted relationships and high quality of risk management resulted in effective financing solutions for the customers. **Loans to individuals** amounted to BGN 7 207 mln, rose by 23 % y/y, representing 34% share of total loans. In 2023 mortgage loans marked a positive trend of 22.2% y/y, reaching BGN 4 033 mln. Their share in loans to individuals increased to 56% (19% share in total loans). At the end of 2023 loans in BGN and EUR represented almost 100% of gross loan portfolio.

Despite the challenging macroeconomic scenario the Group continued to observed its strategic goals related to **assets quality** activities. Benefitting from a continued disciplined risk approach the performing loans portfolio stayed at 97% (+16.8% y/y growth) and amounted to BGN 20 832 mln. On the other hand, the non-performing loans decreased by 5.2% y/y to BGN 641 mln.

As of December 2023 the Group reported NPE ratio at 3.0%. The loan loss provision coverage of non-performing exposures decreased by 644 bp and stated 74.2%. Total loan loss impairment allowances drop by 8.9% on an annual basis and reached BGN 819 mln. Total coverage ratio is set at 3.8% (4.9% for 2022).

In terms of industry structure at the end of 2023 the most significant growth in share was achieved by sector Sovereign (increase by BGN 649 mln y/y) and Services (BGN 133 mln). In line with the Group's strategy, Housing loans registered an increase by 22.2% y/y. At the end of 2023 the largest areas of concentration were Manufacturing (15%), Sovereign (15%) and Housing loans (19%).

Thousands of BGN

INDUSTRY STRUCTURE	2023		2022	
	AMOUNT	SHARE	AMOUNT	SHARE
Manufacturing	3 185 874	15%	2 914 224	16%
Sovereign	3 145 899	15%	2 496 637	13%
Commerce	3 107 749	14%	2 931 359	16%
Construction and real estate	1 880 192	9%	1 743 062	9%
Transport and communication	910 919	4%	862 832	5%
Agriculture and forestry	720 923	3%	655 844	4%
Services	535 838	2%	403 220	2%
Financial services	387 927	2%	313 834	2%
Tourism	380 780	2%	294 807	2%
Retail (individuals)	**7 218 077**	**34%**	**5 893 688**	**32%**
Housing loans	4 032 518	19%	3 300 749	18%
Consumer loans	2 900 412	14%	2 373 054	13%
Other	285 147	1%	219 885	1%
TOTAL LOAN PORTFOLIO (incl. debt securities and finance leases)	**21 474 178**	**100%**	**18 509 507**	**100%**

Consolidated Financial Results (continued)

Customer Deposits

In an environment of excess liquidity Unicredit Bulbank Group recorded another successful year in the field of attracting and managing funds.

In 2023 **Deposits from customers and other financial liabilities at amortized cost** grew by 6.8% y/y to BGN 24 827 mln supported by both Retail and Corporate segments, where Unicredit Bulbank continues to be one of the most trusted and preferred banks.

UniCredit Bulbank became the Bank of choice for the individual clients and companies thanks to its undisputable safety and stability as well as excellent reputation.

In terms of **clients type**, deposits from Individuals had an upward momentum of 9.8% y/y, ending 2023 at BGN 13 126 mln and the company's deposits (incl. budget and state deposits, leases and factoring related liabilities) registered also an increase of 3.7% y/y to BGN 11 701 mln. In 2023 the share of Individuals deposits reported 53% in customer deposits, compared to 47% share of deposits from companies, signaling once again the solid funding profile of UniCredit Bulbank with well-diversified and stable deposits franchise.

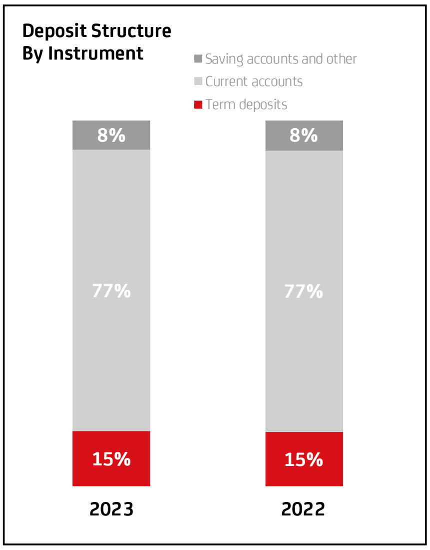
With regard to the **product structure**, current accounts increased by 6.9% y/y and remained its share at 77% year-end. Term deposits increased by 8.2% y/y, with 15% share in total funds. Saving and other accounts remain with 8% share similar to prior year level.

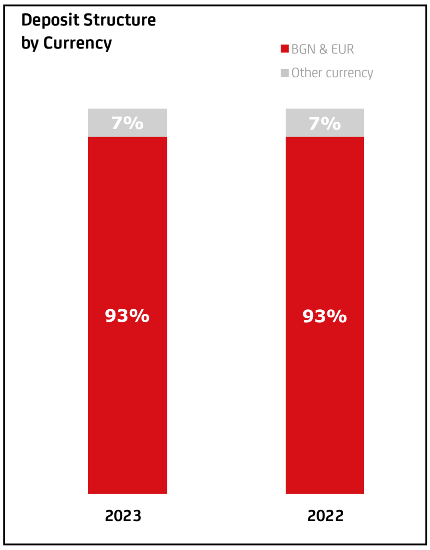
In terms of **currency distribution,** the structure of deposits comprised of 93% share of BGN&EUR denominated deposits vs 7% in other currencies. The growth of the deposit base is predominantly driven by BGN&EUR denominated deposits, which increased by 7.0% y/y, while those in other currencies grew by 4.8% y/y.

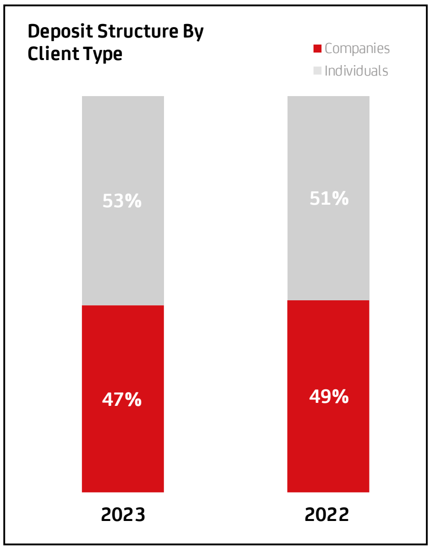
Following customer behavior trends, the Bank continuously enriched its product portfolio. Besides the standard deposits, a variety of long-term investment and saving solutions are offered to customers, such as structured deposits, mutual funds of Amundi Investments, life insurances and pension funds of Allianz.

Events after the reporting period

There are no significant events after the reporting period with effect on the financial statements as of December 31, 2023.







Risk Management

Credit Risk

In 2023 UniCredit Bulbank continued to perform its credit activities in compliance with the governing rules and internal policies, however, the current macro-economic context is still characterized by a high level of uncertainty mainly due to the heightened Geo-political tensions in the Middle East, but also due to the persistence of the Ukraine-Russian conflict. Given the situation depicted above, characterized by a still high level of uncertainty with regard to the evolution of the geo-political tension, heightened by the Middle-East crises outbroken in October, and related effect on energy supply chains, coupled with interest rates remaining on steadily high level. Due to these circumstances the Group decided to keep the Geo-political management overlay already accumulated in 2022, related to the most affected industry sectors, and to re-scale it with regards to the loan portfolio growth in 2023. Its current level is in the amount of BGN 167.6 mln.

In light of interest rates steadily remaining on higher level and plunging of real estate assets value due to contractions of the sector, an increasing Real Estate Risk has been arisen leading Commercial Real Estate financing (CREF overlay) perimeter as particularly vulnerable in case of stressed severe evolution of scenario, both in terms of:

- Default risk due to impacted debt repayment capacity as a consequence of higher interest rates, impacting also refinancing of real estate loans;
- Recovery risk due to lower values of real estate assets.

The allocation process of the CREF overlay aims at allocating LLP focusing more on the riskiness in terms of staging, thus leveraging on the capability of SICR framework to be sensitive to all the signals of risk currently in place. As such given the PD outcomes resulting from the model and the different level of default risk embedded in the Staging framework, this is used to allocate LLP resulting from CREF overlay. As of 31 December 2023 CREF overlay amounts to BGN 11.5 mln.

The overall annual growth of the customer loan portfolio is at 14.7%, out of which 12.5% in Corporate and 20.7% in Retail segments. Main focus are renewable energy projects and consumer goods in Corporate and mortgage lending to Private Individuals in Retail. The overall level of impaired loans (NPE ratio) is decreasing at a level of 3.4% (consolidated) after adjustment of gross volumes by Intercompany transactions. This reduction is mainly due to recovery of old, fully provisioned NPE cases, transfers to performing portfolio, written-off amounts related to debt cession and overall growth in gross volumes in both business segments. There are several significant migrations from performing to impaired portfolio in Corporate segment in Q4, but overall new inflows to impaired portfolio during the year remained at expected level.

In terms of cost of risk ratio the Bank is recording overall net release for the whole year at level of 9 bps, mainly related to good recovery of old NPE cases and favorable macro-economic scenario update in Q4 in Retail segment. The loan loss provision coverage is on very comfortable levels for both portfolios – performing and non-performing.

In third quarter of 2023 UniCredit Bulbank has implemented new credit risk model for Private Individuals PD. The impact on the Expected Credit Loss was already anticipated in the annual result via adjustment in the amount of BGN 3.2 mln as of December 2022, in order to avoid volatility in net LLP charge for this year. After implementation the impact was slightly higher.

Estimated Overlay with regards to new introduced evaluation methodology for Bullet and Balloon payment transactions in the amount of BGN 1.2 mln was booked in 2022. Base for this estimation was simulation with condition that Bullet and Balloon transactions portfolio will reach the current level of share in Stage 2 transactions of the Bank. In October the methodology was implemented with slightly higher impact, due to portfolio dynamics during the year.

Introduction of new LGD management overlay with regards to forthcoming regulatory LGD model implementation due in 2024 amounts to BGN 26.6 mln as of year-end.

Approval of new Group-Wide EAD model was granted in order to estimate the EAD for the Group Wide (GW) customer segments, as defined mainly via their credit segment. The impact on the Expected Credit Loss was additional charge in the amount of BGN (2.7) mln.

In Terms of Risk Weighted Assets, the Bank has prudently reviewed its processes and model landscape availing for better capital efficiency trough:

- Optimal usage of guarantee schemes and credit risk protections ;
- Strengthening the collateral monitoring and optimal usage for capital and risk mitigation purposes;
- Synthetic Securitization on SME Portfolio;
- Preparation of mortgage loan portfolio to Private individuals for possible securitization in 2024;
- Other efficiency measures.

The Monitoring team continues to be strongly focused on streamlining the overall monitoring and Watch List (WL) process. The Monitoring function both in Corporate and Retail continues to be significantly involved in the collateral management process, including renewal of statutory validity, market appraisal and insurance, delivering periodic reports to the respective business/ competence lines.

Building on the UW systems and processes optimization, further enhancements in the underwriting have been introduced to achieve an ongoing simplification of processes aiming at freeing up time for commercial activities:

- Focus on UW credit process improvements for all segments and additional verification automations;
- Build additional automatic data integrations/payment behavior and verifications that are pre-requisite for the automatic decision;
- Implementation of automatic decision in Retail segment (Micro and Mortgage Lending) is planned for 2024-2025 via establishment of Retail E2E Lending room, achieved automatic Micro review and renew process, using Robotics;
- Focus on SME Pre-approved Lending for Retail and Corporate and increase lending volumes targeting existing customers with good risk profile or non-lending customers with good payment behavior and financial standing, increase the share of automatic and simplified review/renewal process;
- Launched Second level controls KPI monitoring as per ECB regulatory requirements and further plan for extension available for 2024-2025.

The existing Credit risk models are being modified to meet the updated EBA guidelines and forthcoming changes in the default definition. Meanwhile, they are subject to annual ongoing validation, where the assessment criteria are defined by the UniCredit Group internal framework and ECB instructions.

Capital adequacy is assessed both under the regulatory Pillar 1 perspective and the internal Pillar2/ICAAP view. Regulatory capital for credit risk is reported under the Advanced Internal Rating Based Approach (A-IRB) for corporate and retail clients (excluding factoring portfolio). Banking institutions remain at Foundation Internal Rating Based Approach (F-IRB) and exposures to public sector entities, multilateral development banks, municipalities and factoring portfolio are treated under the Standardised Approach. Regulatory capital for operational risk is quantified under the Advanced Measurement Approach (AMA).

In parallel to regulatory capital calculation, the Bank also maintains a full-scale economic capital quantification and reporting and stress testing as part of its Internal Capital Adequacy Assessment Process (ICAAP). Along this process the Bank has also implemented the Group Risk Appetite Framework which explicitly defines the level of risk it is prepared to accept in pursuit of its strategic objectives and business plan, taking into account the interest of its customers and shareholders as well as regulatory requirements.

Financial risk and models (market, counterparty and liquidity risks)

Within 2023 the Financial Risk Management (FRM) function in UniCredit Bulbank performed strict monitoring and control and executed regular assessment of the market, IRRBB, liquidity and counterparty credit risk, in compliance with the set external and internal regulation and the defined Risk Appetite Framework and strategy. The policies and operational framework continued to be transformed with aim of simplification and empowerment without sacrificing group-wide compliance and stringent risk standards. Among the most notable changes was the new structure of Risk Appetite Framework (RAF). The number of RAF dashboard metrics has been streamlined and tiering approach has been introduced, with the aim to increase the efficiency in the steering and monitoring process.

Over the year, the Bank continued to leverage on the Group risk measurement and reporting infrastructure enhancing the harmonization and simplification. With a solid foundation from the previous years, the focus was on improving reporting tools and employing data quality tools for achieving more reliable, timely and automated managerial and regulatory reporting for IRRBB and Liquidity. The Bank proved to be able to respond promptly to the increased attention of supervisors on liquidity due to turmoil in the sector which required the setup of a weekly SSM liquidity exercise starting from September and a new extraordinary joint JST and SRB exercise at the end of October.

In the area of liquidity management, the bank successfully participated in activities for assessing materiality and impact of ESG defined Transitory and Physical risk. New climate risk related scenarios were introduced within the bank's market risk stress testing framework.

Behavioral and financial risk modelling, in line with EBA Guidelines, continued to be pivotal in the area of IRRBB and Liquidity risk management. The bank continued to develop the Non-maturity deposits behavioural model. A Term Deposit roll-over model was also introduced at the end of 2023. The Bank employed practices for capturing the interest rate risk profile of statistically based lending indices exposure, taking into account the individual sensitivities of the index component. Modeling continued to play key role in risk management and stress testing tools with deeper integration in the regular activities. Over the course of the year, the bank has prepared to meet changes in the EBA guidelines for IRRBB reporting and the newly-introduced limitations on Net Interest Income volatility.

The Liquidity Stress test framework and methodology were fine-tuned to ensure greater alignment to risk key performance indicators and response to ECB and validation recommendations at Group level. Given the banking turmoil in the first half-year of 2023 that generated financial distress of some regional banks in US and of Credit Suisse in Europe, a new stress scenario named "Extreme Scenario" has been introduced in the liquidity stress test framework. The new scenario aims at replicating the actual events in the period and serves as an additional monitoring tool of liquidity cushions.

Throughout 2023 in preparation for the implementation of EBA Guidelines "on the management of interest rate risk and credit spread risk arising from non-trading book activities" - EBA/GL/2022/14, the Bank set out principles and rules for managing, measuring and controlling the credit spread risk of the banking book. The new rules to be applied in 2024.

Regarding risk control activities, the FRM function continued to supply the bank's management with daily limit compliance reports. These consisted of Value-at-Risk metric complemented by stress-oriented FX, interest rate and credit spread sensitivity measures, combined with stop-loss and operative liquidity triggers. Within Financial and Credit Risk Committee – ALCO session, the Bank's management was regularly supplied with comprehensive summary of potential profit and loss impact of extreme shifts in FX, interest rates, credit spreads as well as of market liquidity squeeze impacts on all portfolios.

In the area of market risk controls, UniCredit Bulbank continue to use the Group internal model IMOD for daily managerial control and economic capital assessment, leveraging on Group market risk methodology and architecture.

The implemented in 2022 Fundamental Review of Trading Book reporting and Standardized Approach for Counterparty Credit Risk were closely monitored and the reliability of the methodology and results regularly verified.

Non-Financial Risk

The main focus of the Non-Financial Risk (NFR) function activities in 2023 was adequate managing of the overall operational and reputational risks exposure of the bank, as well as assessment and mitigation of risks, participation in dedicated bank processes, projects and initiatives, enhancement of the controls and evaluation of new emerging risk.

The regular Operational Risk (OpRisk) tasks consist of: OpRisk Loss Data Collection and Reporting; General Ledger Analysis; Transitory and Suspense Accounts Analysis; Accounting Reconciliation; Key Risk Indicators Monitoring; Scenario Analysis; ICT Project Risk Assessment; Second level controls on Outsourcing and Third Party Risk Management framework; Risk and Controls Self-Assessment (RCSA); Operational and Reputational Risk Strategies Definition and Monitoring; Operational Risk Oversight Model on UniCredit Bulbank Subsidiaries; Insurance Management – Insurance recoveries Analysis, Annual evaluation on policies in place for renewals, Regular Second Level Control Monitoring on ICT and Digital Security Processes.

On top of the regular annual operational risk activities, within 2023 several new initiatives and processes were implemented, as well as some existing ones were further enhanced and improved:

- Risk and Controls Self-Assessment (RCSA) activity cycle was further developed and the scope of assessed processes has been enlarged. The Process Risk Gate assessment was introduced in the first phase of the RCSA activity. During this phase 45 processes were subject to a Process Risk Gate assessment to identify risks which to be immediately addressed through the RCSA detailed assessment within the second phase of the RSCA activity. Within the second phase of the activity, 15 mandatory end-to-end (E2E) processes have been assessed in detail. Each processes assessment contains approximately 40 risks by which the process is evaluated.
- New Key Risk Indicators (KRIs) were created:
  - 1 KRI related to operative control in retail branch network with aim to strengthen the second level controls in some operative processes in the branches;
  - 3 KRIs (Missing or incomplete loan documentation (hard copy); Complaints on mortgages; CPI insurances on Mortgages) have been implemented aiming at second level controls enhancement and harmonization throughout UC Group.

All activities regarding operational and reputational risk management included in the annual plan, defined by the Group, were performed following the Group methodology and executed in a timely manner with no delay.

All key activities and results of the Operational Risk Identification (eg. Internal losses, External data, Scenario analysis), the Assessment Measurement (eg. KRI, RCSA) and the Addressing – Mitigation activities (e.g. Operational Risk priorities and Strategies) were regularly reported to the Non-Financial Risk and Controls Committee – General Session (NFRC-GS) for approval or for information in order to provide adequate awareness to the senior management on the operational risk exposure of the Bank. The Committee meetings are held quarterly and attended by the Bank's senior management.

Operational Risk Permanent WorkGroup (PWG) meetings were conducted at least quarterly where process improvements and mitigation actions were discussed and monitored in a timely manner.

The outcome of the 2023 Annual Self-Assessment report concluded that the organization of Non-Financial Risk management in UniCredit Bulbank is well established. No deficiencies in any of the operational risk system components have been identified during the self-assessment process by the Non-Financial Risk function. The 2023 Audit Report on Operational risk management and measurement processes for Advanced Measurement Approach was issued with overall Mostly Adequate evaluation and no findings.

Within 2023 the Non-Financial Risk continued to develop and strengthen the reputational risk process in compliance with the UniCredit Group principles, policies and rules for monitoring the reputational risk exposure via adoption and implementation of key Group documents regulating the area. The Non-Financial Risk and Controls Committee – Reputational Risk Session (NFRC-RRS), is the decision-making body for reputational risk topics and holds monthly meetings to discuss deals and issues in the scope of the reputational risk.

The reputational risk culture has been constantly spread out by the Non-Financial Risk throughout the organization, via training activities, combined with methodological guidance and support to the other structures ensure the outstanding risk awareness at Bank level.

In 2023 the NFR organized dedicated trainings aiming to improve the expertise of the branch managers of the retail network of the bank regarding operational risks in their daily activities. Moreover, three dedicated practical online trainings were held in 2023. One training related to operational risk loss data reporting and confirmation by the operational risk managers, another covering the specifics of the ICT Project Risk Assessment performed by the project leaders and in the Operational Risk module of the Retail Branch Academy training. The NFR conducts regular Operational Risk Introductory training for all new employees and employees who change their position. With regard to Reputational Risk a new online introductory course was uploaded and completed by all employees of the Bank, containing the key definitions and requirements regarding the Reputational Risk Management in UCB and the Sensitive Sectors. Also a new training regarding the new changes of the Mining industry sensitive sector has been conducted.

Non-Financial Risk also participated in several key business projects driving the digital transformation of the Bank. Among them were the Agent model, Omnichannel - CX PI 2023 project, PSD2 Bulk Payments project, Siron Replacement, Target 2 Securities, Transaction monitoring, ESG Strategy and Roadmap Implementation, KYC processes aiming to reflect the IT automation and regulatory changes; Cashless model of UniCredit Bulbank; New models for working with notaries and lawyers on mortgage loan transactions for an individual client.

During the year main changes within the sensitive sector reputational risk policy were:

- New foundation principle within the Defense & Weapons Sector was introduced: "UniCredit Group does not deal with wholesale arms merchants";
- Within the Mining Sector Micro-companies and the Small and Medium-sized quarries and sandpits were added to the scope and subject of Annual Clearance. Mining-related subjects are assigned into two classes (A, and C, no provisions for B-Class) based on the customers' having or not having ascertained severe violations/convictions of applicable laws and sectorial international standards;
- With the adhesion of UniCredit to the NetZero alliance, PACTA lists for Oil&Gas Sensitive sector was replaced by NetZero approach framework.

For 2024 the Non-Financial Risk will focus and closely monitor the following risk drivers:

- Internal frauds
- External frauds
- Digital Risk
- Transformation risk – with main focus Euro Adoption / Agent Model / Cashless Model / Group Payment Strategy
- Reputational and ESG.

Climate-related and environmental risks (ESG)

The climate-related and environmental risks and the accompanying shift towards sustainable finance are mounting challenges to the financial sector. In order to be compliant with the provisions of "Guide on climate-related and environmental risks" issued by ECB, and requirements set out in "EBA Guidelines on loan origination and monitoring" requiring institutions to consider climate-related and environmental risks at all relevant stages of the credit-granting process and to monitor the risks in their portfolios the Bank, in line with the Group's strategy, continued to proactively address these challenges by means of increased commitment to sustainability and tangible initiatives aimed at improving the management of risks to anticipate the possible increases in the riskiness of specific sectors and to analyze the impact on the overall Bank's business and risk profile.

Regulatory changes in relation to environmental, social and governance (ESG) risk practices have continued at an accelerated pace since the UN Paris Agreement and the United Nations Sustainable Development Goals (UN SDGs) were signed by world leaders in 2015. Other key developments in the regulatory landscape include the latest EU Taxonomy Regulation that requires compliance to minimum social and governance safeguards.

Supporting sustainable economic growth and the transition to a low-carbon economy, the Bank is expanding its credit risk management approach through the integration of climate and environmental factors into credit risk strategies in compliance with the Group's Credit Risk Framework. Therefore, starting from 2023 the steering signals by economic sectors are determined by additional impact consideration of so-called Climate Steering signals, defined by an applied Group methodology which is based on Transition risk score calculated on NACE code level by using several sources of guidelines e.g. EBA guidelines, EU Taxonomy, CERVED sectorial studies.

UniCredit defines the Climate related and environmental risks as the sources of structural changes that might affect the economic activities and led by the following risk drivers:

- *Transition risk* refers to the financial loss that can result, directly or indirectly, from the process of adjustment towards a lower carbon and more environmentally sustainable economy;

  We carefully manage Transition Risk, ensuring proper origination, monitoring and management of the portfolios, following holistic approach including:

  - Portfolio steering through Risk Appetite Framework, Credit strategies cascading and sector policies issuing;
  - Portfolio analysis and monitoring;

Risk Management (continued)

- Single counterparty risk assessment (starting from Large Corporate).

- *Physical risk* refers to the financial impact of a changing climate, including more frequent extreme weather events and gradual changes in climate, as well as of environmental degradation, such as air, water and land pollution, water stress, biodiversity loss and deforestation. Physical risk is therefore categorized as "acute" when it arises from extreme events, such as droughts, floods and storms, and "chronic" when it arises from progressive shifts, such as increasing temperatures, sea-level rises, water stress, biodiversity loss and resource scarcity

  We are focused on the enhancement of the methodology to assess vulnerable portfolios and mitigate related physical risks in particular the Real estate collateral portfolio.

  Preliminary assessment of the collateral portfolio has been performed by Collateral Management Unit on physical risk caused by sea-level rise and by flooding in line with the Group's methodology on the matter. As next step for 2024 we aim to collect data for new flow in real estate collateral portfolio related to following hazards: River flood, Flash flood, Storm, Sea level rise, Wild Fire and their severity.

  To ensure regulatory requirements we continue to streamline data gathering and analytics, in order to further identify sources of climate related risks. Our efforts are aimed at introducing a lean methodological approach for evaluation on ESG factors affecting the value of the loan collaterals and in particular the impact of Energy Efficiency of buildings.

  As a result of the initiative launched in 2021, a new local process for providing of issued Energy Performance Certificate (EPC) of real estate properties proposed for collaterals has been implemented since April 2022 with the respective proper entering in the local core banking system of the Energy class label, Primary energy demand and CO2 emissions intensity as core EPC data applicable for all new business flows in Retail and Corporate segments. The Bank works in close cooperation with third-party vendors on the assessment of the stock real estate collateral portfolio with the result that certain proxy data for the individual EPCs, Primary energy demand and CO2 emissions has been provided through data remediation matching proprietary databases and deploying machine learning algorithms.

  The availability of proxy parameters together with the actual energy efficiency characteristics being entered forward will allow UniCredit Bulbank to distinguish between the so called 'green' or energy efficient properties and those that are considered 'brown' or non-efficient from an energy standpoint across its mortgage collateral portfolio, helping to disclose real estate exposures and their distribution by energy performance of the collaterals and to meet the bank's Pillar III reporting requirements.

In line with the entered into force EBA Guidelines for Loan Origination and Monitoring and ECB requirements, the Bank uses ESG information in its underwriting process based on a Group-wide questionnaire for climate risk assessment applicable for transactions with economic groups above predefined exposure threshold.

The Climate & Environmental (C&E) Risk Assessment Questionnaire aims to determine the customers' position on the transition pathway assessing the borrower's exposure to transition risk and environmental factors. The approach comprises:

- filling in of the above-mentioned questionnaire addressing both high and low emissive customers in line with regulatory expectations;
- generation of a Climate & Environmental (C&E) Risk Scorecard summarizing the main KPIs and identifying the counterparty's positioning in one of the four risk areas (low, medium-low, medium-high, high) of the Transition Assessment matrix;
- the inclusion of the environmental scoring in the credit valuation process.

C&E assessment methodology is based on 3 key dimensions:

- the climate and environmental exposure considers the actual level of Green House Gas (GHG) emissions of corporate customers as well as other environmental metrics such as water and energy consumption, waste production and recycling;
- the climate and environmental vulnerability evaluates the climate change management maturity level of corporate customers, considering the company's plan to shift to a lower emission level business model, the transition investment plan, the GHG emissions reduction target as well as products and services associated with positive climate impact. This dimension considers cross-industry emission targets and ESG ratings together with management and industry specific environmental strategy;
- the economic impact on corporate customers' financial and industrial performance takes into account the effects on stranded assets, the decrease in market shares or revenues due to market shift, the increase in investment costs, constraints in accessing financing and indirect effects related to their supply chain or partner industries.

The Bank intends to further develop heatmap approach to better understand the impact across sectors as well as to cover the positions below the defined thresholds.

As integral part of the ESG Strategy, in 2024 the Bank will introduce the ESG product internal guidelines with the aim to outline the methodology to be applied to classify financial products and services offered by UniCredit Group as Green, Social or Sustainability-linked activities. The Guidelines will ensure a consistent and comprehensive methodology for the classification and reporting of UniCredit's ESG lending products mitigating the

Risk Management (continued)

related risks of greenwashing and social washing.

UniCredit Bulbank has approved, implemented and follows several Group policies regarding sensitive sector that may have significant implication on the environment and the society. Strict monitoring and evaluation is being performed on counterparties and deals within the Coal Sector, Defense / Weapons Industry, Mining Industry, Water Infrastructure/Dams, Nuclear energy, Non-Conventional Oil & Gas and Arctic region Oil & Gas industry sector. The analysis is performed in line with all ESG criteria, requirements, standards and best practices, and ensures that all such standards and local and international regulations are met.

UniCredit has also joined the Net-Zero Banking Alliance, committing to achieve Net Zero emissions from our operations by 2030 and by 2050 on financed emissions.

In line with the Group Net Zero commitment to a climate-positive future, UniCredit Bulbank has put the foundations of its Carbon Footprint Reduction Program also in 2024 and continuous the strong focus for further commitment and improvement. The Group has set targets for the three most carbon intensive sectors within our portfolio, which include Oil & Gas, Power Generation and Automotive sectors. Achieved so far: (i) Alignment of list of customers in scope of the Net Zero targets base on NACE codes; (ii) Forecast of balance exposures targets for Y2024, Y2027, Y2030.

In 2024 the Bank will continue to develop the activities in these areas in line with the Group approach and all applicable regulations, standards and best practices. The Bank aims to further progress with its efforts regarding climate-related risks and opportunities by refining the methodologies, working towards standard setting and expanding the scope. The Bank is starting to integrate the C&E risk factors into credit risk processes extending the C&E risk evaluation in corporate underwriting process and integrating the Energy Performance Certificate (EPC) data into the real estate collateral valuation for the new flow.

Asset-Liability Management and Funding

In 2023 UniCredit Bulbank continued to maintain **strong balance sheet** with **solid liquidity levels**, favorably positioning the Bank for utilizing growth opportunities in the future. Nevertheless, **primary funding gap remained well high in the positive territory**. The Banks funding profile continued to benefits from it's **robust customer deposits franchise**, which at the end of 2023 amounted to BGN 24 864 mln (+7.0% y/y) and accounts for around 87% from non-equity financing. Thanks to faster growth in Retail segment the liquidity profile of the customer's deposits was further improved in terms of stability and diversification.

All **liquidity risk metrics** for another year in a raw remained at sizably **comfortable distance from regulatory and internal limits. Liquidity Coverage ratio (LCR)** remained flat, at 200% as of December 2023 (201% in 2022) confirming **strong short term liquidity position**. The **Net Stable Funding Ratio (NSFR)** reached solid **174%** (182% in 2022), with the trend influenced by the strong lending activity**.** The internal managerial metric of **structural liquidity** (Structural Liquidity Ratio / SLR) improved significantly in 2023**, reaching historical peak of 103.0%** (94.6% in 2022) benefiting from capturing the full potential of the banks' balance sheet structure via expanding the scope of behavioural modelling as well as thanks to issuance of iMREL eligible instruments

The primary aim of the **extensive iMREL issuance in 2023** was to support the fulfilment of the respective regulatory requirements on iMREL and capital.

Due to very strong business growth, the respective risk weighted assets increase, the request of SRB for a linear build-up of iMREL and the increase of the countercyclical capital buffer valid from 01 October 2023, UniCredit Bulbank has issues **EUR 450 Mio Senior Non-Preferred Bonds** in 2023 of which EUR 250 Mio in January, EUR 100 Mio in July and EUR 100 Mio in December. Thus the total amount of the senior non-preferred iMREL eligible bonds reached **EUR 610 Mio** (of which EUR 160 Mio in 2021 and EUR 450 Mio in 2023).

In Q4'23 **UniCredit Bulbank issued it's first T2 instrument** at the notional amount of EUR 100 mln. As per the requirements of Ordinance N2 of the Bulgarian National Bank, in order to include a T2 instrument into the own funds for the purposes of capital ratios calculation, commercial banks in the country need to receive approval from the Bulgarian National Bank (respectively and ECB due to join cooperation model of supervision of the Bulgarian National Bank). As the procedure was on-going, as of 31 December 2023 the instrument is not included in Tier 2 capital for regulatory purposes.

Being part of UniCredit Group, whose resolution strategy is of the type "Single Point of Entry", UniCredit Bulbank issues the iMREL instruments (SNP and T2) only within the Group, with a buyer UniCredit S.p.A.

In terms of **core intragroup funding**, UniCredit Bulbank remains net lender to the Group; the only funding relates to the issuance of the iMREL mentioned above.

Over the course of the year 2023, UniCredit Bulbank continued to pursue an active, but prudent **investment policy** entirely in line with the approved strategy, rules and limits and with a view of maintaining a sound short-term and structural liquidity position of the Bank. In 2023 the bank continues it's **prudent approach in new investment acquisition** striving for optimal return on acceptable risk basis as well as giving high consideration on the capital consumption in line with the capital optimization strategy of the UniCredit Group. On the basis of the above the new investments in 2023 consist primarily of the **EURO bonds issued successfully by the Bulgarian Government** on the international markets on 6th of November 2023 as well as **covered bond** issued by a UniCredit subsidiary allowing for achieving extra return with preferential RWAs consumption.

As of Dec'23, investments portfolio of the bank reach BGN 5 646 mln notional amount, o/w 90% represents the **exposure towards BG sovereign, thus confirming the commitment of UniCredit Bulbank towards support of the Bulgarian economic development**.

The bond portfolio also served as a **liquidity cushion**, being partially pledged as collateral for funds attracted from state budget entities and banking institutions. Moreover, the government bonds in the investment portfolio are treated as high-quality liquid assets for the purpose of liquidity coverage ratio calculation.

In 2023 UniCredit Bulbank further strengthen the **interest rate profile** of it's balance sheet. Regulatory metrics on interest rates sensitivity **(EV and NII sensitivity)** are favorably positioned within the regulatory limitations. In 2023, the core insensitive components of the **Non-maturing deposits** were fully replicated, exploiting the natural hedging opportunities for the BGN denominated position and taking advantage of the liquid EUR derivatives market for EUR denominated position, introducing also the concept of partial term hedge to protect against potential future re-allocation towards term deposits considering the positive rate interest rate environment.

In 2024 UniCredit Bulbank will continue to fulfill it's role of the main counterparty of the Bulgarian citizens, companies and government providing high quality financial services, while at the same time **targeting to maintain the strong liquidity position**. Interest rate management **strategies will be further enhanced**. **Preparation for adopting EURO** as main currency in Bulgaria will be a core activity in the area of Assets and Liabilities management, aiming to prepare the bank for enhancing further its product offer and utilizing the opportunities in the area of interest rates and liquidity management once having the full access to the well-developed and mature EURO financial market.

Regulatory Affairs

Following the establishment of close cooperation between the ECB and BNB in 2020 as well as identification of UniCredit Bulbank AD as a significant supervised entity as one of the few significant supervised entities in the country, the ECB as the competent authority directly supervises the Bank during 2023.

Local Regulatory Affairs Team established at the end of 2020 continued to perform its activity as single point of contact (SPOC) for all local and European banking authorities in 2023. Main achievements of the team and the Bank are maintaining proactive communication with local ECB/JST representatives on relevant topics as well as proper and timely addressing of all regulatory requests for information/data delivery. As part of the SREP process, regular quarterly meetings of the Bank's control functions with JST took place in order regulator to be updated on the development during the year. Final ECB/BNB decision with results of third full SREP valuation held in 2023 was received at the end of Dec 2023, confirming for another year in a row strong performance of the Bank in all areas (business model, governance, capital and liquidity etc.).

Compliance

Compliance with the existing regulatory framework is an essential requirement for the effectiveness of the overall corporate governance within UniCredit Bulbank AD and its subsidiaries. Its main role is to manage, oversee and mitigate the compliance risk in the Bank and its related legal entities. Moreover, Compliance has a proactive role in advising the Bank functions on regulatory requirements, especially on new products, processes, business initiatives, commercial campaigns, marketing materials, and sets rules of conducts, guidelines, and standards - for perimeter of competence - to be observed.

Compliance monitors the non-compliance risk according to a risk-based approach, i.e., an approach that, based on the ongoing assessment of Group activities and the regulatory framework and corporate environment, focuses its activities and priorities on the areas, standards, processes and procedures most at risk of being not compliant.

In order to be in compliance with the requirements specified in the local legislation and the Group procedures, the Compliance team implements valuable and effective controls, which are designed to identify and mitigate the Regulatory risk. In this regard the Compliance function in UniCredit Bulbank AD continuously keeps a deep understanding of the business and of the activities and processes to be checked in order to be aware of issues/risks that may affect currently or in future Compliance controls. The Compliance function with regard to some regulatory area (e.g. AML, Financial sanctions, GDPR, MiFiD, Outsourcing, Regulatory Reporting, etc.), directly and independently performs controls and risk assessments, defines corrective actions when needed, ensures regular monitoring of their progress and periodically report the evolution of risk exposures to its Management Board and the Group.

During 2023 Compliance continued focusing its efforts to strictly follow the requirements of the local regulations and UniCredit Group's policies and procedures. The Bank's processes and controls for prevention of money laundering, terrorism financing and financial sanctions are designed and implemented in the Bank in order to meet the highest industry standards, with a continuous focus on innovation and reaching of better excellence in both areas – prevention of money laundering and financial sanctions. During the last years, as a result of the international conflicts, additional focus was directed to the development of the internal controls implemented in the Bank, in order to comply with the requirements in the field of financial sanctions. In this regard, during the last year, the AFC team, part of Compliance Function continued to provide timely update on all restrictive measures imposed by the EU, US and other competent authorities. The team actively participate in the implementation of the automatic process for verification of transactions, ordered to/from accounts of the Bank's customers, citizens of Russia and Belarus, falling within the scope of the international sanctions imposed as a result of the invasion of Russia in Ukraine. In addition on 27.10.2023 the Special Financial Action Task Force.

(FATF) included Bulgaria in the "grey list" with countries under increased monitoring, as a result of which UniCredit Bulbank AD has taken all necessary actions. The processes, controls and systems implemented in the Bank in regard to prevention of money laundering, terrorist financing and financial sanctions are reliable, adequate and effective, despite the deficiencies identified by the Financial Action Task Force (FATF) at the country level.

In addition to the specified above, Compliance continued focusing on the strictly following the Know Your Customer (KYC) requirements, as one of the most effective tools for prevention the institution from being used by criminal elements for money laundering activities or violation of the imposed international financial sanctions.

Corporate Banking

Overview

The **GDP** of Bulgaria for 2023 is expected to grow by 1.9% (UniCredit Research), supported mainly by private consumption. Inflation continues to subside but remained elevated in 2023 which is the primary challenge to euro adoption in the country.

Financial Result

Corporate banking (CB) **net revenues**, including the leasing and fleet management subsidiaries, increased in 2023, driven by net interest revenues, net fees and commissions, foreign exchange gains and trading result. Profit before tax increased compared to previous year, as a result of higher revenues and lower provisioning costs.

We continue to work diligently towards our ESG goals with a strong commitment to support our clients and communities in the current transition phase, ensuring a just pathway for all towards an increasingly inclusive and sustainable economy and society. To act as the leader in the local market to support transition financing with strong focus on green financing but also with intensified development of impact financing products.

As a socially responsible institution, our sponsorship complies with the established policies at local and group level, giving priority to support of projects and initiatives related to financial education, entrepreneurship and establishing institutional partnerships.

Performance by Segments

The corporate business in 2023 was benefiting from the economic recovery in all sub-segments which registered a double digit increase in revenues vs 2022, supported by net interest income, cross-sell and up sell and focus on capital light products.

Business Lines Performance

Transactions and Payments increased y/y revenues, leveraging on the unique service model, focusing on increasing digitalization and further product enhancements – all adding value to the clients.

Advisory and Specialized lending were focused on green initiatives and social impact banking with delivering by all product functions of complex and tailor-made solutions.

Client Risk Management and Treasury achieved sustainable growth in FX volumes of customer-related business, resulting in higher total revenues y/y. The uptrend was supported by strong business and trading activity as a result of higher volumes of FX transactions and FX payments.

Deposits

Deposits in corporate banking remained stable compared to previous year, confirming Bank's leadership position on the market.

Loans

In 2023 corporate banking loans increased compared to 2022 with focus on low risk customers and cross selling opportunities, leveraging on EU and local guarantee schemes to balance risk weighted assets. CB division offer to corporate clients high quality services and financing solutions to support their business growth.

In 2023 we signed new agreement with EIF for guarantee instruments under the EU Recovery and Resilience plan in order to support SME companies in the country.

Service Model and "UniCredit Unlocked" strategic initiatives

The plan was introduced in December 2021 and already showed our ability to execute and deliver sustainable outcomes.

The Bank is continuing optimizing further its internal processes and products through several simplification initiatives, automation of processes and optimizing the data transfer in order to improve the internal customer experience, free up capacity via digitalization and thus to increase its efficiency level. Those Initiatives allow us to speed-up the time to delivery and provide added value for our clients.

Product/Coverage Model

The CB Division differentiates itself on the local market through a service model crossing client segments coverage with product factories. The segment coverage delivers a personalized relationship depending on the size and ownership of the company via a dedicated professional (Relationship manager), who follows in depth the corporate client's business needs, while the product owner provides a sophisticated solution in a specific area. The main focus is providing tailor-made solutions and delivering and making accessible to the maximum extend all possible bank operations in the online banking. Bulbank Online is developed as virtual ecosystem for complete banking experience for companies.

In 2023 the product factories remained focused on **innovation and digitalization**, targeting improved customer experience. This practice will be continued also in 2024.

Digital innovations in 2023

In 2023 UniCredit Bulbank was the first on the market to launch the digital solution for clients behavior analysis based on payments activities. The solution is created with the feedback of the clients – companies from different sizes, industries and origins participated in R&D interviews and UX tests in order to best develop the application. It is part of Bulbank Online – Menu Digital products. In 2024 it will be further developed with exciting new functionalities related to industry benchmarking.

Corporate Banking (continued)

"UniCredit Unlocked" strategic initiatives

The strategic plan is implemented through several initiatives for digitalization and internal processes optimization, leveraging also on implementation of several new EU financial engineering instruments and numerous amendments of existing ones.

Development of Data Driven Services was on focus in 2023. New digital services, products requests and specific tools for analysis are implemented in the online banking platform. Those services allow us to speed-up time to delivery and provide added value for our clients.

In 2023 we implemented end-to-end digital documents exchange solution for legal entities which will be enabler for remote processes and will increase the usage of electronic signatures. Bank will exchange & sign documentation with clients without physical interaction, improving timing for document exchange, reducing paper and ink and reducing internal exchange of docs by introducing access roles of different stakeholders to single platform. In 2024 we are planning active campaign for clients' onboarding.

Additional focus in 2023 was further to transform Bulbank Online from transactional to self-service platform, unlocking opportunity for LEs to open additional current accounts, sending requests for disbursement/repayment of revolving loan and to perform digital KYC review.

Other focus in 2024 will be establishment of new partnerships between the Bank and external companies which will provide high value added services to our clients, additional value, cross selling opportunities and will improve customer experience.

Cross-divisional Initiative

Another joint initiative between Retail division and "Corporates division continues to be on focus in 2023. The combined commercial efforts between CB and Retail resulted in increase in the number of net banking customers /individuals with payroll accounts at UCB and use of additional products and services. In 2024 the commercial efforts will once again focus on tailor-made offers for every potential retail client employee of our CB clients. New offers were created – packages with different preferential price/term conditions to respond to the customer needs. There is also special focus on CSR package, helping out CB clients become better employers for their employees.

European Funds

UniCredit Bulbank is **a leader on the Bulgarian market**, providing a variety of financing products with preferential conditions to small and medium-sized enterprises as well as for large companies. Some products are based on partnerships with European Investment Fund, European Investment Bank, European Bank of Reconstruction and Development and local institutions as the Bulgarian Development Bank, National Guarantee Fund, State Fund Agriculture, Fund Manager of the Financial Instruments in Bulgaria, etc.

Currently, UniCredit Bulbank has a large portfolio of subsidized loans. In the past year we signed agreements with European Investment Fund (EIF), European Investment Bank and National Guarantee Fund.

In 2023 the main active guarantee agreement were:

- EIF InvestEU – combination of 6 instruments with focus on sustainability, digitalization and innovations. It provides 50% guarantee for the eligible companies
- FMFIB provides 80% guarantee supplementing the collateral for investment and Working Capital loans.
- COSME - provides standard 50% guarantee supplementing the collateral for investment and revolving transactions.
- EIB Risk sharing Facility - suitable for Large companies, MidCaps. Main advantages – 50% guarantee, eligible for existing exposures, not only for new transactions. Full capital relief for the guaranteed part, full delegation to UCB for inclusion of each transaction in the guarantee portfolio.
- EBRD Risk sharing Facility - suitable for Large companies, MidCaps. Main advantages – up to 65% guarantee, eligible for existing exposures, not only for new transactions. Capital relief for the guaranteed part, with eligibility approval by EBRD on a case by case basis.

The focus of EU funds team for 2024 is to finalize negotiations and utilization of four new guarantee lines:

- Implementation of the new products under the Invest EU RRF agreement, which was signed in the end of 2023. Enlarging the scope of the products under InvestEU, we will manage to provide additional guarantee products with focus competitiveness and development of SME companies
- Explore the opportunities arising from Next Generation EU and Recovery and Resilience National Plan
- FMFIB - new type fo products, combination between guarantee schemes and grants as part of Recovery and Resilience plan.

Client Risk Management and Treasury

In 2023, UniCredit Bulbank maintained its role as a leading market-maker in domestic government bonds and the preferred partner for FX and Money Market transactions of local and foreign banks. The Bank Treasury dedicated its efforts towards managing liquidity and interest rates structural risks, focusing on revenue generation in a rising interest rates environment and strategically expanding the bond portfolio in the second half of 2023.

The Corporate Treasury Sales team (CTS) reaffirmed its primary position in the local market, delivering high-quality FX services and hedging solutions for Interest Rates, FX and Commodities. Leveraging on its expertise and the Group's extensive product range, the CTS introduced new product ideas and structures to

Corporate Banking (continued)

eligible clients. With a focus on additional value-added services, the team added the EU Emission Allowances ("EUA") Forward with physical delivery to its product list, aiming to assist corporate clients in complying with EU regulations by securing the required EUA volumes and optimizing company cash flows. To enhance customer experience, the team actively promoted the new web based FX trading platform for automated spot, forward and currency swap transactions to the active in currency trading corporates.

The Brokerage team provided high-level services for equities, fixed income products and exchange traded derivatives to Institutional, Corporate and Individual customers, leveraging on the digital securities module integrated in Bulbank Online platform.

Looking ahead to dynamic 2024 market developments in an expected key rates easing environment, the Treasury team will maintain its focus on sustainable revenue generation, structural risks management, capital preservation and RWA optimization. Building on their online solutions, CTS and Brokerage will concentrate on delivering high-value-added hedging and investment solutions to a wider customer base.

Specialized Lending

In terms of Corporate solutions, Specialized Lending teams within Advisory and Specialized Lending hold and share a deep expertise and knowhow in providing complex, tailor-made financing solutions in loan origination of Project Finance, Commercial Real Estate Finance, Corporate Structured Finance, Acquisition and Leverage Finance transactions to corporate clients and professional real estate investors. For subsequent year the dedicated teams succeeded in confirming the Bank as the leader on the local market and the preferred choice for investors of large scale and complex projects. The Bank, through Specialized Lending teams, supported the growth of international investments in Bulgarian economy bringing to market a number of high-profile transactions and ESG solutions, in renewable energy segment and top-tier A class real estate projects in particular, marking substantial increase in volume of managed credit portfolio, while also assessing for bankability all viable prospects with lending potential. We are in position to offer to our clients high quality services to support their growth strategies for development of new prominent and economically and environmentally vital complex transactions in various industries.

2023 was a successful year in terms of realization of new business opportunities while strictly adhering to risk appetite strategies. Despite highly competitive market but thanks to clear focus, dedication and professionalism, Specialized Lending grew both in revenues and loan volumes and kept overall notable market presence with clear focus in ESG solutions.

Due to the specific nature of Specialized Lending, tailor-made advanced financing solutions were structured to suit the objectives and constraints of each project and/or industry. This strategy was executed in line with the corporate targets and values while ensuring best possible terms and conditions from clients' and risk perspective. Financing wise, the focus remains on professional investors and financially sound projects.

Advisory

In 2023, the Advisory unit - a function within Advisory and Specialized Lending structure – continued to be a preferred partner and advisor to local and international counterparties on transactions in Mergers and Acquisitions (M&A) and Capital Markets - Equity (ECM) and Debt Capital Markets (DCM) areas.

The M&A team further confirmed its position as a leading advisor on projects in the Energy and Infrastructure sector with a successful close of a landmark transaction in the Renewables sub-segment. The active and efficient collaboration of the Advisory unit with the pan-European Corporate Finance Advisory (CFA) platform of UniCredit Group, contributed to several successful pitches in the Energy and Consumer sectors which are expected to transform into cross border mandates in 2024.

During 2023 the equity and debt capital market origination activities in Bulgaria were dominated by issue of Debt instruments. UniCredit Bulbank was engaged in transactions of origination of Debt instruments in Financial Institutions Group (FIG) sector and Government Euro Bonds placed on the international capital markets, together with UniCredit Bank AG.

In 2024 the focus of Capital Markets activity remains at providing the bank's expertise in support to the corporate customers in implementation of their equity and debt capital markets projects and rendering services for envisaged debt raising and public equity offerings for customers with established sound business model with potential for growth and attractive for investors, including transactions on international capital markets, in cooperation with the Group's ECM and DCM teams.

As a part of the leading commercial bank in Bulgaria, the Advisory team will continue to leverage on the existing client base of UniCredit Bulbank and on the close collaboration with the UniCredit Group's Corporate Finance Advisory (CFA), Equity Capital Markets (ECM), Debt Capital Markets (DCM), and Alternative Capital Markets (ACM) platforms to generate new business opportunities, provide tailored advice and deliver high value solutions to its clients.

Transaction and Payments

In 2023, leveraging on the full commitment and flexibility of our people we managed to reconfirm the Bank's role as a preferred Cash Management, Trade Finance, Transactional Sales, Global Security Services and Factoring partner for both domestic and international corporate clients of all sizes and industries.

The proactive management of the well-diversified correspondent banking network by the Transactional Sales team, provides to

Corporate Banking (continued)

the customers fast and reliable payment solutions in various currencies and support their trade finance activities on the globe. The bank is first-choice BGN cash and clearing provider in the country for the international financial institutions. Thus, generate additional business opportunities for the other product areas.

Cash Management confirmed its leading market position by enhancing our product portfolio with focus on transactional services. Extended payment cut off times improved customer experience in our digital channels. By further developing our pricing strategy, we managed to meet the growing demand for tailor made approach and individual solutions for the market leaders.

The focus on clients' needs and dedication of the team were recognized by Euromoneney Awards for Excellence awarding Unicredit Bulbank as Best Bank in Bulgaria for Cash Management Services. This is undisputable proof that the solutions and team expertise are highly valued by corporate market leaders (domestic and international) making us their preferred choice.

In the Trade Finance area we maintained our dominant position thanks to the team's well-recognized and appreciated advisory expertise and excellent execution, ability to structure complex transactions and prudent risk approach. In an environment with increased risk and respectively interest in documentary instruments, our digital Trade Finance platform plays key role in meeting customer needs for convenient and secure online management of their trade activities. In 2023 we successfully affirmed the implemented online functionality for Trade finance deals' advisory, which marks another completed phase of our end-to-end digital process for advisory, ordering and issuance of bank guarantees and letters of credit. The quality of the service was verified by our clients in the Euromoney survey 2023 for another consecutive year, recognizing UniCredit Bulbank as the Trade Finance Market leader in Bulgaria and for the first time won the first place in the same survey as Best Service in Trade Finance area.

In the Global Securities Services area a strong accent was again placed on the continued development of the custody IT systems and the simplification of the operational processes in order to ensure first-class service level for the wide range of domestic and international institutional clients. In the middle of 2023 a single technical solution has been implemented, servicing the diverse operational activities, linked to the custody services offered. The necessity of further increase of the systems' efficiency has been raised by a significant increase of clients' assets under custody and intensifying of clients' transactions on the local and international financial markets. Substantial efforts have been made for the acquisition of new clients with an accent towards increase of share of local market participants. The leading position of UniCredit Bulbank in the provision of securities services was reaffirmed, for the tenth year in a row, by the Global Finance Magazine award for Best Sub-custodian Bank in Bulgaria.

In 2023 factoring business continued its positive trend of development for another consecutive year of stable market environment and good potential for growth. The active commercial performance during the whole year led to diversification and enlargement of client portfolio, which reflected in achievement of good business results and main KPIs performance. Penetrating the existing factoring portfolio boosted the utilization levels, resulting in +13% growth in NII generation and overall over-performance of budget. The local competition on the market was mainly oriented in possibilities of optimizing price conditions for the clients giving advantage of simplified services and opportunities for customized solutions, following the individual demand.

In terms of product portfolio composition, the volumes of the domestic factoring solutions continue to be with biggest share of the factoring portfolio, following by export solutions for Small and Mid-corporates. International factoring solutions achieved an increase for another consecutive year, following clients' demand for customized approach and individual solutions. The factoring line relies on its excellent expertise in the international area, very good practices within UC Group and worldwide partners within FCI as a major factoring business network. In 2023 the focus on negotiating of flexible solutions continued, including supplier-driven and buyer-driven transactions, providing high quality of services to all the parties of the transaction. Reverse factoring continued to rise, driven by the market demand of flexible financial services and easy process of financing not only for the company but to its counterparties as well. The key success driver was the continuous activities and commercial focus on several regular initiatives providing the client with advisory services completely in line with their working capital needs.

All provided services and customized solutions are fully digitalized through eFactoring.bg. The web-based factoring platform is still a key benefit for the client, which guarantees smooth, easy and fully electronic process. During the whole year, the Bank continued to work on application enhancements, adding new reporting features, ensuring variety of approaches of digital signing of documents in every stage of the process, making it even more comprehensive and useful for clients. The growth in electronically assigned turnover in every consecutive year confirms the client's choice of using the platform and reaffirms the benefits for the company and its counterparties.

In terms of penetration in the market sectors and industries, the focus in 2023 continued to leverage on traditionally strong industries in terms of factoring opportunities and business saturation such as commodities, trade and services, heavy and light industries, transportation and storage and etc. The good practices of factoring opportunities with suppliers of services to public institutions, agencies and municipalities continued in 2023 as well. In terms of foreign markets, the attractive EU economies and the neighbor markets opportunities provided environment for good business generation, reflecting in growth of

Corporate Banking (continued)

export business volumes.

2024 is expected to be another good year for factoring business, following the trend of increasing customer demand, good pre-requisite for business generation and further growth. The benefits of the sales process simplification on the stage of client acquisition will continue to improve the customer journey with UniCredit Group and boosting further sales and cross–sell opportunities.

In parallel, during 2024 the commercial focus will continue to be the digitalization of services by adding high-value enhancements guaranteeing speed and transparency, fully satisfying the market demand.

Anticipating dynamic development in customer behavior and business needs and to ensure seamless and efficient interactions with the Bank, in 2024 we will keep investing in our product portfolio enhancement with focus on the digital channels and services.

2024 Outlook

The GDP growth is expected to regain speed in 2024 driven by a projected pick-up in export demand, and by public and private investments supported by EU funds. Euro adoption remains a key national priority in combination with the implementation of the requirements linked to the next tranches of the country's Recovery and Resolution Plan (RRP).

However, higher long-term interest rate on government bonds will weigh on activity. A further deterioration in financing conditions would hold back private investment – both domestic and abroad. Political uncertainty still places planned reforms and investments at risk.

CB is fully dedicated to deliver "UniCredit Unlocked" strategic plan. The division continues to be market leader that is outperforming competitors with strong results on customer satisfaction survey and focused on attracting foreign investments. In 2024 CB strategy is to continue the sustainable growth, leveraging on best-in-class product factories and Digital&Data providing easy to use solutions. Moving to capital light business and value added products&services to our clients are targeting improvement of customer experience

Retail And Private Banking

General Overview

From Branch of the Future to BANK OF THE FUTURE

2023 was another great year in terms of financial performance, customer growth, new products and services launches, testing new way of servicing our clients, and for continued strengthening of our risk, compliance and governance infrastructure.

Retail business revenues grew with more than 30% y/y, supported by the increasing interest rates in the economy, and driven by our strong commercial effort in line with our strategy to be market leader and preferred choice of our customers.

Customer Growth and Engagement

We managed to achieve second consecutive year with growing number of primary clients in a market with negative demographic development.

At the same time with focus to provide the best customer experience we manage to consistently increase customer satisfaction in all channels - branches, mobile and call center with statistically significant positive gap to competition.

As preferred partner of households, we increased our loans market share 24 months in a row, with more than 80 bps in the growing market, leveraging strongly on our specialized subsidiary for consumer financing (UniCredit Consumer Financing). Our market share in consumer loans grew with more than 100 bps during the year, and at the same time we sustained our leading position in mortgage lending increasing our share with 26 bps to 20%. It was record year for UCB in terms of newly disbursed loan volumes both for households, as well as micro business. The average ticket of mortgage continue to increase with 17% YoY following the trends in real estate prices. In small business loans UCB increased the loan portfolio with 18% due to substantial growth in new sales compared to previous years with major contribution of working capital loan. In the meantime the quality of portfolio remains in excellent condition with stable low level of the major risk indicators, giving the comfort to continue our growth strategy. The results in lending were supported by strong commercial activity, change of the business model and increasing significantly of remote sales capabilities.

In lending our main advantages to peers include fast approval process, competitive product features covering wide range of client needs, Individual pricing based on profile and risk, Flexible Decision Process (solution oriented approach towards client).

Investments are another area in which we strive to provide best products and solutions for savings of our customers. In the Assets under Management, the main trend among clients (investors and prospects alike) was the return of the yield from fixed income instruments. Sales volumes in Amundi funds in money market instruments (Cash funds) represent 80% of the Total Gross sales. Low volatility, low entry-fee cost and annual yield between 4%-5% gave clients the perfect solution for short-term money parking given the continuation of 0% deposit IR policy.

In the area of Life insurance products the dominance of Index-linked products (Insurance certificates) offering 100% capital guarantee and fixed annual yield, continued with 6 new tranches of Allianz Insurance certificates representing 68% of the Life AUM sales volumes.

Our market share in Assets under Management increased to 27.3% in Q4'2023 (from 23.1% for 2022), 70% of net growth in AUM market is contributed by UCB.

Main Activities, Initiatives and Achievements

Our scale puts even more emphasis on the quality of service that we provide to customers and distribution channels development. In 2023, we invested efforts in testing new way of servicing: Cashless branches concept launch in several cities, Agent model pilot and launch of Virtual Region for Digital Customers.

In 2023, UniCredit Bulbank achieved significant milestones to enhance digital banking experiences. The integration of Google Pay as a digital wallet for Mastercard and VISA underscores our commitment to seamless transactions.

Our fully E2E digital deposit feature in mobile banking empowers users with a convenient and secure saving solution.

Introducing a digital process for travel insurance via an embedded browser in mobile banking reflects our dedication to simplifying and digitizing essential services.

The newly added Personal Finance Manager in our mobile banking platform enables customers to effortlessly monitor and manage their transactions. Our PFM functionality automatically recognizes the type of transaction and groups it into one of 16 categories like Shopping, Travel and Holidays, Health, etc. Bulbank Mobile users can analyze data for the previous 13 months.

UniCredit Bulbank expanded its mobile banking capabilities by integrating a request option for UniCredit Leasing products.

Additionally, our enhanced E2E digital consumer loan process introduces flexibility through referral codes, choice between fixed and floating interest rates, and personalized offers for payroll customers. A noteworthy advancement is the ability for customers to refinance internal credits, including POS credit, seamlessly through Bulbank Mobile. New fully E2E process for Consumer loan for employees was launched, giving the best possible price offer, according to internal employee benefits policy.

In the end of 2023 we also introduce "Secure wallet" insurance in bundle with our Daily banking plans in Omnichannel platform. Now all Bulbank Mobile users can choose to include a non-life insurance, protecting their assets and card transactions during the sales process of Daily banking plans. An additional release according our strategy to boost cross-sales.

In April we also launch a new communication asset in the most used interaction channel – mobile banking. We launched Pop-ups,

Retail And Private Banking (continued)

based on new visuals and customized messages to customers in mobile banking, which allow us to increase our conversion rate more than twice.

Furthermore, our online banking platform – Bulbank Online now allows customers to request partial or full repayment of loan products, showcasing our commitment to providing flexible financial solutions tailored to individual needs.

To further improve our 24/7 remote services to the customers we made the successful merge of Contact center of the bank with the Contact center of our consumer financing subsidiary. We launched Pilot VoiceBot through Contact Center, as well as Priority line for our portfolio managed clients.

Our focus on simplification and improving our product offer includes relieved requirements towards for non-collateral micro business loans including launch of new small ticket investment loan w/o collateral; wide adoption of pre-approved limits for 1/3th of clients; automated upload of accounting statements for all micro business lending customers as well special focus on ESG related projects and investments.

New CRM platform for Microbusiness was introduced to support the micro business managers.

We managed to successfully complete onemarkets Fund project for Bulgaria, launching 14 onemarkets Fund strategies and presenting to the Bulgarian investors world-class Investment managers in exclusive partnership. Training of sales network started in October with series of regional events covering more than 600 colleagues. Massive training, investors' awareness and media campaigns will continue in 2024, leveraging on Group expertise and support as well as direct involvement of onemarkets Fund Partners. The team of Regional experts investment products continue to support directly the sales and training process across entire network building up the value proposition for the investors.

In 2023 UniCredit Bulbank have launched a fully Digital KYC in Bulbank Mobile, which enhance and enrich our customers' journey, by providing an additional digital core-banking solution in mobile banking and currently ~ 25% of the reviews are digital.

Development of Distribution Channels

Digital Developments in 2023

In 2023 UniCredit Bulbank have reached a new record in digitally active users – more than 700 000 of our customers have logged in at least once in mobile or online banking.

Our mobile banking app – Bulbank Mobile hold the highest app store rankings among all financial apps in Bulgaria in all three app stores – 4.7 in App Store and Google Play Store, as well 4.8 in Huawei App Gallery. As well, Bulbank Mobile is the most rated and reviewed mobile banking app in Bulgaria with more than 135 000 reviews in all three app stores accumulated.

2023 was another year with developing digitization for UniCredit Bulbank, allowing us to mark more than 2 million downloads of Bulbank Mobile in all three app stores.

The growth we have marked in the last year is not only in terms of more downloads and reviews of our mobile banking app, but in its usage as well.

97% of all payments on a bank level are performed via digital channel, reducing additionally the share of paper payments, following our digitalization strategy.

More than 1 million of digitized card transactions per month were processed in 2023, increasing the digital banking solutions presence in our customers' life.

New sales processes and existing functionality enhancements in Bulbank Mobile we have launched in 2023 contributed to the biggest in our history growth of digital sales – more than 90% increase in 1 year.

Every 4th Consumer loan is fully remote, empowered by the best-in-class technological solution development integrated in our mobile banking app – Omnichannel platform and enhanced customer experience.

In 2023 UniCredit Bulbank's Contact Center has launched Priority Line to prioritize individual and business customers and to guarantee exceptional service. Contact Center Net Promoter Score has increased significantly with 77% reaching 46 points. More than a half of the Contact Center sales were accomplished fully remotely with QES signing from both sides – bank and customer, following our digitalization strategy. UniCredit Bulbank's Contact Center has pilot unique initiative for the market by adding congratulatory messages by Bank's CEO and creating personal connection and influencing in a positive way the overall perception for the bank. Contact Center has launched a Voice Bot solution has been piloted within Contact Center with clear target to provide quick and accurate response to customers inquires.

The ATM business of the bank has gone through another successful year marking a double-digit growth in both – withdrawals (11% growth on withdrawals volume) and deposits (27% growth on deposits volume). As well, the average transaction sum also has increased – 7% growth of the average withdrawn amount and 12% growth of the average deposited amount. UniCredit Bulbank holds the 1st position as a market share in deposited amounts via ATM network.

In 2023, new Virtual Region of UniCredit Bulbank was launched to serve the digital customers of the bank. The region has its own financial and commercial targets, performing fully remote service and sales, similar to all physical locations. The region is made up of 4 branches serving a total of 24 thousand individuals and small companies.

Trends of our customers' operational service show significant migration from over-the-counter transactions to ATM, Bulbank Online and Bulbank Mobile channels. In recent years we register reduced customers' visits to branches, but increase of all other

Retail And Private Banking (continued)

interactions with our customers and their preference to remote support. Driven by these substantial and irreversible changes in customer behaviour we continue to transform our branch network towards even more productivity and efficiency increase.

Cashless service model has been launched as pilot. The model challenged our customers' experience by transforming our branches into consultancy, support and sales points. Cash service is provided in our 24/7 Self Service Zones, supported by external vendor.

2023 was remarkable in Bulgarian banking market also with launching the pilot of UniCredit Bulbank's agent model of banking, providing UniCredit Bank's products and services through third parties (Agents) building the milestone of this new kind of network transformation under UniCredit Point brand.

Card Business Overview in 2023

2023 was another successful year for our Card business. Developing our infrastructure we managed to increase with 16% YoY the number of transactions with our Credit and debit cards. The spent volumes on ATM+POS grew with +14%. Our cards in circulation increased respectively +4.3% Credit Cards and 1.3% Debit Cards.

We continuing our ESG strategy for issuing cards made from sustainable and eco-friendly materials such as PLA.

Digitalization in terms of card renewal process with enlarge possibilities for delivery to address increased double delivery to a personal address in comparison to 2022.

Main developments in 2023 include the launch of an additional wallet - Google Pay for debit and Credit cards, while enabling cash deposits on ATM with tokenized cards. We launched also software POS where Android device can become a fully functional POS for accepting contactless payments, as well as Multiacquiring solution, where one single POS can serve several banks.

At the same time we focused also on simplification in all documentation for Debit and Credit cards.

Private Banking

Private Banking (PB) continues its strong focus and commitment towards core goals for 2024, stepping on the results in 2023:

- In 2023 the revenue increased with 48.8% vs. 2022 to reach record of BGN 33.7 mln with main drivers:
  - Current, Saving accounts and Term deposits
  - Investment products being 12.3%% from revenue, where overall Non-interest income is 23.2% of total revenue
- Total financial assets of customers grew 12.2 % vs. 2022 to reach record of 2.7 bln. with main drivers:
  - Customers' mutual funds grew 56% vs. 2022.
  - Customers' asset under custody (AUC) grew 32.3% vs. previous year and investment products overall grew with 36% vs. 2022 to reach 51% of Total financial assets. Investments part in Total financial assets of clients in 2022 was 42% as of year end and during 2023 this part reached 51%.
  - Current accounts, saving accounts and term deposits volumes on total decreased with – 5% vs. 2022. This decrease was largely compensated by attracted new funds in mutual funds and asset under custody to reach 12.2% increase in total financial assets vs.2022
- Loans volumes increased 14.9% vs. year 2022
- C/I Ratio of 13.9% and ROAC of 376.2% as of December 2023

Main focus in 2023 was on providing best-in-class business relationship and products, financial solutions and services reflecting to client's needs.

- Launching daily banking plan for Private clients with MasterCard World Elite
- Widening the opportunities in 2023 for investments through final Implementation of OneMarkets Fund solutions.
- Implementation of Structured Products. In 2023 the first few successful emissions of Structured products with capital protection and conditional capital protection took place. In 2024 structured products are available for all Private Individuals client of the Bank via particular MIFID II process for this product line.
- Widening the opportunity for lending with focus on mortgage loans.
- Enhance Private Banking revenue management.

Along with NPS and the core goals, Private Banking aims at constantly improving investment efficiency by raising investment volumes and its profitability while improving the very solid KYC process and further digitalizing the processes in 2024.

In 2023, nevertheless the uncertainty on capital markets and the high volatility, the sustainable relation with clients were assured. The team remained close to clients via events, dedicated meetings and started to update regularly clients for their portfolios development under execution only type of investment service as well as monthly sharing of Private Banking buletin covering main macro economy and capital markets. This allowed us to understand better clients view on market development, to learn about the financial plans and at the same time to keep outflows under strict control.

Those results are mainly due to very strong increase in sales activities and propre pipeline management.

In the area of AuC, complexity of corporate actions events, including dividend and interest payments that requires extensive expertise on the different foreign market's specifics, double tax treaties, and securities trading regimes, Private Banking is further developing custodian service as part of the overall goal to increase the quality of AuC.

Retail And Private Banking (continued)

2024 Outlook

Our efforts for better customers' experience and digital processes will continue in 2024 too. Targeting to:

- Improve further Customer knowledge & centricity
- Be bank easy to deal with - Remote and Digital Service exploitation
- Retail Service model redesign Agents network & partnerships
- Keep under control Operational Risk

For 2024 Private Banking will thrive to:

- Widening the opportunities in 2024 for investments through:
  - offering a very effective range of OneMarkets Funds
  - new structured products emissions
  - researching market opportunities in structured deposits
  - feasibility study of possibilities for investment advice
- Widening of order placement trough digital channels (mobile and online banking)
- New and better travel insurance for daily banking plan related to Mastercard World Elite with Allianz
- New functionality in BBO regarding module 'Markets & Investments'
- Automation of processes in order to liberate more commercial time for bankers)
- Increased visibility and acquire new clients with relationship managers traveling to meet clients and prospects in Pleven, Montana, Blagoevgra, Stara Zagora and Dobrich
- Series of Events and Seminars with clients and partners

In Private Banking, the focus remains at further development of business model and service levels, supported by local projects and initiatives.

Chief Operating Office

2023 marks another successful year for COO perimeter in the execution of the UniCredit Unlocked. Ambitious targets have been set and achieved in all our domains – Digital & Information, Security, Operations, Real Estate, Procurement, Cost & Third-Party Management, so to pave the path of sustainable growth, incl. via operational excellence, digitalization, simplification, strong ESG focus and enhanced customer experience.

Focus on Digital & Information office (CDIO)

In the dynamic landscape of modern banking business, the COO plays a pivotal role in steering the ship towards operational success and sustainable growth. The below provides a summary of the maintenance and evolution initiatives delivered in 2023 in the COO domain with the contribution of Digital & Information, emphasizing the strategic alignment of these initiatives with the overarching goals of the Group.

In 2023, UniCredit Bulbank AD run a lot of initiatives to strengthen and improve its operational excellence, focused on optimizing existing processes and ensuring day-to-day operations run seamlessly. Specifically in the Digital perimeter, those could be grouped in 3 main clusters:

- Infrastructure & NW modernization, obsolescence removal
- Running the Bank (Qualitative, Secured and Sustainable Digital services maintenance)
- Digital for Business (enabler for strategic goals implementation) and Internal customers

Infrastructure & NW

Important Data center and infrastructure optimizations – such as replacements of high-end storages of the main Bank infrastructure in order to boost energy efficiency and ensure higher performance, installation of NEW FIBER switching modules with higher level of connectivity and improvements of the SAN infrastructure.

Successful upgrade of the **existing VDI infrastructure** (VMware Horizon upgrade) to the latest modern version to enable secure delivery of virtual desktops and applications to the end-users in order to secure their daily job.

Several key **upgrades of the Databases** (i.e. Oracle and MS SQL Servers, Unix and Windows Servers, etc) to latest versioning to compress the obsolescence.

Extension and resizing of the key infrastructure components in the light of the upcoming cloud transition (i.e. hardware resizing of the cloud native platform, RedHat Openshift and the main environment for server virtualization - up to 95% - Microsoft HyperV, which was an important prerequisite for upcoming projects and initiatives and as well securing the growth of the Bank).

Following the Global Policy of Network Security, the Bank teams did improvements in the Network segmentations related to management of devises in the branches and headquarters.

Security strengthening by Group antivirus / malware solution **CrowdStike** successfully released to all Bank ATMs and anti-DDoS hardening (Akamai) for our Corporate site and Online channel.

Running the Bank (Core Services maintenance)

Successful upgrade (patching) of the Core Banking System (Oracle **FlexCube)**.

Massive replacement of POSs devices (approx. 10,561 units) and Obsolescence removal in ATM (approx. 89 machines for replacement and new installation among BNA, Recyclers and Cash out)

Reinforced the culture of the risk avoidance deeply in the whole Digital organization, reinforcing the monitoring model and the incident resolution setup (including the detailed incidents retrospective with senior management). All in all, out of approx. *2,511 evolution tasks,* the Major incident trend kept to be positive decreasing the numbers from 11 in 2021 to 3 in 2023.

When it comes to **Help Desk,** it has been reshuffled the support model for our Retail NW in all the geographies improving significantly the quality of the provided service (out of the HQ). But all in all positive trend on main part of the KPIs the related 2023.

Last but not least the **EOY procedure** and high season week **monitoring** happened without any major problem.

Digital for Business & Internal Customers

Many major **Digitalization, Automation and Simplification** initiatives that propel the organization forward through adaptation to emerging trend and technologies.

Out of the whole projects portfolio running in 2023, good portion has been successfully completed and the rest continuing the delivery in 2024.

The 2023 was with focus on digital strategy execution in line with Group Digital Strategy for harmonization of the services, implementing first AI prototypes (**Chat**/ **VoiceBot in Call Center**) to support key business processes and services.

On the top of the Key MYP strategic initiatives to evolve our Direct Channels (Mobile/On-Line Banking and Omnichannel), various digital initiative delivered to support new product digitalization while ensuring operational stability at very good levels, to support the business growth and to keep the efficiency.

2023 was successful year for implementing better service and customer experience in **UniCredit Digital channels**. The focus on this year was upgrading the version of mobile **M-Token** servers. Answering the trend of stability grow of our customer base in online and mobile banking, together with the enlarged number of payments through the channels we made infrastructure reinforcement and invested efforts for analysis and optimization

Chief Operating Office (continued)

of the existing processes and decommissioning of old services. On the other hand, the effort around supporting the business vision were focused on the implementation of new sales processes through the channels, like end-to-end online process for opening a **deposit account** for PI, **revolving credit card** for companies, **digital document exchange** for companies, possibility to request an insurance **Secure wallet**. Development of the **Personal Financial Management** functionality for analyzes of personal financing in Mobile banking in order to help customers having visibility on their spending.

A lot of **regulatory** framework's implementation/introduction respected by doing the needed changes in the IT systems and business processes with consistent monitoring and managing the associated risks. **Mobilization of the EUR project** as well in Q2 2022 and reprioritized (due to country re-planning) later in Q1 2023. Meanwhile the most part of the Business requirements closed and some of the SW also developed.

In the spirit of the **ESG** framework, as well the digitalization of portion of the existing processes in line with our Group ESG strategy: implementation of P**roducts supporting young families** and their need of sustainable development; extending the range of forms and documents available for clients for **Digital Signing**, thus improving CX and decreasing environmental footprint by avoiding paper usage (introducing the so called Agnostic signature provider concept fostering completion among signature provider); Implementing **Digital KYC review for Private individuals** showing so another example how UniCredit Bulbank puts in practice most modern trends.

In Following the business growth and business models evolution, new platforms were introduced during the year. For the **Agent Service Model** was introduced a new system to support their daily business operations which was a very good example for working in a good synergy between all units in the organization and creates valuable service for the customers, improves their overall experience and increases Bank representation points. Implementation of new Group **Operational CRM (KITE)** ensures better management of customer relationships, as well as improvement and automation of the relevant processes and decommissioning of the old ones. The successful realization of the project for investments **OneMarkets Fund** is a unique "umbrella" brand for the solution provided by UniCredit Global Factory. It encompasses a wide range of products, which include different levels of risk tolerance, market opinions and investment horizons.

In 2023 ware done a lot of successful projects - **Synthetic Securitization** - significant optimization in terms of RWA and RoAC (Return on Adjusted Capital). Implementation assured improvement of the capital optimization strategy of the Bank as well as benefits in terms of new lending capabilities. It was introduced a new process and Group tool for **Third-Party Risk Management** - enhanced monitoring of risks arising from external partners to ensure preventive measures and better control on deliveries. Compliance related projects such as constant improvement to comply with imposed legislative and technological standards in payments and custody areas, Target 2, SRD2 etc.

With a thought of the future and **investing in the people of tomorrow**, in 2023 was launched a **strategic partnership between Technical University Sofia** and UniCredit Bulbank. As a result of this collaboration, the subject **Digitalization in Banking** becomes an integral part of the bachelor curriculum for the students majoring in Computer and Software Engineering. In addition, a fully equipped UniCredit Bulbank branded space has been set up for the students. Summer practices of the students done with the participants, facilitated by Digital Employees of UniCredit Bulbank in the premises of the Bank and some of them joined the UniCredit Trainee program.

In the light of improving the internal customers satisfaction and addressing some operating risk it was completed also the migration to target **Group MDM platform** – *MS Intune* - (back end of mobile phones) and towards **Exchange Online** as updated version of our outlook on Cloud.

In 2024 the emphasis falls on the **Euro Adoption** program and ensuring a smooth and transparent transition for our clients – double visualization and EUR – conversion of the IT systems. Of major importance would be also the **replacing/ upgrading of obsolete systems** (Credit Origination System upgrade, ERP replacement) and work on **process automation and robotization**, investment in infrastructure, **digitalization and implementation of new technologies**. Additional effort will be invested in preventing incidents, improving as much as possible the monitoring tools or in case of downtime events, granting an adequate and customer-oriented (both internal and external) communication process.

We will continue to **invest financial resources in both operational and change activities**, with the clear ambition to be **cost effective** while provisioning **quality** and **timely services** as well from external partners.

Among the key topics, there will be the **PEOPLE** evolution and specifically the retention working on loyalty drivers and increase the engagement ratio.

The success of all these initiatives rests not only on their individual merits but mainly on their integration with the broader Group strategy, and even more on our best asset - our people.

Focus on Security

Digital Security and Corporate Security and Resilience are essential for the Bank in order to safeguard sensitive financial information, prevent unauthorized access, and protect against cyber threats. In the interconnected digital landscape, robust security measures ensure the confidentiality and integrity of customer data, maintaining trust and credibility. Additionally, a strong security framework is vital for compliance with regulatory standards, mitigating financial risks, and upholding the overall stability of the banking sector. For that we have **established and strictly follow a comprehensive security program** to systematically address all security concerns which we face. Our program outlines protocols, practices, and technologies that help identify, assess, and mitigate potential risks, ensuring a proactive and resilient defense against evolving cyber threats. By this we continuously strive to fortify their infrastructure, maintain regulatory compliance, and ultimately uphold the trust and integrity of their financial operations.

During 2023 we managed to complete the **replacement of Data Center Firewall, conduct upgrade of Privileged Access Rights system and successfully install CrowdStrike on Bank's ATMs.** All of this leads the Bank and our customers to experience enhanced cybersecurity measures and operational efficiency. The new data center firewall ensures robust protection against external threats, the privilege access rights system strengthens internal access controls, and the antivirus software bolsters overall system resilience. Together, these improvements not only safeguard sensitive financial data but also contribute to a more secure and streamlined banking environment.

During the year we had one major security incident which was caused by **DDOS** (Distributed Denial of Services) attack on all state institutions and the whole banking sector in Bulgaria by an organized cyber-crime group. The type of attack we were subject to was not an "ordinary" DDOS flood (to which we were in the past capable of reacting without disruption), but a very sophisticated DDOS attack on multiple network layers. Despite that no impact on branches or to banking services was achieved. As a result, we enhanced our protection mechanisms by replacing the existing "on demand" DDOS service with "always on" one which will eliminate the need of manual intervention in case of future attack and will allow 24/7 monitoring.

In 2023 we continued to maintain **wide security awareness campaigns** with guidelines and good practices, linked but not limited to the payment services, threats and vulnerabilities, for all our employees and customers, using the variety of available digital and mobile channels. In addition, specifically for employees, a number of phishing campaigns have been organized over the past year to increase vigilance and reduce incidents in this area. The campaigns were performed both on local and group level. The results after each simulation were deeply investigated and different mitigation and improvement actions were immediately taken in order to furtherly defend the whole organization.

In the domain of **Corporate Security and Resilience** during the year we had some significant improvements which helped us to facilitate even more our resources thus we managed to protect our customers better. **The Bank is continuously investing into developing and adopting antifraud and personal protection systems** and tools and furtherly enlarging the scope of the existing ones. Specifically, we managed to change all old surveillance cameras in our CCTV network with a newer one supporting megapixel technology. **New card monitoring system "Safer Payment" was implemented.** Our developed internal framework containing regulations, rules and procedures were revised and the enriched antifraud rules were implemented in the new system. With this the card fraud attempts are furtherly reduced. Another tool which was implemented and utilized during the year is **"Fraud Rule Manager"** which was requested to be provided to the Bank by MasterCard. It is online-accessed tool that enhances the real-time fraud monitoring and prevention for international card transactions. In combination with the previously adopted "Visa Risk Manager" we are able to cover the full scope of card brands providers' word wide. As part of the whole Security training and awareness program numerus activities pointed towards our branch and headquarters employees were executed. It is worth mentioning that the team effort expands the traditional sessions and there many performed on site and face to face with our colleagues. Specifically dedicated antifraud manual was developed regarding the most common fraud patterns and trends which was distributed toward our clients to raise their awareness. Based on all mentioned efforts we can share that for 2023 we managed to save around 2 million BGN in our Core Banking area and 1.6 million BGN in Card Antifraud and Transaction monitoring one. Additionally, there is constant development and certification trainings pointed to our employees which is raising their competence level.

Focus on Operations

The multiyear Operations Optimization Program is successfully continuing in 2023 with focus on the main pillars:

Digitalization/ automation, efficiency initiatives and productivity improvement, affecting all areas but main contributors being in the field of loan booking and payments, we managed to improve and optimize our processes and thus in 2023 reduced the overall capacity by 11.3% of entire Operations team.

Assure Operations competitiveness & readiness to support business growth. Further to above optimization, we managed to absorb the double-digit growth in almost all areas - payments (YonY growth 10,2% in domestic and 9,1% in international payments), cards transactions (YonY growth in DC 18% and CC with 22%, ATM transactions with 11%, POS transactions with 23%); growing loan portfolio and loan origination mainly driven by growth in mortgage lending for private individuals and guarantee-scheme-backed lending for companies (YonY growth in new contracts by segments 24% Retail, 5% SME and 8% in Corporate); know-your-customer (KYC) with 13% increase in SME and 12% in Corporate customers onboarding and 11% increase in SME reviews. The results are driven by increase in

Chief Operating Office (continued)

productivity, process simplification, implementation of RPA and digital solutions in all aspects of the back-office activities.

Delivery of key projects, not only deliver improved customer service, but also allows us to optimize our E2E processes and cost base.

Maintain high service quality in all «run the Bank» areas within committed SLAs, applying to regulatory framework and with commitment to the overall customer experience.

- Going forward our focus will be on:
- Full readiness of the Bank to adopt Euro as a national currency
- Payment strategy redesigning the cross-border payments infrastructure
- Boost digitally ready process and E2E process view
- Further improvement and standardization of KYC (know-your-customer) processes.
- Continuous efficiency and automation increase, mainly through further improve level of automations in all areas, migration to digital channels, RPA and smart solution and advanced capacity management.

Focus on Real Estate, Procurement, Cost & Third Party Management

Among the usual challenging demand of projects and tasks, in 2023 the **Real Estate** team had the opportunity to work on a couple of **innovative initiatives** like the pilot of the Agent model, the University cooperation program (design and reconstruction of spaces in three universities) and creation of Corporate Brand Book. Together with the relocation and renovation projects in network and HO buildings, we kept our focus on self-service zone establishment, enlarging the scope with introduction of cashless branches in correspondence with the business strategy.

Second half of the year was more dedicated to various **optimization projects** related to outsourcing in the archive management, digitalization with respect to certain registration activities, delivery of hybrid vehicles and optimization, based on synergies, of the leased personnel, on which we will continue working in 2024 as well.

During 2023 **Procurement** strategy was fully aligned with the main Bank priorities, reflecting the specific market situation and the kept tendency for price increase of main goods and services and constraints on available resources to meet the demand. Some of the suppliers were not able to continue providing the services under the agreed terms and conditions, hence new tenders and market researches were initiated for scouting the market to ensure the service at optimal price. Following the national plan for EURO adoption, a lot of initiatives analyzing the impact of this project have been done and preparation for real implementation is ongoing.

Under the dynamic market conditions, Procurement team managed to ensure **timely delivery** of important products and services under **most favorable financial conditions** and provision of goods and services for strategic initiatives of the Bank in the field of IT infrastructure, digital sales, energy efficiency, as well as important customer and regulatory related projects. Supporting the integration of ESG markers into the Bank's activities, Procurement actively contributed to the execution of tasks related to Energy efficiency assessment of Headquarter and branches; replacement of current UPS and Air-condition installation in bank branches with energy effective ones; replacement of Bank's car fleet with environment friendly hybrid cars; energy saving measures for management of advertising elements in branches; HQ façade renovation.

Following **ESG focus**, in 2023 several market researches were performed for electricity supply on free market for Bank`s locations and a tender was conducted aiming to ensure energy as well from renewable resources.

Special attention was given to the **third-party risk management**, in compliance with the existing rules and regulations. The team continued working with the Group procurement platform SAP ARIBA, following transparent online tender procedures which result in low-risk and trustworthy relationships with our suppliers.

In the field of **Cost Management**, the team continued to provide high quality services in the cost approval process, with the main purpose of guaranteeing compliance with Group and internal rules.

A smooth process was ensured regarding IT demand gathering and monthly budget forecasting activities. To further support the cost optimization. The cost register was expanded and enhanced in order to support regular and ad-hoc cost reporting and analysis.

In the field of **Third-party management**, a single point of entry (GATE Portal in ServiceNow) was launched in 2023 for initial registering, risk identification and re-assessments of outsourcing and non-outsourcing arrangements. Two separate streams were identified depending in the type of initiative in ServiceNow. First stream integration (for non-outsourcing assessments) to new KY3P Group tool was successfully implemented in the beginning of 2023. Integration of the second outsourcing stream is expected to be performed in 2024, which will significantly improve the level of TPRM process digitalization. Finally, this will ensure effective identification, assessment, mitigation, monitoring and reporting of risks related to such type of initiatives.

In January 2023 an initiative **#KeepitSimple**, a methodically structured bottom-up idea collection and realization endeavor with a primary focus on process simplification, was launched. This ongoing initiative is among our main streams in driving activities related to transformation of the Bank trough processes redesign and digitalization.

Strong **BPM team's** commitment and competences in assisting business process owners in designing/redesigning processes and

Chief Operating Office (continued)

regulative document development ensured valuable support for the Bank's strategy achievement through successful delivery of the projects within the portfolio. Remarkable examples include projects such as **Securitization, One Markets, Agent Model, Cashless Branches Model, AnaCredit, Budget Payments**, and more.

Our **Business Process Management (BPM)** team has been appointed as Single Point of Contact (SPOC), offering dedicated support to Process Owners in maintaining the **first line of defense catalogues.** Additionally, BPM plays an essential role in consolidating control results and generating relevant reports, adhering to the established Cooperation Model between the First Line of Defense and Compliance.

A significant **milestone** was achieved with the successful deployment of a new Repository of regulative documents, encompassing both active and archived. The implementation incorporates an advanced search engine, facilitating efficient information retrieval for end users.

Furthermore, we emphasize the importance of regular **recertification of regulative documents**, ensuring ongoing compliance with established standards and relevance of the content to the real and most efficient processes. This commitment is a testament to our dedication to maintaining transparency, efficiency, and regulatory adherence within our organizational framework.

2024 Outlook

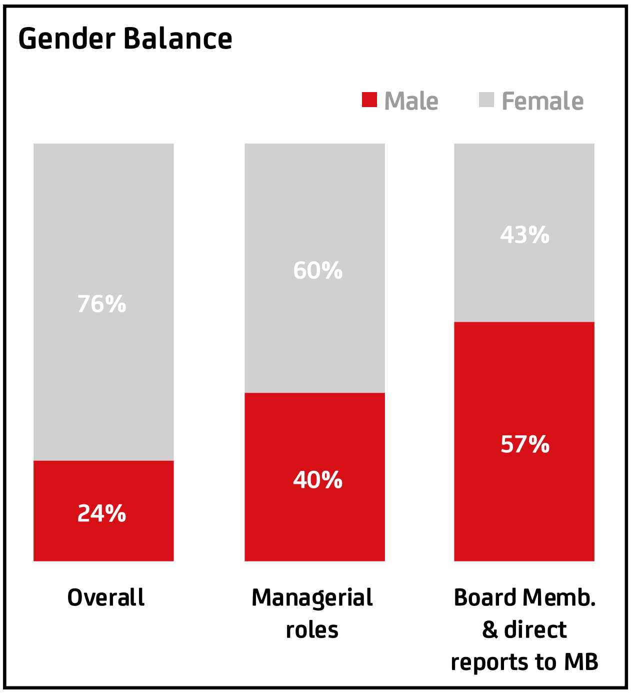
Our main goals and efforts will continue to be dedicated to the overall process of transformation and simplification of our organization striving to create best value for all stakeholders.

The main focus for 2024 of COO is to continue supporting the **strategic Bank and Group initiatives** with a special attention to the Euro Adoption Project, along the transformation and simplification journey we have embarked on. The proper planning of our resources and the right and timely prioritization, will be key success factor, having in mind the resources limitation in the context of the Euro adoption project. The cost discipline will be further enhanced with the introduction of new cost approval process

The completion of the already started sustainable and efficient **ESG initiatives** –commencement of the façade replacement of our main HQ building, successful implementation of remote control of advertising signs and photovoltaic system installation will be important steps in further decreasing the carbon footprint of the Bank.

People & Culture

In 2023 People & Culture (P&C) continued following its strong human capital development focus, fostering inclusive culture, and working environment in order to unlock the full potential of our people and promoting UniCredit Bulbank as best place to work. The main goal of all activities following the employee lifecycle was to support reaching the strategic goals of UniCredit Bulbank while adhering to our values and partnering the organization during its transformation journey.



The number of employees (FTEs) of the Bank decreased from 3 443 to 3 234 (from 3 985 to 3 692 on consolidated basis) in alignment with the Strategic plan, driven by continuous investments in digitalization activities, new opportunities for remote work with customers and directing operations to digital channels like mobile/online services. In terms of gender distribution the proportion of female/male overall is ~76%/24%; the ratio for the managerial positions is quite balanced – 60%/40%, while for the top managerial positions (board level and direct reports to executive directors) the ratio is ~43%/57%. The average age of the employees is 43 years, and from educational structure perspective most of the Bank's employees have university education (around 80%).

Diversity, equity, and inclusion (DE&I) at the workplace remained part of the P&C priorities and the managerial agenda across all functions. The different DE&I aspects are implicated in various internal requirements and procedures throughout all stages of the employee lifecycle, e.g., attraction and recruitment, compensation and benefits, learning and development, succession planning, etc.

In 2023 our continuous efforts for achieving gender equity and inclusion through the years have been recognized also externally. After a rigorous certification process UniCredit Bulbank has been awarded with EDGE Assess Certification. EDGE is the leading global assessment and business certification for gender and intersectional equity. The certification marks not only the Bank significant progress in gender equity and inclusion, but it is also a testimony of our commitment for further improvement.

The Bank continued to be considered a good place to work and stable and reliable Employer, supported by the strong brand of UniCredit. Our strong commitment to employee well-being through excellence in human resource management policies and people practices was recognized by the Top Employers Institute also in 2023. UniCredit Bulbank has been awarded as a Top Employer in Bulgaria in the past several years as well.

The People & Culture team managed to provide sufficient number of job applications, however perceiving the labor market as more and more challenging. Still particularly challenging and already being traditional for the market, were specific segments related to highly qualified banking experts and specific positions (incl. the IT sector), as well as the geographical areas with higher turnover due to the labor market specifics – for example the capital city. The recruiting process was optimized for some of the basic network profiles by implementation of specific personality test for selection and shortening the decision making process by increasing the delegation authority to the direct managers and increasing the efficiency. Further focus on attraction and sourcing of specific expertise was put in order to answer properly to the business needs. In 2023 were hired around 240 new people (320 on consolidated basis).

The Internship program as usual was one of the key priorities aimed to promote the employer brand and serve as an entry pipeline for professional roles, thus reducing the selection effort and improving the time for hiring of needed profiles. In 2023 almost 126 young professionals (168 on consolidated basis) received the opportunity to conduct an internship with the bank. 28 of them (30 on consolidated basis) were offered a permanent job thus the program still being an important source for recruiting of new employees, based on the needs of the company.

Particular efforts were invested in developing deeper connections with the Universities, again with the aim to build a pipeline for sourcing of high-potential young profiles and promoting the employer brand of UniCredit, as well as to contribute with creating conditions for developing students' practical business view. Partnership with Universities is becoming a strategic initiative in terms of sharing knowledge and supporting the right understanding of students for key business processes with bank experts as lecturers on variety of topics. Furthermore, UniCredit Bulbank supported key universities in Bulgaria to ensure better studying conditions, technical equipment, and facilities with the aim to boost the overall learning process.

People & Culture (continued)

The HR costs were adjusted according to the guidelines of UniCredit Group particularly for variable payments in alignment with the Remuneration policy and the financial performance. The Remuneration policy was in line with the Group approach and with the European and local legislative requirements. Market trends have been closely monitored through participation in salary survey, analyzing the results and taking the needed actions in order to provide sustainable and competitive remuneration to employees, ensuring correlation with the bank's performance. The overall benefits portfolio was enhanced with additional perks in 2023, among which the most relevant is the food vouchers. It is among the best ones in the country and is an important additional factor for attracting and retaining employees.

Lead by our purpose - empowering communities to progress, we have introduced an additional day-off for volunteering in 2023. With this we aim not only to promote further the culture of volunteering, but also to give the possibility to our colleagues to support a preferred by them cause. Many of our colleagues took advantage of this opportunity already in 2023.

The hybrid way of working, with the possibility to work remotely from home on certain days of the working week, the implemented early retirement program, as well as the possibility to work on bank-relevant projects during parental leave contributed to preserve the employees' feeling of belonging to UniCredit Bulbank as a good work place.

The voluntary turnover on Bank level remained unchanged vs the previous year and driven by higher rate in one of the subsidiaries on consolidated level increased with just 0.5 p.p. from 9.8% to 10.3%, remaining below the available market benchmarks.

In 2023 People and Culture continued to invest consistently in the learning and development of our people in order to unlock their talent and to enable the Bank to fulfill its full potential and to realize its purpose.

One of our main priorities in 2023 was to make the e-leaning resources more accessible to all employees by harmonizing and rationalizing our e-learning platforms landscape. This allowed us to improve the overall employee experience and to introduce a true content delivery e-learning platform. The platform provides access to more than 60 thousand online trainings aggregated from many sources. Its learner-focused and socially enabled features ensure better user experiences and contribute for higher self-learning appetite.

Mental health and the well-being of employees remained a priority also in 2023. In addition to the trainings with focus on healthy lifestyle, change management and effective emotional management, we introduced awareness webinars covering topics such as breast cancer.

In 2023 for Retail sales force the focus remained on trainings dealing with the topic of customer service, customer relationship building, selling techniques and process, portfolio management and customer "moments of truth". Among the trainings focused on products the most relevant for 2023 was dedicated to OneMarkets Fund. The training covered the whole Retail sales force and was delivered prior the product launch. The focus in the other business segment – Corporate banking, continued to be on the constant development of a long-term relationship based on value creation and sustainable business origination.

The Bank undertook the initiative to refresh the facilities and technical equipment of its regional Training spaces aiming to provide opportunities for classroom trainings in a sustainable way outside main Training center located in Sofia. This allowed us to deliver the trainings in a format ensuring higher effectiveness and providing networking and knowledge sharing opportunities.

In 2023 the Bank continued to embrace new ESG practices and its journey to a more sustainable and responsible business. A strong focus was put on providing additional insights to our sales force about the applicability of ESG strategies in key industries as well as reinforcing their knowledge about transaction flagging and reporting. Adhering to our holistic ESG learning approach we continued to raise awareness on relevant ongoing ESG topics throughout the different levels of the organization leveraging on our integrated group and local training offer. In 2023 we continued to finance the enrollment of our expert in the ESG Master degree, organized in partnership with Sofia University "Sveti Kliment Ohridski".

In line with our DE&I commitment and with the aim to reinforce an inclusive working environment we have organized several awareness events and workshops aiming to demonstrate the talents of differently abled people and how the Bank can support them to unlock their potential.

Being a responsible and sustainable organization UniCredit Bulbank has ensured that all labour relation documents are available for electronic signature. 90% of all employees' documents are signed digitally, reducing significantly the usage of paper for this purposes.

In times of change, managers are the natural engine that encourage, inspire and motivate employees to grow and shape the future success of the organization. In view of the above we continue to invest in our managers and to equip them with the necessary knowledge and managerial capabilities for enhanced teamwork and productive professional relationships.

We continued to deliver the Deliberate leadership program also in 2023. The program is organized in five training modules, supported by an online leadership application and peer-to-peer coaching sessions. Each module of the program was made with a diverse and effective learning experience that used exercises, analysis, questionnaires and experiential learning activities.

In our dynamic and complex environment stakeholder management skills should be part of the overall skills set of managers as well as professionals. Therefore in 2023 we have

People & Culture (continued)

enriched our learning offer for professionals with a dedicated training for professionals The training covers topics such as problem solving, time management, effective communication, conflict management, and others.

The focus on accelerating talents' growth and unlocking their potential have continued to be at the core of the Talent Management Program initiatives in 2023. During the year Bank talents have participated in different training initiatives, strategic meetings, stretching assignments, mentoring, through which they have been naturally improving their readiness to make a next step and even bigger impact in the organization.

The opportunities for open-enrollment in different virtual trainings continued to be part of the training offer. On focus remained topics such as effectiveness on the workplace, personal development, and wellbeing. Besides being highly appreciated by the employees, this possibility for a free enrollment for a session of personal interest boosted their satisfaction and engagement to the company.

Other groups of courses, stimulating the professional excellence and personal productivity of the employees, were the numerous business/process related trainings from the Retail and Corporate Banking learning paths, certification programs in Accounting, Risk, Compliance and Security, trainings on Agile methodology, project management, specialized IT topics, etc. Compliance and Security related topics kept on taking a tangible part of the training agenda also for 2023, with particular Group focus on cyber security and data management.

2024 Outlook

In 2024 People & Culture will continue to act as a strategic partner, change agent and data driven function for sustainable business and leadership growth while appropriating a premium employee experience of our colleagues strengthening the open communication with employees and local communities. Employer branding initiatives will be continued in order to maintain the good image as Employer. New initiatives will be launched in support of employee experience journey and as an answer of the 2024 business challenges and priorities. Digitalization and automation of processes and tools will be key enablers.

Customer Experience and Complaint Management

Customer Experience Management

Based on the values of Integrity, Ownership and Care, UniCredit Bulbank works with a customer-centric approach throughout the organization and constantly building up on customer experience knowledge and culture. This is one of our key tools for achieving good business results and the way the organization works. Importance and relevance of the voice of the customer continue to support all units of the Bank meet customer expectations and needs at the right time with the right solution.

Regular Customer Experience Council, which aims to ensure customer focus, discussion and process improvement (based on relevant feedback from employees, current and potential customers and complaints) is integral to maintaining a customer-centric corporate culture. In 2023 the Bank kept focusing on already started or new initiatives to strengthen this approach.

Several of these initiatives are related to the better interaction between different units in the organization, trainings with CX focus, for better understanding of customer needs.

Having the customer-centric approach, the bank conducts high volume of listening activities to leverage on customer insights and better prioritize initiatives to enhance dedicated customer journeys while continuously looking for options for improvement. With all activities and projects, the Bank aimed to understand its clients' expectations as well as to address customers' needs in a fair and timely manner. In 2023 most of the projects in the listening activities area were related to not only listen to the voice of the customer but also act on this feedback on time. The single goal – improve customer experience.

Utilizing feedback based on various sources like surveys or complaints, the main focus in 2023 was to actively identify topics which could provide actionable insights for further improvement.

Customer Satisfaction and Experience

More than 35 000 feedbacks were collected from **Retail** Customers during the course of the year where the world-wide recognized Net Promoter Score (NPS) was most commonly measured. In Retail, one of the main sources of information related to ensuring a fair benchmarking to competitors, shows a +8pts increase YoY (reaching 40pts.) and is 14 pts higher than Competitors' average.

Additional approximately 25 000 interview with clients with a dedicated relationship manager were also conducted to support the local initiatives related to customer experience based on relationship management model.

Another approximately 22 000 valuable feedbacks about customers' experience through different channels and touchpoints immediately after interaction with UniCredit were also collected.

To collect and act upon various feedback from different channels and product users, dedicated programs for listening to the voice of the customers are in place for Mobile Banking and Call Center users, as well as specific products (Current account, mortgage and consumer loans, etc.).

In **Corporate**, UniCredit Bulbank is at second position with NPS=31 and a positive gap to Competitors' average of +17pts.

As in Retail, a special program for measuring the relationship with corporate customers is in place and further feedback is collected from customers who had an interaction among various channels with UniCredit Bulbank.

Internal Cooperation & Synergies

As *Customers at the Core of our business* is among the pillars of UniCredit, delivering an excellent service quality and top products to clients- means having a high level of cooperation between structures inside the bank. Therefore, an Internal Cooperation and Synergies Survey was conducted for 14th consecutive year. *Cooperation and Synergies Index* measuring the level of cooperation between structures and effort they put into dealing with each remains stable with 70 points (73 for 2022).

Reputation

UniCredit Bulbank's Reputation and Image are positive among Individual and Corporate clients and prospects. Based on the customers' and prospects' feedback collected across various surveys, the bank is perceived as stable, innovative and easy to deal with. Banks' image as a stable and respected international institution is also pointed out as one the main choices for being customers of UniCredit Bulbank.

Complaints and Compliments Management process

The main focus of UniCredit Bulbank is to maintain high customer experience and to guarantee excellent quality of the products, services and overall service and therefore any feedback from customers is extremely useful and important for the organization. Each client's complaint is processed individually and receives the required attention by the relevant internal structure – Complaints and customer care and the client is provided with an official position of the bank via the selected channel within respective legislation deadlines.

At UniCredit Bulbank, we value customers' complaints and consider them as a way to fix customer issues. Each client's complaint is processed individually and receives the required attention where the client is provided with an official position of the bank via the selected channel within respective legislation deadlines.

Detailed information about the complaint management process and set legal deadlines for responding is published on the official website of UniCredit Bulbank and is available in the bank branches. Thus, our customers have the opportunity to share their

Customer Experience and Complaint Management (continued)

opinion, problem, as well as positive impressions of cooperation with the bank.

The complaints management process is centralized and in compliance with the Group Global Policy and the requirements of applicable legislation, allowing a structured and transparent claim handling process as well as detailed investigation and better understanding of the underlying core reasons for the negative customer experience. Customer feedback and the information for each complaint is being analyzed and integrated in reports which are presented to Top Management and managers of the competent structures (including on Group level) for different topics and on regular basis.

Compliments, received by the Bank are also recorded in a centralized system and brought to the attention of the relevant employee, the responsible managers, as well as all other employees in the bank, as we believe that good example should be shared.

The number of customer feedback is 2 754 complaints and 338 compliments, which are processed effectively within the legal terms or provided deadlines by the relevant regulatory authorities.

2024 Outlook

UniCredit Bulbank continues monitoring and acting on customer feedback closely, placing even greater focus on improving customer journeys and interactions across all channels.

Building on the initiatives taken in this direction will further improve customer experience, using various tools. A key focus will be again the measures and activities to keep the culture and mindset of the power of customer experience, behaviors and ease customer engagement with the Bank.

Corporate Social Responsibility

Empowering communities to progress

UniCredit Bulbank accepts its leading position in the banking sector as a responsibility to create growth opportunities for all stakeholders and local communities. In 2023, the Bank was a key partner and helped implement significant projects in education, innovation, culture and arts, business and social entrepreneurship. Once again, the Bank and its employees supported the most vulnerable groups in society through significant donations.

Education is consolidated as a top priority

Investment in education remained a priority for the Bank. In 2023, Bulgaria and Romania were the first two countries that the UniCredit Foundation supported with half a million euros for education projects. With this initiative, the Foundation engaged the local banks of the UniCredit Group in supporting meaningful projects dedicated to overcoming inequalities in education. In Bulgaria, the projects "Better in Mathematics with Kahn Academy in junior high School" of the Association "Education without Backpacks" and "Uni Youth - Promoting opportunities for excellence in education for students of Roma origin" of the Youth Foundation "Arete"- Bulgaria was funded.

In 2023, a global partnership was also launched between the UniCredit Foundation and Junior Achievement Europe, which joined forces to fight early school leaving of young people. The "Repower Your Future" project is taking place in 10 European countries, including Bulgaria. It aims to reignite students' interest in education, improve their results, prevent school drop-out and inspire students to find their desired careers.

UniCredit Bulbank also participated in the Junior Achievement Foundation's global campaign "The Week of Money", which aims to raise students' awareness of the importance of financial education through lectures by the bank's volunteers in different schools nationwide. As part of the campaign, the "My Money" competition was held, in which nearly 700 children up to the age of 12 participated and created banknote drawings. The paintings were exhibited in the contemporary art space of the bank UniCredit Studio.

By participating in such initiatives, UniCredit Bulbank confirms its commitment to supporting the creation of content suitable for children and helps them understand the basic concepts of cash flow, banking operations, responsibility towards their funds and personal budget management.

One of the emblematic initiatives in which UniCredit Bulbank participated is JA's "Manager for a Day" programme. Within this initiative, students from different cities had the opportunity to be part of the bank's team and share the daily tasks of the bank's management and branch managers. This was a valuable experience for the young people, which introduced them to working in banking and inspired them to pursue their career goals.

In 2023, the UniCredit Foundation and global education network Teach For All (TFA) announced a three-year partnership worth €5.5 million. The partnership aims to contribute to quality education in under-resourced schools in Europe and promote equal and quality education for all children. The partnership covers six countries, including Bulgaria. Thanks to this project in Bulgaria, teacher support has been extended across the system over the next three years, covering more than 35,000 pupils in over 780 regional schools.

In the past year, UniCredit Bulbank continued to support the Svetilnik initiative, which allows schools to express their identity and values by creating an anthem. The project aims to offer a model based on music, creativity and interaction that creates a harmonious community, especially for future generations.

UniCredit Bulbank also supported the initiative of the newspaper "24 Chasa", which compares the performance of 52 higher education institutions in 52 professional fields through a rating system.

In the past year, UniCredit Bulbank has established itself as a reliable partner of higher education institutions in the country by supporting:

The University of Economics Varna through the renovation of a co-working space and its technical support. Our colleagues regularly meet with students and business representatives to discuss important banking and economic topics.

Technical University of Sofia - in the framework of the programme "Digitalization in Banking", students from the specialization "Computer and Software Engineering" have the opportunity to learn more about the application of technology in the development of the banking business. The training, already included in the regular Bachelor's programme, is practical and developed by specialists in the bank's IT team. In the computer room equipped by UniCredit Bulbank, students can test what they have learned in practice.

The University of National and World Economy - creating a new co-working space donated by UniCredit Bulbank is just part of the activities on which the UNWE and the bank collaborate. The two organizations have also jointly created the Master's Program in Quantitative Finance, organizing public discussions, lectures and many other initiatives that support students in their studies and in acquiring the new knowledge they need to cope with the changing work environment, unlocking their full potential as future leaders with professional and societal contributions.

Sofia University - UniCredit Bulbank is an official partner of the Master's program of the Faculty of Economics of Sofia University, "Responsible and Sustainable Management", with the head of the program Prof. Marina Stefanova, PhD. It aims to support Bulgarian companies, public institutions, and civil society organizations in transitioning to a green and solidarity-based economy. The partnership with the university is part of the bank's ESG strategy. A specially renovated co-working space was also opened at the

Corporate Social Responsibility (continued)

faculty, where young people can meet to exchange ideas, work together in a team, learn and create, developing their talents.

National Academy of Art - the partnership with the university allows graduating and newly graduated students to show their work in the UniCredit Studio contemporary art space free of charge. It started in 2020 when the gallery presented an exhibition of the best works in the field of painting, graphics and design of the winners of the competition "History is in our heart, the future - in our hands" on the occasion of the 20th anniversary of UniCredit in Bulgaria, organized in partnership with the National Academy of Arts, and later the young artists are presented: Boryana Savova with the exhibition "Lost and Found", Anna-Maria Rousseva with "The Transition", "A Line Between Two Fields" by Dara Zhelyazkova and "Life Beyound the Picture" by Ivan Todorov.

UniCredit Studio, located at the entrance of the emblematic UniCredit Bulbank Headquarters on St. Nedelya Square in Sofia, continues to fulfil its mission - to provide a completely free opportunity for young artists and their brave ideas. Over the years, after numerous exhibitions, the gallery has become a favourite meeting place, a space for discussion, a host of charity bazaars and surprising installations. Some of the most memorable exhibitions in 2023 were:

- **"Spain, closer"** - a photo exhibition of distinctive Spanish landmarks, one of the activities planned for the Spanish Presidency of the Council of the EU
- **"Neo-Terzier - Encapsulating Reality"** by Alexander Lazarkov. The artist's solo exhibition is a joint prize from the Stoyan Kambarev Foundation and UniCredit Bulbank, which was awarded in the visual arts category at the "Flight in Art" ceremony
- **"The Light in Me"** is an exhibition that presents 30 works from two periods of the blind artist Stamen Karamfilov's life - before and after losing sight. They are figurative paintings and landscapes. After losing sight, Stamen painted mainly landscapes, which his memory preserved as nature paintings.
- **"Unconscious Everyday Life"**, an exhibition of the Bulgarian artist Yordan Velkov, a scholarship holder of the scholarship established by the Academic Council of the National Academy of Arts in the name of Prof. Andrey Daniel for students of the speciality "Painting".
- **"Heroes",** exhibition of the Bulgarian edition of the World Forum for contemporary art, design, illustration and Animation Pictoplasma
- **"Diploma Project"** by Radina Yotova presents the diversity in techniques, media and themes that excite the young generation today and how they make sense of tomorrow. The exhibition is part of the International Design Festival MELBA
- **"Twilight"** by photographer Doriyan Todorov. The photographic series, part of the FotoFabrika festival, gathers 12 images about moments of human uncertainty, difficulties and opportunities, and solitude as personal happiness and as fear of loneliness.

Innovation for the whole of society

The Bank supports innovation development in various fields and is a preferred partner in organizing important forums and events. Some of the most memorable ones are:

- **Innovation Explorer**, held under the motto: Innovation for Social Growth. For the ninth consecutive year, the large-scale event of the Innovation Starter agency remains true to its proven formula of being an arena for the boldest futuristic visions for the development of the world and Bulgaria.
- **Financial Innovation Forum**, organized by Bank of the Year Association;
- **Digitalk** - Digitalk Conference 2023: Breakthrough, where leading entrepreneurs, innovators and visionaries shared their insights and advice on how we can make the most of AI.
- **WEBIT** - an international conference on "Bringing Artificial Intelligence to Business Today. Once again, the WEBIT Summer Edition will focus entirely on the innovations and technology trends shaping the future of significant industries, businesses and humanity, as well as the advancements and improvements made globally through technology. WEBIT's mission is to grow the innovation ecosystem and make the vision of the future of technology and people accessible to most of the country's businesses.

UniCredit Bulbank actively works for social entrepreneurship. In 2023, the bank was again a partner in the mission to promote the entrepreneurial spirit in civil society organizations and the Bulgarian Center for Not-for-Profit Law. Again, representatives of UniCredit Bulbank took part in the conference "Business and Regions - Sustainable Development", organized by BGlobal magazine and the Bulgarian Industrial Association, whose focus this year includes both economic aspects and social initiatives and issues related to the development of society.

In 2023, UniCredit Bulbank continued implementing its joint program with the Council of Women in Business in Bulgaria - Leadership Academy. The ninth edition of the initiative was completed during the year. Within each edition, around 40 SME ladies receive a series of leadership skills training sessions completely free of charge.

In keeping with its traditions, UniCredit Bulbank has maintained its position as a valuable partner of many high-level initiatives and conferences of business chambers operating in Bulgaria, such as the German-Bulgarian Chamber of Industry and Commerce, Confindustria Bulgaria, the Bulgarian Business Leaders Forum, etc. As a sponsor of the specialized financial forum The Sound of Money, the Bank continued to promote improving the financial culture of the whole society.

The Bank ended the year on a fitting note by joining the Powers

Corporate Social Responsibility (continued)

Summit as one of its leading partners. The forum, known as "Bulgaria's Davos", is an innovative platform for constructive, operational, face-to-face dialogue between government, business leaders and the civil sector. Its aim, supported by UniCredit Bulbank, was to invest the country's collective intelligence in creating sustainable solutions for Bulgaria's future. The main themes of Powers Summit 2023 were healthcare, energy, sustainable development and Brand Bulgaria - entrepreneurship, investment and education. For the first year, the Powers Summit started with the new "Prime Minister Session" and "Minister Sessions", with the participation of the Prime Minister of the country Acad. Denkov, followed by the involvement of the Minister of Finance and the Ministers of Energy, Economy, Education, Health, Agriculture and other ministers and members of the top echelon of government.

In 2023, the successful partnership of UniCredit Bulbank as the official bank of the International Film and Literature Festival Sinellibri continued. The series of events was held under the motto #Metamorphosis, with the festival marking the 140th anniversary of the birth of Franz Kafka, one of the most significant and influential figures in 20th-century literature.

For more than ten years, UniCredit Bulbank has also supported the Flight of Art ceremony of the Stoyan Kambarev Foundation, which aims to provide young artists with an opportunity to perform.

In 2023 UniCredit Bulbank also supported the creation of the film "Without Wings", inspired by the true story of Paralympian Mikhail Hristov, who, at the age of 14, lost both arms due to an electric shock. He then became a long jump competitor and won a world title for Paralympians. He then invented a new type of prosthesis and started making them for people who needed them.

Donations

The Bank implements various charitable initiatives, as UniCredit Bulbank was awarded the certificate "Company Friend of the Child" by the National Network of Children and with the golden sign "Responsible Company - Responsible Employees" in the annual prize for the companies that encourage the involvement of employees in socially significant causes, organized by the BCause Foundation, in cooperation with the Bulgarian Association for People Management (BAPM), the Bulgarian Society for Public Relations (BSPR) and the Bulgarian Association of CSR Specialists (BACCS).

Sustainability events (ESG)

In 2023, UniCredit Bulbank established itself as a leading institution in the public dialogue on ESG, being a key partner in the most critical ESG forums. These include:

- **Green Transition** - The Green Transition Summit is the largest and most influential meeting in Central and Eastern Europe to discuss the European Green Deal. With a record 2,500+ attendees the previous year, the Summit has positioned itself as one of the significant events shaping tomorrow's world. The three-day forum presented topics related to the economic, technological and social future of stakeholders affected by the Green Deal.
- **Net Zero Economy** - at the conference, we were presented with the business opportunities the transition to sustainable economic growth offers. The forum also served as a platform for networking and a basis for developing successful public-private partnership initiatives.
- **TEDxVitosha COUNTDOWN** is part of TED's global initiative to promote and accelerate solutions to the climate crisis, turning ideas into action. The forum provides a stage to share ideas, innovative solutions and proposals to address the climate crisis faster, bringing together scientists, activists, entrepreneurs, investors, artists, government officials and opinion leaders searching for the most effective evidence-based ideas.

UniCredit Bulbank is actively initiating numerous activities and projects that positively impact society and the environment. The Bank promotes social responsibility as a way of thinking and acting among its employees through various volunteering and donation programs.

- For the second consecutive year, 800 UniCredit employees in Bulgaria and their families volunteered across the country during **Green Day 2023** as part of the Bank's National Volunteer Program. The large-scale initiative took place in 11 locations, such as the Sofia Zoo, Vitosha Nature Park and nine other locations around the country. The Green Day was implemented with the support of UniCredit's partners for Bulgaria, the Biodiversity Foundation.
- UniCredit Bulbank, as an active partner of its clients in achieving their ESG goals, at the end of 2023, launched the first of a series of planned workshops and training to support businesses on their path to sustainable transformation and easier meeting new regulatory requirements. Experts from the bank and leading experts from the consulting and business sectors presented the challenges facing large companies: how to choose the right ESG partner, what's ahead under the first wave of ESG/CSRD (Corporate Sustainability Reporting Directive) and how businesses can prepare.

The Bank also participates in an active ecosystem of partners:

- Green Financing and in the HR Committees of American Chamber of Commerce in Bulgaria
- Green alliance in the British-Bulgarian Business Association
- Green Finance and Energy Center at the Bulgarian Stock Exchange
- German-Bulgarian Chamber of Industry and Commerce – regular ESG related events and partnerships

Corporate Social Responsibility (continued)

- UN Global Compact – global and local member
- Sustainable Finance working group at the Association of Banks in Bulgaria
- Deloitte, PwC – training partners
- Sofia University – partner in ESG Master and in ESG Academy
- National Alliance for Responsible Employers
- Bulgarian Business Leaders Forum
- Council of Women in Business in Bulgaria
- Forbes Women Forum
- Junior Achievement

ESG Governance and Strategy

ESG GOVERNANCE AND STRATEGY

Environmental, social, and governance (ESG) issues as well as their associated opportunities and risks are becoming more and more relevant for the financial sector.

After in 2021 the Bank's ESG strategy was determined. And the ESG Governance Framework had been established, the work in the Bank continued in a structured way as per following working groups:

- ESG Manager and Ambassadors - Governance function
- Product and Clients – Retail & Corporate
- Risk & Regulations Stream
- Our Footprint
- Upskilling Communities, Engagement & Communications

New function was established - Manager ESG Strategy in 2023. 14 Ambasadors and more than 40 ESG reference points across the different functions of UniCredit in Bulgaria were identified and empowered to meet monthly, plan and share progress.

Last year the green financing to our clients reached circa BGN 469 million and the social lending is circa BGN 129 million. UniCredit Bulbank created the opportunity to increase the financial culture of circa1500 students and social entrepreneurs all over the country with the help of the bank's partners and circa 40 volunteers from the bank. Following the engagement to lead by example, UniCredit Bulbank continue to work on the plan in order to improve the footprint.

The ten awards the Bank received in the field of ESG factors management are an objective evaluation of the progress of the bank vis-a-vis the market. The awards and the competitors' development are an incentive to search for new opportunities of improvement in favour of the clients.

At UniCredit Bulbank, we recognize the significance of social responsibility in driving positive change within the communities we serve. We are dedicated to fostering diversity, equity, and inclusion. Through targeted community engagement programs and partnerships with organizations such as Junior Achievement and Teach for Bulgaria (part of the Teach for All network), we aim to address social inequalities, promote education, and increase financial education among students.

Our commitment to social responsibility lies at the heart of our ESG strategy. We believe in leveraging our resources and expertise to positively impact. One notable highlight from the past year was our annual Green Day event, where approximately 800 employees volunteered their time to renovate various locations across the country. Through this initiative in cooperation with a Biodiversity Non-profit organization, we not only beautified public spaces but also fostered a sense of social responsibility among our team members.

Circa 3900 employees in the Bank have passed the course Fundamentals of ESG. More than 3 300 colleagues completed the course ESG in Financial Products Distribution in 2023. The Bank financed a training ESG follow up for specific target group (52 employees) participated in the previous edition of ESG Academy in order to increase and update their knowledge. Circa 20 colleagues completed specialized courses University Risk - Climate Risks Governance and Management. Training on ESG for Corporate with external provider - around 160 participants. Internal training on ESG for Corporate and Retail - around 300 participants.

In line with the Bank's engagement to the communities it operates in, UniCredit Bulbank will continue to improve its service-model, optimize its productivity through more disciplined control and risk management as well as through strict capital and account balances management. ESG services will remain main focus, and key targets will be – to develop ecological and social client offers, to enrich the educational ESG approach with participation of clients, to widen the activities in the program of decreasing our carbon footprint, following the bank's policy of full transparency, consistent communication and building of communities.

Solutions for the future – that is how all the common work in creating the framework for sustainable finance. 2 trillion euro – these are approximately the additional global opportunities for net financing by banks in order to keep global temperatures from increasing by 1.5°C from pre-industrial levels to 2050.

This is our common mission – to look for solutions for the future.

That's why among the main priorities of the ESG strategy of UniCredit Bulbank was the review and enrichment of the ESG product portfolio focused on simplification, green financing, digitalization, service model, financial inclusion and active utilization of guarantee schemes for improving conditions on customer loans.

European Taxonomy in the ESG Portfolio of UniCredit Bulbank

- Social lending – circa BGN 129 million
  - Inclusive Finance Individuals
    - Student loans
    - Pensioner loans
  - Inclusive Finance Enterprises
    - Microloan equal opportunity
- Social impact banking – impact financing
  - Project financing
- High Impact on Society Lending
  - Mortgage loan for young families
- Social High Impact
  - High Imp Soc - Disadvantaged Areas
- Environmental lending – circa BGN 469 million

ESG Governance and Strategy (continued)

- Renewable lending
  - Photovoltaics
  - Wind power stations
  - Hydrogen plants
  - Geothermal energy
  - Bioenergy
- Energy Efficiency Lending
  - Mortgage loan for energy effective buildings – green mortgage
  - Green initiative for small business
- Sustainability linked lending
- Other green financing
  - Electric car leasing

ESG Product Mix for Individuals

- Green mortgage – mortgage loan for financing of an energy effective property
- Green initiative for investment financing – investment loan for energy effective events
- Equal opportunity micro-lending – working capital financing for special client groups or clients (young, women, people with disabilities etc.)
- Student loan – financing of student education and accommodation costs
- Golden age loan – consumer loan for financing of current needs of pensioners
- Amundi Funds Global Ecology ESG – invests in over 10 different ESG spheres (renewable resources, healthy living, ecology, energy efficiency etc.)
- Leasing for electric cars – financing for the purchase of an electric car
- Credit cards for children and young people
- Mortgage loan for young families

What is ahead?

- A digital debit card is an international banking card allowing guaranteed and secure access to our clients funds at any time of the day. The card is issued instantly via Bulbank Mobile and does not exist in material form, helping to protect the environment by reducing the use of plastic and limiting the emissions resulting from the production, packaging, and transportation of the physical cards.
- Focus on digitalization and automation of the processes, e-signing and "Paperless"

Green transformation of the corporate business

UniCredit Bulbank supports its corporate clients in their transition to creating greener and socially impact economy. The investment in projects of our clients in the sphere of renewable resources are the biggest part of the green portfolio and exceed BGN 0.38 bn at the end of 2023. The first similar investments started eleven years ago.

We expect a strong growth of these volumes, because the ESG product and program portfolio is growing and the client demand is big. We rely on the government, on our cooperation with EIB, BDB, EBRD for new programs and guarantee schemes, with which to reach more clients.

We have started series of workshops with our corporate clients in order to increase ESG awareness and opportunities for the business transformation

UniCredit Bulbank is working on implementation of the Climate risks in the credit process.

Apart from loan products, the Bank offers preferential terms for insurance of photovoltaic plants of individual usage via its Insurance broker.

Through the access to the leading insurers in Bulgaria and Europe, UniCredit Insurance Broker provides complex insurance solutions for the whole project life-cycle, as the investment is fully protected in:

- Construction
- Exploitation
- Increased costs for purchasing of electrical energy.

Annual Reports
and Accounts 2023

Unlocking **transformation,** together.

For our clients, our people,
and our communities.

Empowering
Communities to Progress.

UniCredit Bulbank

CORPORATE GOVERNANCE DECLARATION

UniCredit Bulbank AD (the Bank) declares that it adheres to corporate governance good practices as a basis of modern business activity. Corporate governance is a system of balanced relations between the Bank, represented by its management bodies and all relevant stakeholders — shareholders, employees, clients, business partners, creditors, potential and future investors and society as a whole.

In its activity UniCredit Bulbank AD refers to corporate governance principles approved for all companies within UniCredit Group. These principles underlie all Group rules and procedures applicable for UniCredit Bulbank AD, inasmuch as they are not contrary to the effective Bulgarian legislation.

As a pan-European Bank, UniCredit is committed to the highest standards of corporate governance. The current practices have been developed by studying the best international practices and market expectations. UniCredit Group is fully transparent in the disclosure of governance practices, to help stakeholders, including investors, assess our Group in terms of management and effectiveness of our internal controls system. More information could be found on: **https://www.unicreditgroup.eu/en/governance.html**

The main documents regulating the corporate governance of UniCredit Group are available on UniCredit Group's website: **https://www.unicreditgroup.eu/en/governance/governance-system-and-policies.html?topmenu=INT-TM_GOV1_en023**

Among them (but not only) are:

- Articles of association;
- Code of ethics;
- Code of conduct;
- Whistleblowing;
- Anti-corruption policy;
- Conflict of interest policy.

UniCredit Bulbank AD declares continued commitment to applying rules and policies, which are creating the necessary conditions and enabling shareholders to exercise fully their rights.

UniCredit Bulbank AD guarantees equal treatment of all shareholders, including minority and foreign ones, as well as protection of their rights.

The Bank applies corporate information policy and provides the necessary information in accordance with the respective legal requirements of the Republic of Bulgaria in order to meet the needs of the shareholders and stakeholders so that they can receive full, up-to-date and reliable information about the activity of the Bank.

Management

According to the Statute of UniCredit Bulbank AD, approved by the General Meeting of the Shareholders, the main governing bodies of the Bank are: the General Meeting of the Shareholders, the Supervisory Board and the Management Board.

General Meeting of the Shareholders

The General Meeting of the Shareholders includes the shareholders entitled to vote who attend in person or through a lawful representative or through an explicitly authorized representative, who complies with the respective statutory requirements and whose attendance is registered with the Attendance Registration and Quorum Counting Commission.

The General Meeting of the Shareholders:

1. Amends and supplements the Statute;
2. Increases and decreases the capital;
3. Resolves on transformation of the Bank through merger by way of incorporation and merger by way of acquisition, de-merger by way of separation and de-merger by way of dissolution of the Bank;
4. Appoints and dismisses the members of the Supervisory Board and determines their remuneration;
5. Appoints and dismisses specialized audit companies which are registered auditors pursuant to the Independent Financial Audit Act to audit and certify the annual financial statements of the Bank as well as the supervisory reports, identified by BNB. The Bank coordinates with BNB in advance the choice of registered auditors;
6. Approves the annual financial statement certified by the auditors, resolves on the distribution of the profit after tax, resolves on making contributions to the Reserves Fund from the net profit or from other sources, resolves on the payment of dividends;
7. Appoints liquidators upon dissolution of the Bank, except in the case of insolvency or compulsory liquidation;
8. Exempts from liability the members of the Supervisory Board and of the Management Board;
9. Resolves on the issuing of bonds, including bonds convertible into shares;
10. Appoints and dismisses the management of the Internal Audit;
11. Appoints and dismisses the members of the Audit Committee and determines their number, term of office and remuneration;
12. Appoints and dismisses the Chairman of the Audit Committee;
13. Resolves on other matters within its competence entrusted to it by law and the Statute.

Supervisory Board

The Supervisory Board is empowered to exercise preliminary, current and subsequent control over the Bank's compliance with applicable laws, the Statute and the decisions of the General Meeting of the shareholders in the interest of the Bank's clients and shareholders.

The Supervisory Board does not take part in the ordinary management of the Bank.

The Supervisory Board consists of 3 (three) to 7 (seven) members appointed by the General Meeting of the Shareholders for a term of up to 3 (three) years. The exact number of the members of the Supervisory Board, their term of office and remuneration is determined by a decision of the General Meeting of the Shareholders.

A member of the Supervisory Board is a person who meets the statutory requirements for occupying the position, including reliability and suitability. The appointment of a member of the Supervisory Board is subject to the prior approval of the BNB/ECB.

Management Board

The Management Board manages the activities of the Bank by exercising its rights and obligations in accordance with the law, the Statute of the Bank, the Rules and the other internal rules of the Bank.

The Management Board is a collective management and representation body of the Bank exercising its powers under the control of the Supervisory Board.

The Management Board of the Bank consists of 3 to 9 (three to nine) members appointed by the Supervisory Board for a term of up to 3 (three) years. The exact number of the members of the Management Board, their term of office and remuneration is determined by a decision of the Supervisory Board.

A member of the Management Board is a person who meets the statutory requirements for occupying the position, including reliability and suitability. The appointment of a member of the Management Board is subject to prior approval of the BNB/ECB. No member of the Management Board can be at the same time a member of the Supervisory Board or an employee of Internal Audit.

Each governing body of UniCredit Bulbank has its own rules or procedure which describe the functions, rights and duties of the respective body and its members in detail. While performing their duties both the Supervisory and Management Board are governed by the law, regulatory framework of the Bank and UniCredit Group as well as the good practices of integrity and competence.

The Annual Report on the activity of the Bank for 2023 provides detailed information about the organizational structure of the Bank and the members of the management bodies.

Specialized bodies

Specialized committees have been set up to support the activity of the governing bodies of the Bank. Permanent committees are the forums of the Bank to prepare, discuss and take decisions.

Audit Committee

Pursuant to the Independent Financial Audit Act an Audit Committee shall be set up at all banks to monitor the independence of the internal financial audit. Audit Committee members shall not be MB members and employees of the Bank or its subsidiaries. The majority of the AC members shall be external to and independent from the bank according to the legislative requirements. The major functions of the Audit Committee are as follows: monitor and control the financial reporting processes of the Bank and the independent financial audit, the effectiveness of the internal control system and mechanisms as well as risk management systems; evaluate the results of the work performed by the registered auditors and examine the status of relations with them; examine the adequacy and compliance with the applicable accounting principles used in the preparation of financial statements.

Supervisory Board Committees

1. Nomination Committee

The major function of the Nomination Committee are:

- to identify and recommend, candidates to fill management bodies vacancies (to the General meeting of shareholders for members of the Supervisory Board and to the Supervisory Board for members of the Management Board);
- to evaluate the balance of knowledge, skills, diversity and experience of the candidates;
- to carry out collective and individual suitability assessment of the management bodies and their members;
- to prepare a description of the functions and requirements for the candidates for the positions and determines the time commitment that the elected members are expected to devote to each role;
- to assess, nominate and recommend candidates to be appointed as Key function holders, considering their experience, qualification, knowledge and skills, as well as their professional experience, needed for the bank's management which shall be done in alignment with the existing applicable regulations and the internal bank policies.

The Committee's functions are in line with the provisions of the Credit Institutions Act and with the rights and obligations as per Ordinance №20/2019 of BNB.

2. Remuneration Committee

The Remuneration Committee has as its general task the following competencies:

- to be responsible for the preparation of decisions on remuneration to be taken by the supervisory function, including the remuneration of the members of the management board of the Bank;
- to be responsible for the preparation of decisions on the Bank's policy on the matters of remunerations so to ensure respect towards principles of transparency and corporate governance;
- to support the supervisory function in overseeing the remuneration policies, practices and processes and the compliance with the remuneration policy;
- check whether the existing remuneration policy of the Bank is still up to date and, if necessary, make proposals for changes before the Supervisory Board;
- may approve the remunerations of other identified staff (for example for Group Identified Staff) in alignment with UniCredit Group guidelines and practices.

The Committee's functions are in line with the provisions of the Credit Institutions Act and with the rights and obligations as per BNB Ordinance №4/2010 for the requirements of remunerations in banks.

3. Risk Committee

The Risk Committee is an independent permanent advisory body appointed and dismissed by the Supervisory Board of the Bank. It shall advise the SB and the Management Board (MB) of the Bank on the Bank's overall current 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 Bank. The Risk Committee assists the SB and MB in overseeing the implementation of the strategy by senior management of the Bank. The Risk Committee has advisory functions only, and the SB and MB retain overall responsibility for risks, the risk management and control. The main functions of the Risk Committee, among others, are:

- to monitor and advise on the effectiveness of the Bank's risk management system and to analyze the related periodic information;
- to monitor and advise on the effectiveness of the independent risk management function and the effectiveness of the risk structure in the Bank;
- to monitor and advise on the current risk situation of the Bank, the overall current and future risk appetite and strategy;
- to monitor and assist on the effectiveness of the implementation of the risk strategy by senior management;
- to oversee the implementation of the strategies for capital and liquidity management (including liquidity risk strategy, liquidity risk tolerance, the Funding Plan, Intragroup Funding Plan, Investment Portfolio plan and Contingency Funding Plan) as well as for all other relevant risks of the Bank, in order to assess their adequacy against the approved risk appetite and strategy;
- to provide the Supervisory Board 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 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 review the ICAAP, ILAAP and Recovery plan;
- to evaluate whether the prices of the bank products and services do properly reflect risks in accordance with the business model and risk strategy and, if necessary, to present to the SB and/or MB a remedy plan;
- to examine whether incentives provided by the remuneration system take into consideration the risk, capital, liquidity and the likelihood and timing of earnings and, without prejudice to the remuneration (compensation) committee of the Bank, to discuss them, at its sole discretion, with the SB;
- to review audit results and findings within the risk management area by the Bank's Internal Audit and External Auditors.

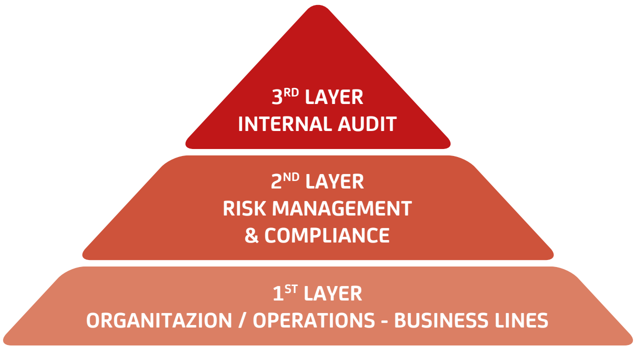
Management Board Committees

1. **Financial and Credit Risks Committee** with two separate sessions
   - 1.1. ALCO session is dedicated to the management of liquidity and market risk. Financial risk management at UniCredit Bulbank comprises the activity related to all commercial and investment banking transactions as well as asset and liability management. Risk positions shall be analyzed by an independent market risk structure and compared to the risk limits approved by the Management Board and Financial and Credit Risks Committee.
   - 1.2. Credit Risk session is dedicated to:
     - 1.2.1. Monitoring, evaluation, classification, and provisioning of risk exposures for losses from impairment, forbearance and write-off's;
     - 1.2.2. Periodical monitoring and review on credit portfolio quality, Risk Weighted Assets and Expected Loss ratios, Watch list process and dashboards on Credit Policy and Strategy;
     - 1.2.3. Proposals for changes in Credit Strategies, Retail and Corporate Credit Policy, rules, new credit products or changes and optimization in credit processes.

2. **Transactional Committee with two separate sessions**
   2.1. The Transactional Committee-Credit Council Session is a collective body for taking credit decisions in the scope of granting loans in compliance with the statutory requirements and internal bank regulations, applicable at the moment of considering the specific loan application, and the relevant resolutions of the Management and/or Supervisory Board. Within the parameter of decision taking by the Transactional Committee-Credit Council Session are:
      2.1.1. GAM and Group clients with local exposure up to BGN 50 mln;
      2.1.2. Non material waivers and changes from technical character for exposures over BGN 50 mln which do not deteriorate risk profile of transaction;
      2.1.3. Flexibility range regarding capital-light products (leasing and factoring frames) up to BGN 5 mln for exposures over BGN 50 mln.
   2.2. The Transactional Committee-Credit Committee Session is a collective body for taking credit decisions in accordance with the relevant resolutions of the Management Board and the Supervisory Board. The Transactional Committee-Credit Committee Session takes decisions on credit applications with total exposures of a single customer or obligor group over BGN 50 mln which are above the competence level of the Transactional Committee-Credit Council Session.
3. **Project Portfolio and Real Estate Portfolio Committee** with two separate sessions
   3.1. Project Portfolio session dealing with prioritization, organization and approval all strategic initiatives of the Bank. This is the highest decision-making body in relation to all existing projects and programs for UniCredit Bulbank AD and its subsidiaries.
   3.2. Real Estate Portfolio session with generic goal to steer the demand and change management process within the Bank and its subsidiaries, when it comes to Real estate related projects. Real Estate Portfolio Committee is the highest decision-making and escalation body of each project/program, run within UniCredit Bulbank and its subsidiaries' Real Estate project Portfolio.
4. **Non-Financial Risk and Control Committee** with 4 separate sessions
   4.1. General session dedicated to Operational Risk mitigation measures and coordination of risk activities, regular analyses of the critical topics related to the Internal Control mechanisms and monitoring and prioritization of the corrective actions, assessment of the overall Internal Control System adequacy related to the Compliance area and providing support to the Management in taking decisions for mitigating such risks.
   4.2. ICT, Security & Cyber Risk session has the mission to steer the overall security management framework as well as actively participate in the Business Continuity, Pandemic, and Emergency & Crisis Management activities performed in the day to day actions and management of the legal entities in Bulgaria. The session is to support Security and the management to achieve the set objectives according to the business needs as well as the security related aspects to the main IT initiatives. All Security aspects are being constantly and closely monitored, if needed updated and validated by the session.
   4.3. Reputational Risk session is a dedicated body for discussion and decision for all transactions/initiatives/projects referring to Reputational Risk Sensitive Sectors - as regulated by the dedicated global policies - and for all other cases on Business proposal (e.g. other relevant sectors or relevant clients). Material events and other topics and business activities generated by UniCredit Bulbank or its subsidiaries, and evaluated by the Non Financial Risk, as High reputational risk. Its approval of High risk transactions is mandatory prior to their submission to Local Transactional Committee.
   4.4. Third Party Risk session responsible for the management of the Exception process (escalation process) of the Rules for Third Party Risk Management for Non-Outsourcing contracts and the Rules for Outsourcing contracts of the Bank and its Subsidiaries.
5. **Local Investment Committee to Private Banking**

   The Local Investment Committee to Private Banking is an internal collective authority of the bank set up to make decisions related to strategic allocation of the various classes of assets and to model portfolios on the basis of the Global Investment Strategy (GIS) of UniCredit Group corresponding to risk clients groups. The decisions of the Local Investment Committee assist the RM Private Banking Clients in optimizing offers.

Internal Control Mechanisms



Layers of the internal control system

The Internal Control System (ICS) is the set of rules, procedures and organizational structures aimed to ensure the correct functionality of our company.

The Internal Control System (ICS) consists of a set of rules, procedures and organizational structures which aim to:

- ensure that corporate strategy is implemented;
- achieve effective and efficient corporate processes;
- safeguard the value of corporate assets;
- ensure the reliability and integrity of accounting and management data;
- ensure that operations comply with all existing rules and regulations.

Risk Management

In its ordinary activity UniCredit Bulbank AD is exposed to various kinds of risks - market, liquidity, credit, operational and reputational risk, as individual risks are managed and controlled by specialized bank units. The applicable policies completely meet the requirements of group risk management standards as well as the requirements of the Bulgarian bank legislation.

Details about the risk management of the Bank are provided in the annual financial statements and activity reports of the Bank.

Compliance

Compliance function is integrated in the internal control system to prevent and manage the risk of regulatory non-conformities, breaches and conflicts of interests. The end purpose is to preserve the reputation of the Bank, the confidence of the clients and contribute to its sustainable performance by introducing strategic guidelines (policies and practices) and monitoring techniques with the purpose of preventive assessment.

Internal Audit

In accordance with the currently effective organizational structure of the Bank, Internal Audit is a unit functionally detached from the other structural units of the bank. It directly reports to the Supervisory Board (SB) of the Bank, where a linking unit between them is the Audit Committee having in its membership two members of the SB and one independent member. The Head of Internal Audit is appointed by the General Meeting of the Shareholders. The principles, organization and functions laid down in the Rules and Regulations of Internal Audit of the Bank are aligned with the provisions of Ordinance No 10 of BNB on the Internal Control in Banks.

In accordance with the rules and procedures of the Bank, the Management Board is not granted any administrative and financial instruments to influence the activity and findings of internal auditors. However, the management may request extraordinary inspections to be conducted in those areas of activity of the Bank that at its discretion show indications for an increased risk.

Information on proposals for acquisitions/mergers in 2023

As at the end of 2023 no proposals to UniCredit Bulbank AD were made for acquisition from/ merger to/with other companies.

This Corporate Governance Declaration is prepared in compliance with art. 40 of the Accounting Act and shall be an integral part of the Annual Report on the activity of UniCredit Bulbank AD for 2023 on an individual and consolidated basis.

For UniCredit Bulbank AD:

....	....
Tsvetanka Mincheva	Dalibor Cubela
Chairperson of the Management Board	*Deputy Chairperson of the Management Board*
Chief Executive Director	*Deputy Chief Executive Officer*

2023 Consolidated
Report and Accounts
of UniCredit Bulbank

Unlocking **transformation**, together.

For our clients, our people,
and our communities.

Empowering
Communities to Progress.

UniCredit Bulbank

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Independent Auditors' Report

To the shareholders of UniCredit Bulbank AD

Report on the Audit of the Separate Financial Statements

Opinion

We have audited the separate financial statements of UniCredit Bulbank AD ("the Bank") as set out on pages 2 to 96, which comprise the separate statement of financial position as at 31 December 2023 and the separate income statement, separate statement of comprehensive income, separate statement of changes in equity and separate statement of cash flows for the year then ended, and notes to the separate financial statements, including material accounting policies.

In our opinion, the accompanying separate financial statements give a true and fair view of the unconsolidated financial position of the Bank as at 31 December 2023, and of its unconsolidated financial performance and its unconsolidated 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 Separate Financial Statements" section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements of the Independent Financial Audit Act (IFAA) that are relevant to our audit of the separate financial statements in Bulgaria, and we have fulfilled our other ethical responsibilities in accordance with the requirements of the IFAA and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KPMG *INDEPENDENT AUDITORS' REPORT* bakertilly

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate financial statements of the current period. These matters were addressed in the context of our audit of the separate 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 matters:

Impairment of loans and advances to customers at amortised cost

As at 31 December 2023, the separate financial statements include:

- Gross loans and advances to customers at amortised cost of BGN 18,216,976 thousand (31 December 2022: BGN 15,885,739 thousand) and related impairment allowance of BGN 681 415 thousand (31 December 2022: BGN 761,820 thousand), as disclosed in note 27 to the separate financial statements.
- Net Impairment credit (loss)/ reversal on Loans and advances to customers recognized in the separate income statement of BGN 23,744 thousand (2022: BGN (57,536) thousand), as disclosed in note 20 to the separate financial statements.

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

- 3 (i) Impairment
- 4 (d) Credit risk

Key audit matter	How this key audit matter was addressed in our audit
Impairment allowances for loans and advances to customers (collectively, "loans", "exposures") represent the Bank's best estimate of expected credit losses ("ECL") associated with these exposures at the reporting date. Measurement thereof requires the Bank to make complex judgements and assumptions. As described in note 3 (i), the expected credit losses have been determined in accordance with the Bank's accounting policies based on the requirements of IFRS 9 Financial Instruments ("IFRS 9"). As required by IFRS 9, the Bank estimates the expected credit losses considering a stage allocation of the loan exposures. For performing exposures (stage 1 and stage 2 loans in the IFRS 9 hierarchy), as well as individually non-significant stage 3 (non-performing) exposures, the expected credit losses are determined based on statistical models using the Bank's historical debt service data and also forward-looking information and macroeconomic 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	Our audit procedures performed, where applicable, with the assistance of our financial risk management, valuation and IT audit specialists, included among others: — 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; — Making relevant inquiries of the Bank's risk management, internal audit and information technology (IT) personnel in order to obtain an understanding of the ECL estimation process, IT applications used therein, key data sources and assumptions used in the ECL model. Also, assessing and testing the Bank's IT control environment for access and program change; — 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

INDEPENDENT AUDITORS’ REPORT

at default ("EAD"). In the wake of the economical volatility caused by the ongoing post-pandemic normalisation of global trade, heightened geopolitical tensions and weak economic activity in the euro area, measurement of the collective impairment allowance was associated with additional complexities and an increased estimation uncertainty. Among other things, the application of in-model and post-model adjustments was required from management in arriving at the year-end estimate of collective impairment losses. For individually significant stage 3 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 any related collateral and minimum period for collateral disposal. Given the above factors and complexities, we considered impairment of loans and advances to be associated with a significant risk of material misstatement in the separate financial statements, which required our increased attention in the audit and as such was determined to be a key audit matter.	classification of exposures into performing and non-performing, calculation of days past due, stage allocation and calculation of the ECL; — For a sample of loans, critically assessing, by reference to the underlying loan documentation (updated financial indicators, repayment pattern, default events, forborne 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 2023; For ECLs estimated on a collective basis: — Obtaining the Bank's relevant macroeconomic forecasts and critically assessing the forward-looking information and macroeconomic scenarios used in the calculation of the ECL, by means of corroborating inquiries of the Management Board and inspecting publicly available information; — Challenging the collective PD, LGD and EAD parameters for a sample of the Bank's portfolios, by reference to, among other things, our own analysis of the Bank's data on past default occurrence, realized losses on those defaults, contractual cash flows and contractual lifetime; — Testing in-model and post-model related adjustments to reflect the current market volatility not reflected in the original ECL models. As part of the procedure, we evaluated the data, assumptions and methods used in calculating the adjustments; — Recalculating the expected credit losses as of 31 December 2023 based on the Bank's ECL model for a sample of the Bank's portfolios; For ECLs estimated on an individual basis: — 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. For loan exposures in totality: — Examining whether the Bank's ECL-related disclosures in the separate financial statements appropriately address the relevant quantitative and qualitative requirements of the applicable financial reporting framework.

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INDEPENDENT AUDITORS' REPORT

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Information Other than the Separate Financial Statements and Auditors' Report Thereon

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

Our opinion on the separate 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 separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the separate 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 separate annual report, the corporate governance statement and the non-financial declaration, we have also performed the procedures added to those required under ISAs in accordance with the New and enhanced auditor's reports and auditor's communication Guidelines of the professional organisation of certified public accountants and registered auditors in Bulgaria, the Institute of Certified Public Accountants (ICPA). These procedures refer to testing the existence, form and content of this other information to assist us in forming an opinion about whether the other information includes the disclosures and reporting provided for in the applicable in Bulgaria Chapter Seven of the Accountancy Act and Art. 100(m), paragraph 8, where applicable, of the Public Offering of Securities Act.

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

Based on the procedures performed, our opinion is that:

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

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

Management is responsible for the preparation of separate 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 separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and

KPMG INDEPENDENT AUDITORS' REPORT bakertilly

using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate 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 separate financial statements.

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

Additional reporting in relation to Ordinance No 58/2018 issued by the Financial Supervision Commission

Statement in relation Art. 11 of Ordinance No 58/2018 of FSC on the requirements for protection of financial instruments and deposits of clients, for management of products and for granting or receiving remunerations, commissions, or other monetary or non-monetary benefits

Based on the audit procedures performed and the knowledge and understanding of the Bank's activity (Investment Intermediary), in the course and context of our audit of the separate financial statements as a whole, we identified that the designed and implemented organization for safeguarding of customers' assets complies with the requirements of Art. 3 – 10 of Ordinance No 58 of the FSC and Art. 92-95 of the Markets of financial instruments Act in relation to the activities as an investment intermediary.

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

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

- KPMG Audit OOD and Baker Tilly Klitou and Partners EOOD were appointed as a statutory auditors of the separate financial statements of the Bank for the year ended 31 December 2023 by the general meeting of shareholders held on 30 March 2023 for a period of one year. The audit engagement was accepted by signing the Joint Audit Engagement Letter on 15 November 2023.
- The audit of the separate financial statements of the Bank for the year ended 31 December 2023 represents second total uninterrupted statutory audit engagement for that entity carried out by KPMG Audit OOD and seventh total uninterrupted statutory audit engagement for that entity carried out by Baker Tilly Klitou and Partners EOOD.
- We hereby confirm that the audit opinion expressed by us is consistent with the additional report, provided to the Bank's audit committee, in compliance with the requirements of Art. 60 of the Independent Financial Audit Act.

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

Sofia, 27 February 2024

For KPMG Audit OOD:

Sevdalina Dimova
Authorised representative and registered auditor, responsible for the audit

ОДИТОРСКО ДРУЖЕСТВО
София
Рег. № 045
КПМГ ОДИТ ООД

45/A Bulgaria Boulevard
Sofia 1404, Bulgaria

For Baker Tilly Klitou and Partners EOOD:

Galina Lokmadjieva
Authorised representative and registered auditor, responsible for the audit

ОДИТОРСКО ДРУЖЕСТВО
София
Рег. № 129
БЕЙКЪР ТИЛИ КЛИТУ И ПАРТНЬОРИ ЕООД

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

Separate Income Statement

In thousands of BGN

	Notes	2023	2022
Interest income calculated using the effective interest method		802 762	462 652
Other interest income		46	6
Interest expense		(94 751)	(38 126)
Net interest income	8	**708 057**	**424 532**
Dividend income	10	**110 161**	**113 209**
Fee and commission income		368 142	322 585
Fee and commission expense		(87 210)	(66 734)
Net fee and commission income	9	**280 932**	**255 851**
Net gains on financial assets and liabilities held for trading and hedging derivatives, including FX revaluation	11	137 111	104 920
Net gains/(losses) from financial assets mandatory at fair value	12	3 223	(159)
Net gains/(losses) from financial assets measured at FVTOCI	13	(4 621)	5 197
Other operating income	14a	10 753	7 471
Other operating expenses	14b	(29 666)	(27 757)
TOTAL OPERATING INCOME		**1 215 950**	**883 264**
Net income/(expense) related to property, plant and equipment	15	(1)	15 240
Personnel expenses	16	(178 003)	(159 606)
General and administrative expenses	17	(112 429)	(95 198)
Amortization, depreciation and impairment losses on tangible and intangible fixed assets, investment properties and assets held for sale	18	(59 500)	(48 392)
Provisions for risk and charges	19	(2 660)	(1 980)
Net impairment (loss)/ reversal on financial assets	20	20 437	(87 912)
PROFIT BEFORE INCOME TAX		**883 794**	**505 416**
Income tax expense	21	(77 099)	(39 531)
PROFIT FOR THE YEAR		**806 695**	**465 885**

These separate financial statements have been approved by the Management Board of UniCredit Bulbank AD on February 21, 2024.

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Registered auditor, Responsible for the audit and Authorized representative
KPMG Audit OOD

Galina Lokmadjieva
Registered auditor, Responsible for the audit and Authorized representative
Baker Tilly Klitou and Partners EOOD

ОДИТОРСКО ДРУЖЕСТВО София Рег. № 045 КПМГ ОДИТ ООД

ОДИТОРСКО ДРУЖЕСТВО София Рег. № 129 БЕЙКЪР ТИЛИ КЛИТУ И ПАРТНЬОРИ ЕООД

The accompanying notes 1 to 50 are an integral part of these separate financial statements.

Separate Statement of Comprehensive Income

	Notes	2023	2022
		In thousands of BGN	
Profit for the year		**806 695**	**465 885**
Other comprehensive income - items that will not be reclassified subsequently to profit or loss			
Actuarial gains/(losses)	40	(4 028)	4 259
Revaluation reserve on tangible assets	30	8 920	2 173
Revaluation reserve on equity Investments recycled at equity		8 870	206
Income tax relating to items of other comprehensive income that will not be reclassified subsequently to profit or loss		(1 375)	(664)
		12 387	**5 974**
Other comprehensive income - items that may be reclassified subsequently to profit or loss			
Investment securities		58 965	(274 213)
Cash flow hedge		4 879	(45 990)
Income tax relating to items of other comprehensive income that may be reclassified subsequently to profit or loss		(7 019)	32 445
		56 825	**(287 758)**
Total other comprehensive income net of tax for the year		**69 212**	**(281 784)**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**875 907**	**184 101**

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ОДИТОРСКО ДРУЖЕСТВО София Рег. № 129 БЕЙКЪР ТИЛИ КЛИТУ И ПАРТНЬОРИ ЕООД

The accompanying notes 1 to 50 are an integral part of these separate financial statements.

Separate Statement of Financial Position

In thousands of BGN

	Notes	31.12.2023	31.12.2022
ASSETS			
Cash and balances with Central Bank	22	6 069 757	7 070 403
Non-derivative financial assets held for trading	23	4 381	2 828
Derivatives held for trading	24	100 703	116 097
Derivatives held for hedging	25	77 165	131 468
Loans and advances to banks and debt securities at amortized cost	26	2 787 613	1 282 131
Loans and advances to customers and debt securities	27	19 324 871	17 087 441
Pledged debt securities at amortized cost	27	1 073 063	180 384
Investment securities	28	1 543 636	1 471 666
Pledged investment securities	28	645 643	1 062 591
Investments in subsidiaries and associates	29	52 479	52 479
Property, plant, equipment, right of use assets and investment properties	30	234 426	238 781
Intangible assets	31	94 603	95 130
Current tax assets	32	-	1 679
Non-current assets and disposal groups classified as held for sale	34	1 130	-
Other assets	35	115 029	96 032
TOTAL ASSETS		**32 124 499**	**28 889 110**
LIABILITIES			
Financial liabilities held for trading	36	111 647	159 306
Derivatives held for hedging	25	128 856	132 160
Deposits from banks	37	1 583 312	1 577 699
Deposits from customers and other financial liabilities at amortized cost	38	24 863 665	23 231 250
Debt securities issued	39	1 401 400	313 701
Fair value changes of the hedged items in portfolio hedge of interest rate risk	25	4 203	(16 331)
Provisions	40	141 757	129 683
Current tax liabilities	32	17 034	-
Deferred tax liabilities	33	8 592	8 459
Other liabilities	41	202 018	101 190
TOTAL LIABILITIES		**28 462 484**	**25 637 117**
EQUITY			
Share capital		285 777	285 777
Revaluation and other reserves		(79 716)	(146 921)
Retained earnings		2 649 259	2 647 252
Profit for the year		806 695	465 885
TOTAL EQUITY	42	**3 662 015**	**3 251 993**
TOTAL LIABILITIES AND EQUITY		**32 124 499**	**28 889 110**

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ОДИТОРСКО ДРУЖЕСТВО
София
Рег. № 129
БЕЙКЪР ТИЛИ КЛИТУ И ПАРТНЬОРИ ЕООД

The accompanying notes 1 to 50 are an integral part of these separate financial statements.

Separate Statement of Changes in Equity

In thousands of BGN

	Share capital	Statutory reserve	Retained earnings	Revaluation reserves: Financial Assets at Fair Value through OCI	Cash flow hedges reserves	IAS 19 reserve	Revaluation reserve on PPE	Total
Balance as of January 1, 2022	**285 777**	**342 378**	**2 590 299**	**108 008**	**(30 298)**	**(5 438)**	**66 973**	**3 357 699**
Profit for the year	-	-	**465 885**	-	-	-	-	**465 885**
Actuarial gains	-	-	-	-	-	4 259	-	**4 259**
Change of revaluation reserve on investment securities	-	-	-	(274 007)	-	-	-	**(274 007)**
Change of revaluation reserve on cash flow hedges	-	-	-	-	(45 990)	-	-	**(45 990)**
Change of revaluation reserve on tangible assets	-	-	-	-	-	-	2 173	**2 173**
Transfers of revaluation reserve of tangible assets to other net equity items	-	-	4 868	-	-	-	(4 868)	-
Income tax related to components of other comprehensive income	-	-	(486)	27 825	4 599	(426)	269	**31 781**
Total other comprehensive income for the year net of tax	-	-	**4 382**	**(246 182)**	**(41 391)**	**3 833**	**(2 426)**	**(281 784)**
Total comprehensive income for the year net of tax	-	-	**470 267**	**(246 182)**	**(41 391)**	**3 833**	**(2 426)**	**184 101**
Dividends paid	-	-	(313 826)	-	-	-	-	**(313 826)**
Merger with UniCredit Factoring	-	-	24 019	-	-	-	-	**24 019**
Balance as of December 31, 2022	**285 777**	**342 378**	**2 770 759**	**(138 174)**	**(71 689)**	**(1 605)**	**64 547**	**3 251 993**

	Share capital	Statutory reserve	Retained earnings	Revaluation reserves: Financial Assets at Fair Value through OCI	Cash flow hedges reserves	IAS 19 reserve	Revaluation reserve on PPE	Total
Balance as of January 1, 2023	**285 777**	**342 378**	**2 770 759**	**(138 174)**	**(71 689)**	**(1 605)**	**64 547**	**3 251 993**
Profit for the year	-	-	**806 695**	-	-	-	-	**806 695**
Actuarial losses	-	-	-	-	-	(4 028)	-	**(4 028)**
Change of revaluation reserve on investment securities	-	-	-	67 835	-	-	-	**67 835**
Change of revaluation reserve on cash flow hedges	-	-	-	-	4 879	-	-	**4 879**
Change of revaluation reserve on tangible assets	-	-	-	-	-	-	8 920	**8 920**
Transfers of revaluation reserve of tangible assets to other net equity items	-	-	1 747	-	-	-	(1 747)	-
Transfers of revaluation reserve to other net equity items from sale of equities at Fair Value through OCI	-	-	483	(483)	-	-	-	-
Income tax related to components of other comprehensive income	-	-	(223)	(7 370)	(488)	403	(716)	**(8 394)**
Total other comprehensive income for the year net of tax	-	-	**2 007**	**59 982**	**4 391**	**(3 625)**	**6 457**	**69 212**
Total comprehensive income for the year net of tax	-	-	**808 702**	**59 982**	**4 391**	**(3 625)**	**6 457**	**875 907**
Dividends paid	-	-	(465 885)	-	-	-	-	**(465 885)**
Balance as of December 31, 2023	**285 777**	**342 378**	**3 113 576**	**(78 192)**	**(67 298)**	**(5 230)**	**71 004**	**3 662 015**

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София
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БЕЙКЪР ТИЛИ КЛИТУ И ПАРТНЬОРИ ЕООД

The accompanying notes 1 to 50 are an integral part of these separate financial statements.

Separate Statement of Cash Flows

In thousands of BGN

	Notes	2023	2022
Net profit		**806 695**	**465 885**
Current and deferred tax, recognized in income statement	21	77 099	39 531
Adjustments for non-cash items			
Amortization, depreciation and impairment losses on tangible and intangible fixed assets, investment properties and assets held for sale	18	59 500	48 392
Impairment/(reversal) of impairment of financial assets	20	(29 503)	77 612
Impairment of foreclosed properties	14	21	-
Provisions, net	40	12 837	30 414
Unrealized fair value loss/(gain) through profit or loss, net		(9 705)	23 289
Unrealized fair value loss/(gain) on FX revaluation		(60 704)	152 636
Net gain from sale of PPE and foreclosed properties		(7 388)	(15 849)
Net interest income	8	(708 057)	(424 532)
Dividend income	10	(110 161)	(113 209)
Increase in other accruals		28 830	27 173
Cash flows from profits before changes in operating assets and liabilities		**59 464**	**311 342**
Operating activities			
Change in operating assets			
Increase in loans and advances to banks		(1 667 271)	(21 655)
Increase in loans and advances to customers		(3 094 417)	(3 799 304)
(Increase)/decrease in financial instruments held for trading and hedging derivatives		57 592	(97 095)
Decrease in non-current assets held for sale		-	14 881
Increase in other assets		(11 488)	(11 064)
Change in operating liabilities			
Increase in deposits from banks		13 132	438 861
Increase in deposits from customers		1 691 568	3 336 891
Provisions utilization		(4 447)	(8 994)
Increase/(decrease) in other liabilities		82 556	(54 766)
Interest received		754 509	447 829
Interest paid		(78 459)	(38 248)
Dividends received		110 161	113 209
Taxes paid		(67 800)	(6 000)
Net cash flow from/(used in) operating activities		**(2 154 900)**	**625 887**

Separate Statement of Cash Flows (continued)

In thousands of BGN

	Notes	2023	2022
Cash flow from investing activities			
Cash payments to acquire PPE		(13 295)	(18 281)
Cash receipt from sale of PPE		7 388	15 849
Cash payments to acquire intangible assets	31	(29 582)	(26 739)
Cash receipt from sale of FVOCI assets		663 340	821 168
Cash payments to acquire FVOCI assets		(257 830)	(137 756)
Net cash flow from investing activities		**370 021**	**654 241**
Cash flow from financial activities			
Dividends paid		(465 885)	(313 826)
Cash payments related to lease liabilities		(9 737)	(7 543)
Increase in debt securities issued		1 075 707	-
Net cash flows from/(used in) financial activities		**600 085**	**(321 369)**
Effect of exchange rate changes on cash and cash equivalents		**3 602**	**(3 886)**
Impairment of cash equivalents	20	**(30)**	**137**
Net increase/(decrease) in cash and cash equivalents		**(1 181 222)**	**956 010**
Cash and cash equivalents at the beginning of period	46	**8 072 701**	**7 117 691**
Cash and cash equivalents at the end of period	46	**6 891 479**	**8 072 701**

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БЕЙКЪР ТИЛИ КЛИТУ И ПАРТНЬОРИ ЕООД

The accompanying notes 1 to 50 are an integral part of these separate financial statements.

Notes to the Separate Financial Statements

1. Reporting entity

UniCredit Bulbank AD (the Bank) is a universal Bulgarian bank established upon a triple legal merger, performed on April 27th, 2007 between Bulbank AD, HVB Bank Biochim AD and Hebros Bank AD.

UniCredit Bulbank AD possesses a full-scope banking license for performing commercial banking activities. It is domiciled in the Republic of Bulgaria with registered address city of Sofia, 7 "Sveta Nedelya" sq. and UIC 831919536 as per the Trade Register. The Bank is primarily involved in corporate and retail banking and in providing asset management services.

As of December 31, 2023 the Bank operates through its network comprising of 130 branches and offices.

2. Basis of preparation

(a) Statement of compliance

These separate financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB) and adopted by the European Union (EU).

These separate financial statements have been prepared on unconsolidated basis as required by Bulgarian Accountancy Act.

These separate financial statements are approved by the Management Board of UniCredit Bulbank AD on February 21, 2024. They should be read in conjunction with the consolidated financial statements which are also subject to Management Board approval.

(b) Basis of measurement

These separate financial statements of the Bank have been prepared on the historical cost basis except for financial instruments measured at fair value or at amortized cost depending on asset classification, and Property, plant, equipment and investment properties that are measured at fair value.

(c) Functional and presentation currency

These separate financial statements are presented in Bulgarian Lev (BGN) rounded to the nearest thousand. Bulgarian Lev is the functional and reporting currency of UniCredit Bulbank AD.

(d) Use of estimates and judgement

The preparation of financial statements requires the Management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

Information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are described in notes **4** and **5**.

3. Significant accounting policies

There have been no changes in significant accounting policies for the periods presented in these financial statements. In principal, whenever certain information in the current period is presented in a different way for the purposes of providing more reliable and relevant view of the financial position of the Bank, prior period information is also recalculated for comparative reasons.

(a) Interest income and expense

Interest income and expenses are recognized in the Income statement following the accruing principle, taking into account the effective yield/effective interest rate of the asset/liability in all material aspects. Interest income and expenses include the amortization of any discount or premium or other differences between the initial carrying amount of an interest bearing instrument and its amount at maturity calculated on an effective interest rate basis.

The effective interest rate is the rate that exactly discounts estimated future cash flows of the financial instrument over the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. The future cash flows are estimated taking into account all the contractual terms of the instrument.

The calculation of the effective interest rate includes all fees and points paid or received between parties to the contract that are incremental and directly attributable to the specific arrangement, transaction costs, and all other premiums or discounts.

Interest income and expense presented in the Income statement include:

- interest on financial assets and liabilities at amortized cost calculated on an effective interest rate basis;
- interest on Fair Value through other Comprehensive Income (FVTOCI) investment securities calculated on an effective interest rate basis;
- interest on financial instruments held for trading;
- interest on financial instruments designated at fair value through profit or loss;
- interest on derivatives designated as effective hedging instruments;
- excess liquidity interest based fees for accounts maintenance.

(b) Fee and commission income and other operating income

Fees and commissions income and other operating income are accounted for in the income statement as the entity satisfies the performance obligation embedded in the contract, according to

"IFRS 15 Revenue from Contracts with Customers" rules.

In particular:

- if the performance obligation is satisfied at a specific moment ("point in time"), the related revenue is recognized in the income statement when the service is provided;
- if the performance obligation is satisfied over-time, the related revenue is recognized in the income statement in order to reflect the progress of satisfaction of such obligation.

Due to the above mentioned rules, transaction fees coming from trading in securities are typically booked in the moment when the service is provided while fees related to portfolios management, consulting or fund management are normally recognized over the term of the contract (input method).

For this second type of fees, in fact, it is deemed that the input which is necessary to provide the service incorporated in the performance obligation is evenly distributed during the term of the contract.

If the timing of cash-in is not aligned to the way the performance obligation is satisfied, the Bank accounts for a contract asset or a contract liability for the portion of revenue accrued in the period or defers it in the following periods.

The amount of revenues linked to fees and commissions income and other operating income is measured based on contractual provisions.

If the amount contractually foreseen is subject, totally or partially, to variability, revenue has to be booked based on the most probable amount that the Bank expects to receive.

Such amount is determined on the basis of all facts and circumstances considered relevant for the evaluation, depending on the type of service provided and, in particular, on the presumption that it is not highly probable that the revenue recognized will not be significantly reversed.

Nevertheless, for the services provided by the Bank such a variability is not usually foreseen.

Finally, if a contract relates to different goods/services whose performance obligations are not satisfied at the same time, revenue is allocated among the different performance obligations proportionally to the stand-alone price of the single item delivered. These amounts will therefore be accounted for in the income statement on the basis of the timing of satisfaction of each obligation.

Fee and commission income and expenses that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate thus presented as interest income or expense.

(c) Net gains/(losses) on financial assets and liabilities held for trading including FX revaluation

Net gains/(losses) on financial assets and liabilities held for trading include those gains and losses arising from disposals and changes in the fair value of financial assets and liabilities held for trading (including derivative deals) as well as trading income in dealing with foreign currencies and exchange differences from daily revaluation of the net open foreign currency position of the Bank.

The Bank concludes derivative deals with customers which represents a margin driven business. The market risk on all such deals is covered through back-to-back deals concluded on the derivatives' primary markets (with counterparties being usually other banks part of UniCredit Group such as UniCredit SpA, UniCredit Bank Austria AG and UniCredit Bank AG). The whole realized and unrealized gains/losses on derivative related to customers' business and their respective back-to-back derivatives with banks are presented net and included as part of the net gains (losses) on financial assets and liabilities held for trading.

(d) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currency at the official Bulgarian National Bank foreign exchange rate effective at the date of the transaction. All monetary assets and liabilities denominated in foreign currencies are translated at the closing foreign exchange rate being the official rate of the Bulgarian National Bank. Non-monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rate effective at the date of the transaction. FX revaluation of equity investments classified in FVTOCI portfolio should be presented in FVTOCI revaluation reserve. As of each reporting date, all foreign currency denominated monetary assets and liabilities are revaluated using Bulgarian National Bank closing exchange rates. Any gain/loss is recognized in profit or loss.

(e) Net gains/(losses) on other financial assets designated at fair value through profit or loss

Net gains/(losses) on other financial assets designated at fair value through profit or loss include all realized and unrealized fair value changes and foreign exchange differences on assets which are managed on fair value basis and for which the Bank has applied "fair value option" upon initial recognition.

(f) Dividend income

Dividend income is recognized when the right to receive the income is established. Usually this is the ex-dividend date for equity securities.

(g) Leases

The Bank as a lessee applies the requirements of IFRS 16, and assesses whether a contract is or contains a lease, at inception of the contract. The Bank recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (under EUR 5 000). For these leases, as permitted by IFRS 16, the Bank recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the lessee uses its incremental borrowing rate. The latter is determined on the basis of the cost of funding for liabilities of similar duration and similar security of those implicit in the lease contract.

The Bank has applied a single discount rate to a portfolio of leases with reasonably similar characteristics.

Lease payments included in the measurement of the lease liability comprise of:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options;
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Bank remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is re-measured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Bank incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognized and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of the lease term and the useful life of the underlying asset. If the lessor transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Bank expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The Bank applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy.

(h) Financial instruments

(i) Recognition

The Bank initially recognizes loans and advances, deposits, debt securities issued and subordinated liabilities on the date at which they are originated. Regular way purchases and sales of financial assets are recognized on the settlement date. For assets carried at fair value any change in the fair value of the asset to be received during the period between the trade date and the settlement date is recognized in profit or loss or in equity, depending on IFRS 9 category. All other financial assets and liabilities (including assets and liabilities designated at fair value through profit or loss) are initially recognized on the trade date at which the Bank becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is initially measured at fair value plus (for an item not subsequently measured at fair value through profit or loss) transaction costs that are directly attributable to its acquisition cost.

Classification of the financial assets is based on business model and characteristics of the contractual cash flows. The analysis of the business model was conducted by mapping the business areas that make up the Bank's portfolios and by allocating a specific business model to each of them.

In this regard, the business areas that make up the banking portfolio have been assigned "held-to-collect" or "held-to-collect and sell" business models according to holding intentions and expected turnover of the financial instruments.

The business areas that make up the Bank's trading portfolio have been assigned an "other" business model in order to reflect trading intentions.

For the purposes of classifying debt financial instruments in the categories envisaged by IFRS 9, the business model analysis must be complemented by an analysis of contractual flows ("SPPI Test").

In this regard, the Bank has developed systems and processes to analyze the portfolio of debt securities and loans in place and assess whether the characteristics of contractual cash flows allow for measurement at amortized cost ("held-to-collect" portfolio) or at fair value with effect on comprehensive income ("held-to-collect and sell" portfolio).

The analysis in question was carried out both by contract and by defining specific clusters based on the characteristics of the transactions and using a specific internally developed tool ("SPPI Tool") to analyze the contract features with respect to IFRS9 requirements, or by using external data providers.

In application of the aforementioned rules, the Bank's financial assets and liabilities have been classified as follows:

(ii) Classification

a) Cash and balances with the Central Bank

Cash and balances with the Central bank include notes and coins on hand and unrestricted balances held with the Central Bank. They are carried at amortized cost in the statement of financial position.

b) Financial assets and derivatives held for trading

Financial assets and derivatives held for trading are those that the Bank holds for the purpose of short-term profit taking.

These include securities, derivative contracts and other trading instruments that are not designated as effective hedging instruments, and liabilities from short sales of financial instruments. All derivatives with positive fair values and purchased options are reported separately as derivatives held for trading. All derivatives with negative fair values and written options are reported as financial liabilities held for trading.

Financial assets and derivatives held for trading are carried at fair value in the statement of financial position.

After initial recognition these financial instruments are measured at their fair value through profit or loss.

A gain or loss arising from sale or redemption or a change in the fair value of a Held for Trading (HFT) financial asset is recognized in profit or loss. If the fair value of a financial instrument falls below zero, which may happen with derivative contracts, it is recognized as "Financial liabilities held for trading".

c) Financial assets designated at fair value through profit or loss

Financial instruments that are not held for trading but which are part of a group of financial assets which performance is internally evaluated and reported on a fair value basis are initially designated and subsequently reported as financial assets designated at fair value through profit or loss.

A non-derivative financial asset can be designated at fair value if the abovementioned designation avoids accounting mismatches that arise from measuring assets and associated liabilities according to different measurement criteria.

Financial assets, designated at fair value through profit or loss are carried at fair value in the statement of financial position.

d) Financial assets mandatorily at fair value

The portfolio Mandatorily at fair value through profit or loss (MFV) is introduced according to IFRS 9 principles. A financial asset is classified as financial asset mandatorily at fair value if it does not meet the conditions, in terms of business model or cash flow characteristics, for being measured at amortized cost or at fair value through other comprehensive income.

Specifically, the following assets have been classified in this portfolio:

- debt instruments, securities and loans for which the business model is neither held to collect nor held to collect and sell but which are not part of the trading book;
- debt instruments, securities and loans with cash flows that are not solely payment of principal and interest;
- equity instruments not held for trading for which the Bank does not apply the option granted by the standard of valuing these instruments at fair value through other comprehensive income.

Gains and losses, whether realized or unrealized, are recognized in profit or loss as "Financial assets mandatorily at fair value".

e) Fair value through other comprehensive income (FVTOCI) assets

Financial asset, which is a debt instrument, is classified at FVTOCI if:

- its business model is held to collect and sell;
- its cash flows are solely the payment of principal and interest.

FVTOCI investments are non-derivative investments whose objective is achieved by both collecting contractual cash flow and selling financial assets.

All FVTOCI investments are carried at fair value.

On initial recognition, at settlement date, a financial asset is measured at fair value, which is usually equal to the consideration paid, plus transaction costs and fees directly attributable to the instrument.

After initial recognition, the interests accrued on interest-bearing instruments are recorded in the income statement according to the amortized cost criterion as Interest income and similar revenues.

The gains and losses arising from changes in fair value are recognized in the Statement of comprehensive income and reported as Revaluation reserves.

These instruments are tested for impairment as illustrated in the specific section. Impairment losses are recorded in the income statement.

In the event of disposal, the accumulated profits and losses are recorded in the income statement.

With regard to equity instruments, the gains and losses arising from changes in fair value are recognized in the Statement of comprehensive income and reported as Revaluation reserves.

In accordance with the provisions of IFRS 9, no impairment losses on equity instruments are recognized in the income statement. Only dividends are recognized in profit or loss.

For unquoted equity securities whose fair value cannot be reliably measured, the Bank considers cost as the best estimate of fair value.

f) Fair value through other comprehensive income (FVTOCI) option

This category includes equity instruments not held for trading for which the Bank applies the option granted by the standard of valuing the instruments at fair value through other comprehensive income.

All investments in equity instruments and contracts on those instruments must be measured at fair value. However, in limited circumstances, cost may be an appropriate estimate of fair value. That may be the case if insufficient more recent information is available to measure fair value, or if there is a wide range of possible fair value measurements and cost represents the best estimate of fair value within that range.

UniCredit Group considers cost as a best estimate of fair value in case of Equity instruments for which all the following conditions are met: the instrument is not listed; the percentage of interests held by the Bank does not grant the right to acquire the relevant business plans developed by management for using internal valuation models; and their features are such that it is not possible to identify meaningful comparable investments to be used as benchmark.

With regard to equity instruments, the gains and losses arising from changes in fair value are recognized in the Statement of comprehensive income and reported as Revaluation reserves. Such an investment is not a monetary item and gain or loss that is presented in other comprehensive income includes any related foreign exchange component.

In accordance with the provisions of IFRS9, no impairment losses on equity instruments are recognized in the income statement. Only dividends are recognized in profit or loss. No reclassification of gains and losses to profit or loss on derecognition is allowed.

g) Financial assets at amortized cost

A financial asset is classified as financial asset measured at amortized cost if:

- its business model is held to collect;
- its cash flows are solely the payment of principal and interest.

Held to collect investments are non-derivative assets with fixed or determinable payments and fixed maturity that the Bank has the positive intent and ability to hold to maturity.

On initial recognition, at settlement date, financial assets at amortized cost are measured at fair value, which is usually equal to the consideration paid, plus transaction costs and fees directly attributable to the instrument.

After initial recognition assets are measured at amortized cost which requires the recognition of interest on an accrual basis by using the effective interest rate method over the term of the loan.

Such interest is recognized in profit or loss as Interest income and similar revenues.

The carrying amount of financial assets at amortized cost is adjusted to take into account the reductions/ write-backs resulting from the valuation process as set out in the specific section for Impairment. Expected credit losses are recognized in profit or loss. In the event of disposal, the accumulated profits and losses are recorded in the income statement as Gains/ (Losses) on disposal.

Amounts derived from adjustment of carrying amount of financial assets, gross of cumulated write-downs, are recognized in profit or loss as Gains/Losses from contractual changes with no cancellations of the contracts in order to reflect modifications on contractual cash flows that do not give rise to accounting derecognition.

Sales are usually not compatible with this business model. Several kinds of sales however do not jeopardize the business model held to collect. These are sales that occur as a result of deterioration in the credit standing of the financial assets, which are not significant in value (not greater than 10% of the carrying value of the relevant portfolio) or sales that are made close to the maturity. In any cases sales should be infrequent.

h) Deposits from banks and customers

Deposits from banks and customers are financial instruments related to attracted funds by the Bank, payable on demand or upon certain maturity and bearing agreed interest rate. They are carried at amortized cost using the effective interest rate method.

(iii) Derecognition

The Bank derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Bank is recognized as a separate asset or liability. The Bank derecognizes a financial asset also in case of substantial modification of the terms and conditions of the asset. The Bank derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

The Bank enters into transactions whereby it transfers assets recognized on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognized from the statement of financial position. Transfers of assets with retention of all or substantially all risks and rewards include, for example, securities lending and repurchase transactions.

In transactions in which the Bank neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset, it derecognizes the asset if it does not retain control over the asset. The rights and obligations retained in the transfer are recognized separately as assets and liabilities as appropriate. In transfers in which, control over the asset is retained, the Bank continues to recognize the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

In certain transactions the Bank retains the obligation to service the transferred financial asset for a fee. The transferred asset is derecognized in its entirety if it meets the derecognition criteria. An asset or liability is recognized for the servicing contract, depending on whether the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the servicing.

(iv) Amortized cost measurement

The amortized cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount recognized and the maturity amount, minus any reduction for impairment.

(v) Fair value measurement principles

Fair value is defined as 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.

In accordance with IFRS 7 “Financial instruments: Disclosures” the Bank applies a three-level fair value hierarchy that reflects the significance of the inputs used in measurements (for more details see note 6).

(vi) Offsetting

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when both the Bank and the counter party have a legally enforceable right to offset the recognized amounts and the transactions are intended to be settled on a net basis.

(vii) Repurchase agreements

UniCredit Bulbank AD enters into purchases (sales) of financial instruments under agreements to resell (repurchase) substantially identical instruments at a certain date in the future at a fixed price. Instruments purchased subject to commitments to resell them at future dates are not recognized. The amounts paid are recognized in loans to either banks or customers. Financial instruments sold under repurchase agreements continue to be recognized in the statement of financial position and measured in accordance with the accounting policy. The proceeds from the sale of the investments are reported in the statement of financial position under deposits from customers or banks, respectively. The difference between the sale and repurchase consideration is recognized on an accrual basis over agreed term of the deal and is included in net interest income.

(i) Impairment

The Bank recognizes a loss allowance for ***expected credit losses*** on: a debt financial asset that is measured at **Amortized cost and Fair value through Other Comprehensive income,** a lease receivable, a contract asset or a loan commitment and a financial guarantee contracts.

For this purpose debt instruments have to be classified in one of the following stages:

- **Stage 1:** which comprises newly originated financial assets as well as assets whose credit risk has not significantly increased since initial recognition;
- **Stage 2:** which comprises financial assets whose credit risk has significantly increased since initial recognition;
- **Stage 3**: which comprises credit impaired financial assets.

In order to provide consistency between IFRS and regulatory definitions, it is assumed that all instruments classified as

"Non-performing" according to regulatory framework are considered to be instruments with an objective evidence of impairment (credit impaired).In order to meet the requirements of the standard, the Bank has developed specific models to calculate expected loss based on Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD) parameters, used for regulatory purposes and adjusted in order to ensure consistency with accounting regulation, also following the "Guidelines on credit institutions' credit risk management practices and accounting for expected credit losses" issued by EBA.

In this context "forward looking" information was included through the elaboration of specific scenarios. The Stage Allocation model is a key aspect of the new accounting model required to calculate expected credit losses, which is aimed at transferring credit exposures from Stage 1 to Stage 2 (Stage 3 being equivalent to non-performing exposures).

Specific adjustments have been developed on Probability of Default (PD), Loss Given Default (LGD) and Exposure At Default (EAD) parameters to compound the Expected Credit Loss (ECL), and a model has been developed to assess the Stage Allocation on unimpaired assets, at transaction level, between Stage 1 and Stage 2.

The main difference between the two stages is referred to the time horizon which the ECL is expected to be calculated on. For Stage 1 transactions a "1 year" ECL is required, while on Stage 2 transactions a "Lifetime" ECL applies.

On PD, LGD and EAD specific adjustments are applied to parameters already calculated for "regulatory" purposes, in order to ensure full consistency, net of different regulatory requirements, between regulatory and accounting treatment. The main adjustments are such to:

- remove the conservatism required for regulatory purposes only;
- introduce a "point in time" adjustment, instead of the "through the cycle" adjustment embedded in the regulatory parameters;
- include forward-looking information;
- extend the credit risk parameters in a multiyear perspective;
- estimate present value of the expected credit losses;
- introduce Overlay Factor, integrating the combined effect of different macroeconomic scenarios over the ECL result.

As for what concerns the lifetime PDs, the through-the-cycle PD curves, obtained by fitting the observed cumulated default rates, have been calibrated to reflect a point in time and forward-looking expectation about the portfolio default rates.

Recovery rate embedded in the through the cycle LGD have been adjusted to remove margin of conservatism and to reflect the most recent recovery rate trend as well as expectation about future trend and discounted at the effective interest rate or its best approximation.

The lifetime EAD has been obtained by extending the 1Y regulatory model, removing margin of conservatism and including expectation about future drawing levels.

The Expected Credit Loss derived from such adjusted parameters has been compounded also taking into consideration macroeconomic forecasts and applying multiple scenarios to the forward looking component so to offset the partial non linearity naturally embedded in the correlation between macroeconomic changes and the key components of the ECL. Specifically, the non-linearity effect has been incorporated by estimating an overlay factor to be directly applied to the portfolio ECL.

The process set up to include such macroeconomic multiple scenario is fully consistent with macroeconomic forecasts processes used in UniCredit Group for other risk relevant purposes (i.e. processes adopted for translating macro-economic forecasts into Expected Credit Losses within both EBA Stress Test and ICAAP framework) and leverages on UniCredit Research independent function as well. The starting point will be therefore fully aligned, while the application will differentiate, to comply with different requirements, by using internally defined scenarios only.

A key aspect deriving from the model in compounding the final Expected Credit Loss is represented by the Stage allocation model, aimed to allocate credit transactions between Stage 1 and Stage 2 (Stage 3 being equivalent to Impaired assets), whereas Stage 1 mainly includes (i) newly originated exposures, (ii) exposures with "no significant deterioration in credit quality since initial recognition" or (iii) "low credit risk" exposures at the reporting date.

In the Bank, the Stage Allocation model is based on a combination of relative and absolute elements. The main elements were:

- comparison, for each transaction, between PD as measured at the time of origination and PD as at the reporting date, both calculated according to internal models, through thresholds set in such a way as to consider all key variables of each transaction that can affect the bank's expectation of PD changes over time (e.g. age, maturity, PD level at the time of origination);
- absolute elements such as the backstops required by law (e.g. 30 days past-due);
- additional internal evidence (e.g. Forborne classification).

With regard to debt securities, the Group and the Bank opted for application of the low credit risk exemption on investment grade securities in full compliance with the accounting standard.

The expected credit losses of Bank's assets are regularly (by the end of each month) calculated to determine whether there is any objective evidence for impairment.

a) Impairment of assets carried at amortized cost

Loans and advances to banks and customers are assessed for impairment indicators on a monthly basis for the purposes of preparing monthly financial statements of the Bank.

Review is performed and decisions are taken by Financial and Credit Risk Committee – Credit Risk Session which is a specialized internal body for monitoring, valuation and classification of risk exposures. Loans and advances are presented net of allocated allowances for impairment. Impairment allowances are made against the carrying amount of loans and advances that are identified as being impaired based on regular reviews of outstanding balances. Impairment allowances on portfolio basis are maintained to reduce the carrying amount of portfolios of similar loans and receivables to their estimated recoverable amounts at the reporting date. The expected cash flows for portfolios of similar assets are estimated based on previous experience, late payments of interest, principals or penalties. Increases in the allowance account are recognized in profit or loss.

When a loan is known to be uncollectible, all the necessary legal procedures have been completed, and the final loss has been determined, the loan is directly written off.

Where a debt asset remeasured at amortized cost is impaired, impairment is recognized in profit or loss.

b) Impairment of financial assets remeasured to fair value directly in other comprehensive income

Financial assets remeasured to fair value directly through other comprehensive income are those classified as Fair value through other comprehensive income (FVTOCI).

Where a debt asset remeasured to fair value directly through other comprehensive income is impaired, impairment is recognized in profit or loss.

FVTOCI financial assets are assessed for impairment indicators on a monthly basis for the purposes of preparing monthly financial statements of the Bank. Review is performed and decisions are taken by Financial and Credit Risk Committee – Credit Risk Session (formerly Provisioning and Restructuring Committee) which is a specialized internal body for monitoring, valuation and classification of risk exposures.

IFRS 9 requires to determine impairment on debt FVTOCI instruments using the same rules applied for financial assets at amortized cost.

Equity instruments presented in Financial assets at Fair Value through OCI are not subject to calculation of impairment as changes in fair value are always recognized in equity revaluation reserves through OCI.

(j) Derivatives held for hedging

As allowed by IFRS 9 Financial instruments, the UniCredit Group will continue to apply IAS 39 rules on hedge accounting. The MB of the Bank has approved "Hedge accounting methodology – UniCredit Bulbank AD". Derivatives used for hedging include all derivative assets and liabilities that are not classified as held for trading. Derivatives used for hedging are designated as effective hedging instruments and are measured at fair value in the statement of financial position.

The Bank has developed hedge accounting methodology aiming at effective management of interest rate risk out of the banking book positions through certain fair value hedge and cash flow hedge relationships. Since 2009 the Bank applies macro Cash Flow Hedge accounting. Since 2015 the Bank has started to apply micro Fair Value Hedge accounting. In accordance with the approved methodology, upon initial designation of the hedge, the Bank formally documents the relationship between the hedging instruments and the hedged items, including risk management objective and strategy in undertaking the hedge, together with the method that will be used to assess and measure the effectiveness of the hedge relationship. Assessment is performed, both at the inception of the hedge relationship as well as on ongoing basis (based on Market risk function independent assessment), as to whether the hedging instruments are expected to be "highly effective" in offsetting the changes in the fair value or cash flows of the respective hedged items during the period for which the hedge is designated, and whether the actual results of each hedge are within the range of 80-125 percent (the limits for intragroup deals are to be reduced respectively to 90% and 111.8%). The Bank also makes an assessment for each cash flow hedge of a forecast transaction, as to whether the forecast transaction is highly probable to occur and presents an exposure to variations in cash flows that could ultimately affect profit or loss.

Fair value hedge

When a derivative is designated as hedging instrument in a hedge of fair value of recognized asset or liability that could affect profit or loss, changes in the fair value of the derivative are recognized immediately in profit or loss. When the hedged item is classified as Fair value at other comprehensive income, cumulative changes of the fair value attributable to the hedged risk are recognized in profit and loss against revaluation reserve of the hedged items.

If the hedging derivative expires or is sold, terminated or exercised, or the hedge no longer meets the criteria for fair value hedge accounting, or the hedge designation is revoked, fair value hedge accounting is discontinued prospectively. Any adjustment up to that point to a hedged item, for which the effective interest method is used, is amortized to profit or loss as part of the recalculated effective interest rate of the item over its remaining life. Amortization starts immediately when hedge relationship no longer exists. When the hedged item is derecognized due to sale or expiration then the whole unamortized revaluation reserve is immediately recognized in profit and loss.

Cash flow hedge

Bank designates derivatives as hedging instruments in hedge of the variability in cash flows attributable to particular type of risk associated with highly probable forecast transaction that could ultimately affect profit or loss. While the derivative is carried at fair value in the statement of financial position, the effective portion of the changes of the fair value is recognized in other comprehensive income under cash flow hedge reserve and the ineffective part is recognized immediately in profit or loss.

If the hedging derivative expires or is sold, terminated or exercised, or the hedge no longer meets the criteria for cash flow hedge accounting, or the hedge designation is revoked then the hedge accounting is discontinued prospectively. As Bank's hedging strategy covers forecast cash flows as hedged items, the cumulative amount, recognized in other comprehensive income from the period when the hedge was effective, is recycled in profit or loss when the forecast transactions occur. In case the forecast transaction is no longer expected to occur, the whole balance outstanding in other comprehensive income is reclassified in profit or loss.

(k) Investments in subsidiaries and associates

Investments in subsidiaries comprise of equity participations in entities where the Bank exercises control. In accordance with IFRS 10 "Consolidated Financial Statements" control is achieved when cumulatively the Bank:

- Has to power to over investee;
- is exposed, or has rights, to variable returns from its involvement with the investee;
- has the ability to use its power to affect its returns.

Following the above criteria, the Bank has assessed that it has control in all the investees, where it holds directly or indirectly more than 50% of the voting rights.

Investments in associates comprise of equity participations in entities where the Bank does not exercise control or joint control but has significant influence in governing the investees' activities. The Bank has assessed that it has significant influence over entities where it holds directly or indirectly 20% and more of the voting rights.

In the separate financial statements the Bank has adopted the policy of carrying all investments in subsidiaries and associates at cost.

The Bank regularly performs and assessment for impairment indicators of the investments in subsidiaries and associates, based on the following impairment triggers:

Quantitative Impairment Triggers	Qualitative Impairment Triggers
Individual net equity lower than cost	Acquisition/sale by the holder of the stake at a price lower than the cost
Distribution of dividends higher than the sum of the profit for the period and the other comprehensive income components in the period to which the dividends refer	Listing price lower than cost
Distribution of dividends while consolidated shareholders' equity lower than the individual book value	Evidence, on the basis of the plans and budgets, of the existence of future losses
	Adverse changes that imply revision of the plans and budget

(l) Property, plant, equipment and investment property

All items of property, plant and equipment are carried at cost less accumulated depreciation or impairment losses, except for:

- properties used in business (regulated by IAS 16 "Property, plant and equipment"), for which the revaluation model for the measurement subsequent to initial recognition is applied;
- investment properties (regulated by IAS 40 "Investment property"), for which the fair value model is applied.

Starting from December 31, 2019 the Bank has adopted a policy to carry its items of property at revalued amount under the allowed alternative approach in IAS 16 Property, plant and equipment. Items of property are stated at fair value determined periodically by independent registered appraisers.

Positive changes in value are recognized in other comprehensive income reserve; if in previous periods negative changes were accounted for in the income statement, then subsequent positive changes will be recognized in the income statement up to the amount of negative change previously recognized.

Negative changes in value recognized in the income statement; if in previous periods positive changes in value were accounted for in other comprehensive income reserve, then subsequent negative changes will be recognized in other comprehensive income reserve (which can never be negative).

Depreciation is calculated based on revalued values and the revised remaining useful life.

Other comprehensive income reserve generated from revaluation (including the one, generated at First Time Adoption) is "reclassified" to retained earnings across the residual useful life of the asset. In case of disposal of the asset the entire other comprehensive income reserve is reclassified to retained earnings (with no impacts in the income statements).

Plant and equipment are carried at historical cost less any accumulated depreciation or impairment losses.

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business or use for administrative purposes. Starting from December 31, 2019 the Bank has adopted a policy to carry its items of investment property at fair value determined periodically by independent registered appraisers. In periods after the first comparative period, the changes in fair value over the previous period is recognized in the income statement. No depreciation charges or impairment adjustments is to be recognized.

Properties that are intended to be sold in the ordinary course of business, however exceeding 12 months and which are neither intended to be used in the banking business nor kept as investment properties, are classified as current assets and accounted for as inventories under the provisions of IAS 2 – Inventories.

The gains or losses on disposal of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of the item of property and equipment, and are recognized net in profit or loss.

Depreciation on all items of property, plant and equipment (except investment property for which no depreciation charges are accrued) is provided on a straight-line basis at rates designed to write down the cost or valuation of fixed assets over their expected useful lives. Assets are not depreciated until they are brought into use and transferred from construction in progress into the relevant asset category.

The applicable annual depreciation rates based on expected useful life on major assets categories are as follows:

	Annual depreciation rates (%)	Equivalent expected useful life (years)
Buildings	2-4	25-50
Computer hardware	20-50	2-5
Fixtures and fittings	15-20	5-7
Vehicles	25	4

(m)Intangible assets

Intangible assets are stated at cost less accumulated amortization and any impairment losses. As of December 31, 2023 and December 31, 2022 intangible assets include primarily investments in software and related licenses.

Amortization is calculated on a straight-line basis over the expected useful life of the asset. The average useful life of intangible assets controlled by the Bank is estimated to approximately 5 years, which is an equivalent of approximately 20% annual amortization rate. For core system software and related applications estimated useful life is 10 years, which is an equivalent of approximately 10% annual amortization rate.

(n) Non-current assets held for sale

The Bank presents as non-current assets held for sale, investments in properties whose carrying amount will be recovered principally through sale transaction rather than continuing use. Items are only included in this category when the Management of the Bank has clear intention to finalize the sale and has already started looking for a buyer.

Properties acquired within a bail-out purchase that are not to be used for own business purposes or held to earn rentals and/or for capital appreciation in the long term, but are intended to be sold in the near future (within 12 months) are classified as Non-current Assets Held for Sale. Non-current assets held for sale are carried at the lower of their carrying amount and fair value less costs to sell.

(o) Provisions

A provision is recognized when the Bank has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. As of December 31, 2023 and December 31, 2022 Management has reviewed Bank's legal and constructive obligation and to the extent they meet the requirement for recognition, provision is recorded, respectively.

(p) Employees' benefits

a. Short-term employee's benefits

Short-term employees' benefits comprise of amounts due to personnel on the basis of unused paid leave accounted for each and single employee as of the reporting date as well as expected additional bonus payments for achieved results during the current financial year. The amount of the unused paid-leave obligation includes the overall undiscounted amount of the obligation that the Bank has to settle should the employment contract is terminated as of the reporting date. Short-term employees' benefits are presented as other liabilities and disclosed separately in the Notes.

b. Defined benefit obligation

Defined benefit obligations are those agreed in the Collective Labor Agreement.

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Bank's net obligation in respect of defined benefit pension plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods and discounting that benefit to determine its present value. The discount rate used is those of Bulgarian local currency government bonds at the reporting date. The calculation is performed by a qualified actuary. To determine the net amount in the statement of financial position, any actuarial gains and losses is presented separately in the

Statement of other comprehensive income.

c. UniCredit Group Short and Long-Term incentive plans

UniCredit Group Short and Long-Term incentive plans comprise of deferred cash payments (cash settled) as well as stock options and performance share granted by the ultimate parent UniCredit S.p.A. They are allocated to selected group of top and senior managers of the Bank.

Whenever the vesting period of the stock options or performance shares ends, UniCredit Bulbank is required to settle the monetary amount, corresponding to the economic value of the respective instruments. Thereafter the parent effectively grants the instruments to the respective managers.

As of December 31, 2023 and December 31, 2022 UniCredit Bulbank presents the corresponding part of the economic value of the stock options and performance shares and respective accruals on the deferred cash payments as payroll costs under personnel expenses in the Income statement and the related obligation as other liability.

(q) Share capital and reserves

(i) Share capital

As described in Note 1, HVB Bank Biochim AD and Hebros Bank AD merged into Bulbank AD legally as of April 27th, 2007 with retroactive effect for accounting purposes since January 1st, 2007. At the time of the merger the three merging entities were under direct control of UniCredit bank Austria AG and ultimately under control of UniCredit S.p.A. The merger represented a share-exchange transaction, where share-exchange ratios based on fair valuation of the net assets of the three Banks, certified by independent auditor, as required by the Bulgarian Commercial Act, were applied. The share capital of UniCredit Bulbank AD as of the date of the merger was in the amount of BGN 239 256 thousand and comprise of the share capital of Bulbank AD before the merger in the amount of BGN 166 370 thousand, increased by the newly issued ordinary shares exchanged for the ordinary shares of the merging Banks - HVB Bank Biochim AD and Hebros Bank AD (increase in the amount of BGN 72 886 thousand).

In September 2010 shareholders of UniCredit Bulbank AD approved a capital increase in the amount of BGN 179 000 thousand through issuing 24 655 650 new shares with issuing price BGN 7.26 and face value BGN 1, each. The capital increase was dully completed and registered and as of December 31, 2010 the share capital of the Bank amounted to BGN 263 911 thousand.

In May 2011 shareholders of UniCredit Bulbank AD approved a capital increase in the amount of BGN 158 744 thousand through issuing 21 865 500 new shares with issuing price BGN 7.26 and face value BGN 1, each. The capital increase was dully completed and registered and as of December 31, 2011 the share capital of the Bank amounts to BGN 285 777 thousand.

In 2016 due to the reorganization of the UniCredit banking group activities in Central and Eastern Europe ("CEE") the transfer of the CEE Business of UniCredit Bank Austria AG (including also the banking shareholdings of the above mentioned area) under the direct control of UniCredit SpA was performed thus leading to change of the Bank's main shareholder to UniCredit SpA.

No changes in the amount of the share capital were made in 2023 and 2022.

(ii) Reserves

Reserves consist of statutory reserves and retained earnings held within the Bank as well as reserves on investments at FVTOCI, revaluation of property, plant and equipment (properties used in business), cash flow hedges and reserve resulted from defined benefit obligation actuarial gains and losses. As of December 31, 2023 and December 31, 2022 the reserves include also the premium of previously issued shares corresponding to the difference between the issuing price and the face value.

(r) Taxation

Tax on the profit for the year comprises current tax and the change in deferred tax. Income tax is recognized in the Income statement except to the extent that it relates to items recognized directly to other comprehensive income, in which case it is recognized in other comprehensive income. Current tax comprises tax payable calculated on the basis of the expected taxable income for the year, using the tax rates enacted at the reporting date, and any adjustment of tax payable for previous years.

Deferred tax is provided using the liability method on all temporary differences between the carrying amounts for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is calculated on the basis of the tax rates that are expected to apply for the periods when the asset is realized or the liability is settled. The effect on deferred tax of any changes in tax rates is charged to the Income statement, except to the extent that it relates to items previously charged or credited directly to other comprehensive income.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the unused tax losses and credits can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

As of December 31, 2023 and December 31, 2022 balances of deferred tax are presented net in the Statement of financial position as the respective netting requirements set out in IAS 12 are fully met.

(s) Segment reporting

The Bank has adopted IFRS 8 “Operating Segments” which requires the Bank to present operating segments based on the information that is internally provided to the Management. The business segments that have been previously determined and presented by the Bank in accordance with IAS 14 “Segment Reporting” are also the primary operating segments which are regularly reported to the Management of the Bank.

(t) Standards issued but not yet effective

The following new Standards, amendments to Standards and Interpretations, endorsed by the EC, are not yet mandatorily effective for annual periods beginning on or after 1 January 2023, and have not been applied in preparing these separate financial statements. The Bank plans to adopt these pronouncements when they become effective.

Standards, Interpretations and amendments to published Standards that have not been early adopted – endorsed by the EC

(a) Amendments to IAS 1 Presentation of Financial Statements:

- Classification of Liabilities as Current or Non-current (issued on 23 January 2020);
- Classification of Liabilities as Current or Non-current - Deferral of Effective Date (issued on 15 July 2020); and
- Non-current Liabilities with Covenants (issued on 31 October 2022)

Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement for at least 12 months after the reporting date. The International Accounting Standards Board (IASB) has removed the requirement for a right to be unconditional and instead now requires that a right to defer settlement must exist at the reporting date and have substance.

Similar to existing requirements in IAS 1, the classification of liabilities is unaffected by management’s intentions or expectations about whether the company will exercise its right to defer settlement or will choose to settle early.

A Company will classify a liability as non-current if it has a right to defer settlement for at least 12 months after the reporting date. This right may be subject to a company complying with conditions (covenants) specified in a loan arrangement.

After reconsidering certain aspects of the 2020 amendments, the IASB reconfirmed that only covenants with which a company must comply on or before the reporting date affect the classification of a liability as current or non-current.

Covenants with which the company must comply after the reporting date (i.e. future covenants) do not affect a liability’s classification at that date. However, when non-current liabilities are subject to future covenants, companies will now need to disclose information to help users understand the risk that those liabilities could become repayable within 12 months after the reporting date.

The amendments also clarify how a company classifies a liability that can be settled in its own shares – e.g. convertible debt.

When a liability includes a counterparty conversion option that involves a transfer of the company’s own equity instruments, the conversion option is recognised as either equity or a liability separately from the host liability under IAS 32 Financial Instruments: Presentation. The IASB has now clarified that when a company classifies the host liability as current or non-current, it can ignore only those conversion options that are recognised as equity.

The amendments apply retrospectively for annual reporting periods beginning on or after 1 January 2024, with early application permitted.

The Bank does not expect the amendment to have a material impact on its separate financial statements when initially applied.

(b) Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback (issued on 22 September 2022)

The amendments confirm the following: On initial recognition, the seller-lessee includes variable lease payments when it measures a lease liability arising from a sale-and-leaseback transaction.

After initial recognition, the seller-lessee applies the general requirements for subsequent accounting of the lease liability such that it recognises no gain or loss relating to the right of use it retains.

A seller-lessee may adopt different approaches that satisfy the new requirements on subsequent measurement.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024, with earlier application permitted

The Bank does not expect the amendment to have a material impact on its separate financial statements when initially applied.

(c) Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures – Supplier Finance Arrangements

The amendments introduce two new disclosure objectives – one in IAS 7 and another in IFRS 7 – for a company to provide information about its supplier finance arrangements that would enable users (investors) to assess the effects of these arrangements on the company's liabilities and cash flows, and the company's exposure to liquidity risk.

Transparency is expected under existing IFRS® Accounting Standards. However, the amendments introduce specific requirements for companies to provide the information users need

Under the amendments, companies also need to disclose the type and effect of non-cash changes in the carrying amounts of the financial liabilities that are part of a supplier finance arrangement.

The amendments also add supplier finance arrangements as an example to the existing disclosure requirements in IFRS 7 on factors a company might consider when providing specific quantitative liquidity risk disclosures about its financial liabilities.

The amendments are effective for periods beginning on or after 1 January 2024, with early application permitted.

The Bank does not expect the amendment to have a material impact on its separate financial statements when initially applied.

(d) Lack of Exchangeability – Amendments to IAS 21.

A company's objective when estimating a spot rate is only that it reflects the rate at which an orderly exchange transaction would take place at the measurement date between market participants under prevailing economic conditions. The amendments contain no specific requirements for estimating a spot rate.

Therefore, when estimating a spot rate a company can use:

- an observable exchange rate without adjustment; or
- another estimation technique.

Under the amendments, companies will need to provide new disclosures to help users assess the impact of using an estimated exchange rate on the financial statements.

The amendments apply for annual reporting periods beginning on or after 1 January 2025. Earlier application is permitted.

The Bank does not expect the amendment to have a material impact on its separate financial statements when initially applied.

(e) Sales of contribution of assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28.

The amendment is available for optional adoption. The effective date is deferred indefinitely.

Standards and interpretations not yet endorsed by the EC

Management believes that it is appropriate to disclose that the following new or revised standards, new interpretations and amendments to current standards, which are already issued by the International Accounting Standards Board (IASB), are not yet endorsed for adoption by the EC, and therefore are not taken into account in preparing these separate/consolidated financial statements. The actual effective dates for them will depend on the endorsement decision by the EC.

The following amendments and improvements to standards are not expected to have a material impact on the separate/consolidated financial statements of the Company/Group.

- Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability (issued on 15 August 2023); and
- Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements (issued on 25 May 2023)

4. Financial risk management

(a) General framework

UniCredit Bulbank AD is exposed to the following risks from financial instruments:

- market risk;
- liquidity risk;
- credit risk;

This note presents information about the Bank's exposure to each of the above risks, the Bank's objectives, policies and processes for measuring and managing risk and the Bank's management of capital.

Different types of risks are managed by specialized departments and bodies within the Bank's structure. The applicable policies entirely correspond to the requirements of Group Risk Management Standards as well as all respective requirements set by the Bulgarian and European banking legislations. The Bank manages risk positions on aggregate basis, focusing in reaching optimal risk/return ratio.

Financial and Credit Risk Committee – ALCO Session (FCRC – ALCO) is a decisional committee in the area of the financial risk management that is directly accountable to the Management Board of the Bank (MB). It is responsible for developing and employing the liquidity management system of the Bank. The Committee is responsible for approving strategies, policies and methodologies for market risk, counterparty credit risk, liquidity risk, FX risk and banking book interest rate risk, fund transfer pricing, setting limits (where applicable) accordingly.

Credit risk in the Bank is specifically monitored through Financial and Credit Risk Committee, Credit Risk Session (FCRC – CRS). It is a specialized body responsible for credit risk assessment, classification of credit risk exposures and impairment losses estimation, approval of changes in Credit Risk Strategies, Retail and Corporate Credit Policy, rules, new credit products or changes and optimization in credit processes. Assessment of the credit risk is in accordance with the ECB guidelines, Group standards and for regulatory purposes in accordance with Bulgarian National Bank requirements.

Management of the Bank has approved certain limits aiming to mitigate the risk impact on the Bank's result. These limits are within the overall risk limits of the banking group. The limits for credit risk depend on size of the exposure as the internal lending rules determine the approval body levels in accordance to his/her place in the hierarchy of the organizational structure of the Bank. Management Board approves large exposures – above 10% of Tier 1 capital of the Bank (requirement of Law on Credit Institutions and other transactions defined in applicable Credit policy. There is a procedure established in the Bank for limits monitoring, including early warning in case of limits breaches.

(b) Market risks

Risk monitoring and measurement in the area of market risks, along with trading activities control is performed by the Market Risk management function within Financial Risk and Modeling. Market risk control function is organized independently from the trading and sales or any other risk taking activities structure. Market risk management policies and limits are explicitly defined in the Market Risk Strategy of UniCredit Bulbank, which is reviewed at least annually. A product development process is established in which risk managers play a decisive role in approving a new product, especially in the field of financial markets products.

Market risk management in UniCredit Bulbank AD encompasses all activities in connection with Markets and Investment Banking operations and management of the assets and liabilities structure. Risk positions are aggregated at least daily, analyzed by the independent Market Risk management function and compared with the risk limits set by the Management Board and FCRC-ALCO. The risk control function also includes ongoing monitoring and reporting of the risk positions, limit utilization, and daily analysis of Client Risk Management & Treasury (CMR&T) and Assets and Liabilities Management and Funding (ALM)'s operations.

UniCredit Bulbank AD applies uniform Group procedures in measuring and monitoring market risk exposures. These procedures make available the major risk parameters for various trading operations at least once a day. Besides Value at Risk, other metrics of equal importance are stress-oriented sensitivities for FX, interest rates, credit spreads, equity. Additional element of the limit system are the loss-warning level restrictions applied to cumulative results for a specific period, the stress test warning metrics and various limitations for granular sensitivities.

For internal risk management and Group compliant risk measurement of Value at Risk (VaR), the Bank applies UniCredit Group's internal model for market risks. It is based on historical simulation with a 250-day market data time window for scenario generation and covers all major risk categories: interest rate risk and equity risk (both general and specific), currency risk and commodity position risk. The simulation results, supplemented with distribution metrics and limit utilization are reported on a daily basis to the Management and to the responsible risk taking structures. In addition to the risk model results, income data from market risk activities are also determined and communicated on a daily basis. Reporting covers the components reflected in IFRS-based profit and the market changes of all investment positions regardless of their recognition in the IFRS-based financial statements ("total return"). Fair value adjustments (FVA) are applied to the extent that they are consistent with the objective of a fair value measurement. Credit/debit valuation adjustments (CVA/DVA) for OTC derivatives along with Funding Valuation Adjustments are complementing the presentation of performance results.

During 2023, VaR of FVOCI positions (measured with one day holding period, confidence interval of 99%) of UniCredit Bulbank AD moved in a range between BGN 4.92 million and BGN 20.06 million, averaging BGN 14.73 million, with credit spreads and interest rate curves' movements being main drivers. VaR of FVPL positions fluctuated in a range between BGN 0.21 million and BGN 0.58 million, averaging BGN 0.36 million.

VaR of UniCredit Bulbank AD by portfolio in BGN million for 2023 on stand-alone basis is as follows:

Portfolio	Minimum	Maximum	Average	Year-end
FVPL	0.21	0.58	0.36	**0.53**
FVOCI	4.92	20.06	14.73	**4.92**

In terms of different risk factors contributing to the overall VaR of both FVPL and FVOCI portfolios, the spit by end-2023 is as follows:

31.12.2023 (BGN)	FVOCI	FVPL
Total	(4 922 556)	(526 135)
o/w SP marginal VaR	(7 619 772)	(9 080)
o/w IR marginal VaR	2 747 761	(494 590)
o/w FX marginal VaR	-	(22 284)
o/w EQ marginal VaR	-	-
o/w Vega marginal VaR		

In addition to VaR, risk positions of the Bank are limited through sensitivity-oriented limits. The most important detailed presentations include: basis point value (interest rate changes of 0.01% by maturity bucket), credit spread basis point value (credit spread changes of 0.01% by maturity bucket) and FX sensitivities. In the interest rates area, the Basis-Point-Value (BP01) limit restricts the maximum open position by currency and time buckets, with valuation changes based on shift by 0.01% (1 basis point).

The sensitivities' tables below provide a summary of the overall interest rate risk exposure of UniCredit Bulbank AD on stand-alone basis as of December 31, 2023 (change in value due to 1 basis point shift, amounts in BGN) for the trading and banking books):

IR Basis point shift, Banking book (BGN)

Currency	0-3M	3M-1Y	1Y-3Y	3Y-10Y	10Y-	SUM
EUR	(44 383)	(38 213)	(5 385)	276 615	24 858	**213 492**
BGN	(7 692)	(77 487)	(242 007)	(186 930)	(166 896)	**(681 012)**
USD	520	6 607	491	(38)	-	**7 580**
CHF	130	460	56	(4)	-	**642**
GBP	187	541	25	-	-	**753**
Other	-	-	-	-	-	**-**
Total	**(51 238)**	**(108 092)**	**(246 820)**	**89 643**	**(142 038)**	**(458 545)**

IR Basis point shift, Trading book (BGN)

Currency	0-3M	3M-1Y	1Y-3Y	3Y-10Y	10Y-	SUM
EUR	23 066	20 825	47 111	(2 302)	(1 750)	**86 950**
BGN	(2 265)	(27 871)	(23 853)	-	-	**(53 989)**
USD	(18 874)	(16 363)	-	-	-	**(35 237)**
CHF	(70)	-	-	-	-	**(70)**
GBP	(271)	(2 177)	-	-	-	**(2 448)**
Other	3	29	-	-	-	**32**
Total	**1 589**	**(25 557)**	**23 258**	**(2 302)**	**(1 750)**	**(4 762)**

In terms of the impact on P&L and equity of interest rate sensitivity, the distribution of BP01 sensitivity between FVPL and FVOCI positions at the end of 2023 is the following:

BP01 (BGN)	FVOCI	FVPL
BP01, total ccy	(314 570)	(4 478)
BP01 EUR	(51 106)	137 982
BP01 BGN	(263 464)	(104 738)
BP01 USD	-	(35 237)
Other	-	(2 485)

The sensitivity above is indicative of the effect the bank will undergo through its PNL (FVPL) and equity (FVOCI) upon a one basis point changes in the respective interest rate levels.

UniCredit Bulbank measures the interest rate sensitivity towards the regulatory-prescribed shocks (EBA guidelines on interest rate risk arising from non-trading book activities impact Pillar 2 financial risk) in terms of change in the Economic Value of Equity (EVE). Values with reference date 31.12.2023:

SOT SCENARIOS	200*	-200*	Flattening	Parallel down	Parallel up	Short rates down	Short rates up	Steepening
Economic Value (BGN)	(130 395 604)	(381 009)	(47 076 277)	245 802	(163 426 583)	41 062 669	(102 528 697)	17 417 813
As percentage of Tier 1*	**(4.49%)**	**(0.01%)**	**(1.65%)**	**0.01%**	**(5.73%)**	**1.44%**	**(3.59%)**	**0.61%**

**Sensitivity to +/- 200 bps shock scenarios is calculated as a percentage of Own funds*

In terms of change in Net Interest Income (NII) sensitivity at UniCredit Bulbank AD level, with reference date 31.12.2023 is as follows:

SOT SCENARIOS	Parallel down	Parallel up
Net interest Income (BGN)	(67 314 381)	32 341 749
As percentage of Tier 1	(2.36%)	1.14%

Measured by total absolute basis-point value, the credit spread sensitivity metric for UniCredit Bulbank AD as of December 31, 2023 amounted to BGN 2 180 902. Instruments issued by governments account for the largest part of credit spread exposure.

SP Basis point shift (BGN)

Issuer	0-3M	3M-1Y	1Y-3Y	3Y-10Y	10Y-	SUM
Sovereigns	-	(50 239)	(266 617)	(1 576 402)	(280 725)	(2 173 983)
Regional governments	-	(33)	-	-	-	(33)
Corporates	(581)	-	(6 305)	-	-	(6 886)
Total Absolute	**581**	**50 272**	**272 922**	**1 576 402**	**280 725**	**2 180 902**

In 2023 in preparation for the implementation of EBA Guidelines "on the management of interest rate risk and credit spread risk arising from non-trading book activities" - EBA/GL/2022/14, the Bank set out principles and rules for managing, measuring and controlling the credit spread risk of the banking book. The new rules will be applied in 2024.

UniCredit Bulbank AD is exposed to exchange rate risk through transactions in foreign currencies. Net FX open positions in trading and banking book are monitored on a daily basis and are restricted by volume overnight limits. FX sensitivities describe the relation of an instrument fair value to FX rates or FX rates volatility. FX rate sensitivities are calculated by proportionally shifting the corresponding FX rate by 1%.

The FX sensitivity for UniCredit Bulbank AD as of December 31, 2023 is as follows:

CCY	FX delta, BGN eq.
BGN	(72 829 220)
EUR	70 924 272
USD	3 091 704
CZK	(1 131 063)
JPY	248 353
RON	(243 457)
Other	(60 589)

Internal model results are complemented by various stress scenarios to identify potential effects of stressful market conditions on the Bank's earnings. The assumptions under such stress scenarios include extreme movements in prices or rates and deterioration in market liquidity. Stress results for major asset classes and portfolios (credit, rates and FX) and estimated impact on liquidity position are reported at least monthly to FCRC-ALCO. Stress test scenarios are regularly reviewed reflecting changing economic environment and regulatory requirements, so in 2023 new climate risk stress scenarios were introduced with respect to EBA guidelines.

The impacts of the Russian-Ukrainian conflict on Bank's liquidity profile are evaluated as minor due to the strong funding profile largely independent from wholesale markets. UniCredit Bulbank AD continued to closely monitor its liquidity and market risk position, in order to ensure regular execution of its Treasury activities, strict compliance with the set risk appetite and proper information flows to the Senior Management and the Supervisor.

Behavioral and financial risk modelling, in line with EBA Guidelines, continued to be pivotal in the area of IRRBB and Liquidity risk management. The Bank continued to develop the Non-maturity deposits behavioral model and also introduced a Term Deposit Rollover model in the end of 2023. The Bank employed practices for capturing the interest rate risk profile of statistically based lending index exposures taking into account the individual sensitivities of the index component. Modeling continued to play key role in risk management and stress testing tools with deeper integration in the regular activities.

Over the course of the year, the Bank prepared to meet the changes in the EBA guidelines for IRRBB reporting and the newly-introduced limitations on Net Interest Income volatility.

As of December 31, 2023 the FX balances of UniCredit Bulbank AD are as outlined in the table below:

In thousands of BGN

	EUR and BGN	Other currencies	Total
ASSETS			
Cash and balances with Central Bank	6 056 607	13 150	**6 069 757**
Non-derivative financial assets held for trading	4 381	-	**4 381**
Derivatives held for trading	83 903	16 800	**100 703**
Derivatives held for hedging	77 165	-	**77 165**
Loans and advances to banks and debt securities at amortized cost	2 616 862	170 751	**2 787 613**
Loans and advances to customers and debt securities	19 240 868	84 003	**19 324 871**
Pledged debt securities at amortized cost	1 073 063	-	**1 073 063**
Investment securities	1 538 724	4 912	**1 543 636**
Pledged investment securities	645 643	-	**645 643**
Investments in subsidiaries and associates	52 479	-	**52 479**
Property, plant, equipment, right of use assets and investment properties	234 426	-	**234 426**
Intangible assets	94 603	-	**94 603**
Non-current assets and disposal groups classified as held for sale	1 130	-	**1 130**
Other assets	114 495	534	**115 029**
TOTAL ASSETS	**31 834 349**	**290 150**	**32 124 499**
LIABILITIES			
Financial liabilities held for trading	95 721	15 926	**111 647**
Derivatives held for hedging	128 856	-	**128 856**
Deposits from banks	1 408 645	174 667	**1 583 312**
Deposits from customers and other financial liabilities at amortized cost	23 087 033	1 776 632	**24 863 665**
Debt securities issued	1 401 400	-	**1 401 400**
Fair value changes of the hedged items in portfolio hedge of interest rate risk	4 203	-	**4 203**
Provisions	132 857	8 900	**141 757**
Current tax liabilities	17 034	-	**17 034**
Deferred tax liabilities	8 592	-	**8 592**
Other liabilities	197 139	4 879	**202 018**
TOTAL LIABILITIES	**26 481 480**	**1 981 004**	**28 462 484**
EQUITY	**3 662 015**	**-**	**3 662 015**
Net off-balance sheet spot and forward position	**(1 803 155)**	**1 718 122**	**(85 033)**
Net position	**(112 301)**	**27 268**	**(85 033)**

As of December 31, 2022 the FX balances of UniCredit Bulbank AD are as outlined in the table below:

In thousands of BGN

	EUR and BGN	Other currencies	Total
ASSETS			
Cash and balances with Central Bank	7 050 660	19 743	**7 070 403**
Non-derivative financial assets held for trading	2 828	-	**2 828**
Derivatives held for trading	85 550	30 547	**116 097**
Derivatives held for hedging	131 468	-	**131 468**
Loans and advances to banks and debt securities at amortized cost	1 071 678	210 453	**1 282 131**
Loans and advances to customers and debt securities	16 941 216	146 225	**17 087 441**
Pledged debt securities at amortized cost	180 384	-	**180 384**
Investment securities	1 455 762	15 904	**1 471 666**
Pledged investment securities	1 062 591	-	**1 062 591**
Investments in subsidiaries and associates	52 479	-	**52 479**
Property, plant, equipment, right of use assets and investment properties	238 781	-	**238 781**
Intangible assets	95 130	-	**95 130**
Current tax assets	1 679	-	**1 679**
Other assets	95 445	587	**96 032**
TOTAL ASSETS	**28 465 651**	**423 459**	**28 889 110**
LIABILITIES			
Financial liabilities held for trading	129 168	30 138	**159 306**
Derivatives held for hedging	132 160	-	**132 160**
Deposits from banks	1 408 645	169 054	**1 577 699**
Deposits from customers and other financial liabilities at amortized cost	21 536 775	1 694 475	**23 231 250**
Debt securities issued	313 701	-	**313 701**
Fair value changes of the hedged items in portfolio hedge of interest rate risk	(16 331)	-	**(16 331)**
Provisions	115 488	14 195	**129 683**
Deferred tax liabilities	8 459	-	**8 459**
Other liabilities	95 803	5 387	**101 190**
TOTAL LIABILITIES	**23 723 868**	**1 913 249**	**25 637 117**
EQUITY	**3 251 993**	**-**	**3 251 993**
Net off-balance sheet spot and forward position	**(1 589 361)**	**1 496 405**	**(92 956)**
Net position	**(99 571)**	**6 615**	**(92 956)**

(c) Liquidity risk

In line with Group standards, UniCredit Bulbank AD deals with liquidity risk as a central risk in banking business by monitoring and steering short-term and medium-term liquidity requirements. In this context, liquidity situation is analyzed against standard and stress scenarios. Methods of liquidity analysis, management responsibilities, as well as contingency plan and funding plan procedures are laid down in the Bank's Liquidity Management Policies.

Liquidity management is the operational responsibility of "Asset-Liability Management and Funding" (within Finance Division) and "Treasury" (within Corporate Division) while the risk control functions is assigned to "Financial Risk and Modelling" (within Risk Management Division). The bank steers liquidity risk through a set of metrics and monitoring systems (managerial and regulatory) within a framework of limits and/or trigger warning levels.

For the purposes of management of the short-term liquidity limit exposures, defined as the primary liquidity gap and the liquidity stress-test results, short-term liquidity indicators are monitored daily and monthly respectively. Structural liquidity limits define minimum required coverage of long-term assets with coherent liabilities and are monitored monthly.

Integral part of liquidity management process is the contingency planning and stress testing. Financial risk management function performs liquidity stress tests on regular basis, using standardized Group-wide scenarios. These scenarios describe the effects of market-driven or specific name-crisis signals, with assumptions about behavior of different customer groups/segments. The liquidity outflows expected to occur are compared with available collateral (essentially, securities eligible as collateral at the central bank) to examine banks' ability to withstand liquidity shock over two months horizon. The results of extreme scenario combining market- and name-driven crisis have shown sufficient coverage during 2023, meaning that under extreme stress conditions the Bank is expected to cope with liquidity shock using own resources.

The following tables provide basic analysis of the financial assets expected recoverability and financial liabilities of the Bank split into relevant maturity bands based on the remaining contractual periods to repayment for items with defined maturity and model mapping for items with no defined maturity or roll over assumptions. The gross amounts include also estimated contractual interest payments. Actual outflows may materially differ from those presented in the tables as historically most of the clients' attracted deposit have economic maturity much longer than the contractual one (deposits are consistently rolled over).

In thousands of BGN

Maturity table as at 31 December 2023	Up to 1 year	Over 1 year	Total
ASSETS			
Cash and balances with Central Bank	6 069 757	-	**6 069 757**
Non-derivative financial assets held for trading	4 381	-	**4 381**
Loans and advances to banks and debt securities at amortized cost	2 177 889	609 724	**2 787 613**
Loans and advances to customers and debt securities	5 677 439	13 647 432	**19 324 871**
Pledged debt securities at amortized cost	-	1 073 063	**1 073 063**
Investment securities	246 063	1 297 573	**1 543 636**
Pledged investment securities	205 712	439 931	**645 643**
Other assets	102 229	12 800	**115 029**
TOTAL FINANCIAL ASSETS	**14 483 470**	**17 080 523**	**31 563 993**

In thousands of BGN

Maturity table as at 31 December 2022	Up to 1 year	Over 1 year	Total
ASSETS			
Cash and balances with Central Bank	7 070 403	-	**7 070 403**
Non-derivative financial assets held for trading	2 828	-	**2 828**
Loans and advances to banks and debt securities at amortized cost	1 247 132	34 999	**1 282 131**
Loans and advances to customers and debt securities	5 258 180	11 829 261	**17 087 441**
Pledged debt securities at amortized cost	-	180 384	**180 384**
Investment securities	70 082	1 401 584	**1 471 666**
Pledged investment securities	536 756	525 835	**1 062 591**
Other assets	74 917	21 115	**96 032**
TOTAL FINANCIAL ASSETS	**14 260 298**	**13 993 178**	**28 253 476**

In thousands of BGN

Maturity table as at 31 December 2023	Carrying amount	Gross in (out) flow	Up to 1 month	From 1 to 3 months	From 3 months to 1 year	Over 1 years
Non derivative instruments						
Deposits from banks	**1 583 312**	**(1 584 015)**	(1 583 449)	-	-	(566)
Deposits from customers and other financial liabilities at amortized cost	**24 863 665**	**(24 867 382)**	(22 798 186)	(705 637)	(1 168 856)	(194 703)
Debt securities issued	**1 401 400**	**(1 949 688)**	(19 428)	(16 987)	(69 990)	(1 843 283)
Unutilized credit lines and financial guarantees	**-**	**(10 102 502)**	(8 140 538)	(1 090 447)	(805 738)	(65 779)
Total non-derivative instruments	**27 848 377**	**(38 503 587)**	**(32 541 601)**	**(1 813 071)**	**(2 044 584)**	**(2 104 331)**
Derivatives held for trading, net	**(10 944)**					
Outflow		**(8 835 745)**	(5 230 476)	(1 591 363)	(1 205 448)	(808 458)
Inflow		**8 820 427**	5 242 078	1 580 453	1 190 189	807 707
Derivatives used for hedging, net	**(51 691)**					
Outflow		**(507 996)**	(9 819)	(12 397)	(67 441)	(418 339)
Inflow		**449 385**	1 593	26 233	74 077	347 482
Total derivatives	**(62 635)**	**(73 929)**	**3 376**	**2 926**	**(8 623)**	**(71 608)**
Total financial liabilities	**27 785 742**	**(38 577 516)**	**(32 538 225)**	**(1 810 145)**	**(2 053 207)**	**(2 175 939)**

In thousands of BGN

Maturity table as at 31 December 2022	Carrying amount	Gross in (out) flow	Up to 1 month	From 1 to 3 months	From 3 months to 1 year	Over 1 years
Non derivative instruments						
Deposits from banks	**1 577 699**	**(1 578 077)**	(1 576 963)	-	-	(1 114)
Deposits from customers and other financial liabilities at amortized cost	**23 231 250**	**(23 214 921)**	(21 359 857)	(670 242)	(1 079 222)	(105 600)
Debt securities issued	**313 701**	**(370 339)**	(937)	(2 688)	(8 594)	(358 120)
Unutilized credit lines and financial guarantees	**-**	**(8 469 485)**	(6 443 158)	(288 221)	(640 071)	(1 098 035)
Total non-derivative instruments	**25 122 650**	**(33 632 822)**	**(29 380 915)**	**(961 151)**	**(1 727 887)**	**(1 562 869)**
Derivatives held for trading, net	**(43 209)**					
Outflow		**(5 724 105)**	(4 797 493)	(481 108)	(237 545)	(207 959)
Inflow		**5 667 398**	4 764 463	472 323	236 490	194 122
Derivatives used for hedging, net	**(692)**					
Outflow		**(359 044)**	(1 464)	(9 102)	(50 016)	(298 462)
Inflow		**358 533**	35	11 389	48 059	299 050
Total derivatives	**(43 901)**	**(57 218)**	**(34 459)**	**(6 498)**	**(3 012)**	**(13 249)**
Total financial liabilities	**25 078 749**	**(33 690 040)**	**(29 415 374)**	**(967 649)**	**(1 730 899)**	**(1 576 118)**

(d) Credit risks

Credit risk is defined as potential losses arising from not fulfilment of any contractual obligation with regard to issued or originated financial instrument.

The Bank effectively manages credit risk inherent to its trading and banking book.

The Bank applies different approach and has established different departments with regard to monitoring the credit risk related to corporate clients, small and middle enterprises and individuals.

(i) Credit risk in the trading book

For the purposes of portfolio management and risk limitation in the derivatives and security financing business with banks and customers, UniCredit Bulbank AD uses the group internal counterparty risk model based on Monte Carlo simulations by estimating the potential future exposure at portfolio level for each counterparty. Calculations are based on market volatilities, correlations between specific risk factors, future cash flows and stress considerations, taking into account netting and collateral agreements, if applicable. Subject to simulations are all major types of transactions, e.g. foreign exchange and interest rate derivatives, equity/ bond-related instruments, credit derivatives and commodity derivatives.

Treasury credit lines utilisation for derivatives and security financing business is available on-line in the central treasury system operated on group-wide basis. Additionally, UniCredit Bulbank AD limits the credit risk arising from its derivatives and repo-based business through use of master agreements, ongoing monitoring of documentation standards by legal experts, and application of break clauses and collateral agreements.

The analysis based on client credit quality and rating (where available) as of December 31, 2023 and December 31, 2022 is as shown in the next table:

In thousands of BGN

	2023	2022
Government bonds		
Rated BBB-	4 381	-
Equities		
Unrated	-	2 828
Derivatives (net)		
Banks and financial institution counterparties	(8 117)	50 633
Corporate counterparties	(54 518)	(94 534)
Total trading assets and liabilities	**(58 254)**	**(41 073)**

Government bonds presented as of December 31, 2023 include bonds issued by Republic of Bulgaria.

(ii) Credit risk in the banking book

Credit risk, inherent in the banking book, is managed as the creditworthiness of Bank's clients is assessed for the whole life of the loan, from the date of initial loan application till the date of final repayment.

Issued Letters of Guarantees, Letters of Credit and all other irrevocable credit commitments fell also within the scope of Bank's credit risk monitoring. As a credit risk mitigation policy, the Bank accepts different types of collaterals depending on the product, client type and client creditworthiness. Competences for evaluation and classification of risk exposures, assessment and quantification of impairment allowances and provisions for credit risk are exclusively within the responsibility of Financial and Credit Risk Committee, Credit Risk Session (FCRC – CRS) established in the Bank.

The Bank applies the principle of individual and collective assessment of credit risk exposures depending on existence or non-existence of objective impairment indicators and considering the adopted individually significant materiality threshold of BGN 2 million.

Objective impairment indicators are those "loss events" that have occurred after initial recognition of the exposure and which have an impact on the exposure estimated future cash flows. In order to provide consistency in the risk measurement, the Bank assumes existence of objective impairment indicators in case of occurrence of a default event as per applicable regulatory framework – Definition of default according to EBA guidelines.

Classification criteria envisages the materiality thresholds of past due and articulated structures of Unlikely-To-Pay triggers (it is worth mentioning the one related to the Distressed Restructuring for forborne exposures, where a maximum threshold for diminished Net Present Value of 1% has been set), including additional requirements on default contagions effects in case of connected clients (Group of related companies and joint credit obligations). Furthermore, a minimum probation period of 3 months before returning in a non-defaulted status has been set as mandatory.

Objective impairment indicators are those "loss events" that have occurred after initial recognition of the exposure and which have an impact on the exposure estimated future cash flows. In order to provide consistency in the risk measurement, the Bank assumes existence of objective impairment indicators in case of occurrence of a default event as per applicable regulatory framework.

Exposures with objective evidence of impairment (defaulted exposures) generally trigger specific impairment allowances (calculation amount based on individual assessment or portfolio model-based). Risk assessment is done at least once per month. Credit risk methodology adopted by the Bank is explicitly defined in the Policy for evaluation of risk exposures.

Credit Risk Models and Systems team has performed precise impact assessment on Expected Credit Loss related to the implementation of new PD-model for Private Individuals in 2023. The overall reported impact on Expected Credit Loss was additional charge in the performing portfolio in the amount of BGN 3.2 million, for which the Bank has created a managerial overlay. The real impact after implementation of the new PD model was slightly higher, mainly due to increased gross volumes in Private individuals' loan portfolio during the year.

New introduced evaluation methodology for Bullet and Balloon payment transactions with overall impact in the amount of BGN 1.8 million additional charge. Since the Bank has already booked managerial overlay in the amount of BGN 1.2 million with this regards already in December 2022, the real P&L effect in this financial year resulted in BGN (0.6) million net allocation.

Introduction of new LGD management overlay with regards to forthcoming regulatory LGD model implementation due in 2024 amounts to BGN 26.6 million as of year-end.

Approval of new Group-Wide EAD model was granted in order to estimate the EAD for the Group Wide (GW) customer segments, as defined mainly via their credit segment. The impact on the Expected Credit Loss was additional charge in the amount of BGN (2.7) million.

Other methodological change expected to occur in 2024 is the implementation of new Transfer logic – new approach for the implementation of the quantitative criteria for determining a transfer criterion between Stage 1 and Stage 2. The UniCredit Transfer Logic model consists in a set of thresholds differentiated according to the transaction specific residual maturity and rating class at inception. This means that currently used minimum probation period of 3 months will be replaced with the concept of minimum time permanence in S2. In order to avoid undue volatility in the staging, the consideration of a minimum period of permanence in stage 2 before a re-transfer to Stage 1 has been introduced. Specifically, positions can return to Stage 1 only after having spent a minimum of 3 months in Stage 2 from the moment when the position has been classified in Stage 2 for the first time. Such treatment is valid for both quantitative and qualitative staging.

Integration of forward looking information into the ECL model

UniCredit Bulbank leverages on the Stress Test Models for including macro-economic effects into the expected credit losses. The decision to leverage on Satellite models (developed by the Group) is aimed at ensuring a proper alignment between the various processes that within the Group foresee the usage of macro-economic forecasts[1] (e.g. portfolio strategy, budgeting, stress testing). Moreover Satellite models are based on internal estimates of macro-economic indicators' forecasts and developed according to well-known econometric models, thus ensuring the fulfillment of the requirements set out in par. 22 of EBA/GL/2017/06: *"In order to ensure a timely recognition of credit losses, credit institutions should consider forward-looking information, including macroeconomic factors. When considering forward-looking information, credit institutions should apply sound judgement consistent with generally accepted methods for economic analysis and forecasting, and supported by a sufficient set of data." and 39: "Forward-looking information, including economic forecasts and related credit risk factors used for ECL estimates, should be consistent with inputs to other relevant estimates within the financial statements, budgets, strategic and capital plans, and other information used in managing and reporting within a credit institution."*.

The stress test models (or satellite models) are set of models aimed at translating the macro-economic conditions into credit risk parameters (PD/LGD)[2]. Within the wider stress testing framework the models serve as basis for calculating the stressed PD/LGD under the Adverse Scenarios adopted for the stress test purposes and they are used both for regulatory (EBA, ICAAP) and managerial Stress Test exercises[3].

With regards to the modelling methodology the current framework envisages two different approaches for High and Low default portfolios. Notably for high default portfolios (Retail, SME and Mid corporate) the internal historical data on Default and Recovery rates have been used to estimate, at cluster level (Country/Asset Class) direct relationship between default and recovery rates and macro-economic factors. Where possible, panel dimensions such as lifecycle (loans/default's age) and vintage quality (loan's origination/default time) have been also included within the model structure aiming at better isolate the impact of macro-economic conditions from other portfolio effects on the default/recovery rate evolution.

However, with regard to the low default portfolios for which no enough internal data were available the selected approach provides for modelling the PD/LGD model rating drivers (e.g. financial ratios) against the macro-economic variables. The resulting rating drivers conditioned to the macro-economic factors are then used as input of the Rating System in order to recalculate at granular level the projected PD/LGD for each counterpart.

Multiple scenarios

The paragraph B5.5.42 of the IFRS 9 standard requires the estimate of expected credit losses to reflect an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes. This section provides the description of the methodology adopted to address the probability weighted ECL using multiple macroeconomic scenarios.

The selected approach implied the use of three[4] different macro-economic scenarios and probability weights for each one. More in particular a baseline, one downside and one upside scenarios have been considered. UniCredit Research department produces semiannually macroeconomic forecasts under baseline and alternative downside and upside scenarios.

Each scenario envisages three years of forecasts including all the relevant macro-economic factors considered in the satellite models. A probability of occurrence, judgmentally defined by UniCredit Research department, is assigned to each scenario,

[1] As requested by par. 39 of EBA/GL/2017/06: "While a credit institution does not need to identify or model every possible scenario through scenario simulations, it should consider all reasonable and supportable information that is relevant to the product, borrower, business model or economic and regulatory environment when developing estimates of ECL. In developing such estimates for financial reporting purposes, **credit institutions should consider the experience and lessons from similar exercises it has conducted for regulatory purposes (although stressed scenarios are not intended to be used directly for accounting purposes). Forward-looking information, including economic forecasts and related credit risk factors used for ECL estimates, should be consistent with inputs to other relevant estimates within the financial statements, budgets, strategic and capital plans, and other information used in managing and reporting within a credit institution."** and as suggested in the " *In depth IFRS9 impairment: how to include multiple forward-looking scenario*", August 2017, Pwc: "In particular, some or all of the following information may be available without undue cost and effort, and can be used to assist an entity in determining appropriate weightings:

- The entity's default and loss history;
- Peer or industry data on historic defaults and losses; and
- The entity's own modelling of possible impacts of future scenario on credit risk e.g. **regulatory stress test modelling.**"

And as reported in the "*IFRS 9 Impairment, IFRS Newsletter*", December 2015, KPMG: *"It is important that the scenarios used to estimate ECLs are consistent with information used by the entity for other purposes – e.g. capital models, budgeting […]".*

[2] It is important to underline that it is not necessary to perform a reconciliation between PD IFRS and PD uy Stress Test function, since the integration of forward looking information is carried out by a multiplicative factor that maintains the same variation regardless the application point.

[3] Baseline macroeconomic scenario, to be used for IFRS 9 as far as for regulatory and managerial exercises, is provided by UniCredit Research, which represent an independent research firm providing analyses and forecasts macroeconomic developments and trends to both external Clients and Internal functions. For more details please go to: https://www.unicreditresearch.eu/

[4] The IFRS 9 standard does not explicitly define the number of macroeconomic scenarios that should be used for impairment calculations but leave it up to the Banks this definition.

ensuring that the upside and downside scenarios' probability are not biased to extreme scenarios, otherwise the range and weighting of scenarios would be not representative. The table below contains current and historical weights:

	Weights (probabilities)		
Scenario	June 22	December 22	December 23
Baseline	60%	60%	60%
Positive	0%	0%	0%
Negative	40%	40%	40%

The Group Credit Stress Test Framework provides a suitable set of models (Satellite Models) for IFRS 9 compliance that are used in order to forecast the conditioned PD/LGD for any scenario.

An "average" scenario is defined as **the weighted average of delta DRs (default rates) provided under each of the scenarios previously mentioned**. This "average" scenario must be used to define the Staging under each of the multiple scenario; indeed, according to ITG instructions, "*one financial instrument cannot exist in stage 1 and in stage 2 at the same time*".

Probability weighted ECL and Overlay Factor

Consideration of multiple scenarios is relevant in case a non-linear relationship between key components of ECL and the relevant economic parameter exists.

Fulfil the requirement set out by the paragraph B5.5.42 would require calculating the ECL under multiple scenarios and deriving a weighted average ECL based on the probability of each scenario to happen. Alternatively, banks are allowed to derive an overlay factor to account for the non-linearity of the ECL risk components and relevant economic parameters.

Running more scenarios under the LLP production process would not fit the LLP production timeline and has been considered to be an undue cost and effort for the Banks. It was therefore decided to account for multiple macroeconomic scenarios by estimating a yearly overlay factor to be applied to the ECL calculated under the baseline scenario.

An interesting question is how to define the staging under the multiple scenario approach and whether it would really make sense to assume that an asset can be in stage 1 and stage 2 at the same time. At this regard, it was observed in the ITG discussion that, where the range of possible forward-looking economic scenarios is mutually exclusive, a scenario cannot apply to part of an asset, while other scenarios apply to different parts of an asset. Accordingly, one financial instrument cannot exist in stage 1 and in stage 2 at the same time. In compliance with the position taken by the ITG, the overlay factor must be determined assuming that the staging will not change under different scenario but will be kept constant and calculated under the "average" scenario (obtained as described above averaging the deltas under each scenario) such that an unbiased estimate will be used in each scenario.

Constant Overlay Factor

A simple and straightforward approach to derive the overlay factor consists in determining the ratio between the probability weighted ECL and the ECL under the baseline scenario as shown below:

$$Overlay\ factor = \frac{\sum_k ECL_k^{Weighted|avg}}{\sum_k ECL_k^{bl|bl}}$$

(1)

Where:

• ***i/j*** = indicates that *i* is the scenario used to calculate ECL, while *j* is the scenario used to assign the Stage (e.g., $ECL^{bl|avg}$ means that the baseline scenario is used to calculate ECL, while the average one is the scenario used to assign the Stage)

• $ECL_k^{Weighted|avg} = p_{cont} \cdot ECL_k^{cont|avg} + p_{bl} \cdot ECL_k^{bl|avg} + p_{pos} \cdot ECL_k^{pos|avg}$

for transaction *k*

(2)

The table below contains the list with macro variables which have been considered for each econometric model that forecasts IFRS FLI:

			Baseline IFRS 23Q4 (60%)				Adverse IFRS 23Q4 (40%)			
Macroeconomic scenario	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2023**	**2024**	**2025**	**2026**
Real GDP, yoy % change	7.6	3.4	1.9	2.8	3.6	3.3	1.9	(1.5)	2.2	4.0
Inflation (CPI) yoy, eop	7.8	16.9	5.9	3.4	3.2	3.1	5.9	5.0	2.6	3.1
Inflation (CPI) yoy, average	3.3	15.3	9.8	4.0	3.3	3.1	9.8	5.4	3.8	2.9
Monthly Wage, nominal EUR	792.8	900.2	1 008.4	1 092.3	1 182.3	1 280.2	1 008.4	1 024.1	1 103.0	1 198.4
Unemployment rate, %	5.3	4.3	4.5	4.2	4.0	3.9	4.5	5.5	5.4	5.3
Exchange rate /€, eop	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Exchange rate /€, average	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Short term rate, eop	(0.5)	2.1	4.0	3.3	2.6	2.6	4.0	2.0	2.0	2.0
Short term rate,average	(0.6)	0.4	3.4	3.8	3.0	2.6	3.4	3.4	2.0	2.0
Long-term interest rates 10y (%)	0.6	5.7	4.0	3.8	3.6	3.4	4.0	4.1	3.7	3.6
House Price Index, yoy % change	8.7	13.8	10.0	6.5	6.0	6.0	10.0	0.1	3.2	4.0

According to an analysis performed by the ICAAP & Stress Testing Division at the Holding, GDP forecast (over 3 years) is assumed to be the most relevant economic factor as indicator of scenario severity.

Macroeconomic and ECL sensitivity in 2023

The analysis below shows that for 1 point GDP drop (cumulated over 3 years) the ECL is estimated to increase by about +0.39% or EUR 1.08 million:

(in m EUR)

Scenario	**Weight**	**Macroeconomic variable**	**2024**	**2025**	**2026**	**3yr cum**	**Unweighted ECL**	**Weighted ECL**
Positive	0%	GDP growth %	-	-	-	-	-	
Baseline	40%	GDP growth %	2.80	3.60	3.30	10.01	279	282.00
Negative	60%	GDP growth %	(1.50)	2.16	4.01	4.68	285	
					Delta	**(5.33)**	**5.77**	
					Absolute ECL Sensitivity vs 3-yr GDP		**1.08**	
					% ECL Sensitivity vs 3-year cum GDP		**0.39%**	

The table below contains the local figures under each scenario as at December 2023:

ECL amount (in mEUR)

	Baseline				Negative				Final			
Portfolio	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Corporate	22	22	123	**167**	24	23	123	**170**	23	22	127	**172**
Small Business	3	12	36	**51**	3	13	36	**52**	3	12	37	**52**
Retail - Mortgages	2	21	23	**46**	2	22	23	**47**	2	21	24	**47**
Retail - Others	-	1	7	**8**	-	1	7	**8**	-	1	7	**8**

Here below the steps to be performed under the Constant Overlay Factor approach are described:

1. As a first step, the Stress Test team that have to provide forecasts (DR – default rate, RR – recovery rate, etc) under each of the three selected scenarios (*i*).

2. Afterward, the staging under the "average" scenario must be calculated once and kept constant for each scenario (*i*).

3. Finally, the ECL_i must be calculated for the *i*-th scenario (*i* = 1,...,3) and the probability weighted $\overline{ECL}$ has to be determined averaging the derived under each scenario, multiplied for the probability of each scenario (*i*) to happens.

During the monthly LLP process, the overlay factor must be multiplied to the ECL calculated under the baseline scenario for each transaction k in order to adjust it for the non-linearity effect as shown below:

$$ECL_k^{Final} = ECL_k^{bl} \times Overlay\ factor$$

(3)

The table below contains the locally computed OF values as at Dec 2023 (GW OFs are provided on Holding level):

Rating system[5]	Overlay Factors as of Dec 2023
CRP	1.0295
FI	1.0145
IND	1.0220
MNC	1.0970
PFR	1.0295
SME	1.0373
SOV	1.1589

It worth to be underlying that IFRS 9 does not necessarily require to be conservative but to fairly represent the riskiness of the bank's portfolios, this imply that the Overlay factor can be both above or below the par value.

The overlay factor has to be calculated following the rating system group granularity or they aggregation as used for IFRS 9 purposes in case of shared credit risk characteristics.

The overlay factor must be recalibrated semiannually as soon as the new forecasts and weights under multiple scenarios are available.

The overlay factors on GW portfolios will be estimated centrally and shared with the LEs on time for the local application in the monthly LLPs run.

Finally, it is underlined that the **overlay factor does not represent an estimated parameter**, but a multiplicative factor to be applied on top of the Baseline ECL to produce a final ECL that is *a probability-weighted amount determined by evaluating a range of possible outcomes*. Due to the impossibility to calculate the final monthly LLPs as the average of monthly LLPs under several scenario the overlay factor is introduced as a workaround. A plausibility analysis of the ECL results under the positive and negative scenario should be performed, to ensure that under such scenarios extremely low or high values of ECL are not outputted. However, no outlier's treatments are deemed necessary, since the final values of ECL are to be computed considering *all the range of possible outcomes* and as a consequence any floor/cap or removal of observations would entail a deviation from the IFRS requirements.

Geopolitical overlay resulting from Russia-Ukraine crisis

In order to factor-in into the risks underlying the sharp rise in energy costs, inflation and interest rates for both Corporate and private individuals, the geopolitical overlay were adopted during 2022 and updated in 2023. The macro-economic context which led to the introduction of the Geo-political overlay, at the end of 2023, has evolved and the corresponding risk determinants have slightly relaxed compared to YE 2022. However, the current macro-economic context is still characterized by a high level of uncertainty mainly due to the heightened Geo-political tensions in the Middle East, but also due to the persistence of the Ukraine-Russian conflict. Given the situation depicted above, characterized by a still high level of uncertainty with regard to the evolution of the geo-political tension, heightened by the Middle-East crises outbroken in October, and related effect on energy supply chains, coupled with interest rates remaining on steadily high level, UniCredit stance for YE-2023 is to keep Geo-Political Overlay fully in place in all its components (Corporate Energy Intensive, Retail Unpaid1 and Retail Floating Rate), purely managing the ordinary maintenance process in terms of absorption of default inflows and rescaling of overlay amount according to variation of application portfolio.

Furthermore, in order to make the application of the overlay more risk sensitive and "model-driven", thus reconciling more their application in an "in-model"-like logic as under ECB expectations raised within the ECB Follow up letter on the IFRS 9 provisioning framework, the overlay application approach has been revised in order to allocate overlay more on Stage 2 portfolio (identified by internal models as the one with higher riskiness) and in proportion to higher average level of PD of Stage 2 compared to Stage 1, thus driving the quantification of the allocation with the level of PD attributed by internal models to Stage 2 and Stage 1 portfolio.

5 (CRP – Corporates, FI – Financial Institutions, IND – Individuals, MNC – Multinationals, SME – Small and Medium Enterprises, PFR – Project Financing Rating Model, SOV – Sovereigns)

In this regard the adoption of this overlay is a complementary measure to the IFRS9 models that, by their structure, have been already properly and directly proving to recognize the effect of geo-political crises. In this context while IFRS 9 models and in particular satellite models are able to capture the effect of macro-economic scenario at portfolio level, the geopolitical overlays act on specific sub-portfolios considered particularly vulnerable in case contingent situation may evolve to severe stressed conditions

Indeed as of 31 December 2023 geopolitical overlay after re-scale amounts to BGN 167.6 million and is broken-down according to the following components:

- Corporate energy-intensive industry sectors prone to be more affected by spill-over effects linked to Russia - Ukraine crisis, specifically impacting the energy supply and related price soaring
- Retail clients, for: (i) floating rate mortgages (not having overdue instalments), given the sensitiveness in this context of increasing interest rate/inflation, and (ii) at least 1 unpaid instalment on their exposures, considered a perimeter with already difficulties in payments and as such particularly vulnerable in this specific contingency.
- additional stress for the delta default rates up to a level of 150% for Corporates, 170% for Small Business and 85% for Private Individual, due to continuing unstable economic situation, affected by the somewhat higher than average dependency of the Bulgarian energy sector from Russia, exacerbated by an on-going political crisis in the country

An update in the allocation process of the Geo-political overlay for Energy-intensive cluster is introduced in 4Q 2023. Specifically, the new allocation process aims at allocating LLP focusing more, compared to initial approach, to the riskiness in terms of staging, thus leveraging on the capability of SICR framework to be sensitive to all the signals of risk currently in place (as stated in the beginning of this document). As such given the PD outcomes resulting from the model and the different level of default risk embedded in the Staging framework, this is used to allocate LLP resulting from geo-political overlay.

As far as the calculation is concerned, credit exposures belonging to the above categories are identified according to their specific features. Starting from this, satellite models are run by applying - as macro-economic conditions - the Multi Year Plan recessive scenario to determine the adjustment to be applied to the default rate. Such adjusted default rate is then applied to the relevant categories to estimate the expected new inflows of defaulted exposures, whose LLPs are then calculated according to the average coverage rate applied to Unlikely to Pay.

Credit risk monitoring is also focused on fulfilment of statutory lending limits set in Law on Credit Institutions. Exposure to one customer or group of related customers exceeding 10% of Tier 1 capital are treated as large exposures and it has to be approved by the Management Board. Maximum amount of an exposure to one customer or group of related customers must not exceed 25% of the Tier 1 capital of the Bank.

In light of interest rates steadily remaining on higher level and plunging of real estate assets value due to contractions of the sector, an increasing Real Estate Risk has been arisen leading Commercial Real Estate financing (CREF overlay) perimeter as particularly vulnerable in case of stressed severe evolution of scenario, both in terms of:

- Default risk due to impacted debt repayment capacity as a consequence of higher interest rates, impacting also refinancing of real estate loans;
- Recovery risk due to lower values of real estate assets.

In order to factor-in into the LLP the abovementioned downside risks strongly affecting Commercial Real Estate Financing / IPRE / Construction perimeter a new overlay is introduced starting from YE 2023. As for the Geo-political overlay, the adoption of this overlay is a complementary measure to the IFRS9 models that, by their structure, have already properly and directly proved to recognize the effect of the rise in inflation and interest rates. On top to this the Group IFRS9 Methodological Framework has been enhanced to factor-in higher risk of bullet/balloon financings with effect recognized on LLP side since end-2022 and on staging already in end-2023. As such the CREF overlay has the aim to get ready in case of severe stressed evolution of the scenario such to make this perimeter potentially affected in a significant way in light of its expected higher vulnerability.

The allocation process of the CREF overlay aims at allocating LLP focusing more on the riskiness in terms of staging, thus leveraging on the capability of SICR framework to be sensitive to all the signals of risk currently in place. As such given the PD outcomes resulting from the model and the different level of default risk embedded in the Staging framework, this is used to allocate LLP resulting from CREF overlay.

Indeed as of 31 December 2023 CREF overlay amounts to BGN 11.5 million.

The table below shows the ratio of the biggest exposure to a group of customers and the top five biggest groups (excluding related parties) of customers as of December 31, 2023 and December 31, 2022:

In thousands of BGN

	Credit risk exposure before risk transfer		Credit risk exposure after risk transfer		% of own funds	
	2023	**2022**	**2023**	**2022**	**2023**	**2022**
Biggest credit risk exposure to customers' group	329 209	546 398	7 993	246 647	0.3%	8.8%
Credit risk exposure to top five biggest customers' groups	1 312 793	1 584 514	679 795	1 003 206	23.7%	35.9%

The table below analyses the breakdown of loss allowances as of December 31, 2023 and December 31, 2022 on different classes:

In thousands of BGN

Loss allowance by classes	**2023**	**2022**
Balances with Central Bank	60	30
Loans and advances to banks at amortized cost	134	178
Debt securities from banks at amortized cost	68	4
Loans and advances to customers	681 415	761 820
Debt securities from customers at amortized cost	815	294
Debt investment securities at FVTOCI	968	7 309
Loan commitments, Financial guarantee contracts and other commitments	91 454	82 526
Total Loss allowance by classes	**774 914**	**852 161**

The tables below analyze the movement of the loss allowance during the year per class of assets:

In thousands of BGN

Loss allowance - Balances with Central Bank	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Loss allowance as at 31.12.2021	**(167)**	**-**	**-**	**-**	**(167)**
Changes in the loss allowance					
New financial assets originated/purchased or disbursed during the year	(15)	-	-	-	**(15)**
Financial assets that have been repaid during the year	152	-	-	-	**152**
Loss allowance as at 31.12.2022	**(30)**	**-**	**-**	**-**	**(30)**

In thousands of BGN

Loss allowance - Balances with Central Bank	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Loss allowance as at 31.12.2022	(30)	-	-	-	**(30)**
Changes in the loss allowance					
New financial assets originated/purchased or disbursed during the year	(53)	-	-	-	**(53)**
Financial assets that have been repaid during the year	23	-	-	-	**23**
Loss allowance as at 31.12.2023	**(60)**	**-**	**-**	**-**	**(60)**

In thousands of BGN

Loss allowance - Loans and advances to banks at amortized cost	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowance as at 31.12.2021	**(116)**	**-**	**-**	**-**	**(116)**
Changes in the loss allowance					
Changes due to modifications that did not result in derecognition	(5)	-	-	-	**(5)**
New financial assets originated/purchased or disbursed during the year	(167)	-	-	-	**(167)**
Financial assets that have been repaid during the year	110	-	-	-	**110**
Loss allowance as at 31.12.2022	**(178)**	**-**	**-**	**-**	**(178)**

In thousands of BGN

Loss allowance - Loans and advances to banks at amortized cost	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowance as at 31.12.2022	**(178)**	**-**	**-**	**-**	**(178)**
Changes in the loss allowance					
Changes due to modifications that did not result in derecognition	14	-	-	-	**14**
New financial assets originated/purchased or disbursed during the year	(128)	-	-	-	**(128)**
Financial assets that have been repaid during the year	158	-	-	-	**158**
Loss allowance as at 31.12.2023	**(134)**	**-**	**-**	**-**	**(134)**

In thousands of BGN

Loss allowance - Debt securities from banks at amortized cost	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowance as at 31.12.2021	**(155)**	**-**	**-**	**-**	**(155)**
Changes in the loss allowance					
Decreases due to change in credit risk	151	-	-	-	**151**
Loss allowance as at 31.12.2022	**(4)**	**-**	**-**	**-**	**(4)**

In thousands of BGN

Loss allowance - Debt securities from banks at amortized cost	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowance as at 31.12.2022	**(4)**	**-**	**-**	**-**	**(4)**
Changes in the loss allowance					
New financial assets originated/purchased or disbursed during the year	(68)	-	-	-	**(68)**
Financial assets that have been repaid during the year	4	-	-	-	**4**
Loss allowance as at 31.12.2023	**(68)**	**-**	**-**	**-**	**(68)**

In thousands of BGN

Loss allowance - Debt securities from customers at amortized cost	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowance as at 31.12.2021	**(956)**	**-**	**-**	**-**	**(956)**
Changes in the loss allowance					
Decreases due to change in credit risk	782	-	-	-	**782**
New financial assets originated/purchased or disbursed during the year	(120)	-	-	-	**(120)**
Loss allowance as at 31.12.2022	**(294)**	**-**	**-**	**-**	**(294)**

In thousands of BGN

Loss allowance - Debt securities from customers at amortized cost	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowance as at 31.12.2022	**(294)**	**-**	**-**	**-**	**(294)**
Changes in the loss allowance					
Increases due to change in credit risk	(336)	-	-	-	**(336)**
New financial assets originated/purchased or disbursed during the year	(185)	-	-	-	**(185)**
Loss allowance as at 31.12.2023	**(815)**	**-**	**-**	**-**	**(815)**

In thousands of BGN

Loss allowance - Debt investment securities at FVTOCI	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowance as at 31.12.2021	**(3 070)**	**-**	**-**	**-**	**(3 070)**
Changes in the loss allowance					
Transfer to stage 2	5 894	(5 894)	-	-	**-**
Increases due to change in credit risk	(6 490)	-	-	-	**(6 490)**
Decreases due to change in credit risk	2 165	-	-	-	**2 165**
New financial assets originated/purchased or disbursed during the year	(16)	-	-	-	**(16)**
Financial assets that have been repaid during the year	102	-	-	-	**102**
Loss allowance as at 31.12.2022	**(1 415)**	**(5 894)**	**-**	**-**	**(7 309)**

In thousands of BGN

Loss allowance - Debt investment securities at FVTOCI	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowance as at 31.12.2022	**(1 415)**	**(5 894)**	**-**	**-**	**(7 309)**
Changes in the loss allowance					
Increases due to change in credit risk	(294)	-	-	-	**(294)**
Decreases due to change in credit risk	781	-	-	-	**781**
New financial assets originated/purchased or disbursed during the year	(73)	-	-	-	**(73)**
Financial assets that have been repaid during the year	33	5 894	-	-	**5 927**
Loss allowance as at 31.12.2023	**(968)**	**-**	**-**	**-**	**(968)**

In thousands of BGN

Loss allowance - Loans and advances to customers	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowance as at 31.12.2021	**(79 571)**	**(190 758)**	**(444 740)**	**(265)**	**(715 334)**
Changes in the loss allowance					
Transfer to stage 1	(3 410)	3 313	97	-	**-**
Transfer to stage 2	100 374	(102 639)	2 265	-	**-**
Transfer to stage 3	8 288	79 806	(88 094)	-	**-**
Increases due to change in credit risk	(113 384)	(86 138)	(40 622)	-	**(240 144)**
Decreases due to change in credit risk	41 063	97 654	15 613	-	**154 330**
Write-offs	-	-	36 142	-	**36 142**
Changes due to modifications that did not result in derecognition	(1 210)	(1 664)	(2 039)	-	**(4 913)**
New financial assets originated/purchased or disbursed during the year	(26 239)	(52 359)	(53 449)	-	**(132 047)**
Financial assets that have been repaid during the year	9 239	21 414	109 090	265	**140 008**
Changes in segmentation	-	-	-	-	**-**
Foreign exchange and other movements	-	-	138	-	**138**
Loss allowance as at 31.12.2022	**(64 850)**	**(231 371)**	**(465 599)**	**-**	**(761 820)**

In thousands of BGN

Loss allowance - Loans and advances to corporate customers	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowance as at 31.12.2021	**(72 652)**	**(145 613)**	**(319 097)**	**(265)**	**(537 627)**
Changes in the loss allowance					
Transfer to stage 1	(2 646)	2 553	93	-	**-**
Transfer to stage 2	77 536	(79 559)	2 023	-	**-**
Transfer to stage 3	2 359	58 890	(61 249)	-	**-**
Increases due to change in credit risk	(85 296)	(54 287)	(35 418)	-	**(175 001)**
Decreases due to change in credit risk	38 807	83 814	11 325	-	**133 946**
Write-offs	-	-	23 609	-	**23 609**
Changes due to modifications that did not result in derecognition	(1 199)	(1 664)	(1 474)	-	**(4 337)**
New financial assets originated/purchased or disbursed during the year	(23 383)	(35 764)	(40 717)	-	**(99 864)**
Financial assets that have been repaid during the year	9 189	20 944	107 596	265	**137 994**
Changes in segmentation	(1 154)	(8 494)	(35 608)	-	**(45 256)**
Foreign exchange and other movements	-	-	138	-	**138**
Loss allowance as at 31.12.2022	**(58 439)**	**(159 180)**	**(348 779)**	**-**	**(566 398)**

In thousands of BGN

Loss allowance - Loans and advances to retail customers	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowance as at 31.12.2021	**(6 919)**	**(45 145)**	**(125 643)**	**-**	**(177 707)**
Changes in the loss allowance					
Transfer to stage 1	(764)	760	4	-	**-**
Transfer to stage 2	22 838	(23 080)	242	-	**-**
Transfer to stage 3	5 929	20 916	(26 845)	-	**-**
Increases due to change in credit risk	(28 088)	(31 851)	(5 204)	-	**(65 143)**
Decreases due to change in credit risk	2 256	13 840	4 288	-	**20 384**
Write-offs	-	-	12 533	-	**12 533**
Changes due to modifications that did not result in derecognition	(11)	-	(565)	-	**(576)**
New financial assets originated/purchased or disbursed during the year	(2 856)	(16 595)	(12 732)	-	**(32 183)**
Financial assets that have been repaid during the year	50	470	1 494	-	**2 014**
Changes in segmentation	1 154	8 494	35 608	-	**45 256**
Foreign exchange and other movements	-	-	-	-	**-**
Loss allowance as at 31.12.2022	**(6 411)**	**(72 191)**	**(116 820)**	**-**	**(195 422)**

In thousands of BGN

Loss allowance - Loans and advances to customers	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowance as at 31.12.2022	**(64 850)**	**(231 371)**	**(465 599)**	**-**	**(761 820)**
Changes in the loss allowance					
Transfer to stage 1	(3 454)	3 427	27	-	**-**
Transfer to stage 2	71 548	(75 439)	3 891	-	**-**
Transfer to stage 3	69 322	42 786	(112 108)	-	**-**
Increases due to change in credit risk	(140 955)	(67 919)	(24 027)	-	**(232 901)**
Decreases due to change in credit risk	22 983	144 589	76 184	-	**243 756**
Write-offs	-	-	75 300	-	**75 300**
New financial assets originated/purchased or disbursed during the year	(27 171)	(55 269)	(14 005)	-	**(96 445)**
Financial assets that have been repaid during the year	8 472	27 412	54 796	-	**90 680**
Changes in models/risk parameters	-	-	-	-	**-**
Foreign exchange and other movements	-	-	15	-	**15**
Loss allowance as at 31.12.2023	**(64 105)**	**(211 784)**	**(405 526)**	**-**	**(681 415)**

In thousands of BGN

Loss allowance - Loans and advances to corporate customers	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowance as at 31.12.2022	**(58 439)**	**(159 180)**	**(348 779)**	**-**	**(566 398)**
Changes in the loss allowance					
Transfer to stage 1	(2 599)	2 578	21	-	**-**
Transfer to stage 2	52 068	(54 108)	2 040	-	**-**
Transfer to stage 3	66 882	26 375	(93 257)	-	**-**
Increases due to change in credit risk	(119 623)	(39 825)	(18 625)	-	**(178 073)**
Decreases due to change in credit risk	20 263	105 846	54 542	-	**180 651**
Write-offs	-	-	57 599	-	**57 599**
New financial assets originated/purchased or disbursed during the year	(23 727)	(32 330)	(11 704)	-	**(67 761)**
Financial assets that have been repaid during the year	7 856	19 225	39 764	-	**66 845**
Changes in models/risk parameters	(47)	(92)	-	-	**(139)**
Foreign exchange and other movements	-	-	15	-	**15**
Loss allowance as at 31.12.2023	**(57 366)**	**(131 511)**	**(318 384)**	**-**	**(507 261)**

In thousands of BGN

Loss allowance - Loans and advances to retail customers	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowance as at 31.12.2022	**(6 411)**	**(72 191)**	**(116 820)**	**-**	**(195 422)**
Changes in the loss allowance					
Transfer to stage 1	(855)	849	6	-	**-**
Transfer to stage 2	19 480	(21 331)	1 851	-	**-**
Transfer to stage 3	2 440	16 411	(18 851)	-	**-**
Increases due to change in credit risk	(21 332)	(28 094)	(5 402)	-	**(54 828)**
Decreases due to change in credit risk	2 720	38 743	21 642	-	**63 105**
Write-offs	-	-	17 701	-	**17 701**
New financial assets originated/purchased or disbursed during the year	(3 444)	(22 939)	(2 301)	-	**(28 684)**
Financial assets that have been repaid during the year	616	8 187	15 032	-	**23 835**
Changes in models/risk parameters	47	92	-	-	**139**
Foreign exchange and other movements	-	-	-	-	**-**
Loss allowance as at 31.12.2023	**(6 739)**	**(80 273)**	**(87 142)**	**-**	**(174 154)**

In thousands of BGN

Loss allowance - Loan commitments, Financial guarantee contracts and other commitments	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowance as at 31.12.2021	**(17 219)**	**(5 827)**	**(35 837)**	**-**	**(58 883)**
Changes in the loss allowance					
Transfer to stage 1	(419)	417	2	-	**-**
Transfer to stage 2	15 344	(15 348)	4	-	**-**
Transfer to stage 3	2 258	1 511	(3 769)	-	**-**
Increases due to change in credit risk	(21 824)	(3 056)	(2 828)	-	**(27 708)**
Decreases due to change in credit risk	8 098	3 071	10 096	-	**21 265**
Changes due to modifications that did not result in derecognition	(335)	(76)	-	-	**(411)**
New financial assets originated/purchased or disbursed during the year	(13 149)	(5 808)	(13 142)	-	**(32 099)**
Financial assets that have been repaid during the year	4 357	1 729	9 224	-	**15 310**
Loss allowance as at 31.12.2022	**(22 889)**	**(23 387)**	**(36 250)**	**-**	**(82 526)**

In thousands of BGN

Loss allowance - Loan commitments, Financial guarantee contracts and other commitments	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowance as at 31.12.2022	**(22 889)**	**(23 387)**	**(36 250)**	**-**	**(82 526)**
Changes in the loss allowance					
Transfer to stage 1	(526)	522	4	-	**-**
Transfer to stage 2	12 124	(12 297)	173	-	**-**
Transfer to stage 3	17 559	4 424	(21 983)	-	**-**
Increases due to change in credit risk	(31 702)	(8 401)	(3 319)	-	**(43 422)**
Decreases due to change in credit risk	9 622	8 157	15 215	-	**32 994**
New financial assets originated/purchased or disbursed during the year	(11 177)	(11 723)	(6 188)	-	**(29 088)**
Financial assets that have been repaid during the year	7 863	12 810	9 915	-	**30 588**
Loss allowance as at 31.12.2023	**(19 126)**	**(29 895)**	**(42 433)**	**-**	**(91 454)**

The tables below analyses the movement of the customers portfolio at amortized cost in terms of quality and respective movements of the gross carrying amounts during 2023 as per IFRS 9 requirements:

In thousands of BGN

Balances with Central Bank	31.12.2023					31.12.2022				
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
Grades 1-3: Low to fair risk	5 606 478	-	-	-	5 606 478	6 622 086	-	-	-	**6 622 086**
Total gross carrying amount	**5 606 478**	**-**	**-**	**-**	**5 606 478**	**6 622 086**	**-**	**-**	**-**	**6 622 086**
Loss allowance	**(60)**	**-**	**-**	**-**	**(60)**	**(30)**	-	-	-	**(30)**
Carrying amount	**5 606 418**	**-**	**-**	**-**	**5 606 418**	**6 622 056**	**-**	**-**	**-**	**6 622 056**

In thousands of BGN

Loans and advances to banks at amortized cost	31.12.2023					31.12.2022				
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
Grades 1-3: Low to fair risk	2 373 788	-	-	-	2 373 788	1 118 011	-	-	-	**1 118 011**
Grades 4-6: Monitoring	194	-	-	-	194	66 326	-	-	-	**66 326**
Grades 7-8: Substandard	-	-	-	-	-	155	-	-	-	**155**
Total gross carrying amount	**2 373 982**	**-**	**-**	**-**	**2 373 982**	**1 184 492**	**-**	**-**	**-**	**1 184 492**
Loss allowance	**(134)**	**-**	**-**	**-**	**(134)**	**(178)**	-	-	-	**(178)**
Carrying amount	**2 373 848**	**-**	**-**	**-**	**2 373 848**	**1 184 314**	**-**	**-**	**-**	**1 184 314**

In thousands of BGN

Debt securities from banks at amortized cost	31.12.2023					31.12.2022				
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
Grades 1-3: Low to fair risk	413 833	-	-	-	413 833	97 821	-	-	-	**97 821**
Total gross carrying amount	**413 833**	**-**	**-**	**-**	**413 833**	**97 821**	**-**	**-**	**-**	**97 821**
Loss allowance	**(68)**	**-**	**-**	**-**	**(68)**	**(4)**	-	-	-	**(4)**
Carrying amount	**413 765**	**-**	**-**	**-**	**413 765**	**97 817**	**-**	**-**	**-**	**97 817**

In thousands of BGN

Debt securities from customers at amortized cost	31.12.2023					31.12.2022				
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
Grades 1-3: Low to fair risk	2 862 326	-	-	-	2 862 326	2 141 024	-	-	-	**2 141 024**
Grades 4-6: Monitoring	724	-	-	-	724	1 432	-	-	-	**1 432**
Total gross carrying amount	**2 863 050**	**-**	**-**	**-**	**2 863 050**	**2 142 456**	**-**	**-**	**-**	**2 142 456**
Loss allowance	(815)	-	-	-	(815)	(294)	-	-	-	**(294)**
Carrying amount	**2 862 235**	**-**	**-**	**-**	**2 862 235**	**2 142 162**	**-**	**-**	**-**	**2 142 162**

In thousands of BGN

Debt investment securities at FVTOCI	31.12.2023 Stage 1	Stage 2	Stage 3	POCI	Total	31.12.2022 Stage 1	Stage 2	Stage 3	POCI	Total
Grades 1-3: Low to fair risk	2 163 626	-	-	-	2 163 626	2 329 163	-	-	-	**2 329 163**
Grades 4-6: Monitoring	-	-	-	-	-	174 283	9 145	-	-	**183 428**
Total gross carrying amount	**2 163 626**	**-**	**-**	**-**	**2 163 626**	**2 503 446**	**9 145**	**-**	**-**	**2 512 591**
Loss allowance	**(968)**	**-**	**-**	**-**	**(968)**	**(1 415)**	**(5 894)**	**-**	**-**	**(7 309)**
Carrying amount	**2 162 658**	**-**	**-**	**-**	**2 162 658**	**2 502 031**	**3 251**	**-**	**-**	**2 505 282**

In thousands of BGN

Loans and advances to customers	31.12.2023 Stage 1	Stage 2	Stage 3	POCI	Total	31.12.2022 Stage 1	Stage 2	Stage 3	POCI	Total
Grades 1-3: Low to fair risk	5 719 010	278 393	-	-	5 997 403	4 130 720	323 657	-	-	**4 454 377**
Grades 4-6: Monitoring	8 489 980	2 465 821	-	-	10 955 801	8 541 816	1 501 058	-	-	**10 042 874**
Grades 7-8: Substandard	187 216	542 164	-	-	729 380	168 418	653 442	-	-	**821 860**
Grade 9: Doubtful	-	-	418 243	-	418 243	-	-	383 863	-	**383 863**
Grade 10: Impaired	-	-	116 149	-	116 149	-	-	182 765	-	**182 765**
Total gross carrying amount	**14 396 206**	**3 286 378**	**534 392**	**-**	**18 216 976**	**12 840 954**	**2 478 157**	**566 628**	**-**	**15 885 739**
Loss allowance	**(64 105)**	**(211 784)**	**(405 526)**	**-**	**(681 415)**	**(64 850)**	**(231 371)**	**(465 599)**	**-**	**(761 820)**
Carrying amount	**14 332 101**	**3 074 594**	**128 866**	**-**	**17 535 561**	**12 776 104**	**2 246 786**	**101 029**	**-**	**15 123 919**

In thousands of BGN

Loans and advances to corporate customers	31.12.2023 Stage 1	Stage 2	Stage 3	POCI	Total	31.12.2022 Stage 1	Stage 2	Stage 3	POCI	Total
Grades 1-3: Low to fair risk	4 639 208	31 859	-	-	4 671 067	3 226 013	27 991	-	-	**3 254 004**
Grades 4-6: Monitoring	5 865 114	1 580 944	-	-	7 446 058	6 651 421	777 520	-	-	**7 428 941**
Grades 7-8: Substandard	128 777	355 545	-	-	484 322	123 902	358 150	-	-	**482 052**
Grade 9: Doubtful	-	-	369 530	-	369 530	-	-	319 968	-	**319 968**
Grade 10: Impaired	-	-	53 070	-	53 070	-	-	98 317	-	**98 317**
Total gross carrying amount	**10 633 099**	**1 968 348**	**422 600**	**-**	**13 024 047**	**10 001 336**	**1 163 661**	**418 285**	**-**	**11 583 282**
Loss allowance	**(57 366)**	**(131 511)**	**(318 384)**	**-**	**(507 261)**	**(58 439)**	**(159 180)**	**(348 779)**	**-**	**(566 398)**
Carrying amount	**10 575 733**	**1 836 837**	**104 216**	**-**	**12 516 786**	**9 942 897**	**1 004 481**	**69 506**	**-**	**11 016 884**

In thousands of BGN

Loans and advances to retail customers	31.12.2023 Stage 1	Stage 2	Stage 3	POCI	Total	31.12.2022 Stage 1	Stage 2	Stage 3	POCI	Total
Grades 1-3: Low to fair risk	1 079 802	246 534	-	-	1 326 336	904 707	295 666	-	-	**1 200 373**
Grades 4-6: Monitoring	2 624 866	884 877	-	-	3 509 743	1 890 395	723 538	-	-	**2 613 933**
Grades 7-8: Substandard	58 439	186 619	-	-	245 058	44 516	295 292	-	-	**339 808**
Grade 9: Doubtful	-	-	48 713	-	48 713	-	-	63 895	-	**63 895**
Grade 10: Impaired	-	-	63 079	-	63 079	-	-	84 448	-	**84 448**
Total gross carrying amount	**3 763 107**	**1 318 030**	**111 792**	**-**	**5 192 929**	**2 839 618**	**1 314 496**	**148 343**	**-**	**4 302 457**
Loss allowance	**(6 739)**	**(80 273)**	**(87 142)**	**-**	**(174 154)**	**(6 411)**	**(72 191)**	**(116 820)**	**-**	**(195 422)**
Carrying amount	**3 756 368**	**1 237 757**	**24 650**	**-**	**5 018 775**	**2 833 207**	**1 242 305**	**31 523**	**-**	**4 107 035**

In thousands of BGN

Loan commitments, Financial guarantee contracts and other commitments	31.12.2023 Stage 1	Stage 2	Stage 3	POCI	Total	31.12.2022 Stage 1	Stage 2	Stage 3	POCI	Total
Grades 1-3: Low to fair risk	4 120 483	241 310	-	-	4 361 793	2 591 010	198 943	-	-	**2 789 953**
Grades 4-6: Monitoring	4 215 100	1 044 687	-	-	5 259 787	4 487 128	500 497	-	-	**4 987 625**
Grades 7-8: Substandard	124 046	429 153	-	-	553 199	119 741	614 890	-	-	**734 631**
Grade 9: Doubtful	-	-	47 452	-	47 452	-	-	35 490	-	**35 490**
Grade 10: Impaired	-	-	2 565	-	2 565	-	-	8 020	-	**8 020**
Total nominal amount	**8 459 629**	**1 715 150**	**50 017**	**-**	**10 224 796**	**7 197 879**	**1 314 330**	**43 510**	**-**	**8 555 719**
Loss allowance	**(19 126)**	**(29 895)**	**(42 433)**	**-**	**(91 454)**	**(22 889)**	**(23 387)**	**(36 250)**	**-**	**(82 526)**
Carrying amount	**8 440 503**	**1 685 255**	**7 584**	**-**	**10 133 342**	**7 174 990**	**1 290 943**	**7 260**	**-**	**8 473 193**

In thousands of BGN

Loans and advances to banks at amortized cost	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount as at 31.12.2021	**600 188**	**-**	**-**	**-**	**600 188**
Changes in the gross carrying amount					
Changes due to modifications that did not result in derecognition	2 808	-	-	-	**2 808**
New financial assets originated/purchased or disbursed during the year	1 086 472	-	-	-	**1 086 472**
Financial assets that have been repaid during the year	(504 976)	-	-	-	**(504 976)**
Gross carrying amount as at 31.12.2022	**1 184 492**	**-**	**-**	**-**	**1 184 492**

In thousands of BGN

Loans and advances to banks at amortized cost	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount as at 31.12.2022	**1 184 492**	**-**	**-**	**-**	**1 184 492**
Changes in the gross carrying amount					
Changes due to modifications that did not result in derecognition	27 499	-	-	-	**27 499**
New financial assets originated/purchased or disbursed during the year	2 247 112	-	-	-	**2 247 112**
Financial assets that have been repaid during the year	(1 085 121)	-	-	-	**(1 085 121)**
Gross carrying amount as at 31.12.2023	**2 373 982**	**-**	**-**	**-**	**2 373 982**

In thousands of BGN

Debt securities from banks at amortized cost	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount as at 31.12.2021	**98 068**	**-**	**-**	**-**	**98 068**
Changes in the gross carrying amount					
Financial assets that have been repaid during the year	(247)	-	-	-	**(247)**
Gross carrying amount as at 31.12.2022	**97 821**	**-**	**-**	**-**	**97 821**

In thousands of BGN

Debt securities from banks at amortized cost	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount as at 31.12.2022	**97 821**	**-**	**-**	**-**	**97 821**
Changes in the gross carrying amount					
New financial assets originated/purchased or disbursed during the year	413 833	-	-	-	**413 833**
Financial assets that have been repaid during the year	(97 821)	-	-	-	**(97 821)**
Gross carrying amount as at 31.12.2023	**413 833**	**-**	**-**	**-**	**413 833**

In thousands of BGN

Debt securities from customers at amortized cost	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount as at 31.12.2021	**1 074 206**	**-**	**-**	**-**	**1 074 206**
Changes in the gross carrying amount					
New financial assets originated/purchased or disbursed during the year	1 069 106	-	-	-	**1 069 106**
Financial assets that have been repaid during the year	(856)	-	-	-	**(856)**
Gross carrying amount as at 31.12.2022	**2 142 456**	**-**	**-**	**-**	**2 142 456**

In thousands of BGN

Debt securities from customers at amortized cost	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount as at 31.12.2022	**2 142 456**	**-**	**-**	**-**	**2 142 456**
Changes in the gross carrying amount					
New financial assets originated/purchased or disbursed during the year	721 562	-	-	-	**721 562**
Financial assets that have been repaid during the year	(968)	-	-	-	**(968)**
Gross carrying amount as at 31.12.2023	**2 863 050**	**-**	**-**	**-**	**2 863 050**

In thousands of BGN

Debt investment securities at FVTOCI	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount as at 31.12.2021	**3 450 145**	**-**	**-**	**-**	**3 450 145**
Changes in the gross carrying amount					
Transfer to stage 2	(9 145)	9 145	-	-	**-**
New financial assets originated/purchased or disbursed during the year	139 131	-	-	-	**139 131**
Financial assets that have been repaid during the year	(1 076 685)	-	-	-	**(1 076 685)**
Gross carrying amount as at 31.12.2022	**2 503 446**	**9 145**	**-**	**-**	**2 512 591**

In thousands of BGN

Debt investment securities at FVTOCI	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount as at 31.12.2022	**2 503 446**	**9 145**	**-**	**-**	**2 512 591**
Changes in the gross carrying amount					
New financial assets originated/purchased or disbursed during the year	360 896	-	-	-	**360 896**
Financial assets that have been repaid during the year	(700 716)	(9 145)	-	-	**(709 861)**
Gross carrying amount as at 31.12.2023	**2 163 626**	**-**	**-**	**-**	**2 163 626**

In thousands of BGN

Loans and advances to customers	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount as at 31.12.2021	**10 700 913**	**1 892 691**	**565 596**	**265**	**13 159 465**
Changes in the gross carrying amount					
Transfer to stage 1	551 185	(545 780)	(5 405)	-	**-**
Transfer to stage 2	(1 046 642)	1 062 289	(15 647)	-	**-**
Transfer to stage 3	(14 649)	(111 837)	126 486	-	**-**
Changes due to modifications that did not result in derecognition	233 788	32 697	7 282	-	**273 767**
New financial assets originated/purchased or disbursed during the year	5 476 410	620 800	66 961	-	**6 164 171**
Financial assets that have been repaid during the year	(3 060 051)	(472 703)	(142 503)	(265)	**(3 675 522)**
Write-offs	-	-	(36 142)	-	**(36 142)**
Gross carrying amount as at 31.12.2022	**12 840 954**	**2 478 157**	**566 628**	**-**	**15 885 739**

In thousands of BGN

Loans and advances to corporate customers	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount as at 31.12.2021	**8 052 212**	**885 020**	**415 566**	**265**	**9 353 063**
Changes in the gross carrying amount					
Transfer to stage 1	323 569	(319 027)	(4 542)	-	**-**
Transfer to stage 2	(554 394)	567 131	(12 737)	-	**-**
Transfer to stage 3	(5 109)	(78 116)	83 225	-	**-**
Changes due to modifications that did not result in derecognition	231 404	32 309	6 710	-	**270 423**
New financial assets originated/purchased or disbursed during the year	4 470 487	275 553	49 713	-	**4 795 753**
Financial assets that have been repaid during the year	(2 572 482)	(246 063)	(97 337)	(265)	**(2 916 147)**
Write-offs	-	-	(23 609)	-	**(23 609)**
Other changes	55649	46854	1 296	-	**103 799**
Gross carrying amount as at 31.12.2022	**10 001 336**	**1 163 661**	**418 285**	**-**	**11 583 282**

In thousands of BGN

Loans and advances to retail customers	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount as at 31.12.2021	**2 648 701**	**1 007 671**	**150 030**	**-**	**3 806 402**
Changes in the gross carrying amount					
Transfer to stage 1	227 616	(226 753)	(863)	-	**-**
Transfer to stage 2	(492 248)	495 158	(2 910)	-	**-**
Transfer to stage 3	(9 540)	(33 721)	43 261	-	**-**
Changes due to modifications that did not result in derecognition	2 384	388	572	-	**3 344**
New financial assets originated/purchased or disbursed during the year	1 005 923	345 247	17 248	-	**1 368 418**
Financial assets that have been repaid during the year	(487 569)	(226 640)	(45 166)	-	**(759 375)**
Write-offs	-	-	(12 533)	-	**(12 533)**
Other changes	(55 649)	(46 854)	(1 296)	-	**(103 799)**
Gross carrying amount as at 31.12.2022	**2 839 618**	**1 314 496**	**148 343**	**-**	**4 302 457**

In thousands of BGN

Loans and advances to customers	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount as at 31.12.2022	**12 840 954**	**2 478 157**	**566 628**	**-**	**15 885 739**
Changes in the gross carrying amount					
Transfer to stage 1	950 051	(944 357)	(5 694)	-	**-**
Transfer to stage 2	(1 561 749)	1 602 190	(40 441)	-	**-**
Transfer to stage 3	(104 409)	(83 353)	187 762	-	**-**
New financial assets originated/purchased or disbursed during the year	5 676 554	806 004	26 298	-	**6 508 856**
Financial assets that have been repaid during the year	(3 405 195)	(572 263)	(124 861)	-	**(4 102 319)**
Write-offs	-	-	(75 300)	-	**(75 300)**
Gross carrying amount as at 31.12.2023	**14 396 206**	**3 286 378**	**534 392**	**-**	**18 216 976**

In thousands of BGN

Loans and advances to corporate customers	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount as at 31.12.2022	**10 001 336**	**1 163 661**	**418 285**	**-**	**11 583 282**
Changes in the gross carrying amount					
Transfer to stage 1	407 505	(405 669)	(1 836)	-	**-**
Transfer to stage 2	(1 152 428)	1 177 813	(25 385)	-	**-**
Transfer to stage 3	(100 648)	(57 760)	158 408	-	**-**
New financial assets originated/purchased or disbursed during the year	4 428 768	413 996	22 201	-	**4 864 965**
Financial assets that have been repaid during the year	(2 955 317)	(328 445)	(91 474)	-	**(3 375 236)**
Write-offs	-	-	(57 599)	-	**(57 599)**
Other changes	3 883	4 752	-	-	**8 635**
Gross carrying amount as at 31.12.2023	**10 633 099**	**1 968 348**	**422 600**	**-**	**13 024 047**

In thousands of BGN

Loans and advances to retail customers	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount as at 31.12.2022	**2 839 618**	**1 314 496**	**148 343**	**-**	**4 302 457**
Changes in the gross carrying amount					
Transfer to stage 1	542 546	(538 688)	(3 858)	-	**-**
Transfer to stage 2	(409 321)	424 377	(15 056)	-	**-**
Transfer to stage 3	(3 761)	(25 593)	29 354	-	**-**
New financial assets originated/purchased or disbursed during the year	1 247 786	392 008	4 097	-	**1 643 891**
Financial assets that have been repaid during the year	(449 878)	(243 818)	(33 387)	-	**(727 083)**
Write-offs	-	-	(17 701)	-	**(17 701)**
Other changes	(3 883)	(4 752)	-	-	**(8 635)**
Gross carrying amount as at 31.12.2023	**3 763 107**	**1 318 030**	**111 792**	**-**	**5 192 929**

In thousands of BGN

Loan commitments, Financial guarantee contracts and other commitments	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount as at 31.12.2021	**6 941 213**	**426 296**	**58 808**	**-**	**7 426 317**
Changes in the gross carrying amount	**-**	**-**	**-**	**-**	**-**
Transfer to stage 1	239 036	(238 958)	(78)	-	**-**
Transfer to stage 2	(766 767)	768 474	(1 707)	-	**-**
Transfer to stage 3	(3 045)	(1 517)	4 562	-	**-**
Changes due to modifications that did not result in derecognition	211 706	24 736	4 653	-	**241 095**
New financial assets originated/purchased or disbursed during the year	3 786 250	505 478	21 400	-	**4 313 128**
Financial assets that have been repaid during the year	(3 210 514)	(170 179)	(44 129)	-	**(3 424 822)**
Gross carrying amount as at 31.12.2022	**7 197 879**	**1 314 330**	**43 509**	**-**	**8 555 718**

In thousands of BGN

Loan commitments, Financial guarantee contracts and other commitments	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount as at 31.12.2022	**7 197 879**	**1 314 330**	**43 509**	**-**	**8 555 718**
Changes in the gross carrying amount	**-**	**-**	**-**	**-**	**-**
Transfer to stage 1	331 407	(328 850)	(2 557)	-	**-**
Transfer to stage 2	(793 647)	799 088	(5 441)	-	**-**
Transfer to stage 3	(22 240)	(4 426)	26 666	-	**-**
New financial assets originated/purchased or disbursed during the year	4 732 680	801 453	11 120	-	**5 545 253**
Financial assets that have been repaid during the year	(2 986 450)	(866 445)	(23 280)	-	**(3 876 175)**
Gross carrying amount as at 31.12.2023	**8 459 629**	**1 715 150**	**50 017**	**-**	**10 224 796**

Pursuant to prescriptions provided on IFRS 9 principle as well as EBA Guidelines on credit institutions' credit risk management practices and accounting for expected credit losses (EBA/GL/2017/06), a Low Credit Risk Exemption (LCRE) is applied to financial instruments (including Loans) presenting a "low level of risk" at reporting date where the "low risk" is set out relying primarily on internal credit risk measures, keeping in the same time a reconciliation with Investment (IG) and Non-Investment Grade (NIG) classification. Therefore, according to the rationale described in the Group IFRS 9 Model Concept, an internal estimated PD threshold has been set equal to 0.3%. Therefore, all financial instruments belonging to client having a 1-year IFRS PD at reporting date lower than 0.3% would be then subject to LCRE and kept under Stage 1.

In thousands of BGN

	2023	2022
Central banks	5 606 418	6 622 056
General governments	185 771	312 299
Credit institutions	2 333 258	1 118 012
Other financial corporations	39 564	70
Non-financial corporations	260 773	139 044
Of which: Small and Medium-sized Enterprises	119 121	43 731
Households	2 271 077	2 935
Total loans and advances at amortized cost	**10 696 861**	**8 194 416**

The breakdown of the fair value of physical and cash collaterals pledged in favor of the Bank on loans and advances to customers is as follows:

In thousands of BGN

	Loans and advances to customers	
	2023	2022
Defaulted exposures		
Cash collateral	5 319	5 032
Property	516 420	827 327
Debt securities	432	432
Other collateral	51 553	577 187
Performing exposures		
Cash collateral	675 847	115 093
Property	12 730 370	13 873 066
Debt securities	15 263	16 468
Other collateral	1 220 251	8 972 310
Total	15 215 455	24 386 915

Other collaterals include mostly pledges on non-real estate long-term assets, going concerns and inventories.

In thousands of BGN

Residential mortgage lending - LTV ratio	2023	2022
Less than 50 %	624 225	197 515
51-70%	1 105 947	636 826
71-90%	2 080 498	2 198 693
91-100%	215 269	187 551
More than 100%	23 277	92 938
Total loans and advances at amortized cost	**4 049 216**	**3 313 523**

In thousands of BGN

Credit impaired - LTV ratio	31.12.2023	31.12.2022
Less than 50 %	15 647	5 031
51-70%	19 948	19 377
More than 70%	18 471	50 654
Total loans and advances at amortized cost	**54 066**	**75 062**

In thousands of BGN

Carrying amount and collateral value held against loans to corporate customers measured at amortized cost	2023		2022	
	Carrying amount	Collateral	Carrying amount	Collateral
Financial pledge	305 591	94 027	308 271	100 312
Guarantees received	1 914 573	1 462 907	2 349 101	1 773 489
Real Estate	5 123 083	3 995 472	3 901 934	2 465 910
Insurance	77 600	73 751	100 288	92 405

The concentration of risk exposures in different sectors of the economy as well as geographical spread out is as outlined in table below as of December 31, 2023 and December 31, 2022:

In thousands of BGN

	Loans and advances to customers		Loans and advances to banks		Investment securities	
	31.12.2023	**31.12.2022**	**31.12.2023**	**31.12.2022**	**31.12.2023**	**31.12.2022**
Concentration by sectors						
Sovereign	3 145 899	2 496 637	-	-	2 097 679	2 391 053
Manufacturing	2 960 485	2 694 948	-	-	43 427	40 743
Commerce	2 802 024	2 684 298	-	-	-	-
Construction and real estate	1 788 294	1 653 985	-	-	-	67
Agriculture and forestry	503 543	492 013	-	-	-	-
Transport and communication	681 615	686 410	-	-	334	313
Tourism	372 058	288 239	-	-	-	-
Services	481 540	352 816	-	-	655	655
Financial services	4 105 762	3 167 175	2 787 815	1 282 304	99 663	153 905
Retail (individuals)						
Housing loans	4 032 518	3 300 749	-	-	-	-
Consumer loans	136 378	161 110	-	-	-	-
Other	71 736	53 197	-	-	-	-
	21 081 852	**18 031 577**	**2 787 815**	**1 282 304**	**2 241 758**	**2 586 736**
Impairment allowances	(683 918)	(763 752)	(202)	(173)	-	-
Total	**20 397 934**	**17 267 825**	**2 787 613**	**1 282 131**	**2 241 758**	**2 586 736**
Concentration by geographic location						
Europe	21 013 508	17 933 354	2 709 281	1 170 729	2 236 846	2 570 832
North America	26 093	32 699	40 956	25 432	4 912	15 904
Asia	42 206	65 410	37 522	40 202	-	-
Africa	10	1	-	45 761	-	-
South America	7	7	-	-	-	-
Australia	28	106	56	180	-	-
	21 081 852	**18 031 577**	**2 787 815**	**1 282 304**	**2 241 758**	**2 586 736**
Impairment allowances and accumulated negative changes in fair value due to credit risk on non-performing exposures	(683 918)	(763 752)	(202)	(173)	-	-
Total	**20 397 934**	**17 267 825**	**2 787 613**	**1 282 131**	**2 241 758**	**2 586 736**

(iii) Significant increase in credit risk

The IFRS PD and Transfer Logic model was already implemented in 2022 and was used also during 2023 with the following characteristics:

- The Quantitative threshold (under Approach 3 which incorporates Forward Lifetime PD) for staging is used in the new model (as before) and has been updated with most recent data. The percentage in Stage 2 for Corporate is 10%, Small Business is 12.5% and Private Individuals is 10%.

- All other triggers for Qualitative staging (Watch list, Forbearance and more than 30 days delinquency in payments) remain unchanged.

(e) Basel III disclosures

In 2014, Basel III (CRD IV) regulatory framework has been effectively introduced in Bulgaria and has become mandatory for all local institutions. Under the new regulation, Bank continues to allocate capital for covering three major types of risk, namely credit risk, market risk and operational risk.

Starting from July 2016, UniCredit Bulbank reports regulatory capital for credit risk under the Advanced Internal Rating Based Approach (A-IRB) for corporate and retail clients. Banking institutions remain at Foundation Internal Rating Based Approach (F-IRB) and exposures to public sector entities, multilateral development banks and municipalities are treated under the Standardized Approach (STA). Regulatory capital for operational risk is quantified under the Advanced Measurement Approach (AMA).

The regulatory framework sets minimum limits of Common Equity Tier 1 (CET 1) ratio, Tier 1 ratio and Total Capital Adequacy ratio of 4.5%, 6% and 8%, respectively. Under the sole discretion of local Regulator is the definition and imposition of certain additional capital buffers, having as a core objective further strengthening of capital positions of the banks. In this respect Bulgarian National Bank (BNB) has imposed two additional buffers, namely Capital conservation buffer of 2.5% and Systemic risk buffer of 3% and from 2018 capital buffer for other systemically important institution with levels for 2023 and 2022 of 1%. In addition, from 2019 a Countercyclical capital buffer has been introduced with levels as of end-of-year 2023 and 2022 being 2% and 1% respectively. The imposed buffer requirements accumulate a combined buffer requirement of 8.5% for 2023 and 7.5% for 2022. All the buffers should be covered by highest quality capital positions, CET 1 eligible. Considering the combined buffers additional capital requirements, listed above, the minimum limits for Common Equity Tier 1 ratio, Tier 1 ratio and Total Capital Adequacy Ratio for UniCredit Bulbank AD as of December 31, 2023 are 13%, 14.5%, 16.5% and as of December 31, 2022 - 12%, 13.5%, 15.5%.

UniCredit Bulbank AD fulfils the minimum requirements, with sufficient excess, already from the first application of the new regulatory framework (more details presented in the following paragraphs).

The development of the own funds and capital requirements as of December 31, 2023 and December 31, 2022 are as follows:

In thousands of BGN

	31.12.2023	31.12.2022
Regulatory own funds		
Core Equity Tier 1 (CET 1)	2 865 674	2 796 522
Tier 1 capital	2 865 674	2 796 522
Tier 2 capital	54 460	48 091
Total regulatory own funds	**2 920 134**	**2 844 613**
Risk Weighted Assets (RWA)		
RWA for credit risk	13 424 314	11 344 889
RWA for market risk	5 913	8 376
RWA for operational risk	871 063	829 113
RWA for credit valuation adjustments	9 300	33 600
Total Risk Weighted Assets (RWA)	**14 310 590**	**12 215 978**
CET 1 ratio	**20.02%**	**22.89%**
Tier 1 ratio	**20.02%**	**22.89%**
Total capital adequacy ratio	**20.41%**	**23.29%**
Minimum CET 1 capital requirements (4.5%)	**643 977**	**549 719**
Minimum Tier 1 capital requirements (6%)	**858 635**	**732 959**
Minimum total capital requirements (8%)	**1 144 847**	**977 278**
Additional capital requirements for conservation buffer (2.5%)	357 765	305 399
Additional capital requirements for systemic risk buffer (3%)	397 588	335 876
Additional capital requirements for other systemic important institution (1%)	143 106	122 160
Additional capital requirements for countercyclical capital buffer (2023-2%, 2022-1%)	281 919	117 273
Combined buffers additional capital requirements (2023-8.5%, 2022-7.5%)	**1 180 378**	**880 708**
Adjusted minimum CET 1 capital requirements after buffers (13%-2023, 12%-2022)	1 824 354	1 430 427
Adjusted minimum Tier 1 capital requirements, including buffers (14.5%-2023; 13.5%-2022)	2 039 013	1 613 667
Adjusted minimum total capital requirements after buffers (16.5% - 2023; 15.5% - 2022)	2 325 225	1 857 986
Free equity, after buffers	**594 909**	**986 627**

(f) Securitizations

i. Synthetic Securitization deal - Silver

UniCredit Bulbank AD implemented a synthetic securitization program to improve its capital optimization strategy and benefit in terms of new lending capabilities by structuring a synthetic securitization ("Project Silver") to achieve significant risk transfer with respect to a portfolio of SME and corporate exposures originated by the Bank in its usual course of business. The risk transfer under the synthetic securitization was achieved using a credit risk mitigation instrument, the securitized exposures remained exposures of the Originator.

On June 29th, 2022 the "Financial Guarantee" between the Bank and the European Investment Fund ("EIF") was signed whereas the Effective Date was November 30th, 2022. The Financial Guarantee was executed under the Pan-European Guarantee Fund ("EGF") scheme. Under this scheme, the EGF provides guarantees to free up capital for national promotional banks, local banks and other financial intermediaries in order to make more financing available for small and medium companies, mid-caps and corporates in participating countries within the European Union.

The structure of the transaction encompasses a senior and a junior tranche, the latter being fully covered by an unfunded Financial Guarantee provided by the EIF (being a 0% risk-weighted entity, no cash or collateral is required under the Financial Guarantee).

The main characteristics of the Updated Reference Obligation Portfolio with reference to 31st December 2023 are the following:

- Outstanding securitized amount (Reference Portfolio Notional Amount) BGN 1 048 802 900;
- RWA without securitization: BGN 647 405 832 (61.73% of the securitized portfolio);
- Expected Loss without securitization: BGN 7 714 602 (0.74% of the securitized portfolio);
- RWA after application of securitization framework: BGN 95 447 175 (9.1% of the securitized portfolio);
- Expected Loss after application of securitization framework: BGN 0;
- Weighted average PD of 1.61%;
- Weighted average LGD of 46.50%.

ii. Other securitization deals

In 2011 Bank has signed First Loss Guarantee Agreement (FLPG) with European Investment Fund, covering newly disbursed SME loans. In 2012 upon agreement for the regulatory treatment with Bulgarian National Bank, the above mentioned transaction is presented as synthetic securitization under STA for the purposes of allocating capital for credit risk under Basel III. From October 2016 the Bank applies Supervisory Formula Method for calculation for capital allocation purposes. Summary of FLPG as of December 31, 2023 is presented in the table below:

NAME	EIF JEREMIE
Type of securitization:	First Loss Portfolio Guarantee
Originator:	UniCredit Bulbank
Issuer:	European Investment Fund
Target transaction:	Capital Relief and risk transfer
Type of asset:	Highly diversified and granular pool of newly granted SME loans
Quality of Assets as of December 31, 2023	Performing loans
Agreed maximum portfolio volume:	EUR 85,000 thousand
Nominal Value of reference portfolio:	BGN 691 thousand
Issued guarantees by third parties:	First loss cash coverage by EIF
Amount and Condition of tranching:	
Reference Position Junior Tranche as of December 31, 2023	BGN 129 thousand

(g) Climate-related and environmental risks (ESG)

The climate-related and environmental risks and the accompanying shift towards sustainable finance are mounting challenges to the financial sector. In order to be compliant with the provisions of "Guide on climate-related and environmental risks" issued by ECB, and requirements set out in "EBA Guidelines on loan origination and monitoring" requiring institutions to consider climate-related and environmental risks at all relevant stages of the credit-granting process and to monitor the risks in their portfolios, the Bank, in line with the Group's strategy, continued to proactively address these challenges by means of

As of 31.12.2023							
Tranche	BGN Nominal Amount	Thickness	Attach	Detach	Guaranteed	Retained %	Amortization Typology
Senior	954 471 7555	91.01%	8.99%	100%	0%	100%	Pro-Rata
Junior (Commitment)	94 331 145	8.99%	0%	100%	100%	0%	Pro-Rata

increased commitment to sustainability and tangible initiatives aimed at improving the management of risks to anticipate the possible increases in the riskiness of specific sectors and to analyze the impact on the overall Bank's business and risk profile.

In general, regulatory changes in relation to environmental, social and governance (ESG) risk practices have continued at an accelerated pace since the UN Paris Agreement and the United Nations Sustainable Development Goals (UN SDGs) were signed by world leaders in 2015. Other key developments in the regulatory landscape include the latest EU Taxonomy Regulation that requires compliance to minimum social and governance safeguards.

Supporting sustainable economic growth and the transition to a low-carbon economy, the Bank is expanding its credit risk management approach through the integration of climate and environmental factors into credit risk strategies in compliance with the Group's Credit Risk Framework. Therefore, starting from 2023 the steering signals by economic sectors are determined by additional impact consideration of so-called Climate Steering signals, defined by an applied Group methodology which is based on Transition risk score calculated on NACE code level by using several sources of guidelines e.g. EBA guidelines, EU Taxonomy, CERVED sectorial studies.

UniCredit defines the Climate related and environmental risks as the sources of structural changes that might affect the economic activities and led by the following risk drivers:

- Transition risk refers to the financial loss that can result, directly or indirectly, from the process of adjustment towards a lower carbon and more environmentally sustainable economy;
- Physical risk refers to the financial impact of a changing climate, including more frequent extreme weather events and gradual changes in climate, as well as of environmental degradation, such as air, water and land pollution, water stress, biodiversity loss and deforestation. Physical risk is therefore categorized as "acute" when it arises from extreme events, such as droughts, floods and storms, and "chronic" when it arises from progressive shifts, such as increasing temperatures, sea-level rises, water stress, biodiversity loss and resource scarcity

We proceed with the integration of Climate & Environmental risks within Risk Management framework through several concrete actions and in line with the defined UniCredit Bulbank's ESG Strategy. In 2023 we continued working on achieving the three main objectives:

- meeting regulatory expectations on banks business strategy and risk management processes;
- mitigating climate-related and environmental risks;
- identifying potential opportunities for financing the climate and environmental transition.

We carefully manage Transition Risk, ensuring proper origination, monitoring and management of the portfolios, following holistic approach including:

- Portfolio steering through Risk Appetite Framework, Credit strategies cascading and sector policies issuing;
- Portfolio analysis and monitoring;
- Single counterparty risk assessment (for Large Corporate clients).

Regarding Physical Risk, we are focused on the enhancement of the methodology to assess vulnerable portfolios and mitigate related risks and in particular the Real estate collateral portfolio. Preliminary assessment of the collaterals portfolio has been performed by Collateral Management Unit on physical risk caused by sea-level rise and by flooding in line with the Group's methodology on the matter. As next step for 2024 we aim to collect data for new flow in real estate collateral portfolio related to following hazards: River flood, Flash flood, Storm, Sea level rise, Wild Fire and their severity.

We continue to streamline data gathering and analytics, in order to further identify sources of climate related risks. For storage of the information for collaterals' Energy efficiency - new requirement for providing of issued Energy efficiency certificate of real estate properties proposed for collaterals has been implemented in 2022 with the respective proper flagging in the internal core banking system of the Energy class of the real estate properties and data storage of specific energy characteristics in the Core banking system for regulatory purposes. While this applies for all new business flows, collateralized by immovable properties, the Bank works in close cooperation with third-party vendors on the assessment of the stock real estate collateral portfolio with the result that certain proxy data for the individual EPCs, Primary energy demand and CO2 emissions has been provided through data remediation matching proprietary databases and deploying machine learning algorithms.

In line with the entered into force EBA Guidelines for Loan Origination and Monitoring and ECB requirements, the Bank uses ESG information in its underwriting process. We have adopted Group-wide questionnaire for climate risk assessment and diligently apply it for transactions with economic groups above predefined exposure threshold.

Questionnaire aims to determine the customers' position on the transition pathway assessing the borrower's exposure to transition risk and environmental factors. The approach comprises:

- filling in of the above-mentioned questionnaire addressing both high and low emissive customers in line with regulatory expectations;
- generation of a Climate & Environmental (C&E) Risk Scorecard summarizing the main KPIs and identifying the counterparty's positioning in one of the four risk areas (low, medium-low, medium-high, high) of the Transition Assessment matrix;

- the inclusion of the environmental scoring in the credit valuation process.

C&E assessment methodology is based on 3 key dimensions:

- the climate and environmental exposure considers the actual level of Green House Gas (GHG) emissions of corporate customers as well as other environmental metrics such as water and energy consumption, waste production and recycling;
- the climate and environmental vulnerability evaluates the climate change management maturity level of corporate customers, considering the company's plan to shift to a lower emission level business model, the transition investment plan, the GHG emissions reduction target as well as products and services associated with positive climate impact. This dimension considers cross-industry emission targets and ESG ratings together with management and industry specific environmental strategy;
- the economic impact on corporate customers' financial and industrial performance takes into account the effects on stranded assets, the decrease in market shares or revenues due to market shift, the increase in investment costs, constraints in accessing financing and indirect effects related to their supply chain or partner industries.

The bank intends to further enhance the heatmap approach to better understand the impact across sectors as well as to cover the positions below the defined thresholds.

UniCredit Bulbank has approved, implemented and follows several Group policies regarding sensitive sector that may have significant implication on the environment and the society. Strict monitoring and evaluation is being performed on counterparties and deals within the Coal Sector, Defense / Weapons Industry, Mining Industry, Water Infrastructure/Dams, Nuclear energy, Non-Conventional Oil & Gas and Arctic region Oil & Gas industry sector. The analysis is performed in line with all ESG criteria, requirements, standards and best practices, and ensures that all such standards and local and international regulations are met.

In 2021 UniCredit joined the Net-Zero Banking Alliance (NZBA). In line with the Group Net Zero commitment to a climate-positive future, UniCredit Bulbank has put the foundations of its Carbon Footprint Reduction Program also in 2023.The Group has set targets for the three most carbon intensive sectors within our portfolio, which include Oil & Gas, Power Generation and Automotive sectors. Achieved so far: (i) Alignment of list of customers in scope of the Net Zero targets base on NACE codes; (ii) Forecast of balance exposures targets for Y2024, Y2027, Y2030.

In 2024 the Bank will continue to develop the activities in these areas in line with the Group approach and all applicable regulations, standards and best practices. The Bank aims to further progress with its efforts regarding climate-related risks and opportunities by refining the methodologies, working towards standard setting and expanding the scope. The Bank is starting to integrate the C&E risk factors into credit risk processes extending the C&E risk evaluation in corporate underwriting process and integrating the Energy Performance Certificate (EPC) data into the real estate collateral valuation for the new flow.

5. Non-financial risk management

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. The definition includes legal risk, but excludes strategic and reputational risk. Examples of operational risk events include internal or external frauds, employment practices and workplace issues / incidents, client claims, products distribution, fines and penalties due to regulation breaches, damage to company's physical assets, business disruption and IT systems failures, cyber-attacks, execution, delivery and process management. Such events are subject to consolidated risk monitoring, measurement and management (collection of loss data, external data, scenarios, indicators), on which the calculation of capital held for operational risk is based.

In UniCredit Bulbank AD the operational risk management framework represents a combined set of policies and procedures for controlling, measuring and mitigating the operational risk exposure, which includes the guidelines of UniCredit Group and local documents. The Non-Financial Risk (NFR) function is the Bank's structure dedicated to operational risk management, which is independent from business and risk taking functions. The responsibilities of the NFR are consisting of ensuring adequate Operational Risk Management Governance in line with the set and applied by UniCredit Group and in compliance with external regulation and with international practices.

Appointed operational risk managers in the branch network and the Head Office, working on a decentralized basis, are responsible for loss data identification and reporting as well as for adoption of measures to reduce and prevent risks in their respective areas.

Reputational risk is defined as the current or prospective risk to earnings and capital arising from adverse perception of the image of the financial institution on the part of customers, counterparties, shareholders/investors, regulators or employees (stakeholders). All relevant rules and policies for the management and monitoring of the Reputational risk exposure have been adopted in compliance with the UniCredit Group guidelines. Under the Reputational risk process, special attention is paid to the management and monitoring of the Bank's exposure towards sensitive economic sectors and transactions, such as Coal, Defense, Nuclear energy, Water Infrastructure, Oil and Gas and Mining.

The main activities of the NFR in 2023 were focused in managing the operational and reputational risks, as well as assessment and mitigation of risks in the bank processes and activities, participation in dedicated bank projects and initiatives.

The regular Operational Risk (OpRisk) tasks consist of: OpRisk Loss Data Collection and Reporting; General Ledger Analysis; Transitory and Suspense Accounts Analysis; Accounting Reconciliation; Key Risk Indicators Monitoring; Scenario Analysis; ICT Project Risk Assessment; Operational Risk Oversight and Second level controls on Outsourcing and Third Party Risk; Risk and Controls Self-Assessment; Operational and Reputational Risk Strategies Definition and Monitoring; Operational Risk Oversight Model on UniCredit Bulbank Subsidiaries; Insurance Management – Insurance recoveries analysis and Annual evaluation on policies in place for renewals, Regular Second Level Control Monitoring on ICT and Digital Security Processes.

Second level controls on ICT and Security processes was developed and regularly performed in 2023. This is a set of second level controls, implemented upon a Group NFR request, aiming to strengthen the management of ICT and Cyber risks. These controls cover some processes in the ICT and Security areas like Change Management and ICT Incident Management Processes.

ICT Risk is defined as risk of financial/market share losses and reputational damage resulting from the misuse of Information and Communication Technology, whereas Cyber Risk / ICT Security Risk as risk of loss due to breach of confidentiality, failure of integrity of systems and data, inappropriateness or unavailability of systems and data. This includes security risks resulting from inadequate or failed internal processes or external events including cyber-attacks.

The following existing processes have been enhanced aimed at implementing extending criteria in 2023:

- Risk and Controls Self-Assessment (RCSA) activity cycle was further developed and the scope of assessed processes has been enlarged. The Process Risk Gate assessment was introduced in the first phase of the RCSA activity. During this phase 45 processes are subject to a Process Risk Gate assessment to identify risks which to be immediately addressed through the RCSA detailed assessment within the second phase of the RSCA activity. Within the second phase of the activity, 15 mandatory end-to-end (E2E) processes have been assessed in detail. Each processes assessment contains approximately 40 risks by which the process is evaluated.
- New Key Risk indicators (KRIs) were created:
  - 1 KRI related to operative control in retail branch network with aim to strengthen the second level controls in some operative processes in the branches.
  - 3 KRIs (Missing or incomplete loan documentation (hard copy); Complaints on mortgages; CPI insurances on Mortgages) have been implemented aiming at second level controls enhancement and harmonization throughout UC Group.

All activities regarding operational and reputational risk management included in the annual plan of activities, defined by the Group, were performed following the Group methodology and executed with no delay.

All key activities and results of the Operational Risk Identification (Internal losses, External data, Scenario analysis), the Assessment Measurement activities (KRI, RCSA) and the Addressing – Mitigation activities (Operational Risk priorities and Strategies) were reported for information/approval to the Non-Financial Risk and Controls Committee – General Session (NFRC-GS). The Committee meetings are held quarterly and attended by the Bank's top management.

Operational Risk Permanent WorkGroup (PWG) meetings were held at least quarterly where process improvements and mitigation were discussed and monitored in a timely manner. All PWG meeting topics and outcomes were reported to the local NFRC committee - GS.

The Reputational Risk Management is implemented in UniCredit Bulbank through a dedicated set of policies with aim to:

- Identify sources of reputational risk (e.g., when entering new markets, products or lines of activities);
- Give guidelines for reputational risk assessment and measurement, monitoring and reporting to the competent corporate Bodies (e.g., Local and Group NFRC Committee);
- Rule the necessary escalation / decision-making processes.

The overall Reputational Risk Management framework relies on the following pillars:

- The involvement of Corporate Governing Bodies through Non-Financial Risk and Control Committee – Reputational Risk Session, in specific decisions regarding the Reputational Risk management (i.e., escalation mechanisms and high risk cases);
- The independence of the function in charge of Reputational Risk management and control from the risk taking functions;
- System of controls, in terms of roles and responsibilities for different control levels (first, second and third lines of defense model).

6. Use of estimates and judgements

For the purposes of preparation of these separate financial statements Management has used certain estimates and judgement in order to provide fair and true presentation of the financial position of the Bank. These estimates and judgement require Management to use all information available in order to assess and where possible to quantify potential impact on the Bank's financial position as a result of some uncertain events.

In general the estimates and judgement are widely used in assessing:

- Fair value determination of financial instruments;
- Fair value determination of non-financial assets;

- Impairment of financial instruments, especially loans;
- Quantification of the provisions for constructive and/or legal obligations.

(a) Fair value determination of financial instruments

As described in note **3 (h) (v)** the Bank measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- **Level 1**: Quoted market price (unadjusted) in an active market for an identical instrument;
- **Level 2**: Valuation techniques based on observable inputs, either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data;
- **Level 3**: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. Unobservable in this context means that there is little or no current market data available from which to determine the price at which an arm's length transaction would be likely to occur.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments the Bank determines fair values using valuation techniques. Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist, various option pricing models and other valuation models.

Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other inputs used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations. The objective of valuation techniques is to arrive at a fair value determination that reflects the fair value of the financial instrument at the reporting date that would have been determined by market participants and that represents the price that would be received to sell an asset or paid to transfer liability in an orderly transaction. The Bank uses widely recognised valuation models for determining the fair value of common and more simple financial instruments, like interest rate and currency swaps that use only observable market data and require little management judgement and estimation. Observable prices and model inputs are usually available in the market for listed debt and equity securities, exchange traded derivatives and simple over the counter derivatives like interest rate swaps. Availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with determination of fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to liquidity, changes based on specific events and general conditions in the financial markets.

Valuation models that employ significant unobservable inputs require a higher degree of management judgement and estimation. Management judgement and estimation are usually required for selection of appropriate valuation model, determination of probability of default and prepayment speeds and selection of appropriate discount rates.

Under IFRS 13 "Fair Value Measurement" requirements, the Bank paid specific attention on assessing and revising its valuation techniques, especially with regards to valuation of OTC derivatives and other Level 2 and Level 3 financial instruments, otherwise carried at amortized cost (loans and deposits to/from customers and banks). In doing such revision the Bank has adopted UniCredit Group valuation techniques and methodologies.

OTC derivatives

CVA (Credit Value Adjustment) represents adjustment made on the valuation of OTC derivative transaction in order to properly reflect the credit risk of the derivative counter-party. It can also be referred as the market value of counterparty credit risk. According to the adopted methodology in UniCredit Group, CVA is calculated on bilateral basis using market-based parameters (PD and LGD). In bilateral computations DVA (Debit Value Adjustment) representing market value of Bank's own credit risk towards counterparty, is also considered (for the actual amounts of CVA/DVA adjustments for 2023 and 2022 see also Note **11**).

Loans and advances to banks and customers

The adopted fair value calculation is coherent with DCF methods for estimation of financial instruments subject to default risk using risk neutral default probabilities. For defaulted loans, as the allocation of impairment requires deeper analysis of the expected cash flows, in accordance with Group methodology, Management can reasonably assume that the fair value is equal to the carrying amount and all such instruments are mapped to Level 3 fair value hierarchy.

As all loans are not traded on active markets, attention should be paid to proper mapping them into the FV hierarchy as per IFRS 7. In this regard, according to the UniCredit Group methodology, also adopted by the Bank for 2023, whenever risk-free FV deviates by more than 2% from risk-adjusted FV, then the unobservable input has material impact on the final fair value determination, therefore the fair value of the respective instrument is mapped to Level 3. If the deviation is within the above mentioned threshold, the instrument is mapped to Level 2 fair value hierarchy. Both as of December 31, 2023 and December 31, 2022 all loans and advances to customers at amortized cost are mapped to Level 3 fair value hierarchy.

Deposits from banks and customers

The adopted fair valuation technique represents DCF method, where the applicable discount factor is the sum of risk-free rate and own credit spread (liquidity spreads). Similarly to loans and advances to banks and customers, same risk-free to risk-adjusted thresholds are applied to deposits from banks and customers in assessing their fair value levels. In addition, according to updated Group Fair Value methodology, both as of December 31, 2023 and December 31, 2022 all demand deposits are mapped to Level 3 fair value hierarchy.

The table below analyses financial instruments by fair value hierarchy applied by the Bank as of December 31, 2023 and December 31, 2022.

In thousands of BGN

Instrument category	Level 1	Level 2	Level 3	Total	
	31.12.2023	31.12.2023	31.12.2023	31.12.2023	31.12.2022
Cash and balances with Central Bank	-	-	6 069 757	**6 069 757**	**7 070 403**
Non-derivative financial assets held for trading	4 381	-	-	**4 381**	**2 828**
Derivatives held for trading	-	98 016	2 687	**100 703**	**116 097**
Derivatives held for hedging	-	77 165	-	**77 165**	**131 468**
Loans and advances to banks and debt securities at amortized cost	25 364	2 738 334	2 446	**2 766 144**	**1 280 786**
Loans and advances to customers and debt securities	950 902	805 844	16 229 924	**17 986 670**	**15 721 212**
Pledged debt securities at amortized cost	325 500	617 192	-	**942 692**	**175 796**
Investment securities	759 498	737 373	46 765	**1 543 636**	**1 471 666**
Pledged Investment securities	577 860	67 783	-	**645 643**	**1 062 591**
	2 643 505	**5 141 707**	**22 351 579**	**30 136 791**	**27 032 847**
Financial liabilities held for trading	-	101 997	9 650	**111 647**	**159 306**
Derivatives held for hedging	-	128 856	-	**128 856**	**132 160**
Deposits from banks	-	-	1 589 047	**1 589 047**	**1 584 622**
Deposits from customers and other financial liabilities at amortized cost	-	-	24 858 506	**24 858 506**	**23 210 653**
Debt securities issued	-	-	1 392 666	**1 392 666**	**312 933**
Fair value changes of the hedged items in portfolio hedge of interest rate risk	-	-	4 203	**4 203**	**(16 331)**
	-	**230 853**	**27 854 072**	**28 084 925**	**25 383 343**

The movement in financial instruments belonging to Level 3 for the year ended December 31, 2023 is as follows:

In thousands of BGN

	Derivatives held for trading	Loans mandatory at FV	Equity Investments	Debt securities	Property measured at FV
Opening balance (January 1, 2023)	**362**	**189**	**15 955**	**24 704**	**132 714**
Increases	**2 687**	**-**	**9 808**	**849**	**12 614**
Purchase	2 687	-	-	-	-
Profit recognized in income statement	-	-	864	-	-
Profit recognized in equity	-	-	8 870	754	10 211
Transfer from other levels	-	-	-	-	-
Other increases	-	-	74	95	2 403
Decreases	**(362)**	**(51)**	**(550)**	**(4 001)**	**(5 895)**
Sales	-	-	(550)	-	-
Redemption	-	-	-	(4 001)	-
Loses recognized in income statement	-	(51)	-	-	(3 474)
Loses recognized in equity	-	-	-	-	(1 291)
Transfer to other levels	-	-	-	-	(1 130)
Other decreases	(362)	-	-	-	-
Closing balance (December 31, 2023)	**2 687**	**138**	**25 213**	**21 552**	**139 433**

The table below analyses information about significant unobservable inputs used as at 31 December 2023 in measuring financial instruments categorized as level 3 in the fair value hierarchy.

Type of instrument	Fair value as at 31.12.2023	Valuation technique	Significant unobservable input	Range of estimates (weighted average) for unobservable input	Fair value as measurement sensitivity to unobservable inputs
Derivatives held for trading	2 687	Discounted Cash flows	Relevant interest rate risk curve for in the respective currency used for discounting	2023 from 0% to 5.4% (average 3.7%) 2022 from -1% to 2% (average 0%)	significant increase in the relevant interest rate curve used for discounting would result in a lower fair value
Debt securities	21 552	Mark-to-model (Discounted Cash flows)	Relevant interest rate risk and credit spread curves for comparable instruments and comparable issuer in the respective currency	2023 Rates from 0% to 5.4% (average 3.7%) 2022 Rates from -1% to 2% (average 0%) 2023 Credit spread from 0.5% to 2% (average 1.3%) 2022 Credit spread from 2% to 20% (average 12%)	Significant increase in the relevant interest rate or credit spread curve used for discounting would result in a lower fair value

The tables below analyses the fair value of financial instruments by classification as of December 31, 2023 and December 31, 2022.

In thousands of BGN

December 2023	Fair value through profit or loss	Loans and receivables	Investment securities	CFH derivatives	Other amortized cost	Total carrying amount	Fair value
ASSETS							
Cash and balances with Central bank	-	-	-	-	6 069 757	**6 069 757**	**6 069 757**
Non-derivative financial assets held for trading	4 381	-	-	-	-	**4 381**	**4 381**
Derivatives held for trading	100 703	-	-	-	-	**100 703**	**100 703**
Derivatives held for hedging	-	-	-	77 165	-	**77 165**	**77 165**
Loans and advances to banks and debt securities at amortized cost	-	2 787 613	-	-	-	**2 787 613**	**2 766 144**
Loans and advances to customers and debt securities	-	19 324 871	-	-	-	**19 324 871**	**17 986 670**
Pledged debt securities at amortized cost	-	1 073 063	-	-	-	**1 073 063**	**942 692**
Investment securities	-	-	1 543 636	-	-	**1 543 636**	**1 543 636**
Pledged Investment securities	-	-	645 643	-	-	**645 643**	**645 643**
TOTAL ASSETS	**105 084**	**23 185 547**	**2 189 279**	**77 165**	**6 069 757**	**31 626 832**	**30 136 791**
LIABILITIES							
Financial liabilities held for trading	111 647	-	-	-	-	**111 647**	**111 647**
Derivatives held for hedging	-	-	-	128 856	-	**128 856**	**128 856**
Deposits from banks	-	-	-	-	1 583 312	**1 583 312**	**1 589 047**
Deposits from customers and other financial liabilities at amortized cost	-	-	-	-	24 863 665	**24 863 665**	**24 858 506**
Debt securities issued	-	-	-	-	1 401 400	**1 401 400**	**1 392 666**
Fair value changes of the hedged items in portfolio hedge of interest rate risk	-	-	-	-	4 203	**4 203**	**4 203**
TOTAL LIABILITIES	**111 647**	**-**	**-**	**128 856**	**27 852 580**	**28 093 083**	**28 084 925**

In thousands of BGN

December 2022	Fair value through profit or loss	Loans and receivables	Investment securities	CFH derivatives	Other amortized cost	Total carrying amount	Fair value
ASSETS							
Cash and balances with Central bank	-	-	-	-	7 070 403	**7 070 403**	**7 070 403**
Non-derivative financial assets held for trading	2 828	-	-	-	-	**2 828**	**2 828**
Derivatives held for trading	116 097	-	-	-	-	**116 097**	**116 097**
Derivatives held for hedging	-	-	-	131 468	-	**131 468**	**131 468**
Loans and advances to banks and debt securities at amortized cost	-	1 282 131	-	-	-	**1 282 131**	**1 280 786**
Loans and advances to customers and debt securities	-	17 087 441	-	-	-	**17 087 441**	**15 721 212**
Pledged debt securities at amortized cost	-	180 384	-	-	-	**180 384**	**175 796**
Investment securities	-	-	1 471 666	-	-	**1 471 666**	**1 471 666**
Pledged Investment securities	-	-	1 062 591	-	-	**1 062 591**	**1 062 591**
TOTAL ASSETS	**118 925**	**18 549 956**	**2 534 257**	**131 468**	**7 070 403**	**28 405 009**	**27 032 847**
LIABILITIES							
Financial liabilities held for trading	159 306	-	-	-	-	**159 306**	**159 306**
Derivatives held for hedging	-	-	-	132 160	-	**132 160**	**132 160**
Deposits from banks	-	-	-	-	1 577 699	**1 577 699**	**1 584 622**
Deposits from customers and other financial liabilities at amortized cost	-	-	-	-	23 231 250	**23 231 250**	**23 210 653**
Debt securities issued	-	-	-	-	313 701	**313 701**	**312 933**
Fair value changes of the hedged items in portfolio hedge of interest rate risk	-	-	-	-	(16 331)	**(16 331)**	**(16 331)**
TOTAL LIABILITIES	**159 306**	**-**	**-**	**132 160**	**25 106 319**	**25 397 785**	**25 383 343**

(b) Fair value determination of non-financial assets

Fair value determination of non-financial assets is applied when measuring fair value of investment properties. Fair value is assessed based on external valuation considering highest and best use of the asset. As of December 31, 2023 and December 31, 2022 all investment properties have undergone external fair valuation (see also Note **30**).

(c) Impairment of financial instruments

In estimating the impairment on financial instruments carried at amortized cost and at FVTOCI and in order to meet the requirements of IFRS 9, the Bank has developed specific models to calculate expected loss based on PD, LGD and EAD parameters, used for regulatory purposes and adjusted in order to ensure consistency with accounting regulation, also following the "Guidelines on credit institutions' credit risk management practices and accounting for expected credit losses" issued by EBA.

On PD, LGD and EAD specific adjustments are applied to parameters already calculated for "regulatory" purposes, in order to ensure full consistency, net of different regulatory requirements, between regulatory and accounting treatment. The main adjustments are such to:

- remove the conservatism required for regulatory purposes only;
- introduce a "point in time" adjustment, instead of the "through the cycle" adjustment embedded in the regulatory parameters;
- include forward-looking information;
- extend the credit risk parameters in a multiyear perspective;
- estimate present value of the expected credit losses;
- introduce Overlay Factor, integrating the combined effect of different macroeconomic scenarios over the ECL result.

The Bank continuously validates the models applied for impairment calculations for adequacy (at least once per year) and performs calibrations, if needed.

(d) Provisions

Assessing the provisions, Management used estimates provided by experts in certain areas such as legal and regulatory advisors as well as credit risk specialists. Usually, more conservative approach is followed in order to protect the Bank in case of adverse development of uncertain events.

7. Segment reporting

Business segments pay and receive interest from the Asset-Liability Management Department (ALM) on arms' length basis, through given Fund Transfer Pricing rate (FTP) to reflect the funding costs per currencies/tenors. Allocation of capital is also carried out, in proportion to respective risk-weighted assets (RWA).

The Bank operates the following main business segments:

- Retail banking;
- Corporate and Investment Banking and private Banking;
- Asset-Liability Management Dept. and other.

In thousands of BGN

December 2023	Retail Banking	CIB and Private Banking	ALM and other	Total
Net interest income	318 961	362 676	26 420	**708 057**
Dividend income	-	-	110 161	**110 161**
Net fee and commission income	195 244	86 097	(409)	**280 932**
Net gains on financial assets and liabilities held for trading and hedging derivatives, including FX revaluation	29 654	60 673	46 784	**137 111**
Net gains/(losses) from financial assets mandatory at fair value	-	-	3 223	**3 223**
Net gains/(losses) from financial assets measured at FVTOCI	-	-	(4 621)	**(4 621)**
Other operating income	452	143	10 158	**10 753**
Other operating expenses	(26 404)	(2 586)	(676)	**(29 666)**
TOTAL OPERATING INCOME	**517 907**	**507 003**	**191 040**	**1 215 950**
Personnel expenses	(75 797)	(26 884)	(75 322)	**(178 003)**
General and administrative expenses	(22 691)	(5 453)	(84 285)	**(112 429)**
Amortization, depreciation and impairment losses on tangible and intangible fixed assets, investment properties and assets held for sale	-	-	(59 500)	**(59 500)**
Total direct expenses	**(98 488)**	**(32 337)**	**(219 107)**	**(349 932)**
Allocation of indirect and overhead expenses	(146 847)	(58 816)	205 663	**-**
TOTAL OPERATING EXPENSES	**(245 335)**	**(91 153)**	**(13 444)**	**(349 932)**
Provisions for risk and charges	(4 834)	(2 161)	4 335	**(2 660)**
Net impairment (loss)/ reversal on financial assets	13 424	6 442	571	**20 437**
Net income/(expense) related to property, plant and equipment	-	-	(1)	**(1)**
PROFIT BEFORE INCOME TAX	**281 162**	**420 131**	**182 501**	**883 794**
Income tax expense	(24 527)	(36 651)	(15 921)	**(77 099)**
PROFIT FOR THE YEAR	**256 635**	**383 480**	**166 580**	**806 695**
ASSETS	**5 351 135**	**9 111 643**	**17 661 721**	**32 124 499**
LIABILITIES	**15 715 344**	**9 167 258**	**3 579 882**	**28 462 484**

In thousands of BGN

December 2022	Retail Banking	CIB and Private Banking	ALM and other	Total
Net interest income	187 374	216 012	21 146	**424 532**
Dividend income	-	-	113 209	**113 209**
Net fee and commission income	170 388	86 023	(560)	**255 851**
Net gains on financial assets and liabilities held for trading and hedging derivatives, including FX revaluation	29 260	43 816	31 844	**104 920**
Net gains/(losses) from financial assets mandatory at fair value	-	-	(159)	**(159)**
Net gains/(losses) from financial assets measured at FVTOCI	-	-	5 197	**5 197**
Other operating income	1 180	325	5 966	**7 471**
Other operating expenses	(24 818)	(1 979)	(960)	**(27 757)**
TOTAL OPERATING INCOME	**363 384**	**344 197**	**175 683**	**883 264**
Personnel expenses	(66 670)	(24 523)	(68 413)	**(159 606)**
General and administrative expenses	(15 753)	(3 900)	(75 545)	**(95 198)**
Amortization, depreciation and impairment losses on tangible and intangible fixed assets, investment properties and assets held for sale	-	-	(48 392)	**(48 392)**
Total direct expenses	**(82 423)**	**(28 423)**	**(192 350)**	**(303 196)**
Allocation of indirect and overhead expenses	(131 754)	(54 208)	185 962	**-**
TOTAL OPERATING EXPENSES	**(214 177)**	**(82 631)**	**(6 388)**	**(303 196)**
Provisions for risk and charges	(1 942)	(1 091)	1 053	**(1 980)**
Net impairment (loss)/ reversal on financial assets	(35 189)	(57 984)	5 261	**(87 912)**
Net income/(expense) related to property, plant and equipment	-	-	15 240	**15 240**
PROFIT BEFORE INCOME TAX	**112 076**	**202 491**	**190 849**	**505 416**
Income tax expense	(8 766)	(15 838)	(14 927)	**(39 531)**
PROFIT FOR THE YEAR	**103 310**	**186 653**	**175 922**	**465 885**
ASSETS	**4 456 701**	**8 603 123**	**15 829 286**	**28 889 110**
LIABILITIES	**14 110 804**	**9 155 921**	**2 370 392**	**25 637 117**

In the following tables, fee and commission income from contracts with customers in the scope of IFRS 15 is disaggregated by major service lines:

In thousands of BGN

December 2023	Retail Banking	CIB and Private Banking	ALM and other	Total
Fee and commission income				
Collection and payment services	106 303	77 652	(135)	**183 820**
Lending business	10 639	14 466	-	**25 105**
Account services	25 906	5 499	20	**31 425**
Management, brokerage and securities trading	11 678	5 508	154	**17 340**
Documentary business	657	22 484	15	**23 156**
Package accounts	33 996	1 934	-	**35 930**
Other	47 830	3 611	(75)	**51 366**
	237 009	131 154	(21)	**368 142**
Fee and commission expense				
Collection and payment services	(37 384)	(33 248)	118	**(70 514)**
Management, brokerage and securities trading	(133)	(1 455)	(486)	**(2 074)**
Lending business	(4)	(27)	-	**(31)**
Other	(4 243)	(10 329)	(19)	**(14 591)**
	(41 764)	(45 059)	(387)	**(87 210)**
Net fee and commission income	**195 245**	**86 095**	**(408)**	280 932

In thousands of BGN

December 2022	Retail Banking	CIB and Private Banking	ALM and other	Total
Fee and commission income				
Collection and payment services	96 228	67 530	(73)	**163 685**
Lending business	8 934	13 151	(1)	**22 084**
Account services	26 927	5 488	-	**32 415**
Management, brokerage and securities trading	13 209	4 807	126	**18 142**
Documentary business	552	20 881	32	**21 465**
Package accounts	23 882	1 778	-	**25 660**
Other	36 445	2 786	(97)	**39 134**
	206 177	116 421	(13)	**322 585**
Fee and commission expense				
Collection and payment services	(34 109)	(25 687)	133	**(59 663)**
Management, brokerage and securities trading	(106)	(1 728)	(594)	**(2 428)**
Lending business	(2)	(41)	-	**(43)**
Other	(1 572)	(2 941)	(87)	**(4 600)**
	(35 789)	(30 397)	(548)	**(66 734)**
Net fee and commission income	**170 388**	**86 024**	**(561)**	255 851

8. Net interest income

In thousands of BGN

	2023	2022
Interest income calculated using the effective interest method		
Loans and advances to banks and debt securities at amortized cost	159 538	17 705
Loans and advances to customers and debt securities	602 707	374 682
Investment securities	40 513	43 210
Interest income on liabilities	4	27 055
	802 762	**462 652**
Other interest income		
Non-derivative financial assets held for trading	46	6
	46	**6**
Interest expense		
Derivatives used for hedging	(1 352)	(12 508)
Deposits from banks	(31 728)	(4 992)
Deposits from customers	(8 180)	(1 694)
Debt securities issued	(53 207)	(5 231)
Interest expense on assets	(284)	(13 701)
	(94 751)	(38 126)
Net interest income	**708 057**	**424 532**

For the financial years ended December 31, 2023 and December 31, 2022 the interest income recognized on defaulted financial instruments (loans and advances to customers) is in the amount of BGN 20 841 thousand and BGN 14 460 thousand, respectively.

Interest income on liabilities and interest expenses on assets have been presented in separate positions due to materiality of the amounts.

9. Net fee and commission income

In thousands of BGN

	2023	2022
Fee and commission income		
Collection and payment services	183 820	163 685
Lending business	25 105	22 084
Account services	31 425	32 415
Management, brokerage and securities trading	17 340	18 142
Documentary business	23 156	21 465
Package accounts	35 930	25 660
Other	51 366	39 134
	368 142	**322 585**
Fee and commission expense		
Collection and payment services	(70 514)	(59 663)
Management, brokerage and securities trading	(2 074)	(2 428)
Lending business	(31)	(43)
Other	(14 591)	(4 600)
	(87 210)	(66 734)
Net fee and commission income	**280 932**	**255 851**

10. Dividend income

In thousands of BGN

	2023	2022
Dividend income from subsidiaries	109 323	112 187
Dividend income from other equity participations	838	1 022
Dividend income	**110 161**	**113 209**

11. Net gains on financial assets and liabilities held for trading and hedging derivatives, including FX revaluation

In thousands of BGN

	2023	2022
Realized and unrealized FX trading income, net	121 917	113 498
Net gain from debt instruments	1 359	639
Net gain from equity instruments	-	195
Net gain /(loss) from derivative instruments	15 329	(9 769)
Net gain /(loss) from hedging derivative instruments	(1 494)	357
Net gains on financial assets and liabilities held for trading and hedging derivatives, including FX revaluation	**137 111**	**104 920**

The total CVA (net of DVA) for the years ended December 31, 2023 and December 31, 2022, included in position net gains on financial assets and liabilities held for trading and hedging derivatives is in the amount of BGN 1 749 thousand and BGN 464 thousand, respectively.

12. Net gains/(losses) from financial assets mandatorily at fair value

In thousands of BGN

	2023	2022
Equity securities	3 328	367
Loans and advances	(105)	(526)
Net gains/(losses) from financial assets mandatory at fair value	**3 223**	**(159)**

13. Net gains/(losses) from financial assets measured at FVTOCI

Net gains/(losses) related to financial assets measured at FVTOCI according to IFRS 9 represents the net gain/loss the Bank has realized upon disposal of debt securities. For the year ended December 31, 2023 the bank had realized a net loss of BGN 4 621 thousand. For the year ended December 31, 2022 the bank had realized a net gain of BGN 5 197 thousand.

14. Other operating income and expenses

14.a Other operating income

In thousands of BGN

	2023	2022
Income from non-financial services	1 300	869
Rental income	210	303
Other income	9 243	6 299
Other operating income	**10 753**	**7 471**

14.b Other operating expenses

In thousands of BGN

	2023	2022
Deposit guarantee fund and RR fund annual contribution	(28 992)	(26 797)
Impairment of foreclosed properties	(21)	-
Losses on tangible assets measured at fair value	(205)	(178)
Other operating expenses	(448)	(782)
Other operating expenses	**(29 666)**	**(27 757)**

15. Net income/(expense) related to property, plant and equipment

In thousands of BGN

	2023	2022
Net income/(expense) on disposal of property, plant and equipment	(1)	15 240
Net income/(expense) related to property, plant and equipment	**(1)**	**15 240**

16. Personnel expenses

In thousands of BGN

	2023	2022
Wages and salaries	(145 595)	(132 038)
Social security charges	(20 233)	(18 667)
Pension and similar expenses	(1 111)	(1 415)
Temporary staff expenses	(1 904)	(1 829)
Share-based payments	(1 501)	(718)
Other	(7 659)	(4 939)
Personnel expenses	**(178 003)**	**(159 606)**

As of December 31, 2023 the total number of employees, expressed in full time employee equivalent is 3 234 (December 31, 2022 - 3 443).

As described in note 3 (p) c. the ultimate parent company UniCredit S.p.A has granted stock options and performance shares to top and senior managers of UniCredit Bulbank AD. Upon expiration of the vesting period of any of the granted instruments, UniCredit Bulbank AD is required to settle in cash to the parent amounts corresponding to the economic value of the respective instruments. In addition to that, employees of the Bank can voluntarily participate in Employee Share Ownership Plan (ESOP), where the advantages are that by buying UniCredit S.p.A ordinary shares employees can receive free ordinary shares, measured on the basis of the shares purchased by each participant during the "Enrolment period". The granting of free ordinary shares is subordinated to vesting conditions.

The table below analyses the costs and movement in the Bank's liability by type of instruments granted:

In thousands of BGN

	Economic value at December 31, 2022	2023 Cost (Gains)	Settled in 2023	Economic value at December 31, 2023
Deferred Short Term Incentive (ordinary shares)	2 918	1 501	(1 231)	3 188
ESOP and shares for Talents	-	-	-	-
Total Options and Shares	**2 918**	**1 501**	**(1 231)**	**3 188**

Pension and similar expenses comprise current services costs and interest costs related to defined benefits obligation of the Bank to its employees upon retirement. For more details about the pension scheme see Note **40**.

17. General and administrative expenses

In thousands of BGN

	2023	2022
Advertising, marketing and communication	(7 064)	(6 046)
Credit information and searches	(533)	(546)
Information, communication and technology expenses	(53 700)	(38 936)
Consulting, audit and other professional services	(2 027)	(1 923)
Real estate expenses	(14 247)	(14 809)
Rents	(3 959)	(4 954)
Travel expenses and car rentals	(3 241)	(2 816)
Insurance	(1 468)	(1 423)
Supply and miscellaneous services rendered by third parties	(17 068)	(14 751)
Other costs	(9 122)	(8 994)
General and administrative expenses	**(112 429)**	**(95 198)**

The amounts accrued in 2023 for the services provided by the registered auditors for statutory joint independent financial audit are as follows: for KPMG Audit OOD: BGN 289 thousand including VAT, for Baker Tilly Klitou and Partners EOOD: BGN 198 thousand including VAT. In 2023 the bank was charged with amounts for other non-statutory audit services provided by KPMG Audit OOD at a total amount of BGN 414 thousand including VAT and by Baker Tilly Klitou and Partners EOOD: BGN 25 thousand including VAT.

For 2022 the accrued amount for the provided audit and non-audit services by the external auditors were BGN 687 thousand including VAT.

18. Amortization, depreciation and impairment losses on tangible and intangible fixed assets, investment properties and assets held for sale

In thousands of BGN

	2023	2022
Depreciation charge	(53 411)	(48 392)
Impairment charge	(6 089)	-
Amortization, depreciation and impairment losses on tangible and intangible fixed assets, investment properties and assets held for sale	**(59 500)**	**(48 392)**

As part of the standard year-end closure procedures, Bank performs impairment assessment of its long-term assets. Impairment is recognized whenever recoverable amount of the assets is lower than their carrying amount.

19. Provisions for risk and charges

Provisions are allocated whenever based on Management's best estimates the Bank has present obligation (legal or constructive) arising from past events for the settlement of which outflow of resources embodying economic benefits will be required. Whenever based on new circumstances and evidences it is not any more likely the outflow of resources to occur, the previously allocated provisions are reversed (for more details see also Note **40**).

In thousands of BGN

	2023	2022
Additions of provisions		
Restructuring provisions	(1 923)	-
Legal cases provisions	(1 567)	(2 267)
Other provisions	(200)	(108)
	(3 690)	**(2 375)**
Reversal of provisions		
Legal cases provisions	1 030	395
	1 030	**395**
Provisions for risk and charges	**(2 660)**	**(1 980)**

20. Net impairment (loss)/ reversal on financial assets

In thousands of BGN

	2023	2022
Net impairment (loss)/ reversal on Loans and advances to customers	23 744	(57 536)
Net impairment (loss)/ reversal on debt securities from customers at AC	(521)	662
Net impairment (loss)/ reversal on Loans and advances to Banks	33	(68)
Net impairment (loss)/ reversal on debt securities from banks at AC	(64)	151
Net impairment (loss)/ reversal on Balances with Central Bank	(30)	137
Net impairment (loss)/ reversal on Financial assets at fair value through OCI	6 341	(4 239)
Loss allowance of financial guarantee contracts and other commitments	(9 066)	(27 019)
Net impairment (loss)/ reversal on financial assets	**20 437**	**(87 912)**

For detailed movement of ECL related to financial instruments please refer to 4(d) credit risk.

21. Income tax expense

Taxation is payable at a statutory rate of 10% on adjusted profits under the annual tax return prepared under the Bulgarian Corporate Income Tax Law. Deferred tax is calculated using a tax rate of 10%, applicable for 2023. The breakdown of tax charges in the income statement is as follows:

In thousands of BGN

	2023	2022
Current tax	(77 242)	(36 960)
Deferred tax income/(expense) related to origination and reversal of temporary differences	403	(1 982)
Overprovided prior year current tax	(260)	(589)
Income tax expense	**(77 099)**	**(39 531)**

The tax on the Bank's profit before taxation differs from the theoretical amount that would arise using the basic tax rate as follows:

In thousands of BGN

	2023	2022
Accounting profit before tax	883 794	505 416
Corporate tax at applicable tax rate (10% for 2023 and 2022)	(88 379)	(50 542)
Tax effect of non-taxable revenue	10 992	11 298
Tax effect of non-deductible tax expenses	(518)	(438)
Overprovided prior year income tax	806	151
Income tax expense	**(77 099)**	**(39 531)**
Effective tax rate	**8.72%**	**7.82%**

As of fiscal year 2024, the UniCredit Group will fall within the scope of the newly designed Pillar Two regulation.

The Pillar Two regulation provides for an international framework of rules aimed at ensuring that the worldwide profits of multinational groups are subject to tax at a rate not lower than 15% in every jurisdiction in which the groups operate.

The rules have been firstly designed by the Inclusive Framework of the OECD and then implemented in the European Union through the EU Council Directive 2022/2523 of 14 December 2022. For EU countries, this Directive is expected to enter into force as of 2024 (in Bulgaria, the provisions of the Directive have been transposed into Bulgarian law with the Act on the Amendment and Supplement of the Corporate Income Tax Act, promulgated in State Gazette 106/2023 in force from 1.1.2024). Certain non-EU Member State in which the UniCredit Group operates have announced that they will implement the Pillar Two rules as of 2024 (e.g. United Kingdom) while other jurisdictions have not yet communicated if and when they will implement such set of rules.

In a nutshell, the Pillar Two rules provide that, if in certain jurisdictions where the UniCredit Group operates the effective tax rate (given by the ratio between adjusted accounting results and adjusted corporate income taxes paid in that jurisdiction) falls below 15%, then the UniCredit Group will be required to pay an additional tax (so-called top-up tax) to reach the 15% tax rate threshold.

The relevant set of rules also provides for a transition period in which the in-scope multinational groups may avoid undergoing the complex effective tax rate calculation required by the new piece of legislation. In particular, the Pillar Two legislation provides for a transitional safe harbor ("TSH") that applies for the first three fiscal years following the entry into force of the relevant regulation; the TSH relies on simplified calculations (mainly based on data extracted from the Country-by-Country Reporting under BEPS Action 13, implemented in Italy with Law n. 208/2015) and three kinds of alternative tests. Where at least one of the TSH tests is met for a jurisdiction in which the UniCredit Group operates, the top-up tax due for such jurisdiction will be deemed to be zero.

A test is met for a jurisdiction where:

1. Revenue and profit before tax are below, respectively, EUR 10 million and EUR 1 million (the de minimis test);
2. The Effective Tax Rate (i.e. ETR) equals or exceeds an agreed rate (the ETR test, 15% for FY 2024); or
3. The profit before tax does not exceed an amount calculated as a percentage of tangible assets and payroll expense (the routine profits test).

Even if for the financial year 2023 the Pillar Two rules have not entered into force yet, the UniCredit Group has performed an assessment of its potential exposure for Pillar Two top-up taxes.

Based on the assessment performed, most of the jurisdictions should benefit from the TSH. However, Bulgaria might not benefit from the TSH regime.

The UniCredit Group has therefore provisionally calculated the potential top-up tax exposure based on the full Pillar Two regime and Bulgaria would not meet the 15% minimum ETR with a limited top-up tax potentially due for an amount lower than €6 million.

The above analysis has to be considered as an estimate. The estimated calculation is based on complex regulations that have only recently been enacted with limited guidelines and not all the relevant data required to perform the full Pillar Two calculation was available.

Starting from 2024, each legal entity of the UniCredit group will apply the exception to the recognition and disclosure of deferred tax assets and liabilities relating to Pillar Two income taxes referred to in paragraph 4 A IAS 12.

22. Cash and balances with Central Bank

In thousands of BGN

	2023	2022
Cash in hand and in ATM	285 554	280 640
Cash in transit	177 785	167 707
Current account with Central Bank	5 606 418	6 622 056
Cash and balances with Central Bank	**6 069 757**	**7 070 403**

23. Non-derivative financial assets held for trading

In thousands of BGN

	2023	2022
Government bonds	4 381	-
Equities	-	2 828
Non-derivative financial assets held for trading	**4 381**	**2 828**

Financial assets held for trading consist of bonds that the Bank holds for the purpose of short-term profit taking by selling or repurchasing them in the near future.

24. Derivatives held for trading

In thousands of BGN

	2023	2022
Interest rate swaps	44 632	66 731
FX forward contracts	2 524	5 568
FX options	60	50
Other options	503	197
FX swaps	37 182	13 565
Commodity swaps	15 802	29 986
Derivatives held for trading	**100 703**	**116 097**

Derivatives consist of trading instruments that have positive market value as of December 31, 2023 and December 31, 2022. They are traded for Bank's own purposes, including off-setting some FX, interest rate or credit risks in banking and trading book as well as covering Bank customers' business position

25. Derivatives held for hedging

As described in Note **3 (j)** in 2009 the Bank has adopted hedge accounting methodology aiming at managing the residual interest rate risk in banking book.

Until 2014 the Bank has designated only cash flow hedge relationships with hedging instruments being interest rate swaps and hedged items being highly probable forecasted interest cash flows derived from customers' and banks' business (attracted deposits and loans to customers). Since 2015 the Bank has started to apply Fair Value Hedge accounting also. Hedging instruments are interest rate swaps and respectively hedged items are bonds classified as financial assets at FVTOCI or at AC and deposits from customers.

In thousands of BGN

	2023		2022	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Risk exposure				
Interest rate				
Designated in FV hedges	73 561	41 689	101 009	16 424
Designated in CF hedges	3 604	87 167	30 459	115 736
Total interest rate derivatives	**77 165**	**128 856**	**131 468**	**132 160**

Fair value hedge

In thousands of BGN

	Maturity 2023			Maturity 2022		
	Less than 1 year	1 to 5 years	More than 5 years	Less than 1 year	1 to 5 years	More than 5 years
Risk exposure						
Interest rate						
Micro FV hedges of FVOCI						
Nominal amount	95 875	350 242	608 273	154 511	336 051	546 607
Average fixed interest rate	0.89%	0.71%	1.74%	0.19%	0.73%	0.72%
Micro FV hedges of debt securities at AC						
Nominal amount	-	5 867	460 500	-	-	-
Average fixed interest rate	-	3.02%	3.07%	-	-	-
Macro FV hedges of deposits						
Nominal amount	-	381 387	364 643	80 950	-	306 874
Average fixed interest rate	-	3.33%	2.46%	0.07%	-	2.33%

The amounts relating to items designated as hedging instruments and hedge ineffectiveness were as follows:

In thousands of BGN

	Carrying amount			Line item in the statement of financial position where the hedging instrument is included	Change in FV used for the hedging instrument used for calculating hedge ineffectiveness	Ineffectiveness recognized in profit or loss	Line item in profit or loss that include hedge Ineffectiveness
	Notional	Assets	Liabilities				
Micro FV hedges of FVOCI as of 31.12.2023	1 054 390	60 157	13 680	Derivatives assets(liabilities) held for hedging	45 812	(1 115)	Net gains on financial assets and liabilities held for trading and hedging derivatives, including FX revaluation
Micro FV hedges of FVOCI as of 31.12.2022	1 037 169	100 992	-	Derivatives assets(liabilities) held for hedging	101 955	574	Net gains on financial assets and liabilities held for trading and hedging derivatives, including FX revaluation
Micro FV hedges of debt securities at AC as of 31.12.2023	466 367	-	22 584	Derivatives assets(liabilities) held for hedging	(22 299)	(617)	Net gains on financial assets and liabilities held for trading and hedging derivatives, including FX revaluation
Micro FV hedges of debt securities at AC as of 31.12.2022	-	-	-	Derivatives assets(liabilities) held for hedging	-	-	Net gains on financial assets and liabilities held for trading and hedging derivatives, including FX revaluation
Macro FV hedges of deposits as of 31.12.2023	746 030	13 404	5 425	Derivatives assets(liabilities) held for hedging	4 752	238	Net gains on financial assets and liabilities held for trading and hedging derivatives, including FX revaluation
Macro FV hedges of deposits as of 31.12.2022	387 824	17	16 424	Derivatives assets(liabilities) held for hedging	(16 298)	(217)	Net gains on financial assets and liabilities held for trading and hedging derivatives, including FX revaluation

The amounts related to items designated as hedged items were as follows:

In thousands of BGN

	Carrying amount		Accumulated amount of FV hedge adjustments on the hedged items included in the carrying amount of the hedged item		Line item in the statement of financial position in which the hedged item is included	Change in FV used for the hedging instrument used for calculating hedge ineffectiveness	Accumulated amount of FV hedge adjustments remaining in the statement of financial position for any hedged items that have ceased to be adjusted for hedging gains and losses
	Assets	**Liabilities**	**Assets**	**Liabilities**			
Debt securities FVOCI as of 31.12.2023	1 040 750	-	(685)	-	Investment securities	(46 951)	-
Debt securities FVOCI as of 31.12.2022	973 011	-	(1 139)	-	Investment securities	(102 268)	-
Debt securities at AC as of 31.12.2023	493 844	-	22 126	-	Loans and advances to customers and debt securities	22 126	-
Debt securities at AC as of 31.12.2022	-	-	-	-	Loans and advances to customers and debt securities	-	-
Deposits as of 31.12.2023	-	746 030	-	4 203	Deposits from customers and other financial liabilities at amortized cost	(4 203)	-
Deposits as of 31.12.2022	-	387 824	-	(16 331)	Deposits from customers and other financial liabilities at amortized cost	16 331	-

Cash flow hedge

In thousands of BGN

	Maturity 2023			Maturity 2022		
	Less than 1 year	**1 to 5 years**	**More than 5 years**	**Less than 1 year**	**1 to 5 years**	**More than 5 years**
Interest rate swaps						
Nominal amount of Macro CFH hedges of deposits	20 536	180 914	574 036	156 466	58 675	625 866
Average fixed interest rate of Macro CFH hedges of deposits	3.15%	1.97%	2.53%	1.99%	0.70%	2.49%
Nominal amount of Macro CFH hedges of loans	97 141	388 563	291 422	16 190	388 563	388 563
Average fixed interest rate of Macro CFH hedges of loans	(0.27%)	0.34%	(0.02%)	1.78%	(0.11%)	1.52%

The amounts relating to items designated as hedging instruments and hedge ineffectiveness were as follows:

In thousands of BGN

Macro CFH hedges	Carrying amount			Line item in the statement of financial position where the hedging instrument is included	Change in FV used for calculating hedge ineffectiveness	Change in the value of the hedging instrument recognized in OCI	Hedge ineffectiveness recognized in profit or loss	Line item of profit or loss that include hedge Ineffectiveness	Amount reclassified from hedge reserve to profit or loss	Line item of profit or loss affected by the reclassification
	Notional	Assets	Liabilities							
Deposits as of 31.12.2023	775 487	3 604	10 023	Derivatives assets (liabilities) held for hedging	-	(36 165)	-	Net gains on financial assets and liabilities held for trading and hedging derivatives, including FX revaluation	-	Other interest income (expense)
Deposits as of 31.12.2022	841 007	30 459	-	Derivatives assets (liabilities) held for hedging	-	59 205	-	Net gains on financial assets and liabilities held for trading and hedging derivatives, including FX revaluation	-	Other interest income (expense)
Loans as of 31.12.2023	777 126	-	77 143	Derivatives assets (liabilities) held for hedging	-	41 044	-	Net gains on financial assets and liabilities held for trading and hedging derivatives, including FX revaluation	-	Other interest income (expense)
Loans as of 31.12.2022	793 316	-	115 737	Derivatives assets (liabilities) held for hedging	-	(105 195)	-	Net gains on financial assets and liabilities held for trading and hedging derivatives, including FX revaluation	-	Other interest income (expense)

The amounts related to items designated as hedged items were as follows:

In thousands of BGN

	Change in value used for calculating hedge ineffectiveness	Cash flow hedge reserve	Balances remaining in the cash flow hedge reserve from hedging relationships for which hedge accounting is no longer applied	Line item in the statement of financial position where the hedged instrument is included
EUR deposits from customers				
As of 31.12.2023	-	(2 062)	-	Deposits from customers and other financial liabilities at amortized cost
As of 31.12.2022	-	30 487	-	Deposits from customers and other financial liabilities at amortized cost
EUR loans to customers				
As of 31.12.2023	-	(65 236)	-	Loans and advances to customers and debt securities
As of 31.12.2022	-	(102 176)	-	Loans and advances to customers and debt securities

26. Loans and advances to banks and debt securities at amortized cost

In thousands of BGN

	2023	2022
Loans and advances to banks at amortized cost:		
Loans and advances to banks	2 247 564	1 099 729
Current accounts with banks	126 418	84 763
Debt securities	413 833	97 821
Loans and advances to banks and debt securities at amortized cost	**2 787 815**	**1 282 313**
Less impairment allowances of loans and advances	(134)	(178)
Less impairment allowances of bonds	(68)	(4)
Less impairment allowances of loans and advances and debt securities at amortized cost	**(202)**	**(182)**
Loans and advances to banks and debt securities at amortized cost	**2 787 613**	**1 282 131**

27. Loans and advances to customers and debt securities

In thousands of BGN

	2023	2022
Loans and advances to customers at amortized cost:		
Companies	13 693 495	12 016 502
Individuals		
Housing loans	4 032 518	3 300 749
Consumer loans	136 378	161 110
Other loans	71 736	53 197
Central and local governments	282 849	354 181
Government bonds classified at amortized cost:		
Non-pledged government bonds	1 789 676	1 962 072
Pledged government bonds	1 073 374	180 384
	21 080 026	**18 028 195**
Less impairment allowances of loans and advances	(681 415)	(761 820)
Less impairment allowances of securities at amortized cost	(815)	(294)
Less impairment allowances	**(682 230)**	**(762 114)**
Financial assets to customers at amortized cost	**20 397 796**	**17 266 081**
Loans and advances to customers mandatory at fair value	**138**	**1 744**
thereof: Accumulated negative changes in fair value due to credit risk on non-performing exposures	(1 688)	(1 638)
Loans and advances to customers and debt securities	**20 397 934**	**17 267 825**

28. Investment securities

In thousands of BGN

	2023		2022	
	Non-Pledged Investment securities	Pledged Investment securities	Non-Pledged Investment securities	Pledged Investment securities
Securities measured at FVTOCI				
Government bonds	1 452 036	645 643	1 328 462	1 062 591
Bonds of banks and other financial institutions	21 552	-	73 485	-
Corporate bonds	43 427	-	40 744	-
Equities	20 301	-	11 981	-
Securities mandatory measured at FV				
Equities	6 320	-	16 994	-
Investment securities	**1 543 636**	**645 643**	**1 471 666**	**1 062 591**

Government and corporate bonds classified and measured at FVTOCI as of December 31, 2023 are held by the Bank for the purposes of maintaining middle-term and long-term liquidity and coverage of interest rate risk. They all have determinable fair value.

Equities presented comprise minority participation of the Bank in companies where neither control nor significant influence is exercised. These investments are carried at fair value, when such can be reliably measured, otherwise at cost.

Part of bonds are subject to Fair value hedge. Notional of hedged securities as of 31.12.2023 is BGN

1 056 346 thousand and as of 31.12.2022 is BGN 1 037 169 thousand.

As of December 31, 2023 and as of December 31, 2022 there are pledged investments amounting to BGN 645 643 thousand and BGN 1 062 591 thousand respectively (see also Note **44**).

29. Investments in subsidiaries and associates

Company	Activity	Share in capital December 2023	Share in capital December 2022	Carrying value in thousands of BGN Dec 2023	Carrying value in thousands of BGN Dec 2022
UniCredit Fleet Management EOOD	Transport services	100%	100%	655	655
UniCredit Consumer Financing EAD	Consumer lending and other similar activities in line with the applicable law and regulations	100%	100%	39 238	39 238
UniCredit Leasing EAD	Leasing activities	100%	100%	9 611	9 611
Cash Service Company AD	Accepting, processing, safekeeping and delivering of valuable consignments with banknotes and coins to the banks	25%	25%	2 975	2 975
Investments in subsidiaries and associates				**52 479**	**52 479**

As described in Note **3 (k)**, investments in subsidiaries and associates comprise equity participations in entities where the Bank exercises either control or significant influence.

All investments in subsidiaries and associates are accounted for in the separate financial statements of UniCredit Bulbank AD at cost. In addition the Bank also prepares consolidated financial statements where all entities in which the Bank has control are fully consolidated and those where the Bank exercises significant influence, are consolidated under equity method.

As of December, 31st 2021, UniCredit BulBank AD owned 100% of the share capital of UniCredit Factoring EAD. On January 18, 2022, the merger of UniCredit Factoring EAD into UniCredit Bulbank AD had been officially registered in the Commercial Register. The accounting date of the merger was January 1st 2022.

The transaction had no effect on the shareholder's structure of the Bank.

The merger of UniCredit Factoring EAD was carried out in a tax neutral way, whereby all assets and liabilities of UniCredit Factoring EAD were transferred to the Bank without change (accounting and tax values). All taxable/deductible temporary tax differences that existed within UniCredit Factoring EAD were also transferred to UniCredit Bulbank AD.

After the merger, UniCredit Bulbank AD offers factoring deals with or without recourse, applicable for receivables from customers in domestic and international markets. It is based on the assignment of ownership (cession) of receivables from a supplier to UniCredit Bulbank AD and does not require any additional collateral.

As of December 31 2023, all subsidiaries of the Bank conduct their business operations on the territory of Bulgaria with no branches outside of the country and their activities are summarized below:

- UniCredit Fleet Management EOOD – purchase and sale of motor vehicles, provision of transport services and fleet management, operating leases, as well as all additional and servicing activities of the leases;
- UniCredit Consumer Financing EAD – performs consumer lending activities in line with the applicable law and regulations.
- UniCredit Leasing EAD – acquisition of machinery, equipment, vehicles and real estate through purchase or lease agreements for the purpose of providing these assets under financial or operating leases, concluding lease agreements, as well as any other transactions accompanying those activities.

30. Property, plant, equipment, rights of use assets and investment properties

In thousands of BGN

	Lands	Buildings	Buildings - Right of use	Furniture	Electronic equipment	Other	Total
Cost or revalued amount							
As of December 31, 2022	**11 180**	**227 747**	**73 237**	**11 145**	**94 359**	**56 012**	**473 680**
Additions	-	3 955	5 564	439	5 230	3 671	**18 859**
Transfers	-	(1 130)	-	-	-	-	**(1 130)**
Write offs	-	(1 275)	(180)	(413)	(13 506)	(3 685)	**(19 059)**
Disposals	-	-	-	-	(89)	(210)	**(299)**
As of December 31, 2023 before revaluation	**11 180**	**229 297**	**78 621**	**11 171**	**85 994**	**55 788**	**472 051**
Increase in value via revaluation reserve upon new revaluation	703	9 509	-	-	-	-	**10 212**
Decrease in value via revaluation reserve upon new revaluation	(99)	(1 193)	-	-	-	-	**(1 292)**
Decrease in value in profit or loss upon new revaluation	-	(205)	-	-	-	-	**(205)**
Revaluation adjustment	**604**	**8 111**	**-**	**-**	**-**	**-**	**8 715**
As of December 31, 2023 after revaluation	**11 784**	**237 408**	**78 621**	**11 171**	**85 994**	**55 788**	**480 766**
Depreciation							
As of December 31, 2022	**-**	**99 751**	**25 507**	**8 724**	**65 102**	**35 815**	**234 899**
Depreciation charge	-	5 730	9 931	636	9 660	4 814	**30 771**
Write offs	-	(1 275)	(180)	(413)	(13 506)	(3 685)	**(19 059)**
On disposals	-	-	-	-	-	(209)	**(209)**
Transfers	-	-	137	-	(6)	(193)	**(62)**
As of December 31, 2023	**-**	**104 206**	**35 395**	**8 947**	**61 250**	**36 542**	**246 340**
Net book value as of December 31, 2023	**11 784**	**133 202**	**43 226**	**2 224**	**24 744**	**19 246**	**234 426**
Net book value as of December 31, 2022	**11 180**	**127 996**	**47 730**	**2 421**	**29 257**	**20 197**	**238 781**

In thousands of BGN

	Lands	Buildings	Buildings - Right of use	Furniture	Electronic equipment	Other	Total
Cost or revalued amount							
As of December 31, 2021	**11 398**	**227 065**	**59 673**	**11 426**	**92 878**	**55 852**	**458 292**
Merger effect	-	110	1 282	89	152	79	**1 712**
Additions	-	3 148	12 618	496	8 527	6 110	**30 899**
Transfers	(114)	(2 475)	-	-	-	-	**(2 589)**
Write offs	-	(841)	(336)	(866)	(5 793)	(1 879)	**(9 715)**
Disposals	(353)	(901)	-	-	(1 405)	(4 150)	**(6 809)**
As of December 31, 2022 before revaluation	**10 931**	**226 106**	**73 237**	**11 145**	**94 359**	**56 012**	**471 790**
Increase in value via revaluation reserve upon new revaluation	382	4 094	-	-	-	-	**4 476**
Decrease in value via revaluation reserve upon new revaluation	(133)	(2 170)	-	-	-	-	**(2 303)**
Decrease in value in profit or loss upon new revaluation	-	(283)	-	-	-	-	**(283)**
Revaluation adjustment	**249**	**1 641**	**-**	**-**	**-**	**-**	**1 890**
As of December 31, 2022 after revaluation	**11 180**	**227 747**	**73 237**	**11 145**	**94 359**	**56 012**	**473 680**
Depreciation							
As of December 31, 2021	**-**	**95 978**	**17 089**	**8 815**	**62 549**	**37 540**	**221 971**
Merger effect	-	97	317	78	136	79	**707**
Depreciation charge	-	5 743	8 437	697	9 576	4 225	**28 678**
Write offs	-	(841)	(336)	(866)	(5 793)	(1 879)	**(9 715)**
On disposals	-	(338)	-	-	(1 366)	(4 150)	**(5 854)**
Transfers	-	(888)	-	-	-	-	**(888)**
As of December 31, 2022	**-**	**99 751**	**25 507**	**8 724**	**65 102**	**35 815**	**234 899**
Net book value as of December 31, 2022	**11 180**	**127 996**	**47 730**	**2 421**	**29 257**	**20 197**	**238 781**
Net book value as of December 31, 2021	**11 398**	**131 087**	**42 584**	**2 611**	**30 329**	**18 312**	**236 321**

In thousands of BGN

	Investment property
Net book value as of December 31, 2021	**595**
Additions	-
Transfers	-
Write offs	(700)
Disposals	-
Increase in fair value	105
Net book value as of December 31, 2022	**-**
Additions	-
Transfers	-
Write offs	-
Disposals	-
Increase in fair value	-
Net book value as of December 31, 2023	**-**

Items of plant, equipment, right of use assets and other are carried at cost less any accumulated depreciation and adjusted for impairment, if any, while land and buildings used in business and investment properties are revalued to their fair value.

As part of the year-end closing procedure, the Bank has assessed all items of, property, plant and equipment and for existence of any impairment indicators. For non-real estate items, impairment is usually recognized when those items are found to be obsoleted or their usage is planned to be discontinued. In such cases the recoverable amount on those items is reasonably assessed to be immaterial (close to zero), therefore the remaining carrying amount is fully impaired.

Type of instrument	Fair value as of 31.12.2023	Significant unobservable input	Range (BGN) (weighted average) 2023 in BGN	Range (BGN) (weighted average) 2022 in BGN
Land	11 784	price per m^2	176.25 - 4461.55 (282.32)	163.13 - 428.15 (267.79)
Buildings	76 699	rent per m^2	9.45 - 14.35 (11.49)	6.35 - 14.37 (9.08)
Buildings	50 227	rent per m^2	9.05 - 19.75 (13.65)	11.64 - 17.60 (14.52)
Buildings	723	price per m^2	792 - 1161 (964.94)	847 - 1 049 (963.77)
Property measured at FV	**139 433**			

Starting from January 01, 2019, in accordance with the IFRS 16 requirements, whenever the Bank acts as the lessee under contracts meeting the definition of the standard, there is recognition of an asset, representing the right of use of the underlying asset and, at the same time, a liability for the future payments requested by the lease contract.

31. Intangible assets

In thousands of BGN

Cost	
As of December 31, 2022	**195 478**
Additions	29 582
Write offs	(8 331)
As of December 31, 2023	216 729
-	
Depreciation	
As of December 31, 2022	**100 348**
Depreciation charge	**22 640**
Impairment due to obsolescence	6 089
Write offs	(8 331)
Transfers	1 380
As of December 31,2023	**122 126**
Net book value as of December 31, 2023	**94 603**
Net book value as of December 31, 2022	**95 130**

In thousands of BGN

Cost	
As of December 31, 2021	**172 793**
Merger effect	947
Additions	26 739
Write offs	(5 001)
As of December 31, 2022	**195 478**
-	
Depreciation	
As of December 31, 2021	**84 655**
Merger effect	541
Depreciation charge	20 153
Write offs	(5 001)
As of December 31,2022	**100 348**
Net book value as of December 31, 2022	**95 130**
Net book value as of December 31, 2021	**88 138**

32. Current tax assets/liabilities

The current tax assets comprise Bank's net receivable tax position with regard to corporate income tax for the respective years increased by overpaid prior years' tax that is not yet recovered by tax authorities. According to the statutory requirements, Bank pays during the year advance instalments for corporate income tax on the basis of forecasted tax profit for the current year. Should by the year-end advance instalments exceed the overall annual current tax liability, the overpaid amount cannot be automatically off-set with next year current tax liabilities, but have to be explicitly recovered by tax administration.

Based on that, as of December 31, 2023 current tax liabilities amount to BGN 17 034 thousand. As of December 31, 2022 the bank reports current tax assets for the amount of BGN 1 679 thousand.

33. Deferred tax liabilities

The origination breakdown of the deferred tax liabilities as of December 31, 2023 and December 31, 2022 is as outlined below:

In thousands of BGN

	2023	2022
Property, plant, equipment, investment properties and intangible assets	15 718	15 250
Provisions	(4 037)	(4 125)
Actuarial losses	(581)	(178)
Other liabilities/Other assets	(2 508)	(2 488)
Deferred tax (assets)/liabilities	**8 592**	**8 459**

The movements of deferred tax liabilities on net basis throughout 2023 are as outlined below:

	Balance 31.12.2022	Recognized in P&L	Recognized in equity	Balance 31.12.2023
Property, plant, equipment, investment properties and intangible assets	15 250	(471)	939	15 718
Provisions	(4 125)	88	-	(4 037)
Actuarial losses	(178)	-	(403)	(581)
Other liabilities	(2 488)	(20)	-	(2 508)
Deferred tax (assets)/ liabilities	**8 459**	**(403)**	**536**	**8 592**

34. Non-current assets and disposal groups classified as held for sale

In these separate financial statements the Bank presents as non-current assets and disposal group held for sale properties that no longer will be used in the ordinary activity of the Bank nor will be utilized as investment properties. For all such assets Management has started intensively looking for a buyer and the selling negotiations are in advance stage as of the year-ends.

In thousands of BGN

	2023	2022
Land	-	-
Buildings	1 130	-
Non-current assets and disposal groups, classified as held for sale	**1 130**	**-**

35. Other assets

In thousands of BGN

	2023	2022
Receivables and prepayments	92 026	65 227
Receivables from the State Budget	76	-
Materials, spare parts and consumables	1 528	756
Other assets	8 599	8 934
Foreclosed properties	12 800	21 115
Other assets	**115 029**	**96 032**

36. Financial liabilities held for trading

In thousands of BGN

	2023	2022
Interest rate swaps	46 514	74 191
FX forward contracts	13 663	1 562
Other options	541	94
FX options	58	50
FX swaps	35 241	53 650
Commodity swaps	15 630	29 759
Financial liabilities held for trading	**111 647**	**159 306**

37. Deposits from banks

In thousands of BGN

	2023	2022
Current accounts and overnight deposits		
Local banks	381 120	51 993
Foreign banks	1 013 920	1 283 024
	1 395 040	**1 335 017**
Deposits		
Local banks	153 727	174 729
Foreign banks	12 310	14 300
	166 037	**189 029**
Other	**22 235**	**53 653**
Deposits from banks	**1 583 312**	**1 577 699**

38. Deposits from customers and other financial liabilities at amortized cost

Deposits from customers comprise outstanding balances on clients' current accounts, term deposits and saving accounts as well as respective accrued interest on them as of the reporting date.

As of December 31, 2023 and December 31, 2022 there are transfers in execution that have either not left the Bank's patrimony (outgoing payments), or clients' accounts have not been yet credited (incoming payments). These temporary balances are presented as deposits from customers under transfers in execution process.

In thousands of BGN

	2023	2022
Current accounts		
Individuals	8 062 937	7 007 051
Corporate	10 399 524	10 072 485
Budget and State companies	617 875	740 287
	19 080 336	**17 819 823**
Term deposits		
Individuals	3 350 319	3 214 244
Corporate	387 849	237 629
Budget and State companies	19 474	19 572
	3 757 642	**3 471 445**
Saving accounts	**1 712 388**	**1 732 276**
Lease liabilities	**45 735**	**49 893**
Factoring related liabilities	**45 995**	**26 717**
Transfers in execution process	**221 569**	**131 096**
Deposits from customers and other financial liabilities at amortized cost	**24 863 665**	**23 231 250**

The following table represent liabilities under lease contracts as of December 31, 2023, while existing right of use assets are presented in Note **30**:

In thousands of BGN

Lease liabilities	
As of January 01, 2023	**49 893**
Additions	5 579
Repayments	(9 737)
Interest accrued	598
Interest paid	(598)
As of December 31, 2023	**45 735**
Up to one year	10 728
From beyond 1 year to 2 years	9 513
From beyond 2 years to 3 years	6 943
From beyond 3 years to 4 years	6 194
From beyond 4 years to 5 years	5 012
Beyond five years	9 165
Total lease payments to be made for finance leases	**47 555**
Unearned finance expenses (Discounting effect)	(1 820)
Net book value as of December 31, 2023	**45 735**
Net book value as of December 31, 2022	**49 893**

In thousands of BGN

Lease liabilities	
As of January 01, 2022	**44 266**
Additions	12 177
Merger effect	993
Repayments	(7 543)
Interest accrued	442
Interest paid	(442)
As of December 31, 2022	**49 893**
Up to one year	9 139
From beyond 1 year to 2 years	9 242
From beyond 2 years to 3 years	8 428
From beyond 3 years to 4 years	6 308
From beyond 4 years to 5 years	5 578
Beyond five years	13 165
Total lease payments to be made for finance leases	**51 860**
Unearned finance expenses (Discounting effect)	(1 967)
Net book value as of December 31, 2022	**49 893**
Net book value as of December 31, 2021	**44 266**

39. Debt securities issued

As part of UniCredit Group, whose resolution strategy is of the type "Single Point of Entry", UniCredit Bubank is subject to internal Minimum Requirement for Own Funds and Eligible Liabilities (iMREL) and therefore issues such instruments only within the Group, with a sole buyer and holder UniCredit S.p.A.

On 5th of June 2023, UniCredit Bulbank received the latest Single Resolution Board decision on the Minimum Requirement for Own Funds and Eligible Liabilities (MREL). It defines the fully loaded requirement on consolidated basis to be fulfilled since 1st of January 2024 at 18.79% plus the Combined Buffer Requirement (CBR) of the Risk weighted assets (iMREL RWAs) and 5.90% of the Leverage Ratios Exposures (LRE). As per the SRB letter, UniCredit Bulbank shall ensure linear build-up of own funds and eligible liabilities towards those requirements.

Due to very strong business growth, the respective risk weighted assets increase, the linear build-up requirement of SRB and the increase of the countercyclical capital buffer valid from 01 October 2023, UniCredit Bulbank has issues EUR 450 Mio SNP in 2023 of which EUR 250 Mio in January, EUR 100 Mio in July and EUR 100 Mio in December. Thus the total amount of the senior non-preferred iMREL eligible bonds reached EUR 610 Mio (of which EUR 160 Mio in 2021 and EUR 450 Mio in 2023). The interest rate is floating, linked to 3Mo Euribor, maturity is 6 years and call option is exercisable on the 5th year. The call option is with the issuer who can redeem the notes in whole in case he determines that the note is not anymore eligible for recognition in eligible liabilities for purposes of meeting MREL requirements (i.e. due to the reason of remaining maturity being less than the regulatory prescribed period). Redemption of the notes could also occur upon tax or MREL disqualification events.

In the last quarter of 2023, the Bank issued iMREL bond, aiming to further qualify as Tier 2 Capital. Parameters of the issue are as follows: nominal amount of EUR 100 Mio, floating interest rate, linked to 3Mo Euribor, 10 year maturity and a call option exercisable on the 5th year. The call option is with the issuer who can redeem the notes in whole. Redemption of the notes could also occur upon tax or regulatory events. Pursuant to Art. 33“r“, para. 1 of Ordinance No. 2 of 22 December 2006 on the Licenses, Approvals and Permissions Granted by the Bulgarian National Bank According to the Law on Credit Institutions, inclusion of capital instruments in the Tier 2 Capital is subject to approval by BNB. The respective application with regards to above mentioned notes has been sent to the Central Bank in December 2023. As the procedure was on-going, as of 31 December 2023 the instrument is not included in Tier 2 capital for regulatory purposes.

40. Provisions

The movement in provisions for the years ended December 31, 2023 and December 31, 2022 is as follows:

In thousands of BGN

	Off-balance sheet commitments and financial guarantees	Legal cases	Retirement benefits	Constructive obligations	Other	Restructuring provisions	Total
	(a)	(b)	(c)	(d)	(e)	(f)	
Balance as of December 31, 2021	**58 883**	**31 501**	**13 145**	**302**	**609**	**7 524**	**111 964**
Allocations	61 058	2 267	1 415	-	108	-	**64 848**
Releases	(34 039)	(395)	-	-	-	-	**(34 434)**
Additions due to FX revaluation	6 556	3 649	-	-	-	-	**10 205**
Releases due to FX revaluation	(6 754)	(3 320)	-	-	-	-	**(10 074)**
Actuarial gains recognized in OCI	-	-	(4 259)	-	-	-	**(4 259)**
Merger effect	(3 178)	-	-	-	-	-	**(3 178)**
Utilization	-	(123)	(1 121)	-	(560)	(3 585)	**(5 389)**
Balance as of December 31, 2022	**82 526**	**33 579**	**9 180**	**302**	**157**	**3 939**	**129 683**
Allocations	74 244	1 567	1 111	-	200	1 923	**79 045**
Releases	(65 178)	(1 030)	-	-			**(66 208)**
Additions due to FX revaluation	2 017	2 545	-		-	-	**4 562**
Releases due to FX revaluation	(2 155)	(2 751)	-	-	-	-	**(4 906)**
Actuarial losses recognized in OCI	-	-	4 028	-	-	-	**4 028**
Utilization	-	(818)	(1 362)	-	(159)	(2 108)	**(4 447)**
Balance as of December 31, 2023	**91 454**	**33 092**	**12 957**	**302**	**198**	**3 754**	**141 757**

(a) Provisions on letters of guarantees and credit commitments

As per IFRS 9 requirements, loan commitments and financial guarantees that are irrevocable are in the perimeter subject to expected losses calculation for impairment. As a result of the assessment as at December 31, 2023 accumulated provisions are in the amount of BGN 91 454 thousand (as at December 31, 2022 - BGN 82 526 thousand).

(b) Provisions on legal cases

Provisions on legal cases are recognized when based on legal expertise the Bank would most likely have to settle the obligation in the near future. As of December 31, 2023 Bank has assessed its position in legal cases against it, and provision in the amount of BGN 33 092 thousand has been recognized (BGN 33 579 as of December 31, 2022).

(c) Retirement benefit provision

Retirement benefit provision represents the present value of the Bank's liability in accordance with Collective Labor Agreement as of the reporting date. Actuarial gains/ losses adjust the value of the defined benefit liability with corresponding item recognized in the Statement of comprehensive income.

Major assumptions underlying in 2023 defined benefit obligation are as follows:

- Discount rate – 4.90%;
- Salary increase – 5.00% p.a.;
- Retirement age: Men 64 years and 3 months, women 61 years and 6 months for 2021 and increase by 2 months for women and 1 month for men each year thereafter until the age of 65 years for men and for women is reached.

The pension plan specified and required by the BG Labor Code has not changed since 2021. The Bank has approved additional payments (2 or 4 monthly salaries) on top of the obligations by law depending on service time within the company:

- Six times the gross monthly remuneration, when the employee has worked for UniCredit Bulbank AD or its subsidiaries in Bulgaria for the last 10 years and until 19 years and 11 months;
- Eight times the gross monthly remuneration when the employee has worked for UniCredit Bulbank AD or its subsidiaries in Bulgaria for the last 20 years and until 29 years and 11 months;
- Ten times the gross monthly remuneration when the employee has worked for UniCredit Bulbank AD or its subsidiaries in Bulgaria for the last 30 years and above;
- 2 + (0.4 x N), where N shall be the number of full years, but not less than the gross labor remuneration thereof for a period of two month in the cases where the employee has not completed ten years of employment service for UniCredit Bulbank AD or its subsidiaries in Bulgaria – no change, i.e. less than six;
- For termination of the labor relation upon disability: 2,4 monthly salaries without connection with length of service;
- For termination of the labor relation upon death: 4 monthly salaries - without connection with length of service.

The movement of the defined benefit obligation for the year ended December 31, 2023 and expected services cost, interest costs and amortization of actuarial gains for the following year are outlined in the table below:

In thousands of BGN

	Total
Recognized defined benefit obligation as of December 31, 2022	**9 180**
Current service costs for 2023	632
Interest cost for 2023	479
Past Service Cost	-
Actuarial losses recognized in OCI	4 028
Benefits paid	(1 362)
Recognized defined benefit obligation as of December 31, 2023	**12 957**
Interest rate beginning of the year	5.75%
Interest rate end of the year	4.9%
Future increase of salaries	5.00%
Expected 2024 service costs	828
Expected 2024 interest costs	597
Expected 2024 benefit payments	(1 551)

Current service cost and interest cost are presented under Personnel expenses (See note **16**).

The major factors impacting the present value of the defined benefit obligation are those of discount rate and future salary increase rate. Sensitivity analysis of those two is as follows:

In thousands of BGN

	2023	2022
Sensitivity - Discount rate +/- %	0.25%	0.25%
DBO Discount rate -	13 186	9 332
DBO Discount rate +	12 736	9 033
Sensitivity - Salary increase rate +/- %	0.25%	0.25%
DBO Salary increase rate -	12 735	9 030
DBO Salary increase rate +	13 185	9 335

In the course of regular business, the Bank has to follow certain rules as defined by specific Banking legislation prevailing in Bulgaria.

(d) Provisions on constructive obligation

In accordance with the requirements set out in Law on Territory Planning, Energy Efficiency Act and some other related regulations the Bank had to perform until the end of 2015, energy efficiency assessment and technical passportization of all owned buildings with Gross Floor Area above 500 sq. m. In 2015 law amendments moved the deadline for the above mentioned assessment to December 31, 2016. The balances as of December 31, 2023 and December 31, 2022 in the amount of BGN 302 thousand represent unutilized provision amounts as of the reporting dates with regards to energy efficiency of owned buildings.

(e) Other provision

Other provisions in the amount of BGN 198 thousand as of December 31, 2023 (BGN 157 thousand as of December 31, 2022) relates to coverage of claims related to credit cards business as well as other claims.

(f) Restructuring provisions

As of December 31, 2020 the Bank has allocated restructuring provisions for the amount of BGN 6 023 thousand following the requirements of IAS 37 – Provisions, Contingent Liabilities and Contingent Assets. In December 2020 the Management Board has approved restructuring plan where the key restructuring rationale is to ensure efficient operations so that UniCredit Bulbank AD fits to the new competitive landscape shaped by digitalization trends and changed preferences of the customers.

The plan implies a review and improvement in the way of working and influences the Bank's business model in terms of customer experience, employee experience, digitalization and ethical and sustainable business. It includes network optimization through centralization, automation and simplification of branch processes, as well as envisages also to affect employees, who on voluntary basis and consistent with the business priorities, will have the opportunity to access the early retirement also getting an additional exit package. During 2021 out of restructuring provisions, BGN 470 thousand were utilized majorly for network optimization, brand management and other HR activities.

In 2021 the restructuring plan was updated following the Strategic plan of UniCredit Group. The key elements of the Strategic Plan aiming at unlocking the Group potential are as follows:

- Unified client segments
- Harmonized service model
- Simplified processes
- Common organizational structure
- Best-in-class factories delivering for our clients

Additional BGN 1 971 thousand were allocated in 2021 with regard to new organizational model and change management activities.

Following the approved restructuring plan, execution of all its components is monitored consequently on a yearly basis.

In 2023 the Management Board of the Bank approved the following additional restructuring provisions to be allocated:

- BGN 1 423 thousand for the purpose of the updated Early/Pre-retirement program;
- BGN 500 thousand for the purpose of the updated initiatives for insourcing new skills and reinforcement of the future managerial pipeline and recognition initiatives.

As per the requirements of IAS 37 the Bank has duly communicated the approved restructuring plan to all employees in order to create a valid expectation.

The total utilization of restructuring provisions for 2023 is for the amount of BGN 2 108 thousand, where BGN 1 997 thousand were spent on people related initiatives, and BGN 111 thousand on branch network optimization.

41. Other liabilities

In thousands of BGN

	2023	2022
Liabilities to the State budget	2 503	2 485
Liabilities to personnel	20 728	20 274
Liabilities for unused paid leave	7 802	6 297
Dividends	1 436	1 161
Incentive plan liabilities	3 188	2 918
Other liabilities	166 361	68 055
Total other liabilities	**202 018**	**101 190**

Liabilities to the State Budget include current liabilities related to different tax positions of the Bank.

Liabilities to personnel include accrued but not paid liabilities to employees with regard to additional performance payments. The amounts represent Management best estimate for the goals achieved throughout 2023 and 2022 in accordance with the defined target settings and adopted incentive programs.

Liabilities for unused paid leave represent quantification of Bank's current liability due to employees for unutilized current and prior years leave.

As described in note **3 (p) (c)** selected group of Top and Senior Managers are given UniCredit S.p.A stock options and performance shares as part of their remuneration packages. The economic value of the options and shares is presented as other liability, as upon expiring of the vesting period respective amounts have to be settled in cash.

The breakdown of the liabilities by type of instruments is presented in Note 16.

The other liabilities increase is mainly due to undesired customers' funds (clients which relationship with the Bank is ceased due to compliance reasons) which balance as of December 31, 2023 is BGN 89 056 thousand.

42. Equity

a) Share capital

As of December 31, 2023 and December 31, 2022 share capital comprises of 285 776 674 ordinary shares with nominal value of BGN 1 each. All shares give equal voting rights to their holders.

b) Statutory reserves

Statutory reserves represent allocated profits after taxation into Reserve Fund in accordance with requirements of the Bulgarian Commercial Act. The Bank has to allocate at least 10% of its profit for the current year after taxation and before payment of dividends, to the Reserve Fund until the accumulated amount becomes equal or exceeds 10% of the capital according to the statute of the Bank. These reserves are not subject to distribution to the shareholders. They can only be used for covering losses from the current or previous financial years. The share-premium of newly issued ordinary shares is also allocated into statutory reserves.

c) Retained earnings

Under Retained earnings the Bank shows the excess of all reserves, formed out of net profit in prior years and transformation of revaluation reserves over statutory reserves amount. In this position the Bank also shows the difference between the purchase price paid for newly acquired subsidiaries in business combinations under common control and their book value as recorded in the separate financial statements of the transferor as of the date of transfer.

d) Revaluation and other reserves

Revaluation reserves include those related to fair value changes on FVOCI and derivatives designated as effective hedging instrument in cash flow hedge relationship as well as actuarial gains/losses on remeasurement of defined benefit obligation in accordance with IAS 19 "Employee Benefits".

Revaluation reserves related to FVOCI and derivatives designated as effective hedging instruments in cash flow hedge relationship are subject to recycling through profit or loss upon certain conditions being met (e.g. derecognition, hedge revoke etc.). For the years ended December 31, 2023 and December 31, 2022 only reserves related to FVTOCI investments have been recycled to profit or loss following their derecognition. For 2023 there is loss of BGN 4 621 thousand and for 2022 there is a gain of BGN 5 197 thousand.

43. Contingent liabilities

In thousands of BGN

	31.12.2023	31.12.2022	31.12.2023	31.12.2022	31.12.2023	31.12.2022	31.12.2023	31.12.2022
	Stage 1		Stage 2		Stage 3		Total	
Letters of credit and letters of guarantee	1 920 228	1 647 345	346 987	450 672	16 302	18 097	**2 283 517**	**2 116 114**
Credit commitments	6 471 048	5 483 038	1 368 163	863 658	33 715	25 412	**7 872 926**	**6 372 108**
Other commitments	68 353	67 496					**68 353**	**67 496**
Contingent liabilities	**8 459 629**	**7 197 879**	**1 715 150**	**1 314 330**	**50 017**	**43 509**	**10 224 796**	**8 555 718**

a) Letters of credit and letters of guarantee

The Bank provides financial guarantees and letters of credit to guarantee the performance of customers to third parties.

The contractual amounts of financial guarantees and letters of credit are set out in the above table. The amounts reflected in the table for commitments assume that amounts are fully advanced. The amounts for guarantees and letters of credit represent the maximum accounting loss that would be recognized if counterparties failed completely to perform as contracted. These commitments and contingent liabilities are reported off-balance sheet and only fees and accruals for probable losses are recognized in the statement of financial position until the commitments are fulfilled or expire. Most of the contingent liabilities and commitments expire without being advanced in whole or in part.

As per IFRS 9 requirements, loan commitments and financial guarantees that are irrevocable are subject to expected losses calculation for impairment.

b) Litigation

As of December 31, 2023 and December 31, 2022 there are some open litigation proceedings against the Bank. There is significant uncertainty with regard to the timing and the outcome of such proceedings. Since the ultimate outcome of the claims against the Bank cannot presently be determined with sufficient reliability, provisions have been accrued only on cases where sufficient degree of certainty exists that the Bank would have to settle the obligation. Litigation claims provisions provided for in these separate financial statements as of December 31, 2023 are in the amount of BGN 33 092 thousand (BGN 33 579 thousand in 2022), (see also Note 40).

c) Credit commitments

During the course of normal lending activity the Bank has negotiated with clients different types of credit facilities including credit lines, overdraft facilities and revolving loans. Contractually the Bank has committed itself for a certain amount which is at clients' disposal.

As of December 31, 2023 and December 31, 2022 the Bank presents unutilized credit facilities as part of its off-balance sheet positions.

44. Assets pledged as collateral

In thousands of BGN

	2023	2022
Securities pledged for budget holders' account service	723 841	538 685
Securities pledged on REPO deals	975 188	1 242 975
Securities pledged on other deals	19 677	-
Loans pledged for budget holders' account service	98 041	254 864
Loans pledged on other deals	10 369	11 714
Total assets and collaterals received encumbered	**1 827 116**	**2 048 238**
Pledged assets include:		
Securities at amortized cost	1 073 063	719 069
Investment securities	645 643	1 062 591
Loans and advances	108 410	266 578
	1 827 116	**2 048 238**

Securities and loans pledged on other deals include those contractually pledged on financing provided to the Bank by local and foreign institutions.

45. Related parties

UniCredit Bulbank AD has a controlling related party relationships with its direct parent company up to October 2016 - UniCredit Bank Austria AG and its ultimate parent - UniCredit S.p.A (jointly referred as "parent companies"). In 2016 due to the reorganization of the UniCredit banking group activities in Central and Eastern Europe ("CEE") the transfer of the CEE Business of UniCredit Bank Austria AG (including also the banking shareholdings of the above mentioned area) under the direct control of UniCredit SpA was performed thus leading to change of the Bank's main shareholder to UniCredit SpA.

In addition the Bank has relatedness with its subsidiaries and associates (see also Note 29) as well as all other companies within UniCredit Group and key management personnel (jointly referred as other related parties).

The related parties' balances and transactions in terms of statement of financial position items as of December 31, 2023 and December 31, 2022 and Income statement items for the years ended then are as follows:

In thousands of BGN

As of December 31, 2023	Parent company	Subsidiaries	Other related parties	Total
ASSETS				
Derivatives held for trading	12 852	-	65 101	**77 953**
Derivatives held for hedging	16 348	-	60 817	**77 165**
Current accounts and deposits placed	1 703 220	-	28 340	**1 731 560**
Debt securities	-	-	413 765	**413 765**
Extended loans	-	3 717 982	1 612	**3 719 594**
Other assets	1 408	26 240	1 777	**29 425**
LIABILITIES				
Financial liabilities held for trading	1 055	-	23 339	**24 394**
Derivatives used for hedging	786	-	128 070	**128 856**
Current accounts and deposits taken	898 864	73 681	18 815	**991 360**
Debt securities issued	1 401 400	-	-	**1 401 400**
Other liabilities	5 351	12	6 001	**11 364**
Guarantees received by the Group	**53 293**	**-**	**122 967**	**176 260**

In thousands of BGN

As of December 31, 2022	Parent company	Subsidiaries	Other related parties	Total
ASSETS				
Derivatives held for trading	26 473	-	80 709	**107 182**
Derivatives held for hedging	31 203	-	100 265	**131 468**
Current accounts and deposits placed	945 172	-	16 322	**961 494**
Debt securities	97 817	-	-	**97 817**
Extended loans	-	2 848 319	2 163	**2 850 482**
Other assets	1 728	17 043	1 613	**20 384**
LIABILITIES				
Financial liabilities held for trading	1 549	-	43 797	**45 346**
Derivatives used for hedging	-	-	132 160	**132 160**
Current accounts and deposits taken	1 176 256	34 044	25 594	**1 235 894**
Debt securities issued	313 701	-	-	**313 701**
Other liabilities	3 934	49	3 023	**7 006**
Guarantees received by the Group	**9 562**	**-**	**107 740**	**117 302**

In thousands of BGN

As of December 31, 2023	Parent company	Subsidiaries	Associates	Other related parties	Total Income (Expense)
Interest incomes	120 400	32 572	-	5 764	**158 736**
Interest expenses	(46 681)	(64)	-	(11 043)	**(57 788)**
Dividend income	-	109 323	-	-	**109 323**
Fee and commissions income	1 284	26 580	-	921	**28 785**
Fee and commissions expenses	(4)	-	-	(186)	**(190)**
Net gains (losses) on financial assets and liabilities held for trading	370	-	-	4 683	**5 053**
Other operating income	423	514	-	-	**937**
Administrative and personnel expenses	(3 758)	(1 903)	(1 279)	(22 676)	**(29 616)**
Total	**72 034**	**167 022**	**(1 279)**	**(22 537)**	**215 240**

In thousands of BGN

As of December 31, 2022	Parent company	Subsidiaries	Associates	Other related parties	Total Income (Expense)
Interest incomes	12 874	18 817	-	216	**31 907**
Interest expenses	(18 774)	(3)	-	(6 009)	**(24 786)**
Dividend income	-	112 187	-	-	**112 187**
Fee and commissions income	992	17 361	-	922	**19 275**
Fee and commissions expenses	(3)	-	-	(140)	**(143)**
Net gains (losses) on financial assets and liabilities held for trading	24 342	-	-	180 957	**205 299**
Other operating income	-	570	-	79	**649**
Administrative and personnel expenses	(3 057)	(1 715)	(1 228)	(15 161)	**(21 161)**
Total	**16 374**	**147 217**	**(1 228)**	**160 864**	**323 227**

Compensation paid to key management personnel is as follows:

In thousands of BGN

Paid benefits	2023	2022
Short-term employee benefits	2 969	2 532
Other long-term benefits	48	108
Non-monetary benefits	421	440
Other	254	111
Total benefits paid	**3 692**	**3 191**

46. Cash and cash equivalents

In thousands of BGN

	2023	2022
Cash in hand and in ATM	285 554	280 640
Cash in transit	177 785	167 707
Current account with the Central Bank	5 606 418	6 622 056
Current accounts with banks	126 418	84 763
Placements with banks with original maturity less than 3 months	695 304	917 535
Cash and cash equivalents	**6 891 479**	**8 072 701**

47. Leasing

The Bank has concluded numerous operating lease agreements to support its daily activity. Under operating lease contracts Bank acts both as a lessor and lessee in renting office buildings and cars.

(a) Operating lease contracts where the Bank acts as a lessee

IFRS16, effective starting from January 01, 2019 introduced a new definition for leases. For all the leasing typologies, the recognition of an asset, representing the right of use of the underlying asset and, at the same time, a liability for the future payments requested by the lease contract. The amount of right of use assets and lease liabilities respectively are presented in **Note 30** and respectively **Note 38**.

(b) Operating lease contracts where the Bank acts as a lessor

Summary of non-cancellable minimum lease payments as of December 31, 2023 and December 31, 2022 are presented in the tables below:

In thousands of BGN

Residual maturity	Total future minimum lease payment	
	2023	2022
Up to one year	14	28
Total	**14**	**28**

48. Other regulatory disclosures

In accordance with the requirements of art. 70 para 6 of Law on Credit Institutions, Banks are required to make certain quantitative and qualitative disclosures related to major financials and other indicators separately for the business originating from Republic of Bulgaria and from other countries, where Bank has active subsidiaries and/or branches.

UniCredit Bulbank AD possesses a full-scope banking licence for performing commercial banking activities. For the years ended December 31, 2023 and December 31, 2022 UniCredit Bulbank AD has no subsidiaries or branches established outside Republic of Bulgaria. Summary of separate quantitative mandatory disclosures required by Law on Credit Institutions and their respective reference to other Notes in these separate financial statements or other mandatory reports are as follows:

In thousands of BGN

	2023	2022	Reference to other notes and reports
Total operating income	1 215 950	883 264	Separate Income Statement and details in Notes 8,9,10,11,12,13 and 14
Profit before income tax	883 794	505 416	Separate Income Statement
Income tax expense	(77 099)	(39 531)	Separate Income Statement and details in Note 21
Return on average assets (%)	2.6%	1.7%	2023 Annual Report on Activity
Annual Turnover	1 245 616	911 021	Separate Income Statement
Full time equivalent number of personnel as EoY	3 234	3 443	Note 16

UniCredit Bulbank AD has never requested or been provided any state grants or subsidies.

49. IBOR Reform

The cases of attempted market manipulation and false reporting of global reference rates, together with the post-crisis decline in liquidity in interbank unsecured funding markets, undermined confidence in the reliability and robustness of existing interbank benchmark interest rates. Uncertainty surrounding the integrity of these reference rates represents a potentially serious source of vulnerability and systemic risk.

Against this background, in 2013 the G20 asked the FSB to undertake a fundamental review of major interest rate benchmarks and plans for reform to ensure that those plans were consistent and coordinated, and that interest rate benchmarks are robust and appropriately used by market participants.

In the case of LIBOR, the UK Financial Conduct Authority (FCA) announced that it will not compel or persuade LIBOR panel banks to submit to LIBOR after the end of 2021. Cessation dates for LIBORs were defined: 31-Dec-2021 for all EUR, CHF, GBP, JPY tenors as well as USD 1-week and 2-month, and 30-Jun-2023 for all other USD settings.

The currencies affected in the case of UniCredit Bulbank were USD and CHF. In order to allow for smooth transition towards the new lending indexes, starting from the beginning of 2022, the Bank duly replaced respective LIBORs applied on customer business, as follows:

- In USD, through CME Term SOFR Reference Rates (forward-looking);
- In CHF, through SARON Compound Rate, in line with Regulation (EU) 2021/1847.

The change was reflected in the Bank's Cessation Plan. The General Terms & Conditions were duly updated and customers were notified about the change.

As the all-in customer rates remained unchanged, no financial impact is expected for the customers of the Bank.

- In USD, all LIBOR-linked transactions outstanding as of 01-Jan-2023 based on tenors 1, 3 or 6 months count to 37 deals in total for the on-balance sheet sum of approx. BGN 88 Mio., an insignificant amount compared to the Bank's balance sheet. Starting from 01-July-2023, as per cessation plan approved by the MB, term SOFR Reference Rates administered by CME Group Benchmark Administration Limited were applied to the non-matured loans which were based on LIBOR-linked indices. The deals were renegotiated on and the all-in rate was kept the same. From the beginning of 2022, all new USD-denominated floating-rate transactions are made at market prices, using the SOFR and SOFR-linked indices as benchmarks.
- In CHF, the CHF LIBOR applied on the outstanding legacy private individuals mortgage loans was replaced, in compliance with Regulation (EU) 2021/1847, by 3-month SARON Compound Rate (incl. statutory spread adjustment), starting from the beginning of 2022. No new CHF loans have taken place in 2023 and no new CHF lending business has been planned.

50. Events after the reporting period

There are no significant events after the reporting period with effect on the financial statements as of December 31, 2023.

Annual Reports
and Accounts 2023

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UniCredit Bulbank

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Independent Auditors' Report

To the shareholders of UniCredit Bulbank AD

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of UniCredit Bulbank AD (the Bank) and its subsidiaries (together the "Group") as set out on pages 2 to 97, which comprise the consolidated statement of financial position as at 31 December 2023 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policies.

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 2023, 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 the International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements of the Independent Financial Audit Act (IFAA) that are relevant to our audit of the consolidated financial statements in Bulgaria, and we have fulfilled our other ethical responsibilities in accordance with the requirements of the IFAA and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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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 matters:

Impairment of loans and advances to customers at amortised cost and finance leases

As at 31 December 2023, the consolidated financial statements include:

- Gross loans and advances to customers at amortised cost and finance leases of BGN 18,609,302 thousand (31 December 2022: BGN 16,363,669 thousand) and related impairment allowance of BGN 818,456 thousand (31 December 2022: BGN 899,253 thousand), as disclosed in notes 26 and 26a to the consolidated financial statements.
- Net impairment credit loss on financial assets recognized in the consolidated income statement of BGN 18,882 thousand (2022: BGN 80,911 thousand), as disclosed in note 19 to the consolidated financial statements.

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

- 3 (j) Impairment
- 4 (d) Credit risk

Key audit matter	How this key audit matter was addressed in our audit
Impairment allowances for loans and advances to customers and finance leases (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. As described in note 3 (j), 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. For performing exposures (stage 1 and stage 2 loans in the IFRS 9 hierarchy), as well as individually non-significant stage 3 (non-performing) 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 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	Our audit procedures performed, where applicable, with the assistance of our financial risk management, valuation and IT audit specialists, included among others: — 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; — 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; — 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

volatility caused by the ongoing post-pandemic normalisation of global trade, heightened geopolitical tensions and weak economic activity in the euro area, measurement of the collective impairment allowance was associated with additional complexities and an increased estimation uncertainty. Among other things, the application of in-model and post-model adjustments was required from management in arriving at the year-end estimate of collective impairment losses. For individually significant stage 3 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 any related collateral and minimum period for collateral disposal. Given the above factors and complexities, we considered impairment of loans and advances and finance leases 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.	of exposures into performing and non-performing, calculation of days past due, stage allocation and calculation of the ECL; — For a sample of loans, critically assessing, by reference to the underlying loan documentation (updated financial indicators, repayment pattern, default events, forborne 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 2023; For ECLs estimated on a collective basis: — 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 means of corroborating inquiries of the Management Board and inspecting publicly available information; — 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; — Testing in-model and post-model related adjustments to reflect the current market volatility not reflected in the original ECL models. As part of the procedure, we evaluated the data, assumptions and methods used in calculating the adjustments; — Recalculating the expected credit losses as of 31 December 2023 based on the Group's ECL model for a sample of the Group's portfolios; For ECLs estimated on an individual basis: — 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. For loan exposures in totality: — Examining whether the Group's ECL-related disclosures in the consolidated financial statements appropriately address the relevant quantitative and qualitative 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, including the consolidated non-financial declaration 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, the corporate governance declaration and the consolidated non-financial declaration, we have also performed the procedures added to those required under ISAs in accordance with the New and enhanced auditor's reports and auditor's communication Guidelines of the professional organisation of certified public accountants and registered auditors in Bulgaria, the Institute of Certified Public Accountants (ICPA). These procedures refer to testing the existence, form and content of this other information to assist us in forming an opinion about whether the other information includes the disclosures and reporting provided for in the applicable in Bulgaria Chapter Seven of the Accountancy Act and Art. 100(m), paragraph 8, where applicable, of the Public Offering of Securities Act.

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

Based on the procedures performed, our opinion is that:

- The information included in the 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 declaration 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.
- The consolidated non-financial declaration referring to the financial year for which the consolidated financial statements have been prepared is provided and prepared in accordance with the requirements of Chapter Seven of the Accountancy Act.

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

Management is responsible for the preparation of 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

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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 scepticism 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.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance 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 Independent Financial Audit Act, applicable in Bulgaria. When accepting and performing the joint audit engagement, in relation to which we are reporting, we are also directed by the Guidelines for performing joint audit, issued on 13 June 2017 by the Institute of Certified Public Accountants in Bulgaria and by the Commission for Public Oversight of Statutory Auditors in Bulgaria.

Report on Other Legal and Regulatory Requirements

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

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

- KPMG Audit OOD and Baker Tilly Klitou and Partners EOOD were appointed as statutory auditors of the consolidated financial statements of the Group for the year ended 31 December 2023 by the general meeting of shareholders of the Bank held on 30 March 2023 for a period of one year. The audit engagement was accepted by signing the Joint Audit Engagement Letter on 15 November 2023.
- The audit of the consolidated financial statements of the Group for the year ended 31 December 2023 represents second total uninterrupted statutory audit engagement of the consolidated financial statements of the Group carried out by KPMG Audit OOD and seventh total uninterrupted statutory audit engagement for the Group carried out by Baker Tilly Klitou and Partners EOOD.
- We hereby confirm that the audit opinion expressed by us is consistent with the additional report, provided to the Bank's audit committee, in compliance with the requirements of Art. 60 of the Independent Financial Audit Act.

KPMG *INDEPENDENT AUDITORS' REPORT* bakertilly

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

Sofia, 6 March 2024

For KPMG Audit OOD:

Sevdalina Dimova
Authorised representative and registered auditor, responsible for the audit

ОДИТОРСКО ДРУЖЕСТВО София Рег. № 045 КПМГ ОДИТ ООД

45/A Bulgaria Boulevard
Sofia 1404, Bulgaria

For Baker Tilly Klitou and Partners EOOD:

Galina Lokmadjieva
Authorised representative and registered auditor, responsible for the audit

ОДИТОРСКО ДРУЖЕСТВО София Рег. № 129 БЕЙКЪР ТИЛИ КЛИТУ И ПАРТНЬОРИ ЕООД

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

Consolidate Income Statement

In thousands of BGN

	Notes	2023	2022
Interest income calculated using the effective interest method		988 685	625 487
Other interest income		46	6
Interest expense		(97 927)	(41 165)
Net interest income	8	**890 804**	**584 328**
Dividend income		**838**	**1 023**
Fee and commission income		375 646	333 796
Fee and commission expense		(89 741)	(68 314)
Net fee and commission income	9	**285 905**	**265 482**
Net gains on financial assets and liabilities held for trading and hedging derivatives, including FX revaluation	10	137 111	104 920
Net gains/(losses) from financial assets mandatory at fair value	11	3 223	(159)
Net gains/(losses) from financial assets measured at FVTOCI	12	(4 169)	5 664
Other operating income	13a	42 083	34 287
Other operating expenses	13b	(47 194)	(30 737)
TOTAL OPERATING INCOME		**1 308 601**	**964 808**
Net income related to property, plant and equipment	14	22	15 196
Personnel expenses	15	(201 299)	(181 793)
General and administrative expenses	16	(120 687)	(102 960)
Amortization, depreciation and impairment losses on tangible and intangible fixed assets, investment properties and assets held for sale	17	(85 661)	(71 841)
Provisions for risk and charges	18	(1 071)	243
Net impairment loss on financial assets	19	(22 243)	(112 465)
PROFIT BEFORE INCOME TAX		**877 662**	**511 188**
Income tax expense	20	(87 778)	(50 757)
PROFIT FOR THE YEAR		**789 884**	**460 431**

These consolidated financial statements have been approved by the Management Board of UniCredit Bulbank AD on February 29, 2024.

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Authorized representative
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ОДИТОРСКО ДРУЖЕСТВО София Рег. № 129 БЕЙКЪР ТИЛИ КЛИТУ И ПАРТНЬОРИ ЕООД

The accompanying notes 1 to 49 are an integral part of these consolidated financial statements.

Consolidate Statement of Comprehensive Income

In thousands of BGN

	Notes	2023	2022
Profit for the year		**789 884**	**460 431**
Other comprehensive income - items that will not be reclassified subsequently to profit or loss			
Actuarial gains/(losses)	39	(4 470)	4 261
Revaluation reserve on tangible assets	29	8 920	2 173
Revaluation reserve on equity Investments recycled at equity		8 870	206
Income tax relating to items of other comprehensive income that will not be reclassified subsequently to profit or loss		(1 333)	(664)
		11 987	**5 976**
Other comprehensive income - items that may be reclassified subsequently to profit or loss			
Investment securities		58 965	(274 213)
Cash flow hedge		4 879	(45 990)
Income tax relating to items of other comprehensive income that may be reclassified subsequently to profit or loss		(7 019)	32 445
		56 825	**(287 758)**
Total other comprehensive income net of tax for the year		**68 812**	**(281 782)**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**858 696**	**178 649**

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ОДИТОРСКО ДРУЖЕСТВО София Рег. № 129 БЕЙКЪР ТИЛИ КЛИТУ И ПАРТНЬОРИ ЕООД

The accompanying notes 1 to 49 are an integral part of these consolidated financial statements.

Consolidate Statement of Financial Position

In thousands of BGN

	Notes	31.12.2023	31.12.2022
ASSETS			
Cash and balances with Central Bank	21	6 069 757	7 070 405
Non-derivative financial assets held for trading	22	4 381	2 828
Derivatives held for trading	23	100 703	116 097
Derivatives held for hedging	24	77 165	131 468
Loans and advances to banks and debt securities at amortized cost	25	2 787 613	1 282 131
Loans and advances to customers and debt securities	26	18 440 431	16 494 168
Pledged debt securities at amortized cost	26	1 073 063	180 384
Finance leases	26a	1 139 725	933 770
Investment securities	27	1 543 636	1 471 666
Pledged investment securities	27	645 643	1 062 591
Investments in associates	28	4 303	3 885
Property, plant, equipment, right of use assets and investment properties	29	349 994	339 770
Intangible assets	30	98 502	98 671
Current tax assets	31	-	1 687
Deferred tax assets	32	4 506	3 686
Non-current assets and disposal groups classified as held for sale	33	1 130	-
Other assets	34	119 460	108 793
TOTAL ASSETS		**32 460 012**	**29 302 000**
LIABILITIES			
Financial liabilities held for trading	35	111 647	159 306
Derivatives held for hedging	24	128 856	132 160
Deposits from banks	36	1 595 495	1 613 792
Deposits from customers and other financial liabilities at amortized cost	37	24 827 068	23 239 194
Debt securities issued	38	1 401 400	313 701
Fair value changes of the hedged items in portfolio hedge of interest rate risk	24	4 203	(16 331)
Provisions	39	150 933	140 010
Current tax liabilities	31	18 439	618
Deferred tax liabilities	32	9 681	9 420
Other liabilities	40	242 873	133 524
TOTAL LIABILITIES		**28 490 595**	**25 725 394**
EQUITY			
Share capital		285 777	285 777
Revaluation and other reserves		(80 152)	(146 957)
Retained earnings		2 973 908	2 977 355
Profit for the year		789 884	460 431
TOTAL EQUITY	41	**3 969 417**	**3 576 606**
TOTAL LIABILITIES AND EQUITY		**32 460 012**	**29 302 000**

These consolidated financial statements have been approved by the Management Board of UniCredit Bulbank AD on February 29, 2024.

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ОДИТОРСКО ДРУЖЕСТВО
София
Рег. № 129
БЕЙКЪР ТИЛИ КЛИТУ И ПАРТНЬОРИ ЕООД

The accompanying notes 1 to 49 are an integral part of these consolidated financial statements.

Consolidate Statement of Changes in Equity

In thousands of BGN

	Share capital	Statutory reserve	Retained earnings	Revaluation reserves: Financial Assets at Fair Value through OCI	Cash flow hedges reserves	IAS 19 reserve	Revaluation reserve on PPE	Total
Balance as of January 1, 2022	**285 777**	**342 378**	**2 944 421**	**108 008**	**(30 298)**	**(5 476)**	**66 973**	**3 711 783**
Profit for the year	-	-	**460 431**	-	-	-	-	**460 431**
Actuarial gains	-	-	-	-	-	4 261	-	**4 261**
Change of revaluation reserve on investment securities	-	-	-	(274 007)	-	-	-	**(274 007)**
Change of revaluation reserve on cash flow hedges	-	-	-	-	(45 990)	-	-	**(45 990)**
Change of revaluation reserve on tangible assets	-	-	-	-	-	-	2 173	**2 173**
Transfers of revaluation reserve of tangible assets to other net equity items	-	-	4 868	-	-	-	(4 868)	-
Income tax related to components of other comprehensive income	-	-	(486)	27 825	4 599	(426)	269	31 781
Total other comprehensive income for the year net of tax	-	-	**4 382**	**(246 182)**	**(41 391)**	**3 835**	**(2 426)**	**(281 782)**
Total comprehensive income for the year net of tax	-	-	**464 813**	**(246 182)**	**(41 391)**	**3 835**	**(2 426)**	**178 649**
Dividends paid	-	-	(313 826)	-	-	-	-	**(313 826)**
Balance as of December 31, 2022	**285 777**	**342 378**	**3 095 408**	**(138 174)**	**(71 689)**	**(1 641)**	**64 547**	**3 576 606**

	Share capital	Statutory reserve	Retained earnings	Revaluation reserves: Financial Assets at Fair Value through OCI	Cash flow hedges reserves	IAS 19 reserve	Revaluation reserve on PPE	Total
Balance as of January 1, 2023	**285 777**	**342 378**	**3 095 408**	**(138 174)**	**(71 689)**	**(1 641)**	**64 547**	3 576 606
Profit for the year	-	-	**789 884**	-	-	-	-	**789 884**
Actuarial losses	-	-	-	-	-	(4 470)	-	**(4 470)**
Change of revaluation reserve on investment securities	-	-	-	67 835	-	-	-	**67 835**
Change of revaluation reserve on cash flow hedges	-	-	-	-	4 879	-	-	**4 879**
Change of revaluation reserve on tangible assets	-	-	-	-	-	-	8 920	**8 920**
Transfers of revaluation reserve of tangible assets to other net equity items	-	-	1 747	-	-	-	(1 747)	-
Transfers of revaluation reserve to other net equity items from sale of equities at Fair Value through OCI	-	-	483	(483)	-	-	-	-
Income tax related to components of other comprehensive income	-	-	(223)	(7 370)	(488)	445	(716)	(8 352)
Total other comprehensive income for the year net of tax	-	-	**2 007**	**59 982**	**4 391**	**(4 025)**	**6 457**	**68 812**
Total comprehensive income for the year net of tax	-	-	**791 891**	**59 982**	**4 391**	**(4 025)**	**6 457**	**858 696**
Dividends paid	-	-	(465 885)	-	-	-	-	**(465 885)**
Balance as of December 31, 2023	**285 777**	**342 378**	**3 421 414**	**(78 192)**	**(67 298)**	**(5 666)**	**71 004**	**3 969 417**

These consolidated financial statements have been approved by the Management Board of UniCredit Bulbank AD on February 29, 2024.

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Authorized representative
KPMG Audit OOD

ОДИТОРСКО ДРУЖЕСТВО
София
Рег. № 045
КПМГ ОДИТ ООД

Galina Lokmadjieva
Registered auditor,
Responsible for the audit and
Authorized representative
Baker Tilly Klitou and Partners EOOD

ОДИТОРСКО ДРУЖЕСТВО
София
Рег. № 129
БЕЙКЪР ТИЛИ КЛИТУ И ПАРТНЬОРИ ЕООД

The accompanying notes 1 to 49 are an integral part of these consolidated financial statements.

Consolidate Statement of Cash Flows

In thousands of BGN

	Notes	2023	2022
Net profit		**789 884**	**460 431**
Current and deferred tax, recognized in income statement	20	87 778	50 757
Adjustments for non-cash items			
Amortization, depreciation and impairment losses on tangible and intangible fixed assets, investment properties and assets held for sale	17	85 661	71 841
Impairment of financial assets	19	13 112	101 646
Impairment of foreclosed properties	13	21	-
Provisions, net	39	11 363	29 369
Unrealized fair value loss/(gain) through profit or loss, net		(9 705)	23 289
Unrealized fair value loss/(gain) on FX revaluation		(60 704)	152 636
Net gain for associates under equity method		(418)	(459)
Net gain from sale of PPE and foreclosed properties		(7 411)	(15 196)
Net interest income	8	(890 804)	(584 328)
Dividend income		(838)	(1 023)
Increase in other accruals		27 812	16 350
Cash flows from profits before changes in operating assets and liabilities		**45 751**	**305 313**
Operating activities			
Change in operating assets			
Increase in loans and advances to banks		(1 655 429)	(18 852)
Increase in loans and advances to customers		(3 051 831)	(3 738 478)
(Increase)/decrease in financial instruments held for trading and hedging derivatives		57 592	(97 095)
Decrease in non-current assets held for sale		-	12 292
Increase in other assets		(2 291)	(19 302)
Increase in non-current assets from operating lease		(28 359)	(26 241)
Change in operating liabilities			
Increase/(Decrease) in deposits from banks		(10 778)	391 910
Increase in deposits from customers		1 647 251	3 335 090
Provisions utilization		(4 566)	(5 937)
Increase/(decrease) in other liabilities		90 215	(50 940)
Interest received		940 432	610 348
Interest paid		(81 635)	(41 287)
Dividends received		838	1 023
Taxes paid		(77 764)	(15 801)
Net cash flow from/(used in) operating activities		**(2 130 574)**	**642 043**

Consolidate Statement of Cash Flows (continued)

In thousands of BGN

	Notes	2023	2022
Cash flow from investing activities			
Cash payments to acquire PPE		(35 554)	(31 422)
Cash receipt from sale of PPE		7 411	15 196
Cash payments to acquire intangible assets	30	(30 876)	(28 222)
Cash receipt from sale of FVOCI assets		663 340	821 168
Cash payments to acquire FVOCI assets		(257 830)	(137 756)
Net cash flow from investing activities		**346 491**	**638 964**
Cash flow from financial activities			
Dividends paid		(465 885)	(313 826)
Cash payments related to lease liabilities		(10 535)	(8 422)
Increase in debt securities issued		1 075 707	-
Net cash flows from/(used in) financial activities		**599 287**	**(322 248)**
Effect of exchange rate changes on cash and cash equivalents		**3 602**	**(3 886)**
Impairment of cash equivalents	19	**(30)**	**137**
Net increase/(decrease) in cash and cash equivalents		**(1 181 224)**	**955 010**
Cash and cash equivalents at the beginning of period	45	**8 072 703**	**7 117 693**
Cash and cash equivalents at the end of period	45	**6 891 479**	**8 072 703**

These consolidated financial statements have been approved by the Management Board of UniCredit Bulbank AD on February 29, 2024.

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ОДИТОРСКО ДРУЖЕСТВО
Рег. № 129
БЕЙКЪР ТИЛИ КЛИТУ И ПАРТНЬОРИ ЕООД

The accompanying notes 1 to 49 are an integral part of these consolidated financial statements.

Notes to the Consolidate Financial Statements

1. Reporting entity

UniCredit Bulbank AD (the Bank) is a universal Bulgarian bank established upon a triple legal merger, performed on April 27th, 2007 between Bulbank AD, HVB Bank Biochim AD and Hebros Bank AD.

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

UniCredit Bulbank AD possesses a full-scope banking license for performing commercial banking activities. It is domiciled in the Republic of Bulgaria with registered address city of Sofia, 7 "Sveta Nedelya" sq. and UIC 831919536 as per the Trade Register. The Bank is primarily involved in corporate and retail banking and in providing asset management services.

As of December 31, 2023 the Bank operates through its network comprising of 130 branches and offices.

2. Basis of preparation

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB) and adopted by the European Union (EU).

These financial statements have been prepared on consolidated basis as required by Bulgarian Accountancy Act.

These consolidated financial statements are approved by the Management Board of UniCredit Bulbank AD on February 28, 2024.

(b) Basis of measurement

These consolidated financial statements have been prepared on the historical cost basis except for financial instruments measured at fair value or at amortized cost depending on asset classification, as well as property, plant, equipment and investment properties that are measured at fair value.

(c) Functional and presentation currency

These consolidated financial statements are presented in Bulgarian Lev (BGN) rounded to the nearest thousand. Bulgarian Lev is the functional and reporting currency of the Group.

(d) Use of estimates and judgement

The preparation of financial statements requires the Management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

Information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are described in notes **4** and **5**.

3. Material accounting policies

There have been no changes in material accounting policies for the periods presented in these consolidated financial statements. In principal, whenever certain information in the current period is presented in a different way for the purposes of providing more reliable and relevant view of the financial position of the Group, prior period information is also recalculated for comparative reasons.

(a) Basis of consolidation

These financial statements are prepared on consolidated basis whereas all entities where UniCredit Bulbank AD exercises control are consolidated applying full consolidation method and all participations in entities where UniCredit Bulbank AD exercises significant influence are consolidated applying equity method.

In accordance with IFRS 10 "Consolidated Financial Statements" control is achieved when cumulatively the Bank:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee;
- has the ability to use its power to affect its returns.

Following the above criterion, the Bank has performed assessment in two areas focused on:

1. Control existence assessment over all directly and indirectly owned equity participations;
2. Control existence assessment over entities where the Bank has no direct or indirect equity participation.

Upon completion of the first area of assessment, the Bank reconfirmed that it has control over the investees in all the cases where it holds directly or indirectly more than 50% of the investee's voting rights. In addition, the Bank reconfirmed to exercise significant influence over investee's activities in all the cases where it does not exercise control or joint control but owns 20% and more of the investee's voting rights.

For the purposes of the second area of assessment, the Bank primarily focused on so called "troubled loans" analysis as well as special purpose entities (SPE) in the customer portfolio. It covered thorough assessment of the relationship and legally-binding obligations between the Bank and customers on all defaulted and forborne loans and advances to corporate customers as well as loans and advances to SPEs with material outstanding amount as of the reporting dates (for practical reasons materiality threshold of EUR 1 million was applied). As a result of performing the above mentioned assessment, the Bank concluded that in no cases the definition of control is met, therefore no consolidation procedures on such customers have been applied as of December 31, 2023 and December 31, 2022.

All the entities where the Bank exercises control are consolidated under full consolidation method and all entities where the Bank exercises significant influence are consolidated under equity method. As of December 31, 2023 and December 31, 2022 there are no significant restrictions on the ability of all consolidated subsidiaries and associates to transfer cash or to repay loans to the parent company.

The consolidation scope as of December 31, 2023 covers the following entities:

Company	Participation in equity as of 31.12.2023	Direct/ Indirect participation	Consolidation method
UniCredit Fleet Management EOOD	100%	Direct	Full consolidation
UniCredit Consumer Financing EAD	100%	Direct	Full consolidation
UniCredit Leasing EAD	100%	Direct	Full consolidation
Cash Service Company AD	25%	Direct	Equity method

(b) Interest income and expense

Interest income and expenses are recognized in the Income statement following the accruing principle, taking into account the effective yield/effective interest rate of the asset/liability in all material aspects. Interest income and expenses include the amortization of any discount or premium or other differences between the initial carrying amount of an interest bearing instrument and its amount at maturity calculated on an effective interest rate basis.

The effective interest rate is the rate that exactly discounts estimated future cash flows of the financial instrument over the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. The future cash flows are estimated taking into account all the contractual terms of the instrument.

The calculation of the effective interest rate includes all fees and points paid or received between parties to the contract that are incremental and directly attributable to the specific arrangement, transaction costs, and all other premiums or discounts.

Interest income and expense presented in the Income statement include:

- interest on financial assets and liabilities at amortized cost calculated on an effective interest rate basis;
- interest on Fair Value through other Comprehensive Income (FVTOCI) investment securities calculated on an effective interest rate basis;
- interest on financial instruments held for trading;
- interest on financial instruments designated at fair value through profit or loss;
- interest on derivatives designated as effective hedging instruments;
- unrealized finance income (interest) representing the difference between the gross investment in the finance lease contract and the net investment therein. The gross investment in the finance lease contract is the aggregate of the minimum lease payments and any unguaranteed residual value accruing to the lessor. The interest income (finance charge) is allocated over the lease term on a pattern reflecting a constant periodic return on the lessor's net investment.
- excess liquidity interest based fees for accounts maintenance.

(c) Fee and commission income and other operating income

Fees and commissions income and other operating income are accounted for in the income statement as the entity satisfies the performance obligation embedded in the contract, according to "IFRS 15 Revenue from Contracts with Customers" rules.

In particular:

- if the performance obligation is satisfied at a specific moment ("point in time"), the related revenue is recognized in the income statement when the service is provided;
- if the performance obligation is satisfied over-time, the related revenue is recognized in the income statement in order to reflect the progress of satisfaction of such obligation.

Due to the above mentioned rules, transaction fees coming from trading in securities are typically booked in the moment when the service is provided while fees related to portfolios management, consulting or fund management are normally recognized over the term of the contract (input method).

For this second type of fees, in fact, it is deemed that the input which is necessary to provide the service incorporated in the performance obligation is evenly distributed during the term of the contract.

If the timing of cash-in is not aligned to the way the performance obligation is satisfied, the Group accounts for a contract asset or a contract liability for the portion of revenue accrued in the period or defers it in the following periods.

The amount of revenues linked to fees and commissions income and other operating income is measured based on contractual provisions.

If the amount contractually foreseen is subject, totally or partially, to variability, revenue has to be booked based on the most probable amount that the Group expects to receive.

Such amount is determined on the basis of all facts and circumstances considered relevant for the evaluation, depending on the type of service provided and, in particular, on the presumption that it is not highly probable that the revenue recognized will not be significantly reversed.

Nevertheless, for the services provided by the Group such a variability is not usually foreseen.

Finally, if a contract relates to different goods/services whose performance obligations are not satisfied at the same time, revenue is allocated among the different performance obligations proportionally to the stand-alone price of the single item delivered. These amounts will therefore be accounted for in the income statement on the basis of the timing of satisfaction of each obligation.

Fee and commission income and expenses that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate thus presented as interest income or expense.

(d) Net gains/(losses) on financial assets and liabilities held for trading, including FX revaluation

Net gains/(losses) on financial assets and liabilities held for trading include those gains and losses arising from disposals and changes in the fair value of financial assets and liabilities held for trading (including derivative deals) as well as trading income in dealing with foreign currencies and exchange differences from daily revaluation of the net open foreign currency position of the Bank.

The Bank concludes derivative deals with customers which represents a margin driven business. The market risk on all such deals is covered through back-to-back deals concluded on the derivatives' primary markets (with counterparties being usually other banks part of UniCredit Group such as UniCredit SpA, UniCredit Bank Austria AG and UniCredit Bank AG). The whole realized and unrealized gains/losses on derivative related to customers' business and their respective back-to-back derivatives with banks are presented net and included as part of the net gains/(losses) on financial assets and liabilities held for trading, including FX revaluation.

(e) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currency at the official Bulgarian National Bank foreign exchange rate effective at the date of the transaction. All monetary assets and liabilities denominated in foreign currencies are translated at the closing foreign exchange rate being the official rate of the Bulgarian National Bank. Non-monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rate effective at the date of the transaction. FX revaluation of equity investments classified in FVTOCI portfolio should be presented in FVTOCI revaluation reserve. As of each reporting date, all foreign currency denominated monetary assets and liabilities are revaluated using Bulgarian National Bank closing exchange rates. Any gain/loss is recognized in profit or loss.

(f) Net gains/(losses) on other financial assets designated at fair value through profit or loss

Net gains/(losses) on other financial assets designated at fair value through profit or loss include all realized and unrealized fair value changes and foreign exchange differences on assets which are managed on fair value basis and for which the Bank has applied "fair value option" upon initial recognition.

(g) Dividend income

Dividend income is recognized when the right to receive the income is established. Usually this is the ex-dividend date for equity securities.

(h) Leases

The Group as a lessee applies the requirements of IFRS 16, and assesses whether a contract is or contains a lease, at inception of the contract. The Group recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (under EUR 5 000). For these leases, as permitted by IFRS 16, the Group recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the lessee uses its incremental borrowing rate. The latter is determined on the basis of the cost of funding for liabilities of similar duration and similar security of those implicit in the lease contract.

The Group has applied a single discount rate to a portfolio of leases with reasonably similar characteristics.

Lease payments included in the measurement of the lease liability comprise of:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options;
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made. The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is re-measured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognized and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of the lease term and the useful life of the underlying asset. If the lessor transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy.

The Group as a lessor

Finance lease receivables

The Group's lease activity is related to lease of transport vehicles, industrial machinery, real estate, etc. mainly under finance lease agreements.

A finance lease is an agreement whereby the lessor conveys to the lessee the right to use an asset for an agreed period of time in return for a payment. A lease is considered to be a finance lease when substantially all of the risks and rewards incidental to ownership of the leased asset are transferred from the lessor to the lessee by the agreement. At the start of a finance lease agreement a receivable is recognized as an asset at the amount of the net minimum lease payments. The payment by the lessee covers the principal and realizes finance income, which compensates the investment and the lease service. Following the change in the VAT Act, in force since 1 January 2007 – the date when Bulgaria joins the European Union, when the lease agreements explicitly states that there will be a transfer of the ownership rights, VAT is booked by the real hand over of the goods and can be paid by the lessor and included in the gross investment in finance lease.

Typical indicators that the Group assesses to determine whether substantially all of the risks and rewards are transferred include: the present value of the minimum lease payments that the lessee is required to make in relation to the fair value of the leased asset at the inception of the lease; the duration of the lease in relation to the economic life of the leased asset; and whether the lessee will obtain ownership of the leased asset at the end of the financial lease agreement term.

Lease agreements whereby the risks and rewards incidental to ownership of the leased asset are not transferred from the lessor to the lessee, are classified as operating lease agreements.

Minimum lease payments

Minimum lease payments are those payments that the lessee is, or can be required to make to the lessor over the lease term. From the Group's point of view, minimum lease payments also include residual value guarantees by any third party unrelated to the Group provided that party is financially capable of fulfilling the obligations under the guarantee or repurchase agreement. The Group also includes in minimum lease payments the exercise price of a purchase option over the leased asset held by the lessee if it is reasonably certain at inception of the lease that the purchase option will be exercised. Minimum lease payments do not include contingent rent amounts, costs for services and taxes to be paid by and reimbursed to the Group.

Inception and commencement date of the lease

A distinction is made between the inception and commencement of the lease. The inception of the lease is the earlier of the date of the lease agreement and the date of commitment by the parties to the principal terms of the lease. At this date:

- a lease is classified as either an operating or a finance lease;
- in the case of a finance lease, the amounts to be recognized at the commencement of the lease are determined.

The commencement of the lease term is the date from which the lessee is entitled to exercise its right to use the leased asset. This is the date when the Group initially recognizes the lease.

Initial and subsequent measurement

Initially the Group records a finance lease receivable at the amount of its net investment, which comprises the present value of the minimum lease payments and any unguaranteed residual accruing to the Group. The present value is calculated by discounting the minimum lease payments due, at the interest rate implicit in the lease. Over the lease term the Group accrues financial income (interest income under finance lease) on the net investment. The receipts under the lease are allocated between reducing the net investment (repayment of principal) and recognizing finance income, so as to produce a constant rate of return on the net investment.

Subsequently the net investment in finance lease contracts is presented net of specific and general allowances for uncollectibility.

Operating lease

The payments under the operating lease contracts concluded are recognized as income by applying the linear method to the term of the specific contract.

(i) Financial instruments

(i) Recognition

The Group initially recognizes loans and advances, deposits, debt securities issued and subordinated liabilities on the date at which they are originated. Regular way purchases and sales of financial assets are recognized on the settlement date. For assets carried at fair value any change in the fair value of the asset to be received during the period between the trade date and the settlement date is recognized in profit or loss or in equity, depending on IFRS 9 category. All other financial assets and liabilities (including assets and liabilities designated at fair value through profit or loss) are initially recognized on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is initially measured at fair value plus (for an item not subsequently measured at fair value through profit or loss) transaction costs that are directly attributable to its acquisition cost.

Classification of the financial assets is based on business model and characteristics of the contractual cash flows. The analysis of the business model was conducted by mapping the business areas that make up the Group's portfolios and by allocating a specific business model to each of them.

In this regard, the business areas that make up the banking portfolio have been assigned "held-to-collect" or "held-to-collect and sell" business models according to holding intentions and expected turnover of the financial instruments.

The business areas that make up the Bank's trading portfolio have been assigned an "other" business model in order to reflect trading intentions.

For the purposes of classifying debt financial instruments in the categories envisaged by IFRS 9, the business model analysis must be complemented by an analysis of contractual flows ("SPPI Test").

In this regard, the Bank has developed systems and processes to analyze the portfolio of debt securities and loans in place and assess whether the characteristics of contractual cash flows allow for measurement at amortized cost ("held-to-collect" portfolio) or at fair value with effect on comprehensive income ("held-to-collect and sell" portfolio).

The analysis in question was carried out both by contract and by defining specific clusters based on the characteristics of the transactions and using a specific internally developed tool ("SPPI Tool") to analyze the contract features with respect to IFRS 9 requirements, or by using external data providers.

In application of the aforementioned rules, the Group's financial assets and liabilities have been classified as follows:

(ii) Classification

a) Cash and balances with the Central Bank

Cash and balances with the Central bank include notes and coins on hand and unrestricted balances held with the Central Bank. They are carried at amortized cost in the statement of financial position.

b) Financial assets and derivatives held for trading

Financial assets and derivatives held for trading are those that the Bank holds for the purpose of short-term profit taking. These include securities, derivative contracts and other trading instruments that are not designated as effective hedging instruments, and liabilities from short sales of financial instruments. All derivatives with positive fair values and purchased options are reported separately as derivatives held for trading. All derivatives with negative fair values and written options are reported as financial liabilities held for trading.

Financial assets and derivatives held for trading are carried at fair value in the statement of financial position. After initial recognition these financial instruments are measured at their fair value through profit or loss.

A gain or loss arising from sale or redemption or a change in the fair value of a Held for Trading (HFT) financial asset is recognized in profit or loss. If the fair value of a financial instrument falls below zero, which may happen with derivative contracts, it is recognized as "Financial liabilities held for trading".

c) Financial assets designated at fair value through profit or loss

Financial instruments that are not held for trading but which are part of a group of financial assets which performance is internally evaluated and reported on a fair value basis are initially designated and subsequently reported as financial assets designated at fair value through profit or loss.

A non-derivative financial asset can be designated at fair value if the abovementioned designation avoids accounting mismatches that arise from measuring assets and associated liabilities according to different measurement criteria.

Financial assets, designated at fair value through profit or loss are carried at fair value in the statement of financial position.

d) Financial assets mandatorily at fair value

The portfolio Mandatorily at fair value through profit or loss (MFV) is introduced according to IFRS 9 principles. A financial asset is classified as financial asset mandatorily at fair value if it does not meet the conditions, in terms of business model or cash flow characteristics, for being measured at amortized cost or at fair value through other comprehensive income.

Specifically, the following assets have been classified in this portfolio:

- debt instruments, securities and loans for which the business model is neither held to collect nor held to collect and sell but which are not part of the trading book;
- debt instruments, securities and loans with cash flows that are not solely payment of principal and interest;
- equity instruments not held for trading for which the Bank does not apply the option granted by the standard of valuing these instruments at fair value through other comprehensive income.

Gains and losses, whether realized or unrealized, are recognized in profit or loss as "Financial assets mandatorily at fair value".

e) Fair value through other comprehensive income (FVTOCI) assets

Financial asset, which is a debt instrument, is classified at FVTOCI if:

- its business model is held to collect and sell;
- its cash flows are solely the payment of principal and interest.

FVTOCI investments are non-derivative investments whose objective is achieved by both collecting contractual cash flow and selling financial assets.

All FVTOCI investments are carried at fair value.

On initial recognition, at settlement date, a financial asset is measured at fair value, which is usually equal to the consideration paid, plus transaction costs and fees directly attributable to the instrument.

After initial recognition, the interests accrued on interest-bearing instruments are recorded in the income statement according to the amortized cost criterion as Interest income and similar revenues. The gains and losses arising from changes in fair value are recognized in the Statement of comprehensive income and reported as Revaluation reserves.

These instruments are tested for impairment as illustrated in the specific section. Impairment losses are recorded in the income statement.

In the event of disposal, the accumulated profits and losses are recorded in the income statement.

With regard to equity instruments, the gains and losses arising from changes in fair value are recognized in the Statement of comprehensive income and reported as Revaluation reserves.

In accordance with the provisions of IFRS 9, no impairment losses on equity instruments are recognized in the income statement. Only dividends are recognized in profit or loss.

For unquoted equity securities whose fair value cannot be reliably measured, the Bank considers cost as the best estimate of fair value.

f) Fair value through other comprehensive income (FVTOCI) option

This category includes equity instruments not held for trading for which the Bank applies the option granted by the standard of valuing the instruments at fair value through other comprehensive income.

All investments in equity instruments and contracts on those instruments must be measured at fair value. However, in limited circumstances, cost may be an appropriate estimate of fair value. That may be the case if insufficient more recent information is available to measure fair value, or if there is a wide range of possible fair value measurements and cost represents the best estimate of fair value within that range.

UniCredit Group considers cost as a best estimate of fair value in case of Equity instruments for which all the following conditions are met: the instrument is not listed; the percentage of interests held by the Bank does not grant the right to acquire the relevant business plans developed by management for using internal valuation models; and their features are such that it is not possible to identify meaningful comparable investments to be used as benchmark.

With regard to equity instruments, the gains and losses arising from changes in fair value are recognized in the Statement of comprehensive income and reported as Revaluation reserves. Such an investment is not a monetary item and gain or loss that is presented in other comprehensive income includes any related foreign exchange component.

In accordance with the provisions of IFRS9, no impairment losses on equity instruments are recognized in the income statement. Only dividends are recognized in profit or loss. No reclassification of gains and losses to profit or loss on derecognition is allowed.

g) Financial assets at amortized cost

A financial asset is classified as financial asset measured at amortized cost if:

- its business model is held to collect;
- its cash flows are solely the payment of principal and interest.

Held to collect investments are non-derivative assets with fixed or determinable payments and fixed maturity that the Group has the positive intent and ability to hold to maturity.

On initial recognition, at settlement date, financial assets at amortized cost are measured at fair value, which is usually equal to the consideration paid, plus transaction costs and fees directly attributable to the instrument.

After initial recognition assets are measured at amortized cost which requires the recognition of interest on an accrual basis by using the effective interest rate method over the term of the loan.

Such interest is recognized in profit or loss as Interest income and similar revenues.

The carrying amount of financial assets at amortized cost is adjusted to take into account the reductions/ write-backs resulting from the valuation process as set out in the specific section for Impairment. Expected credit losses are recognized in profit or loss. In the event of disposal, the accumulated profits and losses are recorded in the income statement as Gains (Losses) on disposal.

Amounts derived from adjustment of carrying amount of financial assets, gross of cumulated write-downs, are recognized in profit or loss as Gains/Losses from contractual changes with no cancellations of the contracts in order to reflect modifications on contractual cash flows that do not give rise to accounting derecognition.

Sales are usually not compatible with this business model. Several kinds of sales however do not jeopardize the business model held to collect. These are sales that occur as a result of deterioration in the credit standing of the financial assets, which are not significant in value (not greater than 10% of the carrying value of the relevant portfolio) or sales that are made close to the maturity. In any cases sales should be infrequent.

h) Deposits from banks and customers

Deposits from banks and customers are financial instruments related to attracted funds by the Bank, payable on demand or upon certain maturity and bearing agreed interest rate. They are carried at amortized cost using the effective interest rate method.

(iii) Derecognition

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognized as a separate asset or liability. The Group derecognizes a financial asset also in case of substantial modification of the terms and conditions of the asset. The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

The Group enters into transactions whereby it transfers assets recognized on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognized from the statement of financial position. Transfers of assets with retention of all or substantially all risks and rewards include, for example, securities lending and repurchase transactions.

In transactions in which the Group neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset, it derecognizes the asset if it does not retain control over the asset. The rights and obligations retained in the transfer are recognized separately as assets and liabilities as appropriate. In transfers in which, control over the asset is retained, the Group continues to recognize the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

In certain transactions the Group retains the obligation to service the transferred financial asset for a fee. The transferred asset is derecognized in its entirety if it meets the derecognition criteria. An asset or liability is recognized for the servicing contract, depending on whether the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the servicing.

(iv) Amortized cost measurement

The amortized cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount recognized and the maturity amount, minus any reduction for impairment.

(v) Fair value measurement principles

Fair value is defined as 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.

In accordance with IFRS 7 “Financial instruments: Disclosures” the Group applies a three-level fair value hierarchy that reflects the significance of the inputs used in measurements (for more details see note **6**).

(vi) Offsetting

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when both the Group and the counter party have a legally enforceable right to offset the recognized amounts and the transactions are intended to be settled on a net basis.

(vii) Repurchase agreements

UniCredit Bulbank AD enters into purchases (sales) of financial instruments under agreements to resell (repurchase) substantially identical instruments at a certain date in the future at a fixed price. Instruments purchased subject to commitments to resell them at future dates are not recognized. The amounts paid are recognized in loans to either banks or customers. Financial instruments sold under repurchase agreements continue to be recognized in the statement of financial position and measured in accordance with the accounting policy. The proceeds from the sale of the investments are reported in the statement of financial position under deposits from customers or banks, respectively. The difference between the sale and repurchase consideration is recognized on an accrual basis over agreed term of the deal and is included in net interest income.

(j) Impairment

The Group recognizes a loss allowance for expected credit losses on: a debt financial asset that is measured at Amortized cost and Fair value through Other Comprehensive income, a lease receivable, a contract asset or a loan commitment and a financial guarantee contracts.

For this purpose debt instruments have to be classified in one of the following stages:

- **Stage 1:** which comprises newly originated financial assets as well as assets whose credit risk has not significantly increased since initial recognition;
- **Stage 2:** which comprises financial assets whose credit risk has significantly increased since initial recognition;
- **Stage 3:** which comprises credit impaired financial assets.

In order to provide consistency between IFRS and regulatory definitions, it is assumed that all instruments classified as “Non-performing” according to regulatory framework are considered to be instruments with an objective evidence of impairment (credit impaired). In order to meet the requirements of the standard, the Group has developed specific models to calculate expected loss based on Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD) parameters, used for regulatory purposes and adjusted in order to ensure consistency with accounting regulation, also following the “Guidelines on credit institutions’ credit risk management practices and accounting for expected credit losses” issued by EBA.

In this context “forward looking” information was included through the elaboration of specific scenarios. The Stage Allocation model is a key aspect of the new accounting model required to calculate expected credit losses, which is aimed at transferring credit exposures from Stage 1 to Stage 2 (Stage 3 being equivalent to non-performing exposures).

Specific adjustments have been developed on Probability of Default (PD), Loss Given Default (LGD) and Exposure At Default (EAD) parameters to compound the Expected Credit Loss (ECL), and a model has been developed to assess the Stage Allocation on unimpaired assets, at transaction level, between Stage 1 and Stage 2.

The main difference between the two stages is referred to the time horizon which the ECL is expected to be calculated on. For Stage 1 transactions a “1 year” ECL is required, while on Stage 2 transactions a “Lifetime” ECL applies.

On PD, LGD and EAD specific adjustments are applied to parameters already calculated for “regulatory” purposes, in order to ensure full consistency, net of different regulatory requirements, between regulatory and accounting treatment. The main adjustments are such to:

- remove the conservatism required for regulatory purposes only;
- introduce a “point in time” adjustment, instead of the “through the cycle” adjustment embedded in the regulatory parameters;
- include forward-looking information;
- extend the credit risk parameters in a multiyear perspective;

- estimate present value of the expected credit losses;
- introduce Overlay Factor, integrating the combined effect of different macroeconomic scenarios over the ECL result.

As for what concerns the lifetime PDs, the through-the-cycle PD curves, obtained by fitting the observed cumulated default rates, have been calibrated to reflect a point in time and forward-looking expectation about the portfolio default rates.

Recovery rate embedded in the through the cycle LGD have been adjusted to remove margin of conservatism and to reflect the most recent recovery rate trend as well as expectation about future trend and discounted at the effective interest rate or its best approximation.

The lifetime EAD has been obtained by extending the 1Y regulatory model, removing margin of conservatism and including expectation about future drawing levels.

The Expected Credit Loss derived from such adjusted parameters has been compounded also taking into consideration macroeconomic forecasts and applying multiple scenarios to the forward looking component so to offset the partial non linearity naturally embedded in the correlation between macroeconomic changes and the key components of the ECL. Specifically, the non-linearity effect has been incorporated by estimating an overlay factor to be directly applied to the portfolio ECL.

The process set up to include such macroeconomic multiple scenario is fully consistent with macroeconomic forecasts processes used in UniCredit Group for other risk relevant purposes (i.e. processes adopted for translating macro-economic forecasts into Expected Credit Losses within both EBA Stress Test and ICAAP framework) and leverages on UniCredit Research independent function as well. The starting point will be therefore fully aligned, while the application will differentiate, to comply with different requirements, by using internally defined scenarios only.

A key aspect deriving from the model in compounding the final Expected Credit Loss is represented by the Stage allocation model, aimed to allocate credit transactions between Stage 1 and Stage 2 (Stage 3 being equivalent to Impaired assets), whereas Stage 1 mainly includes (i) newly originated exposures, (ii) exposures with “no significant deterioration in credit quality since initial recognition” or (iii) “low credit risk” exposures at the reporting date.

In the Group, the Stage Allocation model is based on a combination of relative and absolute elements. The main elements were:

- comparison, for each transaction, between PD as measured at the time of origination and PD as at the reporting date, both calculated according to internal models, through thresholds set in such a way as to consider all key variables of each transaction that can affect the Group’s expectation of PD changes over time (e.g. age, maturity, PD level at the time of origination);
- absolute elements such as the backstops required by law (e.g. 30 days past-due);
- additional internal evidence (e.g. Forborne classification).

With regard to debt securities, the Group and the Bank opted for application of the low credit risk exemption on investment grade securities in full compliance with the accounting standard.

The expected credit losses of Group’s assets are regularly (by the end of each month) calculated to determine whether there is any objective evidence for impairment.

a) Impairment of assets carried at amortized cost

Loans and advances to banks and customers are assessed for impairment indicators on a monthly basis for the purposes of preparing monthly financial statements of the Group. Review is performed and decisions are taken by Financial and Credit Risk Committee – Credit Risk Session which is a specialized internal body for monitoring, valuation and classification of risk exposures. Loans and advances are presented net of allocated allowances for impairment. Impairment allowances are made against the carrying amount of loans and advances that are identified as being impaired based on regular reviews of outstanding balances. Impairment allowances on portfolio basis are maintained to reduce the carrying amount of portfolios of similar loans and receivables to their estimated recoverable amounts at the reporting date. The expected cash flows for portfolios of similar assets are estimated based on previous experience, late payments of interest, principals or penalties. Increases in the allowance account are recognized in profit or loss.

When a loan is known to be uncollectible, all the necessary legal procedures have been completed, and the final loss has been determined, the loan is directly written off.

Where a debt asset remeasured at amortized cost is impaired, impairment is recognized in profit or loss.

b) Impairment of financial assets remeasured to fair value directly in other comprehensive income

Financial assets remeasured to fair value directly through other comprehensive income are those classified as Fair value through other comprehensive income (FVTOCI).

Where a debt asset remeasured to fair value directly through other comprehensive income is impaired, impairment is recognized in profit or loss.

FVTOCI financial assets are assessed for impairment indicators on a monthly basis for the purposes of preparing monthly financial statements of the Bank. Review is performed and decisions are taken by Financial and Credit Risk Committee – Credit Risk Session (formerly Provisioning and Restructuring Committee) which is a specialized internal body for monitoring, valuation and classification of risk exposures.

IFRS 9 requires to determine impairment on debt FVTOCI instruments using the same rules applied for financial assets at amortized cost.

Equity instruments presented in Financial assets at Fair Value through OCI are not subject to calculation of impairment as changes in fair value are always recognized in equity revaluation reserves through OCI.

(k) Derivatives held for hedging

As allowed by IFRS 9 Financial instruments, the UniCredit Group will continue to apply IAS 39 rules on hedge accounting. The MB of the Bank has approved "Hedge accounting methodology – UniCredit Bulbank AD". Derivatives used for hedging include all derivative assets and liabilities that are not classified as held for trading. Derivatives used for hedging are designated as effective hedging instruments and are measured at fair value in the statement of financial position.

The Bank has developed hedge accounting methodology aiming at effective management of interest rate risk out of the banking book positions through certain fair value hedge and cash flow hedge relationships. Since 2009 the Bank applies macro Cash Flow Hedge accounting. Since 2015 the Bank has started to apply micro Fair Value Hedge accounting. In accordance with the approved methodology, upon initial designation of the hedge, the Bank formally documents the relationship between the hedging instruments and the hedged items, including risk management objective and strategy in undertaking the hedge, together with the method that will be used to assess and measure the effectiveness of the hedge relationship. Assessment is performed, both at the inception of the hedge relationship as well as on ongoing basis (based on Market risk function independent assessment), as to whether the hedging instruments are expected to be "highly effective" in offsetting the changes in the fair value or cash flows of the respective hedged items during the period for which the hedge is designated, and whether the actual results of each hedge are within the range of 80-125 percent (the limits for intragroup deals are to be reduced respectively to 90% and 111.8%). The Bank also makes an assessment for each cash flow hedge of a forecast transaction, as to whether the forecast transaction is highly probable to occur and presents an exposure to variations in cash flows that could ultimately affect profit or loss.

Fair value hedge

When a derivative is designated as hedging instrument in a hedge of fair value of recognized asset or liability that could affect profit or loss, changes in the fair value of the derivative are recognized immediately in profit or loss. When the hedged item is classified as Fair value at other comprehensive income, cumulative changes of the fair value attributable to the hedged risk are recognized in profit and loss against revaluation reserve of the hedged items.

If the hedging derivative expires or is sold, terminated or exercised, or the hedge no longer meets the criteria for fair value hedge accounting, or the hedge designation is revoked, fair value hedge accounting is discontinued prospectively. Any adjustment up to that point to a hedged item, for which the effective interest method is used, is amortized to profit or loss as part of the recalculated effective interest rate of the item over its remaining life. Amortization starts immediately when hedge relationship no longer exists. When the hedged item is derecognized due to sale or expiration then the whole unamortized revaluation reserve is immediately recognized in profit and loss.

Cash flow hedge

Bank designates derivatives as hedging instruments in hedge of the variability in cash flows attributable to particular type of risk associated with highly probable forecast transaction that could ultimately affect profit or loss. While the derivative is carried at fair value in the statement of financial position, the effective portion of the changes of the fair value is recognized in other comprehensive income under cash flow hedge reserve and the ineffective part is recognized immediately in profit or loss.

If the hedging derivative expires or is sold, terminated or exercised, or the hedge no longer meets the criteria for cash flow hedge accounting, or the hedge designation is revoked then the hedge accounting is discontinued prospectively. As Bank's hedging strategy covers forecast cash flows as hedged items, the cumulative amount, recognized in other comprehensive income from the period when the hedge was effective, is recycled in profit or loss when the forecast transactions occur. In case the forecast transaction is no longer expected to occur, the whole balance outstanding in other comprehensive income is reclassified in profit or loss.

(l) Property, plant, equipment and investment property

All items of property, plant and equipment are carried at cost less accumulated depreciation or impairment losses, except for:

- properties used in business (regulated by IAS 16 "Property, plant and equipment"), for which the revaluation model for the measurement subsequent to initial recognition is applied;
- investment properties (regulated by IAS 40 "Investment property"), for which the fair value model is applied.

Starting from December 31, 2019 the Group has adopted a policy to carry its items of property at revalued amount under the allowed alternative approach in IAS 16 Property, plant and equipment. Items of property are stated at fair value determined periodically by independent registered appraisers.

Positive changes in value are recognized in other comprehensive income reserve; if in previous periods negative changes were accounted for in the income statement, then subsequent positive changes will be recognized in the income statement up to the amount of negative change previously recognized.

Negative changes in value recognized in the income statement; if in previous periods positive changes in value were accounted for in other comprehensive income reserve, then subsequent negative changes will be recognized in other comprehensive income reserve (which can never be negative).

Depreciation is calculated based on revalued values and the revised remaining useful life.

Other comprehensive income reserve generated from revaluation (including the one, generated at First Time Adoption) is "reclassified" to retained earnings across the residual useful life of the asset. In case of disposal of the asset the entire other comprehensive income reserve is reclassified to retained earnings (with no impacts in the income statements).

Plant and equipment are carried at historical cost less any accumulated depreciation or impairment losses.

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business or use for administrative purposes. Starting from December 31, 2019 the Bank has adopted a policy to carry its items of investment property at fair value determined periodically by independent registered appraisers. In periods after the first comparative period, the changes in fair value over the previous period is recognized in the income statement. No depreciation charges or impairment adjustments is to be recognized.

Properties that are intended to be sold in the ordinary course of business, however exceeding 12 months and which are neither intended to be used in the banking business nor kept as investment properties, are classified as current assets and accounted for as inventories under the provisions of IAS 2 – Inventories.

The gains or losses on disposal of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of the item of property and equipment, and are recognized net in profit or loss.

Depreciation on all items of property, plant and equipment (except investment property for which no depreciation charges are accrued) is provided on a straight-line basis at rates designed to write down the cost or valuation of fixed assets over their expected useful lives. Assets are not depreciated until they are brought into use and transferred from construction in progress into the relevant asset category.

The applicable annual depreciation rates based on expected useful life on major assets categories are as follows:

	Annual depreciation rates (%)	Equivalent expected useful life (years)
Buildings	2-4	25-50
Computer hardware	20-50	2-5
Fixtures and fittings	15-20	5-7
Vehicles	25	4

(m) Intangible assets

Intangible assets are stated at cost less accumulated amortization and any impairment losses. As of December 31, 2023 and December 31, 2022 intangible assets include primarily investments in software and related licenses.

Amortization is calculated on a straight-line basis over the expected useful life of the asset. The average useful life of intangible assets controlled by the Group is estimated to approximately 5 years, which is an equivalent of approximately 20% annual amortization rate. For core system software and related applications estimated useful life is 10 years, which is an equivalent of approximately 10% annual amortization rate.

(n) Non-current assets held for sale

The Bank presents as non-current assets held for sale, investments in properties whose carrying amount will be recovered principally through sale transaction rather than continuing use. Items are only included in this category when the Management of the Bank has clear intention to finalize the sale and has already started looking for a buyer.

Properties acquired within a bail-out purchase that are not to be used for own business purposes or held to earn rentals and/or for capital appreciation in the long term, but are intended to be sold in the near future (within 12 months) are classified as Non-current Assets Held for Sale. Non-current assets held for sale are carried at the lower of their carrying amount and fair value less costs to sell.

(o) Provisions

A provision is recognized when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. As of December 31, 2023 and December 31, 2022 Management has reviewed Group's legal and constructive obligation and to the extent they meet the requirement for recognition, provision is recorded, respectively.

(p) Employees' benefits

(i) Short-term employee's benefits

Short-term employees' benefits comprise of amounts due to personnel on the basis of unused paid leave accounted for each and single employee as of the reporting date as well as expected additional bonus payments for achieved results during the current financial year. The amount of the unused paid-leave obligation includes the overall undiscounted amount of the obligation that the Group has to settle should the employment contract is terminated as of the reporting date. Short-term employees' benefits are presented as other liabilities and disclosed separately in the Notes.

(ii) Defined benefit obligation

Defined benefit obligations are those agreed in the Collective Labor Agreement.

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit pension plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods and discounting that benefit to determine its present value. The discount rate used is those of Bulgarian local currency government bonds at the reporting date. The calculation is performed by a qualified actuary. To determine the net amount in the statement of financial position, any actuarial gains and losses is presented separately in the Statement of other comprehensive income.

(iii) UniCredit Group Short and Long-Term incentive plans

UniCredit Group Short and Long-Term incentive plans comprise of deferred cash payments (cash settled) as well as stock options and performance share granted by the ultimate parent UniCredit S.p.A. They are allocated to selected group of top and senior managers of the Group.

Whenever the vesting period of the stock options or performance shares ends, UniCredit Bulbank is required to settle the monetary amount, corresponding to the economic value of the respective instruments. Thereafter the parent effectively grants the instruments to the respective managers.

As of December 31, 2023 and December 31, 2022 UniCredit Bulbank presents the corresponding part of the economic value of the stock options and performance shares and respective accruals on the deferred cash payments as payroll costs under personnel expenses in the Income statement and the related obligation as other liability.

(q) Share capital and reserves

(i) Share capital

As described in Note 1, HVB Bank Biochim AD and Hebros Bank AD merged into Bulbank AD legally as of April 27th, 2007 with retroactive effect for accounting purposes since January 1st, 2007. At the time of the merger the three merging entities were under direct control of UniCredit bank Austria AG and ultimately under control of UniCredit S.p.A. The merger represented a share-exchange transaction, where share-exchange ratios based on fair valuation of the net assets of the three Banks, certified by independent auditor, as required by the Bulgarian Commercial Act, were applied. The share capital of UniCredit Bulbank AD as of the date of the merger was in the amount of BGN 239 256 thousand and comprise of the share capital of Bulbank AD before the merger in the amount of BGN 166 370 thousand, increased by the newly issued ordinary shares exchanged for the ordinary shares of the merging Banks - HVB Bank Biochim AD and Hebros Bank AD (increase in the amount of BGN 72 886 thousand).

In September 2010 shareholders of UniCredit Bulbank AD approved a capital increase in the amount of BGN 179 000 thousand through issuing 24 655 650 new shares with issuing price BGN 7.26 and face value BGN 1, each. The capital increase was dully completed and registered and as of December 31, 2010 the share capital of the Bank amounted to BGN 263 911 thousand.

In May 2011 shareholders of UniCredit Bulbank AD approved a capital increase in the amount of BGN 158 744 thousand through issuing 21 865 500 new shares with issuing price BGN 7.26 and face value BGN 1, each. The capital increase was dully completed and registered and as of December 31, 2011 the share capital of the Bank amounts to BGN 285 777 thousand.

In 2016 due to the reorganization of the UniCredit banking group activities in Central and Eastern Europe ("CEE") the transfer of the CEE Business of UniCredit Bank Austria AG (including also the banking shareholdings of the above mentioned area) under the direct control of UniCredit SpA was performed thus leading to change of the Bank's main shareholder to UniCredit SpA.

No changes in the amount of the share capital were made in 2023 and 2022.

(ii) Reserves

Reserves consist of statutory reserves and retained earnings held within the Group as well as reserves on investments at FVTOCI, revaluation of property, plant and equipment (properties used in business), cash flow hedges and reserve resulted from defined benefit obligation actuarial gains and losses. As of December 31, 2023 and December 31, 2022 the reserves include also the premium of previously issued shares corresponding to the difference between the issuing price and the face value.

(r) Taxation

Tax on the profit for the year comprises current tax and the change in deferred tax. Income tax is recognized in the Income statement except to the extent that it relates to items recognized directly to other comprehensive income, in which case it is recognized in other comprehensive income. Current tax comprises tax payable calculated on the basis of the expected taxable income for the year, using the tax rates enacted at the reporting date, and any adjustment of tax payable for previous years.

Deferred tax is provided using the liability method on all temporary differences between the carrying amounts for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is calculated on the basis of the tax rates that are expected to apply for the periods when the asset is realized or the liability is settled. The effect on deferred tax of any changes in tax rates is charged to the Income statement, except to the extent that it relates to items previously charged or credited directly to other comprehensive income.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the unused tax losses and credits can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

As of December 31, 2023 and December 31, 2022 balances of deferred tax are presented net in the Statement of financial position as the respective netting requirements set out in IAS 12 are fully met.

(s) Segment reporting

The Group has adopted IFRS 8 "Operating Segments" which requires the Group to present operating segments based on the information that is internally provided to the Management. The business segments that have been previously determined and presented by the Group in accordance with IAS 14 "Segment Reporting" are also the primary operating segments which are regularly reported to the Management of the Group.

(t) Standards issued but not yet effective

The following new Standards, amendments to Standards and Interpretations, endorsed by the EC, are not yet mandatorily effective for annual periods beginning on or after 1 January 2023, and have not been applied in preparing these consolidated financial statements. The Group plans to adopt these pronouncements when they become effective.

Standards, Interpretations and amendments to published Standards that have not been early adopted – endorsed by the EC

a) Amendments to IAS 1 Presentation of Financial Statements:

- Classification of Liabilities as Current or Non-current (issued on 23 January 2020);
- Classification of Liabilities as Current or Non-current - Deferral of Effective Date (issued on 15 July 2020); and
- Non-current Liabilities with Covenants (issued on 31 October 2022)

Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement for at least 12 months after the reporting date. The International Accounting Standards Board (IASB) has removed the requirement for a right to be unconditional and instead now requires that a right to defer settlement must exist at the reporting date and have substance.

Similar to existing requirements in IAS 1, the classification of liabilities is unaffected by management's intentions or expectations about whether the company will exercise its right to defer settlement or will choose to settle early.

A Company will classify a liability as non-current if it has a right to defer settlement for at least 12 months after the reporting date. This right may be subject to a company complying with conditions (covenants) specified in a loan arrangement.

After reconsidering certain aspects of the 2020 amendments, the IASB reconfirmed that only covenants with which a company must comply on or before the reporting date affect the classification of a liability as current or non-current.

Covenants with which the company must comply after the reporting date (i.e. future covenants) do not affect a liability's classification at that date. However, when non-current liabilities are subject to future covenants, companies will now need to disclose information to help users understand the risk that those liabilities could become repayable within 12 months after the reporting date.

The amendments also clarify how a company classifies a liability that can be settled in its own shares – e.g. convertible debt.

When a liability includes a counterparty conversion option that involves a transfer of the company's own equity instruments, the conversion option is recognised as either equity or a liability separately from the host liability under IAS 32 Financial Instruments: Presentation. The IASB has now clarified that when a company classifies the host liability as current or non-current, it can ignore only those conversion options that are recognised as equity.

The amendments apply retrospectively for annual reporting periods beginning on or after 1 January 2024, with early application permitted.

The Group does not expect the amendment to have a material impact on its consolidated financial statements when initially applied.

b) Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback (issued on 22 September 2022)

The amendments confirm the following: On initial recognition, the seller-lessee includes variable lease payments when it measures a lease liability arising from a sale-and-leaseback transaction.

After initial recognition, the seller-lessee applies the general requirements for subsequent accounting of the lease liability such that it recognises no gain or loss relating to the right of use it retains.

A seller-lessee may adopt different approaches that satisfy the new requirements on subsequent measurement.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024, with earlier application permitted. The Group does not expect the amendment to have a material impact on its consolidated financial statements when initially applied.

c) Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures – Supplier Finance Arrangements

The amendments introduce two new disclosure objectives – one in IAS 7 and another in IFRS 7 – for a company to provide information about its supplier finance arrangements that would enable users (investors) to assess the effects of these arrangements on the company's liabilities and cash flows, and the company's exposure to liquidity risk.

Transparency is expected under existing IFRS® Accounting Standards. However, the amendments introduce specific requirements for companies to provide the information users need

Under the amendments, companies also need to disclose the type and effect of non-cash changes in the carrying amounts of the financial liabilities that are part of a supplier finance arrangement.

The amendments also add supplier finance arrangements as an example to the existing disclosure requirements in IFRS 7 on factors a company might consider when providing specific quantitative liquidity risk disclosures about its financial liabilities.

The amendments are effective for periods beginning on or after 1 January 2024, with early application permitted.

The Group does not expect the amendment to have a material impact on its consolidated financial statements when initially applied.

d) Lack of Exchangeability – Amendments to IAS 21.

A company's objective when estimating a spot rate is only that it reflects the rate at which an orderly exchange transaction would take place at the measurement date between market participants under prevailing economic conditions. The amendments contain no specific requirements for estimating a spot rate.

Therefore, when estimating a spot rate a company can use:

- an observable exchange rate without adjustment; or
- another estimation technique.

Under the amendments, companies will need to provide new disclosures to help users assess the impact of using an estimated exchange rate on the financial statements.

The amendments apply for annual reporting periods beginning on or after 1 January 2025. Earlier application is permitted.

The Group does not expect the amendment to have a material impact on its consolidated financial statements when initially applied.

e) Sales of contribution of assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28.

The amendment is available for optional adoption. The effective date is deferred indefinitely.

Standards and interpretations not yet endorsed by the EC

Management believes that it is appropriate to disclose that the following new or revised standards, new interpretations and amendments to current standards, which are already issued by the International Accounting Standards Board (IASB), are not yet endorsed for adoption by the EC, and therefore are not taken into account in preparing these consolidated financial statements. The actual effective dates for them will depend on the endorsement decision by the EC.

The following amendments and improvements to standards are not expected to have a material impact on the consolidated financial statements of the Group.

- Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability (issued on 15 August 2023); and
- Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements (issued on 25 May 2023)

4. Financial risk management

(a) General framework

UniCredit Bulbank AD is exposed to the following risks from financial instruments:

- market risk;
- liquidity risk;
- credit risk;

This note presents information about the Bank's exposure to each of the above risks, the Bank's objectives, policies and processes for measuring and managing risk and the Bank's management of capital.

Different types of risks are managed by specialized departments and bodies within the Bank's structure. The applicable policies entirely correspond to the requirements of Group Risk Management Standards as well as all respective requirements set by the Bulgarian and European banking legislations. The Bank manages risk positions on aggregate basis, focusing in reaching optimal risk/return ratio.

Financial and Credit Risk Committee – ALCO Session (FCRC – ALCO) is a decisional committee in the area of the financial risk management that is directly accountable to the Management Board of the Bank (MB). It is responsible for developing and employing the liquidity management system of the Bank. The Committee is responsible for approving strategies, policies and methodologies for market risk, counterparty credit risk, liquidity risk, FX risk and banking book interest rate risk, fund transfer pricing, setting limits (where applicable) accordingly.

Credit risk in the Bank is specifically monitored through Financial and Credit Risk Committee, Credit Risk Session (FCRC – CRS). It is a specialized body responsible for credit risk assessment, classification of credit risk exposures and impairment losses estimation, approval of changes in Credit Risk Strategies, Retail and Corporate Credit Policy, rules, new credit products or changes and optimization in credit processes. Assessment of the credit risk is in accordance with the ECB guidelines, Group standards and for regulatory purposes in accordance with Bulgarian National Bank requirements.

Management of the Bank has approved certain limits aiming to mitigate the risk impact on the Bank's result. These limits are within the overall risk limits of the banking group. The limits for credit risk depend on size of the exposure as the internal lending rules determine the approval body levels in accordance to his/her place in the hierarchy of the organizational structure of the Bank. Management Board approves large exposures – above 10% of Tier 1 capital of the Bank (requirement of Law on Credit Institutions and other transactions defined in applicable Credit policy. There is a procedure established in the Bank for limits monitoring, including early warning in case of limits breaches.

(b) Market risks

Risk monitoring and measurement in the area of market risks, along with trading activities control is performed by the Market Risk management function within Financial Risk and Modeling. Market risk control function is organized independently from the trading and sales or any other risk taking activities structure. Market risk management policies and limits are explicitly defined in the Market Risk Strategy of UniCredit Bulbank, which is reviewed at least annually. A product development process is established in which risk managers play a decisive role in approving a new product, especially in the field of financial markets products.

Market risk management in UniCredit Bulbank AD encompasses all activities in connection with Markets and Investment Banking operations and management of the assets and liabilities structure. Risk positions are aggregated at least daily, analyzed by the independent Market Risk management function and compared with the risk limits set by the Management Board and FCRC-ALCO. The risk control function also includes ongoing monitoring and reporting of the risk positions, limit utilization, and daily analysis of Client Risk Management & Treasury (CMR&T) and Assets and Liabilities Management and Funding (ALM)'s operations.

UniCredit Bulbank AD applies uniform Group procedures in measuring and monitoring market risk exposures. These procedures make available the major risk parameters for various trading operations at least once a day. Besides Value at Risk, other metrics of equal importance are stress-oriented sensitivities for FX, interest rates, credit spreads, equity. Additional element of the limit system are the loss-warning level restrictions applied to cumulative results for a specific period, the stress test warning metrics and various limitations for granular sensitivities.

For internal risk management and Group compliant risk measurement of Value at Risk (VaR), the Bank applies UniCredit Group's internal model for market risks. It is based on historical simulation with a 250-day market data time window for scenario generation and covers all major risk categories: interest rate risk and equity risk (both general and specific), currency risk and commodity position risk. The simulation results, supplemented with distribution metrics and limit utilization are reported on a daily basis to the Management and to the responsible risk taking structures. In addition to the risk model results, income data from market risk activities are also determined and communicated on a daily basis. Reporting covers the components reflected in IFRS-based profit and the market changes of all investment positions regardless of their recognition in the IFRS-based financial statements ("total return"). Fair value adjustments (FVA) are applied to the extent that they are consistent with the objective of a fair value measurement. Credit/debit valuation adjustments (CVA/DVA) for OTC derivatives along with Funding Valuation Adjustments are complementing the presentation of performance results.

During 2023, VaR of FVOCI positions (measured with one day holding period, confidence interval of 99%) of UniCredit Bulbank AD moved in a range between BGN 4.92 million and BGN 20.06 million, averaging BGN 14.73 million, with credit spreads and interest rate curves' movements being main drivers. VaR of FVPL positions fluctuated in a range between BGN 0.21 million and BGN 0.58 million, averaging BGN 0.36 million.

VaR of UniCredit Bulbank AD by portfolio in BGN million for 2023 on consolidated basis is as follows:

Portfolio	Minimum	Maximum	Average	Year-end
FVPL	0.21	0.58	0.36	**0.53**
FVOCI	4.92	20.06	14.73	**4.92**

In terms of different risk factors contributing to the overall VaR of both FVPL and FVOCI portfolios, the spit by end-2023 is as follows:

31.12.2023 (BGN)	FVOCI	FVPL
Total	(4 922 556)	(526 135)
o/w SP marginal VaR	(7 619 772)	(9 080)
o/w IR marginal VaR	2 747 761	(494 590)
o/w FX marginal VaR	-	(22 284)
o/w EQ marginal VaR	-	-
o/w Vega marginal VaR	-	-

In addition to VaR, risk positions of the Bank are limited through sensitivity-oriented limits. The most important detailed presentations include: basis point value (interest rate changes of 0.01% by maturity bucket), credit spread basis point value (credit spread changes of 0.01% by maturity bucket) and FX sensitivities. In the interest rates area, the Basis-Point-Value (BP01) limit restricts the maximum open position by currency and time buckets, with valuation changes based on shift by 0.01% (1 basis point).

The sensitivities' tables below provide a summary of the overall interest rate risk exposure of UniCredit Bulbank AD on consolidated basis as of December 31, 2023 (change in value due to 1 basis point shift, amounts in BGN) for the trading and banking books):

IR Basis point shift, Banking book (BGN)

Currency	0-3M	3M-1Y	1Y-3Y	3Y-10Y	10Y-	SUM
EUR	(45 782)	(36 993)	1 701	282 311	24 858	**226 095**
BGN	(1 688)	(85 964)	(188 858)	(238 680)	(166 893)	**(682 083)**
USD	520	6 607	491	(38)	-	**7 580**
CHF	130	460	56	(4)	-	**642**
GBP	187	541	25	-	-	**753**
Other	-	-	-	-	-	**-**
Total	**(46 633)**	**(115 349)**	**(186 585)**	**43 589**	**(142 035)**	**(447 013)**

IR Basis point shift, Trading book (BGN)

Currency	0-3M	3M-1Y	1Y-3Y	3Y-10Y	10Y-	SUM
EUR	23 066	20 825	47 111	(2 302)	(1 750)	**86 950**
BGN	(2 265)	(27 871)	(23 853)	-	-	**(53 989)**
USD	(18 874)	(16 363)	-	-	-	**(35 237)**
CHF	(70)	-	-	-	-	**(70)**
GBP	(271)	(2 177)	-	-	-	**(2 448)**
Other	3	29	-	-	-	**32**
Total	**1 589**	**(25 557)**	**23 258**	**(2 302)**	**(1 750)**	**(4 762)**

In terms of the impact on P&L and equity of interest rate sensitivity, the distribution of BP01 sensitivity between FVPL and FVOCI positions at the end of 2023 is the following:

BP01 (BGN)	FVOCI	FVPL
BP01, total ccy	(314 570)	(4 478)
BP01 EUR	(51 106)	137 982
BP01 BGN	(263 464)	(104 738)
BP01 USD	-	(35 237)
Other	-	(2 485)

The sensitivity above is indicative of the effect the bank will undergo through its PNL (FVPL) and equity (FVOCI) upon a one basis point changes in the respective interest rate levels.

UniCredit Bulbank measures the interest rate sensitivity towards the regulatory-prescribed shocks (EBA guidelines on interest rate risk arising from non-trading book activities impact Pillar 2 financial risk) in terms of change in the Economic Value of Equity (EVE). Values on consolidated basis with reference date 31.12.2023 are as follows:

SOT SCENARIOS	200*	-200*	Flattening	Parallel down	Parallel up	Short rates down	Short rates up	Steepening
Economic Value (BGN)	(128 375 189)	(1 278 276)	(40 819 934)	301 656	(161 041 567)	38 152 139	(95 829 455)	14 999 287
As percentage of Tier 1*	**(4.00%)**	**(0.04%)**	**(1.29%)**	**0.01%**	**(5.10%)**	**1.21%**	**(3.03%)**	**0.47%**

**Sensitivity to +/- 200 bps shock scenarios is calculated as a percentage of Own funds*

In terms of change in Net Interest Income (NII) sensitivity at UniCredit Bulbank AD on a consolidated level, with reference date 31.12.2023 is as follows:

SOT SCENARIOS	Parallel down	Parallel up
Net interest Income (BGN)	(81 393 563)	39 405 166
As percentage of Tier 1	(2.58%)	1.25%

Measured by total absolute basis-point value, the credit spread sensitivity metric for UniCredit Bulbank AD as of December 31, 2023 amounted to BGN 2 180 902 (both Banking and Trading Book). Instruments issued by governments account for the largest part of credit spread exposure.

SP Basis point shift (BGN)

Issuer	0-3M	3M-1Y	1Y-3Y	3Y-10Y	10Y-	SUM
Sovereigns	-	(50 239)	(266 617)	(1 576 402)	(280 725)	(2 173 983)
Regional governments	-	(33)	-	-	-	(33)
Corporates	(581)	-	(6 305)	-	-	(6 886)
Total Absolute	**581**	**50 272**	**272 922**	**1 576 402**	**280 725**	**2 180 902**

In 2023 in preparation for the implementation of EBA Guidelines "on the management of interest rate risk and credit spread risk arising from non-trading book activities" - EBA/GL/2022/14, the Bank set out principles and rules for managing, measuring and controlling the credit spread risk of the banking book. The new rules will be applied in 2024.

UniCredit Bulbank AD is exposed to exchange rate risk through transactions in foreign currencies. Net FX open positions in trading and banking book are monitored on a daily basis and are restricted by volume overnight limits. FX sensitivities describe the relation of an instrument fair value to FX rates or FX rates volatility. FX rate sensitivities are calculated by proportionally shifting the corresponding FX rate by 1%.

The FX sensitivity on a consolidated level as of December 31, 2023 is as follows:

CCY	FX delta, BGN eq.
BGN	(73 993 293)
EUR	72 083 907
USD	3 096 181
CZK	(1 131 063)
JPY	248 353
RON	(243 457)
Other	(60 627)

Internal model results are complemented by various stress scenarios to identify potential effects of stressful market conditions on the Bank's earnings. The assumptions under such stress scenarios include extreme movements in prices or rates and deterioration in market liquidity. Stress results for major asset classes and portfolios (credit, rates and FX) and estimated impact on liquidity position are reported at least monthly to FCRC-ALCO. Stress test scenarios are regularly reviewed reflecting changing economic environment and regulatory requirements, so in 2023 new climate risk stress scenarios were introduced with respect to EBA guidelines.

The impacts of the Russian-Ukrainian conflict on Bank's liquidity profile are evaluated as minor due to the strong funding profile largely independent from wholesale markets. UniCredit Bulbank AD continued to closely monitor its liquidity and market risk position, in order to ensure regular execution of its Treasury activities, strict compliance with the set risk appetite and proper information flows to the Senior Management and the Supervisor.

Behavioral and financial risk modelling, in line with EBA Guidelines, continued to be pivotal in the area of IRRBB and Liquidity risk management. The Bank continued to develop the Non-maturity deposits behavioral model and also introduced a Term Deposit Rollover model in the end of 2023. The Bank employed practices for capturing the interest rate risk profile of statistically based lending index exposures taking into account the individual sensitivities of the index component. Modeling continued to play key role in risk management and stress testing tools with deeper integration in the regular activities.

Over the course of the year, the Bank prepared to meet the changes in the EBA guidelines for IRRBB reporting and the newly-introduced limitations on Net Interest Income volatility.

As of December 31, 2023 the FX balances of the Group are outlined in the table below:

In thousands of BGN

	EUR and BGN	Other currencies	Total
ASSETS			
Cash and balances with Central Bank	6 056 607	13 150	**6 069 757**
Non-derivative financial assets held for trading	4 381	-	**4 381**
Derivatives held for trading	83 903	16 800	**100 703**
Derivatives held for hedging	77 165	-	**77 165**
Loans and advances to banks and debt securities at amortized cost	2 616 862	170 751	**2 787 613**
Loans and advances to customers and debt securities	18 356 428	84 003	**18 440 431**
Pledged debt securities at amortized cost	1 073 063	-	**1 073 063**
Finance leases	1 139 725	-	**1 139 725**
Investment securities	1 538 724	4 912	**1 543 636**
Pledged investment securities	645 643	-	**645 643**
Investments in associates	4 303	-	**4 303**
Property, plant, equipment, right of use assets and investment properties	349 994	-	**349 994**
Intangible assets	98 502	-	**98 502**
Deferred tax assets	4 506	-	**4 506**
Non-current assets and disposal groups classified as held for sale	1 130	-	**1 130**
Other assets	118 926	534	**119 460**
TOTAL ASSETS	**32 169 862**	**290 150**	**32 460 012**
LIABILITIES			
Financial liabilities held for trading	95 721	15 926	**111 647**
Derivatives held for hedging	128 856	-	**128 856**
Deposits from banks	1 420 828	174 667	**1 595 495**
Deposits from customers and other financial liabilities at amortized cost	23 050 441	1 776 627	**24 827 068**
Debt securities issued	1 401 400	-	**1 401 400**
Fair value changes of the hedged items in portfolio hedge of interest rate risk	4 203	-	**4 203**
Provisions	142 033	8 900	**150 933**
Current tax liabilities	18 439	-	**18 439**
Deferred tax liabilities	9 681	-	**9 681**
Other liabilities	237 994	4 879	**242 873**
TOTAL LIABILITIES	**26 509 596**	**1 980 999**	**28 490 595**
EQUITY	**3 969 417**	**-**	**3 969 417**
Net off-balance sheet spot and forward position	**(1 803 155)**	**1 718 122**	**(85 033)**
Net position	**(112 306)**	**27 273**	**(85 033)**

As of December 31, 2022 the FX balances of the Group are as outlined in the table below:

In thousands of BGN

	EUR and BGN	Other currencies	Total
ASSETS			
Cash and balances with Central Bank	7 050 662	19 743	**7 070 405**
Non-derivative financial assets held for trading	2 828	-	**2 828**
Derivatives held for trading	85 550	30 547	**116 097**
Derivatives held for hedging	131 468	-	**131 468**
Loans and advances to banks and debt securities at amortized cost	1 071 678	210 453	**1 282 131**
Loans and advances to customers and debt securities	16 347 943	146 225	**16 494 168**
Pledged debt securities at amortized cost	180 384	-	**180 384**
Finance leases	933 770	-	**933 770**
Investment securities	1 455 762	15 904	**1 471 666**
Pledged investment securities	1 062 591	-	**1 062 591**
Investments in associates	3 885	-	**3 885**
Property, plant, equipment, right of use assets and investment properties	339 770	-	**339 770**
Intangible assets	98 671	-	**98 671**
Current tax assets	1 687	-	**1 687**
Deferred tax assets	3 686	-	**3 686**
Other assets	108 206	587	**108 793**
TOTAL ASSETS	**28 878 541**	**423 459**	**29 302 000**
LIABILITIES			
Financial liabilities held for trading	129 168	30 138	**159 306**
Derivatives held for hedging	132 160	-	**132 160**
Deposits from banks	1 444 738	169 054	**1 613 792**
Deposits from customers and other financial liabilities at amortized cost	21 544 724	1 694 470	**23 239 194**
Debt securities issued	313 701	-	**313 701**
Fair value changes of the hedged items in portfolio hedge of interest rate risk	(16 331)	-	**(16 331)**
Provisions	125 815	14 195	**140 010**
Current tax liabilities	618	-	**618**
Deferred tax liabilities	9 420	-	**9 420**
Other liabilities	128 137	5 387	**133 524**
TOTAL LIABILITIES	**23 812 150**	**1 913 244**	**25 725 394**
EQUITY	**3 576 606**	**-**	**3 576 606**
Net off-balance sheet spot and forward position	**(1 589 361)**	**1 496 405**	**(92 956)**
Net position	**(99 576)**	**6 620**	**(92 956)**

(c) Liquidity risk

In line with Group standards, UniCredit Bulbank AD deals with liquidity risk as a central risk in banking business by monitoring and steering short-term and medium-term liquidity requirements. In this context, liquidity situation is analyzed against standard and stress scenarios. Methods of liquidity analysis, management responsibilities, as well as contingency plan and funding plan procedures are laid down in the Bank's Liquidity Management Policies.

Liquidity management is the operational responsibility of "Asset-Liability Management and Funding" (within Finance Division) and "Treasury" (within Corporate Division) while the risk control functions is assigned to "Financial Risk and Modelling" (within Risk Management Division). The bank steers liquidity risk through a set of metrics and monitoring systems (managerial and regulatory) within a framework of limits and/or trigger warning levels.

For the purposes of management of the short-term liquidity limit exposures, defined as the primary liquidity gap and the liquidity stress-test results, short-term liquidity indicators are monitored daily and monthly respectively. Structural liquidity limits define minimum required coverage of long-term assets with coherent liabilities and are monitored monthly.

Integral part of liquidity management process is the contingency planning and stress testing. Financial risk management function performs liquidity stress tests on regular basis, using standardized Group-wide scenarios. These scenarios describe the effects of market-driven or specific name-crisis signals, with assumptions about behavior of different customer groups/segments. The liquidity outflows expected to occur are compared with available collateral (essentially, securities eligible as collateral at the central bank) to examine banks' ability to withstand liquidity shock over two months horizon. The results of extreme scenario combining market- and name-driven crisis have shown sufficient coverage during 2023, meaning that under extreme stress conditions the Bank is expected to cope with liquidity shock using own resources.

The following tables provide basic analysis of the financial assets expected recoverability and financial liabilities of the Group split into relevant maturity bands based on the remaining contractual periods to repayment for items with defined maturity and model mapping for items with no defined maturity or roll over assumptions. The gross amounts include also estimated contractual interest payments. Actual outflows may materially differ from those presented in the tables as historically most of the clients' attracted deposit have economic maturity much longer than the contractual one (deposits are consistently rolled over).

In thousands of BGN

Maturity table as at 31 December 2023	Up to 1 year	Over 1 year	Total
ASSETS			
Cash and balances with Central Bank	6 069 757	-	**6 069 757**
Non-derivative financial assets held for trading	4 381	-	**4 381**
Loans and advances to banks and debt securities at amortized cost	2 177 889	609 724	**2 787 613**
Loans and advances to customers, debt securities and finance leases	6 478 849	13 101 307	**19 580 156**
Pledged debt securities at amortized cost	-	1 073 063	**1 073 063**
Investment securities	246 063	1 297 573	**1 543 636**
Pledged investment securities	205 712	439 931	**645 643**
Other assets	106 659	12 801	**119 460**
TOTAL FINANCIAL ASSETS	**15 289 310**	**16 534 399**	**31 823 709**

In thousands of BGN

Maturity table as at 31 December 2022	Up to 1 year	Over 1 year	Total
ASSETS			
Cash and balances with Central Bank	7 070 405	-	**7 070 405**
Non-derivative financial assets held for trading	2 828	-	**2 828**
Loans and advances to banks and debt securities at amortized cost	1 247 132	34 999	**1 282 131**
Loans and advances to customers, debt securities and finance leases	5 344 969	12 082 969	**17 427 938**
Pledged debt securities at amortized cost	-	180 384	**180 384**
Investment securities	70 082	1 401 584	**1 471 666**
Pledged investment securities	536 756	525 835	**1 062 591**
Other assets	87 674	21 119	**108 793**
TOTAL FINANCIAL ASSETS	**14 359 846**	**14 246 890**	**28 606 736**

In thousands of BGN

Maturity table as at 31 December 2023	Carrying amount	Gross in (out) flow	Up to 1 month	From 1 to 3 months	From 3 months to 1 year	Over 1 years
Non derivative instruments						
Deposits from banks	**1 595 495**	**(1 597 356)**	(1 583 526)	(1 341)	(2 006)	(10 483)
Deposits from customers and other financial liabilities at amortized cost	**24 827 068**	**(24 827 450)**	(22 758 254)	(705 637)	(1 168 856)	(194 703)
Debt securities issued	**1 401 400**	**(1 949 688)**	(19 428)	(16 987)	(69 990)	(1 843 283)
Unutilized credit lines and financial guarantees	**-**	**(9 043 875)**	(7 062 101)	(1 090 447)	(825 548)	(65 779)
Total non-derivative instruments	**27 823 963**	**(37 418 369)**	**(31 423 309)**	**(1 814 412)**	**(2 066 400)**	**(2 114 248)**
Derivatives held for trading, net	**(10 944)**					
Outflow		**(8 835 745)**	(5 230 476)	(1 591 363)	(1 205 448)	(808 458)
Inflow		**8 820 427**	5 242 078	1 580 453	1 190 189	807 707
Derivatives held for hedging, net	**(51 691)**					
Outflow		**(507 996)**	(9 819)	(12 397)	(67 441)	(418 339)
Inflow		**449 385**	1 593	26 233	74 077	347 482
Total derivatives	**(62 635)**	**(73 929)**	**3 376**	**2 926**	**(8 623)**	**(71 608)**
Total financial liabilities	**27 761 328**	**(37 492 298)**	**(31 419 933)**	**(1 811 486)**	**(2 075 023)**	**(2 185 856)**

In thousands of BGN

Maturity table as at 31 December 2022	Carrying amount	Gross in (out) flow	Up to 1 month	From 1 to 3 months	From 3 months to 1 year	Over 1 years
Non derivative instruments						
Deposits from banks	**1 613 792**	**(1 623 644)**	(1 578 784)	(6 260)	(20 907)	(17 693)
Deposits from customers and other financial liabilities at amortized cost	**23 239 194**	**(23 239 196)**	(21 382 828)	(670 713)	(1 079 981)	(105 674)
Debt securities issued	**313 701**	**(370 339)**	(937)	(2 688)	(8 594)	(358 120)
Unutilized credit lines and financial guarantees	**-**	**(7 901 486)**	(5 827 081)	(288 221)	(688 149)	(1 098 035)
Total non-derivative instruments	**25 166 687**	**(33 134 665)**	**(28 789 630)**	**(967 882)**	**(1 797 631)**	**(1 579 522)**
Derivatives held for trading, net	**(43 209)**					
Outflow		**(5 724 105)**	(4 797 493)	(481 108)	(237 545)	(207 959)
Inflow		**5 667 398**	4 764 463	472 323	236 490	194 122
Derivatives held for hedging, net	**(692)**					
Outflow		**(359 044)**	(1 464)	(9 102)	(50 016)	(298 462)
Inflow		**358 533**	35	11 389	48 059	299 050
Total derivatives	**(43 901)**	**(57 218)**	**(34 459)**	**(6 498)**	**(3 012)**	**(13 249)**
Total financial liabilities	**25 122 786**	**(33 191 883)**	**(28 824 089)**	**(974 380)**	**(1 800 643)**	**(1 592 771)**

(d) Credit risks

Credit risk is defined as potential losses arising from not fulfilment of any contractual obligation with regard to issued or originated financial instrument.

The Bank effectively manages credit risk inherent to its trading and banking book.

The Bank applies different approach and has established different departments with regard to monitoring the credit risk related to corporate clients, small and middle enterprises and individuals.

(i) Credit risk in the trading book

For the purposes of portfolio management and risk limitation in the derivatives and security financing business with banks and customers, UniCredit Bulbank AD uses the group internal counterparty risk model based on Monte Carlo simulations by estimating the potential future exposure at portfolio level for each counterparty. Calculations are based on market volatilities, correlations between specific risk factors, future cash flows and stress considerations, taking into account netting and collateral agreements, if applicable. Subject to simulations are all major types of transactions, e.g. foreign exchange and interest rate derivatives, equity/bond-related instruments, credit derivatives and commodity derivatives.

Treasury credit lines utilization for derivatives and security financing business is available on-line in the central treasury system operated on group-wide basis.

Additionally, UniCredit Bulbank AD limits the credit risk arising from its derivatives and repo-based business through use of master agreements, ongoing monitoring of documentation standards by legal experts, and application of break clauses and collateral agreements.

The analysis based on client credit quality and rating (where available) as of December 31, 2023 and December 31, 2022 is as shown in the next table:

In thousands of BGN

	31.12.2023	31.12.2022
Government bonds		
Rated BBB-	4 381	-
Equities		
Unrated	-	2 828
Derivatives (net)		
Banks and financial institution counterparties	(8 117)	50 633
Corporate counterparties	(54 518)	(94 534)
Total trading assets and liabilities	**(58 254)**	**(41 073)**

Government bonds presented as of December 31, 2023 include bonds issued by Republic of Bulgaria.

(ii) Credit risk in the banking book

Credit risk, inherent in the banking book, is managed as the creditworthiness of Bank's clients is assessed for the whole life of the loan, from the date of initial loan application till the date of final repayment. Issued Letters of Guarantees, Letters of Credit and all other irrevocable credit commitments fell also within the scope of Bank's credit risk monitoring. As a credit risk mitigation policy, the Bank accepts different types of collaterals depending on the product, client type and client creditworthiness. Competences for evaluation and classification of risk exposures, assessment and quantification of impairment allowances and provisions for credit risk are exclusively within the responsibility of Financial and Credit Risk Committee, Credit Risk Session (FCRC – CRS) established in the Bank.

The Bank applies the principle of individual and collective assessment of credit risk exposures depending on existence or non-existence of objective impairment indicators and considering the adopted individually significant materiality threshold of BGN 2 million.

Objective impairment indicators are those "loss events" that have occurred after initial recognition of the exposure and which have an impact on the exposure estimated future cash flows. In order to provide consistency in the risk measurement, the Bank assumes existence of objective impairment indicators in case of occurrence of a default event as per applicable regulatory framework – Definition of default according to EBA guidelines.

Classification criteria envisages the materiality thresholds of past due and articulated structures of Unlikely-To-Pay triggers (it is worth mentioning the one related to the Distressed Restructuring for forborne exposures, where a maximum threshold for diminished Net Present Value of 1% has been set), including additional requirements on default contagions effects in case of connected clients (Group of related companies and joint credit obligations). Furthermore, a minimum probation period of 3 months before returning in a non-defaulted status has been set as mandatory.

Objective impairment indicators are those "loss events" that have occurred after initial recognition of the exposure and which have an impact on the exposure estimated future cash flows. In order to provide consistency in the risk measurement, the Bank assumes existence of objective impairment indicators in case of occurrence of a default event as per applicable regulatory framework.

Exposures with objective evidence of impairment (defaulted exposures) generally trigger specific impairment allowances (calculation amount based on individual assessment or portfolio model-based). Risk assessment is done at least once per month. Credit risk methodology adopted by the Bank is explicitly defined in the Policy for evaluation of risk exposures.

Credit Risk Models and Systems team has performed precise impact assessment on Expected Credit Loss related to the implementation of new PD-model for Private Individuals in 2023. The overall reported impact on Expected Credit Loss was additional charge in the performing portfolio in the amount of BGN 3.2 million, for which the Bank has created a managerial overlay. The real impact after implementation of the new PD model was slightly higher, mainly due to increased gross volumes in Private individuals' loan portfolio during the year.

New introduced evaluation methodology for Bullet and Balloon payment transactions with overall impact in the amount of BGN 1.8 million additional charge. Since the Bank has already booked managerial overlay in the amount of BGN 1.2 million with this regards already in December 2022, the real P&L effect in this financial year resulted in BGN (0.6) million net allocation.

Introduction of new LGD management overlay with regards to forthcoming regulatory LGD model implementation due in 2024 amounts to BGN 26.6 million as of year-end.

Approval of new Group-Wide EAD model was granted in order to estimate the EAD for the Group Wide (GW) customer segments, as defined mainly via their credit segment. The impact on the Expected Credit Loss was additional charge in the amount of BGN (2.7) million.

Other methodological change expected to occur in 2024 is the implementation of new Transfer logic – new approach for the implementation of the quantitative criteria for determining a transfer criterion between Stage 1 and Stage 2. The UniCredit Transfer Logic model consists in a set of thresholds differentiated according to the transaction specific residual maturity and rating class at inception. This means that currently used minimum probation period of 3 months will be replaced with the concept of minimum time permanence in S2. In order to avoid undue volatility in the staging, the consideration of a minimum period of permanence in stage 2 before a re-transfer to Stage 1 has been introduced. Specifically, positions can return to Stage 1 only after having spent a minimum of 3 months in Stage 2 from the moment when the position has been classified in Stage 2 for the first time. Such treatment is valid for both quantitative and qualitative staging.

Integration of forward looking information into the ECL model

UniCredit Bulbank leverages on the Stress Test

Models for including macro-economic effects into the expected credit losses. The decision to leverage on Satellite models (developed by the Group) is aimed at ensuring a proper alignment between the various processes that within the Group foresee the usage of macro-economic forecasts[1] (e.g. portfolio strategy, budgeting, stress testing). Moreover Satellite models are based on internal estimates of macro-economic indicators' forecasts and developed according to well-known econometric models, thus ensuring the fulfillment of the requirements set out in par. 22 of EBA/GL/2017/06: *"In order to ensure a timely recognition of credit losses, credit institutions should consider forward-looking information, including macroeconomic factors. When considering forward-looking information, credit institutions should apply sound judgement consistent with generally accepted methods for economic analysis and forecasting, and supported by a sufficient set of data." and 39: "Forward-looking information, including economic forecasts and related credit risk factors used for ECL estimates, should be consistent with inputs to other relevant estimates within the financial statements, budgets, strategic and capital plans, and other information used in managing and reporting within a credit institution."*.

The stress test models (or satellite models) are set of models aimed at translating the macro-economic conditions into credit risk parameters (PD/LGD)[2]. Within the wider stress testing framework the models serve as basis for calculating the stressed PD/LGD under the Adverse Scenarios adopted for the stress test purposes and they are used both for regulatory (EBA, ICAAP) and managerial Stress Test exercises[3].

With regards to the modelling methodology the current framework envisages two different approaches for High and Low default portfolios. Notably for high default portfolios (Retail, SME and Mid corporate) the internal historical data on Default and Recovery rates have been used to estimate, at cluster level (Country/ Asset Class) direct relationship between default and recovery rates and macro-economic factors. Where possible, panel dimensions such as lifecycle (loans/ default's age) and vintage quality (loan's origination/ default time) have been also included within the model structure aiming at better isolate the impact of macro-economic conditions from other portfolio effects on the default/recovery rate evolution.

However, with regard to the low default portfolios for which no enough internal data were available the selected approach provides for modelling the PD/LGD model rating drivers (e.g. financial ratios) against the macro-economic variables. The resulting rating drivers conditioned to the macro-economic factors are then used as input of the Rating System in order to recalculate at granular level the projected PD/LGD for each counterpart.

Multiple scenarios

The paragraph B5.5.42 of the IFRS 9 standard requires the estimate of expected credit losses to reflect an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes. This section provides the description of the methodology adopted to address the probability weighted ECL using multiple macroeconomic scenarios.

The selected approach implied the use of three[4] different macro-economic scenarios and probability weights for each one. More in particular a baseline, one downside and one upside scenarios have been considered. UniCredit Research department produces semiannually macroeconomic forecasts under baseline and alternative downside and upside scenarios.

Each scenario envisages three years of forecasts including all the relevant macro-economic factors considered in the satellite models. A probability of occurrence, judgmentally defined by UniCredit

[1] As requested by par. 39 of EBA/GL/2017/06: "While a credit institution does not need to identify or model every possible scenario through scenario simulations, it should consider all reasonable and supportable information that is relevant to the product, borrower, business model or economic and regulatory environment when developing estimates of ECL. In developing such estimates for financial reporting purposes, **credit institutions should consider the experience and lessons from similar exercises it has conducted for regulatory purposes (although stressed scenarios are not intended to be used directly for accounting purposes). Forward-looking information, including economic forecasts and related credit risk factors used for ECL estimates, should be consistent with inputs to other relevant estimates within the financial statements, budgets, strategic and capital plans, and other information used in managing and reporting within a credit institution."** and as suggested in the " *In depth IFRS9 impairment: how to include multiple forward-looking scenario"*, August 2017, Pwc: "In particular, some or all of the following information may be available without undue cost and effort, and can be used to assist an entity in determining appropriate weightings:

- The entity's default and loss history;
- Peer or industry data on historic defaults and losses; and
- The entity's own modelling of possible impacts of future scenario on credit risk e.g. **regulatory stress test modelling.**"

And as reported in the "*IFRS 9 Impairment, IFRS Newsletter*", December 2015, KPMG: *"It is important that the scenarios used to estimate ECLs are consistent with information used by the entity for other purposes – e.g. capital models, budgeting […]"*.

[2] It is important to underline that it is not necessary to perform a reconciliation between PD IFRS and PD uy Stress Test function, since the integration of forward looking information is carried out by a multiplicative factor that maintains the same variation regardless the application point.

[3] Baseline macroeconomic scenario, to be used for IFRS 9 as far as for regulatory and managerial exercises, is provided by UniCredit Research, which represent an independent research firm providing analyses and forecasts macroeconomic developments and trends to both external Clients and Internal functions. For more details please go to: https://www.unicreditresearch.eu/

[4] The IFRS 9 standard does not explicitly define the number of macroeconomic scenarios that should be used for impairment calculations but leave it up to the Banks this definition.

Research department, is assigned to each scenario, ensuring that the upside and downside scenarios' probability are not biased to extreme scenarios, otherwise the range and weighting of scenarios would be not representative. The table below contains current and historical weights:

	Weights (probabilities)		
Scenario	June 22	December 22	December 23
Baseline	60%	60%	60%
Positive	0%	0%	0%
Negative	40%	40%	40%

The Group Credit Stress Test Framework provides a suitable set of models (Satellite Models) for IFRS 9 compliance that are used in order to forecast the conditioned PD/LGD for any scenario.

An "average" scenario is defined as **the weighted average of delta DRs (default rates) provided under each of the scenarios previously mentioned**. This "average" scenario must be used to define the Staging under each of the multiple scenario; indeed, according to ITG instructions, "*one financial instrument cannot exist in stage 1 and in stage 2 at the same time*".

Probability weighted ECL and Overlay Factor

Consideration of multiple scenarios is relevant in case a non-linear relationship between key components of ECL and the relevant economic parameter exists.

Fulfil the requirement set out by the paragraph B5.5.42 would require calculating the ECL under multiple scenarios and deriving a weighted average ECL based on the probability of each scenario to happen. Alternatively, banks are allowed to derive an overlay factor to account for the non-linearity of the ECL risk components and relevant economic parameters.

Running more scenarios under the LLP production process would not fit the LLP production timeline and has been considered to be an undue cost and effort for the Banks. It was therefore decided to account for multiple macroeconomic scenarios by estimating a yearly overlay factor to be applied to the ECL calculated under the baseline scenario.

An interesting question is how to define the staging under the multiple scenario approach and whether it would really make sense to assume that an asset can be in stage 1 and stage 2 at the same time. At this regard, it was observed in the ITG discussion that, where the range of possible forward-looking economic scenarios is mutually exclusive, a scenario cannot apply to part of an asset, while other scenarios apply to different parts of an asset. Accordingly, one financial instrument cannot exist in stage 1 and in stage 2 at the same time.

In compliance with the position taken by the ITG, the overlay factor must be determined assuming that the staging will not change under different scenario but will be kept constant and calculated under the "average" scenario (obtained as described above averaging the deltas under each scenario) such that an unbiased estimate will be used in each scenario.

Constant Overlay Factor

A simple and straightforward approach to derive the overlay factor consists in determining the ratio between the probability weighted ECL and the ECL under the baseline scenario as shown below:

$$Overlay\ factor = \frac{\sum_k ECL_k^{Weighted|avg}}{\sum_k ECL_k^{bl|bl}}$$

(1)

Where:

- ***i/j*** = indicates that *i* is the scenario used to calculate ECL, while *j* is the scenario used to assign the Stage (e.g., $ECL^{bl|avg}$ means that the baseline scenario is used to calculate ECL, while the average one is the scenario used to assign the Stage)
- $ECL_k^{Weighted|avg} = p_{cont} \cdot ECL_k^{cont|avg} + p_{bl} \cdot ECL_k^{bl|avg} + p_{pos} \cdot ECL_k^{pos|avg}$

for transaction *k*

(2)

The table below contains the list with macro variables which have been considered for each econometric model that forecasts IFRS FLI:

			Baseline IFRS 23Q4 (60%)				Adverse IFRS 23Q4 (40%)			
Macroeconomic scenario	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2023**	**2024**	**2025**	**2026**
Real GDP, yoy % change	7.6	3.4	1.9	2.8	3.6	3.3	1.9	(1.5)	2.2	4.0
Inflation (CPI) yoy, eop	7.8	16.9	5.9	3.4	3.2	3.1	5.9	5.0	2.6	3.1
Inflation (CPI) yoy, average	3.3	15.3	9.8	4.0	3.3	3.1	9.8	5.4	3.8	2.9
Monthly Wage, nominal EUR	792.8	900.2	1 008.4	1 092.3	1 182.3	1 280.2	1 008.4	1 024.1	1 103.0	1 198.4
Unemployment rate, %	5.3	4.3	4.5	4.2	4.0	3.9	4.5	5.5	5.4	5.3
Exchange rate /€, eop	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Exchange rate /€, average	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Short term rate, eop	(0.5)	2.1	4.0	3.3	2.6	2.6	4.0	2.0	2.0	2.0
Short term rate,average	(0.6)	0.4	3.4	3.8	3.0	2.6	3.4	3.4	2.0	2.0
Long-term interest rates 10y (%)	0.6	5.7	4.0	3.8	3.6	3.4	4.0	4.1	3.7	3.6
House Price Index, yoy % change	8.7	13.8	10.0	6.5	6.0	6.0	10.0	0.1	3.2	4.0

According to an analysis performed by the ICAAP & Stress Testing Division at the Holding, GDP forecast (over 3 years) is assumed to be the most relevant economic factor as indicator of scenario severity.

Macroeconomic and ECL sensitivity in 2023

The analysis below shows that for 1 point GDP drop (cumulated over 3 years) the ECL is estimated to increase by about +0.68% or EUR 2.78 million:

(in m EUR)

Scenario	**Weight**	**Macroeconomic variable**	**2024**	**2025**	**2026**	**3yr cum**	**Unweighted ECL**	**Weighted ECL**
Positive	0%	GDP growth %	-	-	-	-	-	
Baseline	40%	GDP growth %	2.80	3.60	3.30	10.01	407	415
Negative	60%	GDP growth %	(1.50)	2.16	4.01	4.68	421	
					Delta	**(5.33)**	**14.79**	
				Absolute ECL Sensitivity vs 3-yr GDP			**2.78**	
				% ECL Sensitivity vs 3-year cum GDP			**0.68%**	

The table below contains the local figures under each scenario as at December 2023:

ECL amount (in mEUR)

	Baseline				Negative				Final			
Portfolio	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Corporate	24	24	127	**175**	25	26	127	**178**	25	29	132	**186**
Small Business	3	13	40	**56**	4	14	40	**58**	3	16	42	**61**
Retail - Mortgages	2	21	23	**46**	2	22	23	**47**	2	21	24	**47**
Retail - Others	9	17	32	**58**	10	17	32	**59**	9	17	33	**59**

Here below the steps to be performed under the Constant Overlay Factor approach are described:

1. As a first step, the Stress Test team that have to provide forecasts (DR – default rate, RR – recovery rate, etc) under each of the three selected scenarios (*i*).

2. Afterward, the staging under the "average" scenario must be calculated once and kept constant for each scenario (*i*).

3. Finally, the ECL_i must be calculated for the *i*-th scenario (*i* = 1,...,3) and the probability weighted $\overline{ECL}$ has to be determined averaging the derived under each scenario, multiplied for the probability of each scenario (*i*) to happens.

During the monthly LLP process, the overlay factor must be multiplied to the ECL calculated under the baseline scenario for each transaction k in order to adjust it for the non-linearity effect as shown below:

$$ECL_k^{Final} = ECL_k^{bl} \times Overlay\ factor$$

(3)

The table below contains the locally computed OF values as at Dec 2023 (GW OFs are provided on Holding level):

Rating system[5]	Overlay Factors as of Dec 2023
CRP	1.0295
FI	1.0145
IND	1.0220
MNC	1.0970
PFR	1.0295
SME	1.0373
SOV	1.1589

It worth to be underlying that IFRS 9 does not necessarily require to be conservative but to fairly represent the riskiness of the bank's portfolios, this imply that the Overlay factor can be both above or below the par value.

The overlay factor has to be calculated following the rating system group granularity or they aggregation as used for IFRS 9 purposes in case of shared credit risk characteristics.

The overlay factor must be recalibrated semiannually as soon as the new forecasts and weights under multiple scenarios are available.

The overlay factors on GW portfolios will be estimated centrally and shared with the LEs on time for the local application in the monthly LLPs run.

Finally, it is underlined that the **overlay factor does not represent an estimated parameter**, but a multiplicative factor to be applied on top of the Baseline ECL to produce a final ECL that is *a probability-weighted amount determined by evaluating a range of possible outcomes*. Due to the impossibility to calculate the final monthly LLPs as the average of monthly LLPs under several scenario the overlay factor is introduced as a workaround. A plausibility analysis of the ECL results under the positive and negative scenario should be performed, to ensure that under such scenarios extremely low or high values of ECL are not outputted. However, no outlier's treatments are deemed necessary, since the final values of ECL are to be computed considering *all the range of possible outcomes* and as a consequence any floor/cap or removal of observations would entail a deviation from the IFRS requirements.

5 (CRP – Corporates, FI – Financial Institutions, IND – Individuals, MNC – Multinationals, SME – Small and Medium Enterprises, PFR – Project Financing Rating Model, SOV – Sovereigns)

Geopolitical overlay resulting from Russia-Ukraine crisis

In order to factor-in into the risks underlying the sharp rise in energy costs, inflation and interest rates for both Corporate and private individuals, the geopolitical overlay were adopted during 2022 and updated in 2023. The macro-economic context which led to the introduction of the Geo-political overlay, at the end of 2023, has evolved and the corresponding risk determinants have slightly relaxed compared to YE 2022. However, the current macro-economic context is still characterized by a high level of uncertainty mainly due to the heightened Geo-political tensions in the Middle East, but also due to the persistence of the Ukraine-Russian conflict. Given the situation depicted above, characterized by a still high level of uncertainty with regard to the evolution of the geo-political tension, heightened by the Middle-East crises outbroken in October, and related effect on energy supply chains, coupled with interest rates remaining on steadily high level, UniCredit stance for YE-2023 is to keep Geo-Political Overlay fully in place in all its components (Corporate Energy Intensive, Retail Unpaid1 and Retail Floating Rate), purely managing the ordinary maintenance process in terms of absorption of default inflows and rescaling of overlay amount according to variation of application portfolio.

Furthermore, in order to make the application of the overlay more risk sensitive and "model-driven", thus reconciling more their application in an "in-model"-like logic as under ECB expectations raised within the ECB Follow up letter on the IFRS 9 provisioning framework, the overlay application approach has been revised in order to allocate overlay more on Stage 2 portfolio (identified by internal models as the one with higher riskiness) and in proportion to higher average level of PD of Stage 2 compared to Stage 1, thus driving the quantification of the allocation with the level of PD attributed by internal models to Stage 2 and Stage 1 portfolio.

In this regard the adoption of this overlay is a complementary measure to the IFRS9 models that, by their structure, have been already properly and directly proving to recognize the effect of geo-political crises. In this context while IFRS 9 models and in particular satellite models are able to capture the effect of macro-economic scenario at portfolio level, the geopolitical overlays act on specific sub-portfolios considered particularly vulnerable in case contingent situation may evolve to severe stressed conditions

Indeed as of 31 December 2023 geopolitical overlay after re-scale amounts to BGN 167.6 million and is broken-down according to the following components:

- Corporate energy-intensive industry sectors prone to be more affected by spill-over effects linked to Russia - Ukraine crisis, specifically impacting the energy supply and related price soaring
- Retail clients, for: (i) floating rate mortgages (not having overdue instalments), given the sensitiveness in this context of increasing interest rate/inflation, and (ii) at least 1 unpaid instalment on their exposures, considered a perimeter with already difficulties in payments and as such particularly vulnerable in this specific contingency.
- additional stress for the delta default rates up to a level of 150% for Corporates, 170% for Small Business and 85% for Private Individual, due to continuing unstable economic situation, affected by the somewhat higher than average dependency of the Bulgarian energy sector from Russia, exacerbated by an on-going political crisis in the country

An update in the allocation process of the Geo-political overlay for Energy-intensive cluster is introduced in 4Q 2023. Specifically, the new allocation process aims at allocating LLP focusing more, compared to initial approach, to the riskiness in terms of staging, thus leveraging on the capability of SICR framework to be sensitive to all the signals of risk currently in place (as stated in the beginning of this document). As such given the PD outcomes resulting from the model and the different level of default risk embedded in the Staging framework, this is used to allocate LLP resulting from geo-political overlay.

As far as the calculation is concerned, credit exposures belonging to the above categories are identified according to their specific features. Starting from this, satellite models are run by applying - as macro-economic conditions - the Multi Year Plan recessive scenario to determine the adjustment to be applied to the default rate. Such adjusted default rate is then applied to the relevant categories to estimate the expected new inflows of defaulted exposures, whose LLPs are then calculated according to the average coverage rate applied to Unlikely to Pay.

Credit risk monitoring is also focused on fulfilment of statutory lending limits set in Law on Credit Institutions. Exposure to one customer or group of related customers exceeding 10% of Tier 1 capital are treated as large exposures and it has to be approved by the Management Board. Maximum amount of an exposure to one customer or group of related customers must not exceed 25% of the Tier 1 capital of the Bank.

In light of interest rates steadily remaining on higher level and plunging of real estate assets value due to contractions of the sector, an increasing Real Estate Risk has been arisen leading Commercial Real Estate financing (CREF overlay) perimeter as particularly vulnerable in case of stressed severe evolution of scenario, both in terms of:

- Default risk due to impacted debt repayment capacity as a consequence of higher interest rates, impacting also refinancing of real estate loans;
- Recovery risk due to lower values of real estate assets.

In order to factor-in into the LLP the abovementioned downside risks strongly affecting Commercial Real Estate Financing / IPRE / Construction perimeter a new overlay is introduced starting from YE 2023. As for the Geo-political overlay, the adoption of this overlay is a complementary measure to the IFRS9 models that, by their structure, have already properly and directly proved to recognize the effect of the rise in inflation and interest rates. On top to this the Group IFRS9 Methodological Framework has been enhanced to factor-in higher risk of bullet/balloon financings with effect recognized on LLP side since end-2022 and on staging already in end-2023. As such the CREF overlay has the aim to get ready in case of severe stressed evolution of the scenario such to make this perimeter potentially affected in a significant way in light of its expected higher vulnerability.

The allocation process of the CREF overlay aims at allocating LLP focusing more on the riskiness in terms of staging, thus leveraging on the capability of SICR framework to be sensitive to all the signals of risk currently in place. As such given the PD outcomes resulting from the model and the different level of default risk embedded in the Staging framework, this is used to allocate LLP resulting from CREF overlay.

Indeed as of 31 December 2023 CREF overlay amounts to BGN 11.5 million.

The table below shows the ratio of the biggest exposure to a group of customers and the top five biggest groups (excluding related parties) of customers as of December 31, 2023 and December 31, 2022:

In thousands of BGN

	Credit risk exposure before risk transfer		Credit risk exposure after risk transfer		% of own funds	
	2023	**2022**	**2023**	**2022**	**2023**	**2022**
Biggest credit risk exposure to customers' group	329 523	546 647	8 306	246 896	0.3%	7.9%
Credit risk exposure to top five biggest customers' groups	1 325 093	1 590 518	692 095	1 009 208	21.8%	32.4%

The table below analyses the breakdown of loss allowances as of December 31, 2023 and December 31, 2022 on different classes:

In thousands of BGN

Loss allowance by classes	2023	2022
Balances with Central Bank	60	30
Loans and advances to banks at amortized cost	134	178
Debt securities from banks at amortized cost	68	4
Loans and advances to customers	776 450	834 637
Finance leases	42 006	64 616
Debt securities from customers at amortized cost	815	294
Debt investment securities at FVTOCI	968	7 309
Loan commitments, Financial guarantee contracts and other commitments	92 199	83 206
Total Loss allowance by classes	**912 700**	**990 274**

The tables below analyze the movement of the loss allowance during the year per class of assets:

In thousands of BGN

Loss allowance - Balances with Central Bank	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowance as at 31.12.2021	**(167)**	**-**	**-**	**-**	**(167)**
Changes in the loss allowance					
New financial assets originated/purchased or disbursed during the year	(15)	-	-	-	**(15)**
Financial assets that have been repaid during the year	152	-	-	-	**152**
Loss allowance as at 31.12.2022	**(30)**	**-**	**-**	**-**	**(30)**

In thousands of BGN

Loss allowance - Balances with Central Bank	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowance as at 31.12.2022	(30)	-	-	-	**(30)**
Changes in the loss allowance					
New financial assets originated/purchased or disbursed during the year	(53)	-	-	-	**(53)**
Financial assets that have been repaid during the year	23	-	-	-	**23**
Loss allowance as at 31.12.2023	**(60)**	**-**	**-**	**-**	**(60)**

In thousands of BGN

Loss allowance - Loans and advances to banks at amortized cost	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowance as at 31.12.2021	**(116)**	**-**	**-**	**-**	**(116)**
Changes in the loss allowance					
Changes due to modifications that did not result in derecognition	(5)	-	-	-	**(5)**
New financial assets originated/purchased or disbursed during the year	(167)	-	-	-	**(167)**
Financial assets that have been repaid during the year	110	-	-	-	**110**
Loss allowance as at 31.12.2022	**(178)**	**-**	**-**	**-**	**(178)**

In thousands of BGN

Loss allowance - Loans and advances to banks at amortized cost	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowance as at 31.12.2022	**(178)**	**-**	**-**	**-**	**(178)**
Changes in the loss allowance					
Changes due to modifications that did not result in derecognition	14	-	-	-	**14**
New financial assets originated/purchased or disbursed during the year	(128)	-	-	-	**(128)**
Financial assets that have been repaid during the year	158	-	-	-	**158**
Loss allowance as at 31.12.2023	**(134)**	**-**	**-**	**-**	**(134)**

In thousands of BGN

Loss allowance - Debt securities from banks at amortized cost	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowance as at 31.12.2021	**(155)**	**-**	**-**	**-**	**(155)**
Changes in the loss allowance					
Decreases due to change in credit risk	151	-	-	-	**151**
Loss allowance as at 31.12.2022	**(4)**	**-**	**-**	**-**	**(4)**

In thousands of BGN

Loss allowance - Debt securities from banks at amortized cost	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowance as at 31.12.2022	**(4)**	**-**	**-**	**-**	**(4)**
Changes in the loss allowance					
New financial assets originated/purchased or disbursed during the year	(68)	-	-	-	**(68)**
Financial assets that have been repaid during the year	4	-	-	-	**4**
Loss allowance as at 31.12.2023	**(68)**	**-**	**-**	**-**	**(68)**

In thousands of BGN

Loss allowance - Debt securities from customers at amortized cost	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowance as at 31.12.2021	**(956)**	**-**	**-**	**-**	**(956)**
Changes in the loss allowance					
Decreases due to change in credit risk	782	-	-	-	**782**
New financial assets originated/purchased or disbursed during the year	(120)	-	-	-	**(120)**
Loss allowance as at 31.12.2022	**(294)**	**-**	**-**	**-**	**(294)**

In thousands of BGN

Loss allowance - Debt securities from customers at amortized cost	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Loss allowance as at 31.12.2022	**(294)**	**-**	**-**	**-**	**(294)**
Changes in the loss allowance					
Increases due to change in credit risk	(336)	-	-	-	**(336)**
New financial assets originated/purchased or disbursed during the year	(185)	-	-	-	**(185)**
Loss allowance as at 31.12.2023	**(815)**	**-**	**-**	**-**	**(815)**

In thousands of BGN

Loss allowance - Debt investment securities at FVTOCI	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Loss allowance as at 31.12.2021	**(3 070)**	**-**	**-**	**-**	**(3 070)**
Changes in the loss allowance					
Transfer to stage 2	5 894	(5 894)	-	-	**-**
Increases due to change in credit risk	(6 490)	-	-	-	**(6 490)**
Decreases due to change in credit risk	2 165	-	-	-	**2 165**
New financial assets originated/purchased or disbursed during the year	(16)	-	-	-	**(16)**
Financial assets that have been repaid during the year	102	-	-	-	**102**
Loss allowance as at 31.12.2022	**(1 415)**	**(5 894)**	**-**	**-**	**(7 309)**

In thousands of BGN

Loss allowance - Debt investment securities at FVTOCI	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Loss allowance as at 31.12.2022	**(1 415)**	**(5 894)**	**-**	**-**	**(7 309)**
Changes in the loss allowance					
Increases due to change in credit risk	(294)	-	-	-	**(294)**
Decreases due to change in credit risk	781	-	-	-	**781**
New financial assets originated/purchased or disbursed during the year	(73)	-	-	-	**(73)**
Financial assets that have been repaid during the year	33	5 894	-	-	**5 927**
Loss allowance as at 31.12.2023	**(968)**	**-**	**-**	**-**	**(968)**

In thousands of BGN

Loss allowance - Loans and advances to customers	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowance as at 31.12.2021	**(84 063)**	**(210 054)**	**(498 305)**	**(265)**	**(792 687)**
Changes in the loss allowance					
Transfer to stage 1	(10 726)	6 895	3 831	-	**-**
Transfer to stage 2	101 313	(105 585)	4 272	-	**-**
Transfer to stage 3	8 459	81 971	(90 430)	-	**-**
Increases due to change in credit risk	(114 137)	(87 751)	(63 893)	-	**(265 781)**
Decreases due to change in credit risk	56 460	104 785	30 246	-	**191 491**
Write-offs	-	-	36 142	-	**36 142**
Changes due to modifications that did not result in derecognition	-	-	-	-	**-**
New financial assets originated/purchased or disbursed during the year	(35 751)	(64 358)	(54 388)	-	**(154 497)**
Financial assets that have been repaid during the year	8 483	22 725	119 084	265	**150 557**
Changes in models/risk parameters	-	-	-	-	**-**
Foreign exchange and other movements	-	-	138	-	**138**
Loss allowance as at 31.12.2022	**(69 962)**	**(251 372)**	**(513 303)**	**-**	**(834 637)**

In thousands of BGN

Loss allowance - Loans and advances to corporate customers	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowance as at 31.12.2021	**(65 870)**	**(147 471)**	**(326 127)**	**(265)**	**(539 733)**
Changes in the loss allowance					
Transfer to stage 1	(4 073)	2 602	1 471	-	**-**
Transfer to stage 2	77 550	(79 582)	2 032	-	**-**
Transfer to stage 3	2 359	58 890	(61 249)	-	**-**
Increases due to change in credit risk	(85 685)	(55 202)	(36 752)	-	**(177 639)**
Decreases due to change in credit risk	41 259	83 943	11 511	-	**136 713**
Write-offs	-	-	23 609	-	**23 609**
Changes due to modifications that did not result in derecognition	-	-	-	-	**-**
New financial assets originated/purchased or disbursed during the year	(23 540)	(35 823)	(36 376)	-	**(95 739)**
Financial assets that have been repaid during the year	8 363	21 008	107 605	265	**137 241**
Changes in models/risk parameters	(1 154)	(8 494)	(35 608)	-	**(45 256)**
Foreign exchange and other movements	-	-	138	-	**138**
Loss allowance as at 31.12.2022	**(50 791)**	**(160 129)**	**(349 746)**	**-**	**(560 666)**

In thousands of BGN

Loss allowance - Loans and advances to retail customers	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowance as at 31.12.2021	**(18 193)**	**(62 583)**	**(172 178)**	**-**	**(252 954)**
Changes in the loss allowance					
Transfer to stage 1	(6 653)	4 293	2 360	-	**-**
Transfer to stage 2	23 763	(26 003)	2 240	-	**-**
Transfer to stage 3	6 100	23 081	(29 181)	-	**-**
Increases due to change in credit risk	(28 452)	(32 549)	(27 141)	-	**(88 142)**
Decreases due to change in credit risk	15 201	20 842	18 735	-	**54 778**
Write-offs	-	-	12 533	-	**12 533**
Changes due to modifications that did not result in derecognition	-	-	-	-	**-**
New financial assets originated/purchased or disbursed during the year	(12 211)	(28 535)	(18 012)	-	**(58 758)**
Financial assets that have been repaid during the year	120	1 717	11 479	-	**13 316**
Changes in models/risk parameters	1 154	8 494	35 608	-	**45 256**
Foreign exchange and other movements	-	-	-	-	**-**
Loss allowance as at 31.12.2022	**(19 171)**	**(91 243)**	**(163 557)**	**-**	**(273 971)**

In thousands of BGN

Loss allowance - Loans and advances to customers	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowance as at 31.12.2022	**(69 962)**	**(251 372)**	**(513 303)**	**-**	**(834 637)**
Changes in the loss allowance					
Transfer to stage 1	(17 732)	7 249	10 483	-	**-**
Transfer to stage 2	85 951	(97 699)	11 748	-	**-**
Transfer to stage 3	69 506	57 269	(126 775)	-	**-**
Increases due to change in credit risk	(158 745)	(135 288)	(66 890)	-	**(360 923)**
Decreases due to change in credit risk	63 423	198 051	87 906	-	**349 380**
Write-offs	-	49	105 753	-	**105 802**
New financial assets originated/purchased or disbursed during the year	(61 440)	(57 242)	(22 375)	-	**(141 057)**
Financial assets that have been repaid during the year	12 507	33 320	59 143	-	**104 970**
Changes in models/risk parameters	-	-	-	-	**-**
Foreign exchange and other movements	-	-	15	-	**15**
Loss allowance as at 31.12.2023	**(76 492)**	**(245 663)**	**(454 295)**	**-**	**(776 450)**

In thousands of BGN

Loss allowance - Loans and advances to corporate customers	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowance as at 31.12.2022	**(50 791)**	**(160 129)**	**(349 746)**	**-**	**(560 666)**
Changes in the loss allowance					
Transfer to stage 1	(2 733)	2 712	21	-	**-**
Transfer to stage 2	52 143	(54 183)	2 040	-	**-**
Transfer to stage 3	66 882	26 375	(93 257)	-	**-**
Increases due to change in credit risk	(119 636)	(39 838)	(18 864)	-	**(178 338)**
Decreases due to change in credit risk	20 615	106 198	54 712	-	**181 525**
Write-offs	-	-	57 610	-	**57 610**
New financial assets originated/purchased or disbursed during the year	(23 972)	(32 575)	(11 704)	-	**(68 251)**
Financial assets that have been repaid during the year	6 413	18 813	39 990	-	**65 216**
Changes in models/risk parameters	(47)	(92)	-	-	**(139)**
Foreign exchange and other movements	-	-	15	-	**15**
Loss allowance as at 31.12.2023	**(51 126)**	**(132 719)**	**(319 183)**	**-**	**(503 028)**

In thousands of BGN

Loss allowance - Loans and advances to retail customers	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowance as at 31.12.2022	**(19 171)**	**(91 243)**	**(163 557)**	**-**	**(273 971)**
Changes in the loss allowance					
Transfer to stage 1	(14 999)	4 537	10 462	-	**-**
Transfer to stage 2	33 808	(43 516)	9 708	-	**-**
Transfer to stage 3	2 624	30 894	(33 518)	-	**-**
Increases due to change in credit risk	(39 109)	(95 450)	(48 026)	-	**(182 585)**
Decreases due to change in credit risk	42 808	91 853	33 194	-	**167 855**
Write-offs	-	49	48 143	-	**48 192**
New financial assets originated/purchased or disbursed during the year	(37 468)	(24 667)	(10 671)	-	**(72 806)**
Financial assets that have been repaid during the year	6 094	14 507	19 153	-	**39 754**
Changes in models/risk parameters	47	92	-	-	**139**
Foreign exchange and other movements	-	-	-	-	**-**
Loss allowance as at 31.12.2023	**(25 366)**	**(112 944)**	**(135 112)**	**-**	**(273 422)**

In thousands of BGN

Loss allowance – Finance leases	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowance as at 31.12.2021	**(1 506)**	**(18 919)**	**(48 920)**	**-**	**(69 345)**
Changes in the loss allowance					
Transfer to stage 1	(2 630)	1 399	1 231	-	**-**
Transfer to stage 2	592	(5 251)	4 659	-	**-**
Transfer to stage 3	1	56	(57)	-	**-**
Increases due to change in credit risk	(472)	(11 783)	(2 491)	-	**(14 746)**
Decreases due to change in credit risk	2 673	7 654	4 253	-	**14 580**
Write-offs	-	-	3 968	-	**3 968**
New financial assets originated/purchased or disbursed during the year	(1 276)	(5 933)	(2 510)	-	**(9 719)**
Financial assets that have been repaid during the year	54	2 290	8 302	-	**10 646**
Loss allowance as at 31.12.2022	**(2 564)**	**(30 487)**	**(31 565)**	**-**	**(64 616)**

In thousands of BGN

Loss allowance – Finance leases to corporate customers	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowance as at 31.12.2021	**(1 190)**	**(16 042)**	**(23 948)**	**-**	**(41 180)**
Changes in the loss allowance					
Transfer to stage 1	(1 862)	1 138	724	-	**-**
Transfer to stage 2	414	(3 482)	3 068	-	**-**
Transfer to stage 3	-	17	(17)	-	**-**
Increases due to change in credit risk	(453)	(10 635)	(305)	-	**(11 393)**
Decreases due to change in credit risk	1 926	5 511	2 792	-	**10 229**
Write-offs	-	-	227	-	**227**
New financial assets originated/purchased or disbursed during the year	(1 009)	(3 887)	(1 539)	-	**(6 435)**
Financial assets that have been repaid during the year	41	2 087	6 492	-	**8 620**
Loss allowance as at 31.12.2022	**(2 133)**	**(25 293)**	**(12 506)**	**-**	**(39 932)**

In thousands of BGN

Loss allowance – Finance leases to retail customers	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowance as at 31.12.2021	**(316)**	**(2 877)**	**(24 972)**	**-**	**(28 165)**
Changes in the loss allowance					
Transfer to stage 1	(768)	261	507	-	**-**
Transfer to stage 2	178	(1 769)	1 591	-	**-**
Transfer to stage 3	1	39	(40)	-	**-**
Increases due to change in credit risk	(19)	(1 148)	(2 186)	-	**(3 353)**
Decreases due to change in credit risk	747	2 143	1 461	-	**4 351**
Write-offs	-	-	3 741	-	**3 741**
New financial assets originated/purchased or disbursed during the year	(267)	(2 046)	(971)	-	**(3 284)**
Financial assets that have been repaid during the year	13	203	1 810	-	**2 026**
Loss allowance as at 31.12.2022	**(431)**	**(5 194)**	**(19 059)**	**-**	**(24 684)**

In thousands of BGN

Loss allowance – Finance leases	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowance as at 31.12.2022	**(2 564)**	**(30 487)**	**(31 565)**	**-**	**(64 616)**
Changes in the loss allowance					
Transfer to stage 1	(3 083)	2 767	316	-	**-**
Transfer to stage 2	607	(1 221)	614	-	**-**
Transfer to stage 3	10	168	(178)	-	**-**
Increases due to change in credit risk	(151)	(3 076)	(3 241)	-	**(6 468)**
Decreases due to change in credit risk	3 541	17 488	2 339	-	**23 368**
Write-offs	-	-	12 840	-	**12 840**
New financial assets originated/purchased or disbursed during the year	(2 103)	(6 218)	(6 274)	-	**(14 595)**
Financial assets that have been repaid during the year	425	2 833	4 207	-	**7 465**
Loss allowance as at 31.12.2023	**(3 318)**	**(17 746)**	**(20 942)**	**-**	**(42 006)**

In thousands of BGN

Loss allowance – Finance leases to corporate customers	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowance as at 31.12.2022	**(2 133)**	**(25 293)**	**(12 506)**	**-**	**(39 932)**
Changes in the loss allowance					
Transfer to stage 1	(1 792)	1 629	163	-	**-**
Transfer to stage 2	490	(829)	339	-	**-**
Transfer to stage 3	5	77	(82)	-	**-**
Increases due to change in credit risk	(75)	(1 958)	(1 455)	-	**(3 488)**
Decreases due to change in credit risk	2 355	15 483	1 297	-	**19 135**
Write-offs	-	-	4 716	-	**4 716**
New financial assets originated/purchased or disbursed during the year	(1 536)	(3 375)	(4 433)	-	**(9 344)**
Financial assets that have been repaid during the year	400	2 420	2 615	-	**5 435**
Loss allowance as at 31.12.2023	**(2 286)**	**(11 846)**	**(9 346)**	**-**	**(23 478)**

In thousands of BGN

Loss allowance – Finance leases to retail customers	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowance as at 31.12.2022	**(431)**	**(5 194)**	**(19 059)**	**-**	**(24 684)**
Changes in the loss allowance					
Transfer to stage 1	(1 291)	1 138	153	-	**-**
Transfer to stage 2	117	(392)	275	-	**-**
Transfer to stage 3	5	91	(96)	-	**-**
Increases due to change in credit risk	(76)	(1 118)	(1 786)	-	**(2 980)**
Decreases due to change in credit risk	1 186	2 005	1 042	-	**4 233**
Write-offs	-	-	8 124	-	**8 124**
New financial assets originated/purchased or disbursed during the year	(567)	(2 843)	(1 841)	-	**(5 251)**
Financial assets that have been repaid during the year	25	413	1 592	-	**2 030**
Loss allowance as at 31.12.2023	**(1 032)**	**(5 900)**	**(11 596)**	**-**	**(18 528)**

In thousands of BGN

Loss allowance - Loan commitments, Financial guarantee contracts and other commitments	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowance as at 31.12.2021	**(18 231)**	**(6 118)**	**(30 858)**	**-**	**(55 207)**
Changes in the loss allowance					
Transfer to stage 1	(506)	500	6	-	**-**
Transfer to stage 2	15 368	(15 393)	25	-	**-**
Transfer to stage 3	2 258	1 514	(3 772)	-	**-**
Increases due to change in credit risk	(21 835)	(3 084)	(2 886)	-	**(27 805)**
Decreases due to change in credit risk	8 685	3 195	10 133	-	**22 013**
New financial assets originated/purchased or disbursed during the year	(13 513)	(6 244)	(13 182)	-	**(32 939)**
Financial assets that have been repaid during the year	4 074	1 738	4 920	-	**10 732**
Loss allowance as at 31.12.2022	**(23 700)**	**(23 892)**	**(35 614)**	**-**	**(83 206)**

In thousands of BGN

Loss allowance - Loan commitments, Financial guarantee contracts and other commitments	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowance as at 31.12.2022	**(23 700)**	**(23 892)**	**(35 614)**	**-**	**(83 206)**
Changes in the loss allowance					
Transfer to stage 1	(559)	650	(91)	-	**-**
Transfer to stage 2	11 820	(11 886)	66	-	**-**
Transfer to stage 3	17 588	4 374	(21 962)	-	**-**
Increases due to change in credit risk	(32 142)	(9 899)	(3 375)	-	**(45 416)**
Decreases due to change in credit risk	10 911	8 956	15 428	-	**35 295**
New financial assets originated/purchased or disbursed during the year	(12 275)	(11 789)	(6 245)	-	**(30 309)**
Financial assets that have been repaid during the year	8 465	13 205	9 767	-	**31 437**
Loss allowance as at 31.12.2023	**(19 892)**	**(30 281)**	**(42 026)**	**-**	**(92 199)**

The tables below analyses the movement of the customers portfolio at amortized cost in terms of quality and respective movements of the gross carrying amounts during 2023 as per IFRS 9 requirements:

In thousands of BGN

Balances with Central Bank	31.12.2023					31.12.2022				
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
Grades 1-3: Low to fair risk	5 606 478	-	-	-	5 606 478	6 622 086	-	-	-	**6 622 086**
Total gross carrying amount	**5 606 478**	**-**	**-**	**-**	**5 606 478**	**6 622 086**	**-**	**-**	**-**	**6 622 086**
Loss allowance	**(60)**	**-**	**-**	**-**	**(60)**	**(30)**	-	-	-	**(30)**
Carrying amount	**5 606 418**	**-**	**-**	**-**	**5 606 418**	**6 622 056**	**-**	**-**	**-**	**6 622 056**

In thousands of BGN

Loans and advances to banks at amortized cost	31.12.2023					31.12.2022				
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
Grades 1-3: Low to fair risk	2 373 788	-	-	-	2 373 788	1 118 011	-	-	-	**1 118 011**
Grades 4-6: Monitoring	194	-	-	-	194	66 326	-	-	-	**66 326**
Grades 7-8: Substandard	-	-	-	-	-	155	-	-	-	**155**
Total gross carrying amount	**2 373 982**	**-**	**-**	**-**	**2 373 982**	**1 184 492**	**-**	**-**	**-**	**1 184 492**
Loss allowance	**(134)**	**-**	**-**	**-**	**(134)**	**(178)**	-	-	-	**(178)**
Carrying amount	**2 373 848**	**-**	**-**	**-**	**2 373 848**	**1 184 314**	**-**	**-**	**-**	**1 184 314**

In thousands of BGN

Debt securities from banks at amortized cost	31.12.2023					31.12.2022				
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
Grades 1-3: Low to fair risk	413 833	-	-	-	413 833	97 821	-	-	-	**97 821**
Total gross carrying amount	**413 833**	**-**	**-**	**-**	**413 833**	**97 821**	**-**	**-**	**-**	**97 821**
Loss allowance	**(68)**	**-**	**-**	**-**	**(68)**	**(4)**	-	-	-	**(4)**
Carrying amount	**413 765**	**-**	**-**	**-**	**413 765**	**97 817**	**-**	**-**	**-**	**97 817**

In thousands of BGN

Debt securities from customers at amortized cost	31.12.2023					31.12.2022				
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
Grades 1-3: Low to fair risk	2 862 326	-	-	-	2 862 326	2 141 024	-	-	-	**2 141 024**
Grades 4-6: Monitoring	724	-	-	-	724	1 432	-	-	-	**1 432**
Total gross carrying amount	**2 863 050**	**-**	**-**	**-**	**2 863 050**	**2 142 456**	**-**	**-**	**-**	**2 142 456**
Loss allowance	(815)	-	-	-	(815)	(294)	-	-	-	**(294)**
Carrying amount	**2 862 235**	**-**	**-**	**-**	**2 862 235**	**2 142 162**	**-**	**-**	**-**	**2 142 162**

In thousands of BGN

Debt investment securities at FVTOCI	31.12.2023					31.12.2022				
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
Grades 1-3: Low to fair risk	2 163 626	-	-	-	2 163 626	2 329 163	-	-	-	**2 329 163**
Grades 4-6: Monitoring	-	-	-	-	-	174 283	9 145	-	-	**183 428**
Total gross carrying amount	**2 163 626**	**-**	**-**	**-**	**2 163 626**	**2 503 446**	**9 145**	**-**	**-**	**2 512 591**
Loss allowance	**(968)**	**-**	**-**	**-**	**(968)**	**(1 415)**	**(5 894)**	**-**	**-**	**(7 309)**
Carrying amount	**2 162 658**	**-**	**-**	**-**	**2 162 658**	**2 502 031**	**3 251**	**-**	**-**	**2 505 282**

In thousands of BGN

Loans and advances to customers	31.12.2023					31.12.2022				
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
Grades 1-3: Low to fair risk	4 296 616	662 991	-	-	4 959 607	3 135 842	597 743	-	-	**3 733 585**
Grades 4-6: Monitoring	8 599 522	2 524 741	-	-	11 124 263	8 630 905	1 531 610	-	-	**10 162 515**
Grades 7-8: Substandard	187 221	546 197	41 902	-	775 320	168 422	660 345	38 949	-	**867 716**
Grade 9: Doubtful	-	-	451 171	-	451 171	-	-	418 110	-	**418 110**
Grade 10: Impaired	-	-	117 210	-	117 210	-	-	183 357	-	**183 357**
Total gross carrying amount	**13 083 359**	**3 733 929**	**610 283**	**-**	**17 427 571**	**11 935 169**	**2 789 698**	**640 416**	**-**	**15 365 283**
Loss allowance	**(76 492)**	**(245 663)**	**(454 295)**	**-**	**(776 450)**	**(69 962)**	**(251 372)**	**(513 303)**	**-**	**(834 637)**
Carrying amount	**13 006 867**	**3 488 266**	**155 988**	**-**	**16 651 121**	**11 865 207**	**2 538 326**	**127 113**	**-**	**14 530 646**

In thousands of BGN

Loans and advances to corporate customers	31.12.2023					31.12.2022				
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
Grades 1-3: Low to fair risk	918 896	46 010	-	-	964 906	375 326	30 841	-	-	**406 167**
Grades 4-6: Monitoring	5 949 051	1 607 206	-	-	7 556 257	6 726 460	790 886	-	-	**7 517 346**
Grades 7-8: Substandard	128 779	357 487	-	-	486 266	123 901	362 839	-	-	**486 740**
Grade 9: Doubtful	-	-	369 575	-	369 575	-	-	319 969	-	**319 969**
Grade 10: Impaired	-	-	53 476	-	53 476	-	-	98 573	-	**98 573**
Total gross carrying amount	**6 996 726**	**2 010 703**	**423 051**	**-**	**9 430 480**	**7 225 687**	**1 184 566**	**418 542**	**-**	**8 828 795**
Loss allowance	**(51 126)**	**(132 719)**	**(319 183)**	**-**	**(503 028)**	**(50 791)**	**(160 129)**	**(349 746)**	**-**	**(560 666)**
Carrying amount	**6 945 600**	**1 877 984**	**103 868**	**-**	**8 927 452**	**7 174 896**	**1 024 437**	**68 796**	**-**	**8 268 129**

In thousands of BGN

Loans and advances to retail customers	31.12.2023 Stage 1	Stage 2	Stage 3	POCI	Total	31.12.2022 Stage 1	Stage 2	Stage 3	POCI	Total
Grades 1-3: Low to fair risk	3 377 720	616 981	-	-	3 994 701	2 760 516	566 902	-	-	**3 327 418**
Grades 4-6: Monitoring	2 650 471	917 535	-	-	3 568 006	1 904 445	740 724	-	-	**2 645 169**
Grades 7-8: Substandard	58 442	188 710	41 902	-	289 054	44 521	297 506	38 949	-	**380 976**
Grade 9: Doubtful	-	-	81 596	-	81 596	-	-	98 141	-	**98 141**
Grade 10: Impaired	-	-	63 734	-	63 734	-	-	84 784	-	**84 784**
Total gross carrying amount	**6 086 633**	**1 723 226**	**187 232**	**-**	**7 997 091**	**4 709 482**	**1 605 132**	**221 874**	**-**	**6 536 488**
Loss allowance	**(25 366)**	**(112 944)**	**(135 112)**	**-**	**(273 422)**	**(19 171)**	**(91 243)**	**(163 557)**	**-**	**(273 971)**
Carrying amount	**6 061 267**	**1 610 282**	**52 120**	**-**	**7 723 669**	**4 690 311**	**1 513 889**	**58 317**	**-**	**6 262 517**

In thousands of BGN

Finance leases	31.12.2023 Stage 1	Stage 2	Stage 3	POCI	Total	31.12.2022 Stage 1	Stage 2	Stage 3	POCI	Total
Grades 1-3: Low to fair risk	66 174	12 913	-	-	79 087	42 842	36 065	-	-	**78 907**
Grades 4-6: Monitoring	632 990	288 772	-	-	921 762	458 917	225 312	-	-	**684 229**
Grades 7-8: Substandard	2 383	148 146	-	-	150 529	2 081	197 786	-	-	**199 867**
Grade 9: Doubtful	-	-	7 741	-	7 741	-	-	5 382	-	**5 382**
Grade 10: Impaired	-	-	22 612	-	22 612	-	-	30 001	-	**30 001**
Total nominal amount	**701 547**	**449 831**	**30 353**	**-**	**1 181 731**	**503 840**	**459 163**	**35 383**	**-**	**998 386**
Loss allowance	**(3 318)**	**(17 746)**	**(20 942)**	**-**	**(42 006)**	**(2 564)**	**(30 487)**	**(31 565)**	**-**	**(64 616)**
Carrying amount	**698 229**	**432 085**	**9 411**	**-**	**1 139 725**	**501 276**	**428 676**	**3 818**	**-**	**933 770**

In thousands of BGN

Finance leases to corporate customers	31.12.2023 Stage 1	Stage 2	Stage 3	POCI	Total	31.12.2022 Stage 1	Stage 2	Stage 3	POCI	Total
Grades 1-3: Low to fair risk	51 034	12 330	-	-	63 364	36 861	35 774	-	-	**72 635**
Grades 4-6: Monitoring	386 891	202 455	-	-	589 346	319 256	147 593	-	-	**466 849**
Grades 7-8: Substandard	418	60 517	-	-	60 935	665	86 051	-	-	**86 716**
Grade 9: Doubtful	-	-	4 522	-	4 522	-	-	2 426	-	**2 426**
Grade 10: Impaired	-	-	9 205	-	9 205	-	-	12 147	-	**12 147**
Total nominal amount	**438 343**	**275 302**	**13 727**	**-**	**727 372**	**356 782**	**269 418**	**14 573**	**-**	**640 773**
Loss allowance	**(2 286)**	**(11 846)**	**(9 346)**	**-**	**(23 478)**	**(2 133)**	**(25 293)**	**(12 506)**	**-**	**(39 932)**
Carrying amount	**436 057**	**263 456**	**4 381**	**-**	**703 894**	**354 649**	**244 125**	**2 067**	**-**	**600 841**

In thousands of BGN

Finance leases to retail customers	31.12.2023					31.12.2022				
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
Grades 1-3: Low to fair risk	15 140	583	-	-	15 723	5 981	291	-	-	**6 272**
Grades 4-6: Monitoring	246 099	86 317	-	-	332 416	139 661	77 719	-	-	**217 380**
Grades 7-8: Substandard	1 965	87 629	-	-	89 594	1 416	111 735	-	-	**113 151**
Grade 9: Doubtful	-	-	3 219	-	3 219	-	-	2 956	-	**2 956**
Grade 10: Impaired	-	-	13 407	-	13 407	-	-	17 854	-	**17 854**
Total nominal amount	**263 204**	**174 529**	**16 626**	**-**	**454 359**	**147 058**	**189 745**	**20 810**	**-**	**357 613**
Loss allowance	**(1 032)**	**(5 900)**	**(11 596)**	**-**	**(18 528)**	**(431)**	**(5 194)**	**(19 059)**	**-**	**(24 684)**
Carrying amount	**262 172**	**168 629**	**5 030**	**-**	**435 831**	**146 627**	**184 551**	**1 751**	**-**	**332 929**

In thousands of BGN

Loan commitments, Financial guarantee contracts and other commitments	31.12.2023					31.12.2022				
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
Grades 1-3: Low to fair risk	3 027 532	255 756	-	-	3 283 288	1 968 541	206 191	-	-	**2 174 732**
Grades 4-6: Monitoring	4 234 200	1 045 444	-	-	5 279 644	4 532 934	506 172	-	-	**5 039 106**
Grades 7-8: Substandard	124 046	429 153	91	-	553 290	119 741	617 129	49	-	**736 919**
Grade 9: Doubtful	-	-	47 060	-	47 060	-	-	34 892	-	**34 892**
Grade 10: Impaired	-	-	2 565	-	2 565	-	-	8 056	-	**8 056**
Total nominal amount	**7 385 778**	**1 730 353**	**49 716**	**-**	**9 165 847**	**6 621 216**	**1 329 492**	**42 997**	**-**	**7 993 705**
Loss allowance	**(19 892)**	**(30 281)**	**(42 026)**	**-**	**(92 199)**	**(23 700)**	**(23 892)**	**(35 614)**	**-**	**(83 206)**
Carrying amount	**7 365 886**	**1 700 072**	**7 690**	**-**	**9 073 648**	**6 597 516**	**1 305 600**	**7 383**	**-**	**7 910 499**

In thousands of BGN

Loans and advances to banks at amortized cost	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount as at 31.12.2021	**600 188**	**-**	**-**	**-**	**600 188**
Changes in the gross carrying amount					
Changes due to modifications that did not result in derecognition	2 808	-	-	-	**2 808**
New financial assets originated/purchased or disbursed during the year	1 086 472	-	-	-	**1 086 472**
Financial assets that have been repaid during the year	(504 976)	-	-	-	**(504 976)**
Gross carrying amount as at 31.12.2022	**1 184 492**	**-**	**-**	**-**	**1 184 492**

In thousands of BGN

Loans and advances to banks at amortized cost	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount as at 31.12.2022	**1 184 492**	**-**	**-**	**-**	**1 184 492**
Changes in the gross carrying amount					
Changes due to modifications that did not result in derecognition	27 499	-	-	-	**27 499**
New financial assets originated/purchased or disbursed during the year	2 247 112	-	-	-	**2 247 112**
Financial assets that have been repaid during the year	(1 085 121)	-	-	-	**(1 085 121)**
Gross carrying amount as at 31.12.2023	**2 373 982**	**-**	**-**	**-**	**2 373 982**

In thousands of BGN

Debt securities from banks at amortized cost	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount as at 31.12.2021	**98 068**	**-**	**-**	**-**	**98 068**
Changes in the gross carrying amount					
Financial assets that have been repaid during the year	(247)	-	-	-	**(247)**
Gross carrying amount as at 31.12.2022	**97 821**	**-**	**-**	**-**	**97 821**

In thousands of BGN

Debt securities from banks at amortized cost	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount as at 31.12.2022	**97 821**	**-**	**-**	**-**	**97 821**
Changes in the gross carrying amount					
New financial assets originated/purchased or disbursed during the year	413 833	-	-	-	**413 833**
Financial assets that have been repaid during the year	(97 821)	-	-	-	**(97 821)**
Gross carrying amount as at 31.12.2023	**413 833**	**-**	**-**	**-**	**413 833**

In thousands of BGN

Debt securities from customers at amortized cost	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount as at 31.12.2021	**1 074 206**	**-**	**-**	**-**	**1 074 206**
Changes in the gross carrying amount					
New financial assets originated/purchased or disbursed during the year	1 069 106	-	-	-	**1 069 106**
Financial assets that have been repaid during the year	(856)	-	-	-	**(856)**
Gross carrying amount as at 31.12.2022	**2 142 456**	**-**	**-**	**-**	**2 142 456**

In thousands of BGN

Debt securities from customers at amortized cost	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount as at 31.12.2022	**2 142 456**	**-**	**-**	**-**	**2 142 456**
Changes in the gross carrying amount					
New financial assets originated/purchased or disbursed during the year	721 562	-	-	-	**721 562**
Financial assets that have been repaid during the year	(968)	-	-	-	**(968)**
Gross carrying amount as at 31.12.2023	**2 863 050**	**-**	**-**	**-**	**2 863 050**

In thousands of BGN

Debt investment securities at FVTOCI	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount as at 31.12.2021	**3 450 145**	**-**	**-**	**-**	**3 450 145**
Changes in the gross carrying amount					
Transfer to stage 2	(9 145)	9 145	-	-	**-**
New financial assets originated/purchased or disbursed during the year	139 131	-	-	-	**139 131**
Financial assets that have been repaid during the year	(1 076 685)	-	-	-	**(1 076 685)**
Gross carrying amount as at 31.12.2022	**2 503 446**	**9 145**	**-**	**-**	**2 512 591**

In thousands of BGN

Debt investment securities at FVTOCI	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount as at 31.12.2022	**2 503 446**	**9 145**	**-**	**-**	**2 512 591**
Changes in the gross carrying amount					
New financial assets originated/purchased or disbursed during the year	360 896	-	-	-	**360 896**
Financial assets that have been repaid during the year	(700 716)	(9 145)	-	-	**(709 861)**
Gross carrying amount as at 31.12.2023	**2 163 626**	**-**	**-**	**-**	**2 163 626**

In thousands of BGN

Loans and advances to customers	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount as at 31.12.2021	**9 954 322**	**2 214 035**	**652 128**	**265**	**12 820 750**
Changes in the gross carrying amount					
Transfer to stage 1	779 816	(762 310)	(17 506)	-	**-**
Transfer to stage 2	(1 387 056)	1 409 371	(22 315)	-	**-**
Transfer to stage 3	(24 800)	(154 751)	179 551	-	**-**
Changes due to modifications that did not result in derecognition	-	-	-	-	**-**
New financial assets originated/purchased or disbursed during the year	6 680 707	740 916	71 067	-	**7 492 690**
Financial assets that have been repaid during the year	(4 067 820)	(657 326)	(158 477)	(265)	**(4 883 888)**
Write-offs	-	(237)	(64 032)	-	**(64 269)**
Other changes	-	-	-	-	**-**
Gross carrying amount as at 31.12.2022	**11 935 169**	**2 789 698**	**640 416**	**-**	**15 365 283**

In thousands of BGN

Loans and advances to corporate customers	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount as at 31.12.2021	**5 806 249**	**906 857**	**423 364**	**265**	**7 136 735**
Changes in the gross carrying amount					
Transfer to stage 1	334 049	(328 128)	(5 921)	-	**-**
Transfer to stage 2	(562 907)	575 655	(12 748)	-	**-**
Transfer to stage 3	(5 112)	(78 117)	83 229	-	**-**
Changes due to modifications that did not result in derecognition	-	-	-	-	**-**
New financial assets originated/purchased or disbursed during the year	4 175 553	313 729	50 471	-	**4 539 753**
Financial assets that have been repaid during the year	(2 577 794)	(252 284)	(96 130)	(265)	**(2 926 473)**
Write-offs	-	-	(25 019)	-	**(25 019)**
Other changes	55 649	46 854	1 296	-	**103 799**
Gross carrying amount as at 31.12.2022	**7 225 687**	**1 184 566**	**418 542**	**-**	**8 828 795**

In thousands of BGN

Loans and advances to retail customers	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount as at 31.12.2021	**4 148 073**	**1 307 178**	**228 764**	**-**	**5 684 015**
Changes in the gross carrying amount					
Transfer to stage 1	445 767	(434 182)	(11 585)	-	**-**
Transfer to stage 2	(824 149)	833 716	(9 567)	-	**-**
Transfer to stage 3	(19 688)	(76 634)	96 322	-	**-**
Changes due to modifications that did not result in derecognition	-	-	-	-	**-**
New financial assets originated/purchased or disbursed during the year	2 505 154	427 187	20 596	-	**2 952 937**
Financial assets that have been repaid during the year	(1 490 026)	(405 042)	(62 347)	-	**(1 957 415)**
Write-offs	-	(237)	(39 013)	-	**(39 250)**
Other changes	(55 649)	(46 854)	(1 296)	-	**(103 799)**
Gross carrying amount as at 31.12.2022	**4 709 482**	**1 605 132**	**221 874**	**-**	**6 536 488**

In thousands of BGN

Loans and advances to customers	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount as at 31.12.2022	**11 935 169**	**2 789 698**	**640 416**	**-**	**15 365 283**
Changes in the gross carrying amount					
Transfer to stage 1	1 183 835	(1 156 322)	(27 513)	-	**-**
Transfer to stage 2	(2 127 440)	2 179 848	(52 408)	-	**-**
Transfer to stage 3	(120 944)	(155 412)	276 356	-	**-**
New financial assets originated/purchased or disbursed during the year	6 788 307	838 408	26 479	-	**7 653 194**
Financial assets that have been repaid during the year	(4 575 542)	(762 054)	(136 737)	-	**(5 474 333)**
Write-offs	(26)	(237)	(116 310)	-	**(116 573)**
Gross carrying amount as at 31.12.2023	**13 083 359**	**3 733 929**	**610 283**	**-**	**17 427 571**

In thousands of BGN

Loans and advances to corporate customers	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount as at 31.12.2022	**7 225 687**	**1 184 566**	**418 542**	**-**	**8 828 795**
Changes in the gross carrying amount					
Transfer to stage 1	411 877	(410 041)	(1 836)	-	**-**
Transfer to stage 2	(1 175 969)	1 201 354	(25 385)	-	**-**
Transfer to stage 3	(101 055)	(57 769)	158 824	-	**-**
New financial assets originated/purchased or disbursed during the year	3 616 291	428 191	22 283	-	**4 066 765**
Financial assets that have been repaid during the year	(2 983 988)	(340 350)	(91 767)	-	**(3 416 105)**
Write-offs	-	-	(57 610)	-	**(57 610)**
Other changes	3 883	4 752	-	-	**8 635**
Gross carrying amount as at 31.12.2023	**6 996 726**	**2 010 703**	**423 051**	**-**	**9 430 480**

In thousands of BGN

Loans and advances to retail customers	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount as at 31.12.2022	**4 709 482**	**1 605 132**	**221 874**	**-**	**6 536 488**
Changes in the gross carrying amount					
Transfer to stage 1	771 958	(746 281)	(25 677)	-	**-**
Transfer to stage 2	(951 471)	978 494	(27 023)	-	**-**
Transfer to stage 3	(19 889)	(97 643)	117 532	-	**-**
New financial assets originated/purchased or disbursed during the year	3 172 016	410 217	4 196	-	**3 586 429**
Financial assets that have been repaid during the year	(1 591 554)	(421 704)	(44 970)	-	**(2 058 228)**
Write-offs	(26)	(237)	(58 700)	-	**(58 963)**
Other changes	(3 883)	(4 752)	-	-	**(8 635)**
Gross carrying amount as at 31.12.2023	**6 086 633**	**1 723 226**	**187 232**	**-**	**7 997 091**

In thousands of BGN

Finance leases	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount as at 31.12.2021	**402 350**	**455 442**	**54 172**	**-**	**911 964**
Changes in the gross carrying amount					
Transfer to stage 1	104 684	(103 158)	(1 526)	-	**-**
Transfer to stage 2	(157 959)	162 963	(5 004)	-	**-**
Transfer to stage 3	(370)	(4 512)	4 882	-	**-**
New financial assets originated/purchased or disbursed during the year	268 875	146 968	3 515	-	**419 358**
Financial assets that have been repaid during the year	(113 740)	(198 540)	(16 688)	-	**(328 968)**
Write-offs	-	-	(3 968)	-	**(3 968)**
Gross carrying amount as at 31.12.2022	**503 840**	**459 163**	**35 383**	**-**	**998 386**

In thousands of BGN

Finance leases to corporate customers	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount as at 31.12.2021	**302 914**	**277 828**	**27 284**	**-**	**608 026**
Changes in the gross carrying amount					
Transfer to stage 1	83 680	(82 806)	(874)	-	**-**
Transfer to stage 2	(115 680)	118 766	(3 086)	-	**-**
Transfer to stage 3	-	(814)	814	-	**-**
New financial assets originated/purchased or disbursed during the year	175 182	77 916	1 914	-	**255 012**
Financial assets that have been repaid during the year	(89 314)	(121 472)	(11 252)	-	**(222 038)**
Write-offs	-	-	(227)	-	**(227)**
Gross carrying amount as at 31.12.2022	**356 782**	**269 418**	**14 573**	**-**	**640 773**

In thousands of BGN

Finance leases to retail customers	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount as at 31.12.2021	**99 436**	**177 614**	**26 888**	**-**	**303 938**
Changes in the gross carrying amount					
Transfer to stage 1	21 004	(20 352)	(652)	-	**-**
Transfer to stage 2	(42 279)	44 197	(1 918)	-	**-**
Transfer to stage 3	(370)	(3 698)	4 068	-	**-**
New financial assets originated/purchased or disbursed during the year	93 693	69 052	1 601	-	**164 346**
Financial assets that have been repaid during the year	(24 426)	(77 068)	(5 436)	-	**(106 930)**
Write-offs	-	-	(3 741)	-	**(3 741)**
Gross carrying amount as at 31.12.2022	**147 058**	**189 745**	**20 810**	**-**	**357 613**

In thousands of BGN

Finance leases	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount as at 31.12.2022	**503 840**	**459 163**	**35 383**	**-**	**998 386**
Changes in the gross carrying amount					
Transfer to stage 1	107 062	(106 723)	(339)	-	**-**
Transfer to stage 2	(118 701)	119 450	(749)	-	**-**
Transfer to stage 3	(3 263)	(6 724)	9 987	-	**-**
New financial assets originated/purchased or disbursed during the year	385 738	170 492	10 559	-	**566 789**
Financial assets that have been repaid during the year	(173 129)	(185 827)	(11 648)	-	**(370 604)**
Write-offs	-	-	(12 840)	-	**(12 840)**
Gross carrying amount as at 31.12.2023	**701 547**	**449 831**	**30 353**	**-**	**1 181 731**

In thousands of BGN

Finance leases to corporate customers	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount as at 31.12.2022	**356 782**	**269 418**	**14 573**	**-**	**640 773**
Changes in the gross carrying amount					
Transfer to stage 1	54 654	(54 491)	(163)	-	**-**
Transfer to stage 2	(88 466)	88 908	(442)	-	**-**
Transfer to stage 3	(1 400)	(3 032)	4 432	-	**-**
New financial assets originated/purchased or disbursed during the year	238 830	90 362	6 654	-	**335 846**
Financial assets that have been repaid during the year	(122 057)	(115 863)	(6 611)	-	**(244 531)**
Write-offs	-	-	(4 716)	-	**(4 716)**
Gross carrying amount as at 31.12.2023	**438 343**	**275 302**	**13 727**	**-**	**727 372**

In thousands of BGN

Finance leases to retail customers	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount as at 31.12.2022	**147 058**	**189 745**	**20 810**	**-**	**357 613**
Changes in the gross carrying amount					
Transfer to stage 1	52 408	(52 232)	(176)	-	**-**
Transfer to stage 2	(30 235)	30 542	(307)	-	**-**
Transfer to stage 3	(1 863)	(3 692)	5 555	-	**-**
New financial assets originated/purchased or disbursed during the year	146 908	80 130	3 905	-	**230 943**
Financial assets that have been repaid during the year	(51 072)	(69 964)	(5 037)	-	**(126 073)**
Write-offs	-	-	(8 124)	-	**(8 124)**
Gross carrying amount as at 31.12.2023	**263 204**	**174 529**	**16 626**	**-**	**454 359**

In thousands of BGN

Loan commitments, Financial guarantee contracts and other commitments	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount as at 31.12.2021	**6 396 122**	**462 395**	**58 892**	**-**	**6 917 409**
Changes in the gross carrying amount					
Transfer to stage 1	233 669	(233 728)	59	-	**-**
Transfer to stage 2	(770 332)	771 821	(1 489)	-	**-**
Transfer to stage 3	(3 095)	(1 544)	4 639	-	**-**
New financial assets originated/purchased or disbursed during the year	3 807 850	500 952	21 449	-	**4 330 251**
Financial assets that have been repaid during the year	(3 038 578)	(168 620)	(40 496)	-	**(3 247 694)**
Other changes	(4 420)	(1 784)	(57)	-	**(6 261)**
Gross carrying amount as at 31.12.2022	**6 621 216**	**1 329 492**	**42 997**	**-**	**7 993 705**

In thousands of BGN

Loan commitments, Financial guarantee contracts and other commitments	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount as at 31.12.2022	**6 621 216**	**1 329 492**	**42 997**	**-**	**7 993 705**
Changes in the gross carrying amount					
Transfer to stage 1	343 849	(341 083)	(2 766)	-	**-**
Transfer to stage 2	(821 637)	827 342	(5 705)	-	**-**
Transfer to stage 3	(24 671)	(4 723)	29 394	-	**-**
New financial assets originated/purchased or disbursed during the year	4 315 474	802 509	11 236	-	**5 129 219**
Financial assets that have been repaid during the year	(3 048 453)	(883 184)	(25 440)	-	**(3 957 077)**
Gross carrying amount as at 31.12.2023	**7 385 778**	**1 730 353**	**49 716**	**-**	**9 165 847**

Pursuant to prescriptions provided on IFRS 9 principle as well as EBA Guidelines on credit institutions' credit risk management practices and accounting for expected credit losses (EBA/GL/2017/06), a Low Credit Risk Exemption (LCRE) is applied to financial instruments (including Loans) presenting a "low level of risk" at reporting date where the "low risk" is set out relying primarily on internal credit risk measures, keeping in the same time a reconciliation with Investment (IG) and Non-Investment Grade (NIG) classification. Therefore, according to the rationale described in the Group IFRS 9 Model Concept, an internal estimated PD threshold has been set equal to 0.3%. Therefore, all financial instruments belonging to client having a 1-year IFRS PD at reporting date lower than 0.3% would be then subject to LCRE and kept under Stage 1.

In thousands of BGN

	2023	2022
Central banks	5 606 418	6 622 056
General governments	185 771	312 299
Credit institutions	2 333 258	1 118 012
Other financial corporations	39 564	70
Non-financial corporations	261 080	151 827
Of which: Small and Medium-sized Enterprises	119 121	51 995
Households	2 273 453	6 734
Total loans and advances to customers at amortized cost and finance leases	**10 699 544**	**8 210 998**

The breakdown of the fair value of physical and cash collaterals pledged in favor of the Group on loans and advances to customers and finance leases is as follows:

In thousands of BGN

	Loans and advances to customers and finance leases	
	2023	2022
Defaulted exposures		
Cash collateral	5 319	5 032
Property	516 420	827 327
Debt securities	432	432
Other collateral	80 636	612 794
Performing exposures		
Cash collateral	675 847	115 093
Property	12 730 370	13 873 066
Debt securities	15 263	16 468
Other collateral	2 201 921	9 919 322
Total	**16 226 208**	**25 369 534**

Other collaterals include mostly pledges on non-real estate long-term assets, going concerns and inventories.

In thousands of BGN

Residential mortgage lending - LTV ratio	2023	2022
Less than 50 %	624 225	197 515
51-70%	1 105 947	636 826
71-90%	2 080 498	2 198 693
91-100%	215 269	187 551
More than 100%	23 277	92 938
Total loans and advances at amortized cost	**4 049 216**	**3 313 523**

In thousands of BGN

Credit impaired - LTV ratio	2023	2022
Less than 50 %	15 647	5 031
51-70%	19 948	19 377
More than 70%	18 471	50 654
Total loans and advances at amortized cost	**54 066**	**75 062**

In thousands of BGN

Carrying amount and collateral value held against loans to corporate customers measured at amortized cost	2023		2022	
	Carrying amount	Collateral	Carrying amount	Collateral
Financial pledge	305 591	94 027	308 271	100 312
Guarantees received	1 914 573	1 462 907	2 349 101	1 773 489
Real Estate	5 123 083	3 995 472	3 901 934	2 465 910
Insurance	77 600	73 751	100 288	92 405

The concentration of risk exposures in different sectors of the economy as well as geographical spread out is as outlined in table below as of December 31, 2023 and December 31, 2022:

In thousands of BGN

	Loans and advances to customers and finance leases		Loans and advances to banks		Investment securities	
	31.12.2023	**31.12.2022**	**31.12.2023**	**31.12.2022**	**31.12.2023**	**31.12.2022**
Concentration by sectors						
Sovereign	3 145 899	2 496 637	-	-	2 097 679	2 391 053
Manufacturing	3 185 874	2 914 224	-	-	43 427	40 743
Commerce	3 107 749	2 931 359	-	-	-	-
Construction and real estate	1 880 192	1 743 062	-	-	-	67
Agriculture and forestry	720 923	655 844	-	-	-	-
Transport and communication	910 919	862 832	-	-	334	313
Tourism	380 780	294 807	-	-	-	-
Services	535 838	403 220	-	-	-	655
Financial services	387 927	313 834	2 787 815	1 282 313	52 142	105 311
Retail (individuals)	-	-	-	-	-	-
Housing loans	4 032 518	3 300 749	-	-	-	-
Consumer loans	2 900 412	2 373 054	-	-	-	-
Other loans	285 147	219 885	-	-	-	-
	21 474 178	**18 509 507**	**2 787 815**	**1 282 313**	**2 193 582**	**2 538 142**
Impairment allowances	(819 271)	(899 547)	(202)	(182)	-	-
Total	**20 654 907**	**17 609 960**	**2 787 613**	**1 282 131**	**2 193 582**	**2 538 142**
Concentration by geographic location						
Europe	21 013 508	18 411 284	2 709 281	1 170 738	2 188 670	2 522 238
North America	26 093	32 699	40 956	25 432	4 912	15 904
Asia	434 532	65 410	37 522	40 202	-	-
Africa	10	1	-	45 761	-	-
South America	7	7	-	-	-	-
Australia	28	106	56	180	-	-
	21 474 178	**18 509 507**	**2 787 815**	**1 282 313**	**2 193 582**	**2 538 142**
Impairment allowances	(819 271)	(899 547)	(202)	(182)	-	-
Total	**20 654 907**	**17 609 960**	**2 787 613**	**1 282 131**	**2 193 582**	**2 538 142**

(iii) Significant increase in credit risk

The IFRS PD and Transfer Logic model was already implemented in 2022 and was used also during 2023 with the following characteristics:

- The Quantitative threshold (under Approach 3 which incorporates Forward Lifetime PD) for staging is used in the new model (as before) and has been updated with most recent data. The percentage in Stage 2 for Corporate is 10%, Small Business is 12.5% and Private Individuals is 10%.

- All other triggers for Qualitative staging (Watch list, Forbearance and more than 30 days delinquency in payments) remain unchanged.

(e) Basel III disclosures

In 2014, Basel III (CRD IV) regulatory framework has been effectively introduced in Bulgaria and has become mandatory for all local institutions. Under the new regulation, Bank continues to allocate capital for covering three major types of risk, namely credit risk, market risk and operational risk.

Starting from July 2016, UniCredit Bulbank reports regulatory capital for credit risk under the Advanced Internal Rating Based Approach (A-IRB) for corporate and retail clients. Banking institutions remain at Foundation Internal Rating Based Approach (F-IRB) and exposures to public sector entities, multilateral development banks and municipalities are treated under the Standardized Approach (STA). Regulatory capital for operational risk is quantified under the Advanced Measurement Approach (AMA).

The regulatory framework sets minimum limits of Common Equity Tier 1 (CET 1) ratio, Tier 1 ratio and Total Capital Adequacy ratio of 4.5%, 6% and 8%, respectively. Under the sole discretion of local Regulator is the definition and imposition of certain additional capital buffers, having as a core objective further strengthening of capital positions of the banks. In this respect Bulgarian National Bank (BNB) has imposed two additional buffers, namely Capital conservation buffer of 2.5% and Systemic risk buffer of 3% and from 2018 capital buffer for other systemically important institution with levels for 2023 and 2022 of 1%. In addition, from 2019 a Countercyclical capital buffer has been introduced with levels as of end-of-year 2023 and 2022 being 2% and 1% respectively. The imposed buffer requirements accumulate a combined buffer requirement of 8.5% for 2023 and 7.5% for 2022. All the buffers should be covered by highest quality capital positions, CET 1 eligible. Considering the combined buffers additional capital requirements, listed above, the minimum limits for Common Equity Tier 1 ratio, Tier 1 ratio and Total Capital Adequacy Ratio for UniCredit Bulbank AD as of December 31, 2023 are 13%, 14.5%, 16.5% and as of December 31, 2022 - 12%, 13.5%, 15.5%.

UniCredit Bulbank AD fulfils the minimum requirements, with sufficient excess, already from the first application of the new regulatory framework (more details presented in the following paragraphs).

The development of the own funds and capital requirements as of December 31, 2023 and December 31, 2022 are as follows:

In thousands of BGN

	31.12.2023	31.12.2022
Regulatory own funds		
Core Equity Tier 1 (CET 1)	3 170 326	3 111 187
Tier 1 capital	3 170 326	3 111 187
Tier 2 capital	54 103	47 692
Total regulatory own funds	**3 224 429**	**3 158 879**
Risk Weighted Assets (RWA)		
RWA for credit risk	12 917 490	11 078 308
RWA for market risk	5 913	8 376
RWA for operational risk	1 168 538	1 116 163
RWA for credit valuation adjustments	9 300	33 600
Total Risk Weighted Assets (RWA)	**14 101 241**	**12 236 447**
CET 1 ratio	**22.48%**	**25.43%**
Tier 1 ratio	**22.48%**	**25.43%**
Total capital adequacy ratio	**22.87%**	**25.82%**
Minimum CET 1 capital requirements (4.5%)	**634 556**	**550 640**
Minimum Tier 1 capital requirements (6%)	**846 074**	**734 187**
Minimum total capital requirements (8%)	**1 128 099**	**978 916**
Additional capital requirements for conservation buffer (2.5%)	352 531	305 911
Additional capital requirements for systemic risk buffer (3%)	390 963	336 208
Additional capital requirements for other systemic important institution (1%)	141 012	122 364
Additional capital requirements for countercyclical capital buffer (2023-2%, 2022-1%)	277 794	117 470
Combined buffers additional capital requirements (2023-8.5%, 2022-7.5%)	**1 162 300**	**881 953**
Adjusted minimum CET 1 capital requirements after buffers (13%-2023, 12%-2022)	1 796 856	1 432 593
Adjusted minimum Tier 1 capital requirements, including buffers (14.5%-2023; 13.5%-2022)	2 008 374	1 616 140
Adjusted minimum total capital requirements after buffers (16.5% - 2023; 15.5% - 2022)	2 290 399	1 860 869
Additional Pillar 2 buffers:		
P2R (P2 Recommendation) (1.65%-2023; 1.75%- 2022)	232 670	214 138
P2G (Pillar 2 Guidance) (1.25%)	176 266	152 956
Free equity, after buffers	**525 094**	**930 917**

(f) Securitizations

i. Synthetic Securitization deal - Silver

UniCredit Bulbank AD implemented a synthetic securitization program to improve its capital optimization strategy and benefit in terms of new lending capabilities by structuring a synthetic securitization ("Project Silver") to achieve significant risk transfer with respect to a portfolio of SME and corporate exposures originated by the Bank in its usual course of business. The risk transfer under the synthetic securitization was achieved using a credit risk mitigation instrument, the securitized exposures remained exposures of the Originator.

On June 29th, 2022 the "Financial Guarantee" between the Bank and the European Investment Fund ("EIF") was signed whereas the Effective Date was November 30th, 2022. The Financial Guarantee was executed under the Pan-European Guarantee Fund ("EGF") scheme. Under this scheme, the EGF provides guarantees to free up capital for national promotional banks, local banks and other financial intermediaries in order to make more financing available for small and medium companies, mid-caps and corporates in participating countries within the European Union.

The structure of the transaction encompasses a senior and a junior tranche, the latter being fully covered by an unfunded Financial Guarantee provided by the EIF (being a 0% risk-weighted entity, no cash or collateral is required under the Financial Guarantee).

The main characteristics of the Updated Reference Obligation Portfolio with reference to 31st December 2023 are the following:

- Outstanding securitized amount (Reference Portfolio Notional Amount) BGN 1 048 802 900;
- RWA without securitization: BGN 647 405 832 (61.73% of the securitized portfolio);
- Expected Loss without securitization: BGN 7 714 602 (0.74% of the securitized portfolio);
- RWA after application of securitization framework: BGN 95 447 175 (9.1% of the securitized portfolio);
- Expected Loss after application of securitization framework: BGN 0;
- Weighted average PD of 1.61%;
- Weighted average LGD of 46.50%.

As of 31.12.2023							
Tranche	**BGN Nominal Amount**	**Thickness**	**Attach**	**Detach**	**Guaranteed**	**Retained %**	**Amortization Typology**
Senior	954 471 7555	91.01%	8.99%	100%	0%	100%	Pro-Rata
Junior (Commitment)	94 331 145	8.99%	0%	100%	100%	0%	Pro-Rata

ii. Other securitization deals

In 2011 Bank has signed First Loss Guarantee Agreement (FLPG) with European Investment Fund, covering newly disbursed SME loans. In 2012 upon agreement for the regulatory treatment with Bulgarian National Bank, the above mentioned transaction is presented as synthetic securitization under STA for the purposes of allocating capital for credit risk under Basel III. From October 2016 the Bank applies Supervisory Formula Method for calculation for capital allocation purposes. Summary of FLPG as of December 31, 2023 is presented in the table below:

NAME	EIF JEREMIE
Type of securitization:	First Loss Portfolio Guarantee
Originator:	UniCredit Bulbank
Issuer:	European Investment Fund
Target transaction:	Capital Relief and risk transfer
Type of asset:	Highly diversified and granular pool of newly granted SME loans
Quality of Assets as of December 31, 2023	Performing loans
Agreed maximum portfolio volume:	EUR 85,000 thousand
Nominal Value of reference portfolio:	BGN 691 thousand
Issued guarantees by third parties:	First loss cash coverage by EIF
Amount and Condition of tranching:	
Reference Position Junior Tranche as of December 31, 2023	BGN 129 thousand

(g) Climate-related and environmental risks (ESG)

The climate-related and environmental risks and the accompanying shift towards sustainable finance are mounting challenges to the financial sector. In order to be compliant with the provisions of “Guide on climate-related and environmental risks” issued by ECB, and requirements set out in “EBA Guidelines on loan origination and monitoring” requiring institutions to consider climate-related and environmental risks at all relevant stages of the credit-granting process and to monitor the risks in their portfolios, the Bank, in line with the Group’s strategy, continued to proactively address these challenges by means of increased commitment to sustainability and tangible initiatives aimed at improving the management of risks to anticipate the possible increases in the riskiness of specific sectors and to analyze the impact on the overall Bank’s business and risk profile.

In general, regulatory changes in relation to environmental, social and governance (ESG) risk practices have continued at an accelerated pace since the UN Paris Agreement and the United Nations Sustainable Development Goals (UN SDGs) were signed by world leaders in 2015. Other key developments in the regulatory landscape include the latest EU Taxonomy Regulation that requires compliance to minimum social and governance safeguards.

Supporting sustainable economic growth and the transition to a low-carbon economy, the Bank is expanding its credit risk management approach through the integration of climate and environmental factors into credit risk strategies in compliance with the Group's Credit Risk Framework. Therefore, starting from 2023 the steering signals by economic sectors are determined by additional impact consideration of so-called Climate Steering signals, defined by an applied Group methodology which is based on Transition risk score calculated on NACE code level by using several sources of guidelines e.g. EBA guidelines, EU Taxonomy, CERVED sectorial studies.

UniCredit defines the Climate related and environmental risks as the sources of structural changes that might affect the economic activities and led by the following risk drivers:

- Transition risk refers to the financial loss that can result, directly or indirectly, from the process of adjustment towards a lower carbon and more environmentally sustainable economy;
- Physical risk refers to the financial impact of a changing climate, including more frequent extreme weather events and gradual changes in climate, as well as of environmental degradation, such as air, water and land pollution, water stress, biodiversity loss and deforestation. Physical risk is therefore categorized as “acute” when it arises from extreme events, such as droughts, floods and storms, and “chronic” when it arises from progressive shifts, such as increasing temperatures, sea-level rises, water stress, biodiversity loss and resource scarcity

We proceed with the integration of Climate & Environmental risks within Risk Management framework through several concrete actions and in line with the defined UniCredit Bulbank’s ESG Strategy. In 2023 we continued working on achieving the three main objectives:

- meeting regulatory expectations on banks business strategy and risk management processes;
- mitigating climate-related and environmental risks;
- identifying potential opportunities for financing the climate and environmental transition.

We carefully manage Transition Risk, ensuring proper origination, monitoring and management of the portfolios, following holistic approach including:

- Portfolio steering through Risk Appetite Framework, Credit strategies cascading and sector policies issuing;
- Portfolio analysis and monitoring;
- Single counterparty risk assessment (for Large Corporate clients).

Regarding Physical Risk, we are focused on the enhancement of the methodology to assess vulnerable portfolios and mitigate related risks and in particular the Real estate collateral portfolio. Preliminary assessment of the collaterals portfolio has been performed by Collateral Management Unit on physical risk caused by sea-level rise and by flooding in line with the Group's methodology on the matter. As next step for 2024 we aim to collect data for new flow in real estate collateral portfolio related to following hazards: River flood, Flash flood, Storm, Sea level rise, Wild Fire and their severity.

We continue to streamline data gathering and analytics, in order to further identify sources of climate related risks. For storage of the information for collaterals' Energy efficiency - new requirement for providing of issued Energy efficiency certificate of real estate properties proposed for collaterals has been implemented in 2022 with the respective proper flagging in the internal core banking system of the Energy class of the real estate properties and data storage of specific energy characteristics in the Core banking system for regulatory purposes. While this applies for all new business flows, collateralized by immovable properties, the Bank works in close cooperation with third-party vendors on the assessment of the stock real estate collateral portfolio with the result that certain proxy data for the individual EPCs, Primary energy demand and CO2 emissions has been provided through data remediation matching proprietary databases and deploying machine learning algorithms.

In line with the entered into force EBA Guidelines for Loan Origination and Monitoring and ECB requirements, the Bank uses ESG information in its underwriting process. We have adopted Group-wide questionnaire for climate risk assessment and diligently apply it for transactions with economic groups above predefined exposure threshold.

Questionnaire aims to determine the customers' position on the transition pathway assessing the borrower's exposure to transition risk and environmental factors. The approach comprises:

- filling in of the above-mentioned questionnaire addressing both high and low emissive customers in line with regulatory expectations;
- generation of a Climate & Environmental (C&E) Risk Scorecard summarizing the main KPIs and identifying the counterparty's positioning in one of the four risk areas (low, medium-low, medium-high, high) of the Transition Assessment matrix;
- the inclusion of the environmental scoring in the credit valuation process.

C&E assessment methodology is based on 3 key dimensions:

- the climate and environmental exposure considers the actual level of Green House Gas (GHG) emissions of corporate customers as well as other environmental metrics such as water and energy consumption, waste production and recycling;
- the climate and environmental vulnerability evaluates the climate change management maturity level of corporate customers, considering the company's plan to shift to a lower emission level business model, the transition investment plan, the GHG emissions reduction target as well as products and services associated with positive climate impact. This dimension considers cross-industry emission targets and ESG ratings together with management and industry specific environmental strategy;
- the economic impact on corporate customers' financial and industrial performance takes into account the effects on stranded assets, the decrease in market shares or revenues due to market shift, the increase in investment costs, constraints in accessing financing and indirect effects related to their supply chain or partner industries.

The bank intends to further enhance the heatmap approach to better understand the impact across sectors as well as to cover the positions below the defined thresholds.

UniCredit Bulbank has approved, implemented and follows several Group policies regarding sensitive sector that may have significant implication on the environment and the society. Strict monitoring and evaluation is being performed on counterparties and deals within the Coal Sector, Defense / Weapons Industry, Mining Industry, Water Infrastructure/Dams, Nuclear energy, Non-Conventional Oil & Gas and Arctic region Oil & Gas industry sector. The analysis is performed in line with all ESG criteria, requirements, standards and best practices, and ensures that all such standards and local and international regulations are met.

In 2021 UniCredit joined the Net-Zero Banking Alliance (NZBA). In line with the Group Net Zero commitment to a climate-positive future, UniCredit Bulbank has put the foundations of its Carbon Footprint Reduction Program also in 2023.The Group has set targets for the three most carbon intensive sectors within our portfolio, which include Oil & Gas, Power Generation and Automotive sectors. Achieved so far: (i) Alignment of list of customers in scope of the Net Zero targets base on NACE codes; (ii) Forecast of balance exposures targets for Y2024, Y2027, Y2030.

In 2024 the Bank will continue to develop the activities in these areas in line with the Group approach and all applicable regulations, standards and best practices. The Bank aims to further progress with its efforts regarding climate-related risks and opportunities by refining the methodologies, working towards standard setting and expanding the scope. The Bank is starting to integrate the C&E risk factors into credit risk processes extending the C&E risk evaluation in corporate underwriting process and integrating the Energy Performance Certificate (EPC) data into the real estate collateral valuation for the new flow.

5. Non-financial risk management

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. The definition includes legal risk, but excludes strategic and reputational risk. Examples of operational risk events include internal or external frauds, employment practices and workplace issues / incidents, client claims, products distribution, fines and penalties due to regulation breaches, damage to company's physical assets, business disruption and IT systems failures, cyber-attacks, execution, delivery and process management. Such events are subject to consolidated risk monitoring, measurement and management (collection of loss data, external data, scenarios, indicators), on which the calculation of capital held for operational risk is based.

In UniCredit Bulbank AD the operational risk management framework represents a combined set of policies and procedures for controlling, measuring and mitigating the operational risk exposure, which includes the guidelines of UniCredit Group and local documents. The Non-Financial Risk (NFR) function is the Bank's structure dedicated to operational risk management, which is independent from business and risk taking functions. The responsibilities of the NFR are consisting of ensuring adequate Operational Risk Management Governance in line with the set and applied by UniCredit Group and in compliance with external regulation and with international practices.

Appointed operational risk managers in the branch network and the Head Office, working on a decentralized basis, are responsible for loss data identification and reporting as well as for adoption of measures to reduce and prevent risks in their respective areas.

Reputational risk is defined as the current or prospective risk to earnings and capital arising from adverse perception of the image of the financial institution on the part of customers, counterparties, shareholders/investors, regulators or employees (stakeholders). All relevant rules and policies for the management and monitoring of the Reputational risk exposure have been adopted in compliance with the UniCredit Group guidelines. Under the Reputational risk process, special attention is paid to the management and monitoring of the Bank's exposure towards sensitive economic sectors and transactions, such as Coal, Defense, Nuclear energy, Water Infrastructure, Oil and Gas and Mining.

The main activities of the NFR in 2023 were focused in managing the operational and reputational risks, as well as assessment and mitigation of risks in the bank processes and activities, participation in dedicated bank projects and initiatives.

The regular Operational Risk (OpRisk) tasks consist of: OpRisk Loss Data Collection and Reporting; General Ledger Analysis; Transitory and Suspense Accounts Analysis; Accounting Reconciliation; Key Risk Indicators Monitoring; Scenario Analysis; ICT Project Risk Assessment; Operational Risk Oversight and Second level controls on Outsourcing and Third Party Risk; Risk and Controls Self-Assessment; Operational and Reputational Risk Strategies Definition and Monitoring; Operational Risk Oversight Model on UniCredit Bulbank Subsidiaries; Insurance Management – Insurance recoveries analysis and Annual evaluation on policies in place for renewals, Regular Second Level Control Monitoring on ICT and Digital Security Processes.

Second level controls on ICT and Security processes was developed and regularly performed in 2023. This is a set of second level controls, implemented upon a Group NFR request, aiming to strengthen the management of ICT and Cyber risks. These controls cover some processes in the ICT and Security areas like Change Management and ICT Incident Management Processes.

ICT Risk is defined as risk of financial/market share losses and reputational damage resulting from the misuse of Information and Communication Technology, whereas Cyber Risk / ICT Security Risk as risk of loss due to breach of confidentiality, failure of integrity of systems and data, inappropriateness or unavailability of systems and data. This includes security risks resulting from inadequate or failed internal processes or external events including cyber-attacks.

The following existing processes have been enhanced aimed at implementing extending criteria in 2023:

- Risk and Controls Self-Assessment (RCSA) activity cycle was further developed and the scope of assessed processes has been enlarged. The Process Risk Gate assessment was introduced in the first phase of the RCSA activity. During this phase 45 processes are subject to a Process Risk Gate assessment to identify risks which to be immediately addressed through the RCSA detailed assessment within the second phase of the RSCA activity. Within the second phase of the activity, 15 mandatory end-to-end (E2E) processes have been assessed in detail. Each processes assessment contains approximately 40 risks by which the process is evaluated.
- New Key Risk indicators (KRIs) were created:
  - 1 KRI related to operative control in retail branch network with aim to strengthen the second level controls in some operative processes in the branches.
  - 3 KRIs (Missing or incomplete loan documentation (hard copy); Complaints on mortgages; CPI insurances on Mortgages) have been implemented aiming at second level controls enhancement and harmonization throughout UC Group.

All activities regarding operational and reputational risk management included in the annual plan of activities, defined by the Group, were performed following the Group methodology and executed with no delay.

All key activities and results of the Operational Risk Identification (Internal losses, External data, Scenario analysis), the Assessment Measurement activities (KRI, RCSA) and the Addressing – Mitigation activities (Operational Risk priorities and Strategies) were reported for information/approval to the

Non-Financial Risk and Controls Committee – General Session (NFRC-GS). The Committee meetings are held quarterly and attended by the Bank's top management.

Operational Risk Permanent WorkGroup (PWG) meetings were held at least quarterly where process improvements and mitigation were discussed and monitored in a timely manner. All PWG meeting topics and outcomes were reported to the local NFRC committee - GS.

The Reputational Risk Management is implemented in UniCredit Bulbank through a dedicated set of policies with aim to:

- Identify sources of reputational risk (e.g., when entering new markets, products or lines of activities);
- Give guidelines for reputational risk assessment and measurement, monitoring and reporting to the competent corporate Bodies (e.g., Local and Group NFRC Committee);
- Rule the necessary escalation / decision-making processes.

The overall Reputational Risk Management framework relies on the following pillars:

- The involvement of Corporate Governing Bodies through Non-Financial Risk and Control Committee – Reputational Risk Session, in specific decisions regarding the Reputational Risk management (i.e., escalation mechanisms and high risk cases);
- The independence of the function in charge of Reputational Risk management and control from the risk taking functions;
- System of controls, in terms of roles and responsibilities for different control levels (first, second and third lines of defense model).

6. Use of estimates and judgements

For the purposes of preparation of these consolidated financial statements Management has used certain estimates and judgement in order to provide fair and true presentation of the financial position of the Group. These estimates and judgement require Management to use all information available in order to assess and where possible to quantify potential impact on the Group's financial position as a result of some uncertain events.

In general the estimates and judgement are widely used in assessing:

- Fair value determination of financial instruments;
- Fair value determination of non-financial assets;
- Impairment of financial instruments, especially loans;
- Quantification of the provisions for constructive and/or legal obligations.

(a) Fair value determination of financial instruments

As described in note **3 (i) (v)** the Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- **Level 1**: Quoted market price (unadjusted) in an active market for an identical instrument;
- **Level 2**: Valuation techniques based on observable inputs, either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data;
- **Level 3**: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. Unobservable in this context means that there is little or no current market data available from which to determine the price at which an arm's length transaction would be likely to occur.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments the Group determines fair values using valuation techniques. Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist, various option pricing models and other valuation models.

Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other inputs used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations. The objective of valuation techniques is to arrive at a fair value determination that reflects the fair value of the financial instrument at the reporting date that would have been determined by market participants and that represents the price that would be received to sell an asset or paid to transfer liability in an orderly transaction. The Group uses widely recognized valuation models for determining the fair value of common and more simple financial instruments, like interest rate and currency swaps that use only observable market data and require little management judgement and estimation. Observable prices and model inputs are usually available in the market for listed debt and equity securities, exchange traded derivatives and simple over the counter derivatives like interest rate swaps. Availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with determination of fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to liquidity, changes based on specific events and general conditions in the financial markets.

Valuation models that employ significant unobservable inputs require a higher degree of management judgement and estimation. Management judgement and estimation are usually required for selection of appropriate valuation model, determination of probability of default and prepayment speeds and selection of appropriate discount rates.

Under IFRS 13 "Fair Value Measurement" requirements, the Group paid specific attention on assessing and revising its valuation techniques, especially with regards to valuation of OTC derivatives and other Level 2 and Level 3 financial instruments, otherwise carried at amortized cost (loans and deposits to/from customers and banks). In doing such revision the Group has adopted UniCredit Group valuation techniques and methodologies.

OTC derivatives

CVA (Credit Value Adjustment) represents adjustment made on the valuation of OTC derivative transaction in order to properly reflect the credit risk of the derivative counter-party. It can also be referred as the market value of counterparty credit risk. According to the adopted methodology in UniCredit Group, CVA is calculated on bilateral basis using market-based parameters (PD and LGD). In bilateral computations DVA (Debit Value Adjustment) representing market value of Bank's own credit risk towards counterparty, is also considered (for the actual amounts of CVA/DVA adjustments for 2023 and 2022 see also Note **10**).

Loans and advances to banks, customers and finance leases

The adopted fair value calculation is coherent with DCF methods for estimation of financial instruments subject to default risk using risk neutral default probabilities. For defaulted loans, as the allocation of impairment requires deeper analysis of the expected cash flows, in accordance with Group methodology, Management can reasonably assume that the fair value is equal to the carrying amount and all such instruments are mapped to Level 3 fair value hierarchy.

As all loans are not traded on active markets, attention should be paid to proper mapping them into the FV hierarchy as per IFRS 7. In this regard, according to the UniCredit Group methodology, also adopted by the Group for 2023, whenever risk-free FV deviates by more than 2% from risk-adjusted FV, then the unobservable input has material impact on the final fair value determination, therefore the fair value of the respective instrument is mapped to Level 3. If the deviation is within the above mentioned threshold, the instrument is mapped to Level 2 fair value hierarchy. Both as of December 31, 2023 and December 31, 2022 all loans and advances to customers at amortized cost and finance leases are mapped to Level 3 fair value hierarchy.

Deposits from banks and customers

The adopted fair valuation technique represents DCF method, where the applicable discount factor is the sum of risk-free rate and own credit spread (liquidity spreads). Similarly to loans and advances to banks and customers, same risk-free to risk-adjusted thresholds are applied to deposits from banks and customers in assessing their fair value levels. In addition, according to updated Group Fair Value methodology, both as of December 31, 2023 and December 31, 2022 all demand deposits are mapped to Level 3 fair value hierarchy.

The table below analyses financial instruments by fair value hierarchy applied by the Group as of December 31, 2023 and December 31, 2022.

In thousands of BGN

Instrument category	Level 1	Level 2	Level 3	Total	
	31.12.2023	31.12.2023	31.12.2023	31.12.2023	31.12.2022
Cash and balances with Central Bank	-	-	6 069 757	**6 069 757**	**7 070 405**
Non-derivative financial assets held for trading	4 381	-	-	**4 381**	**2 828**
Derivatives held for trading	-	98 016	2 687	**100 703**	**116 097**
Derivatives held for hedging	-	77 165	-	**77 165**	**131 468**
Loans and advances to banks and debt securities at amortized cost	25 364	2 738 334	2 446	**2 766 144**	**1 280 786**
Loans and advances to customers, debt securities and finance leases	950 902	805 844	16 515 406	**18 272 152**	**16 109 416**
Pledged debt securities at amortized cost	325 500	617 192	-	**942 692**	**175 796**
Investment securities	759 498	737 373	46 765	**1 543 636**	**1 471 666**
Pledged investment securities	577 860	67 783	-	**645 643**	**1 062 591**
	2 643 505	**5 141 707**	**22 637 061**	**30 422 273**	**27 421 053**
Financial liabilities held for trading	-	101 997	9 650	**111 647**	**159 306**
Derivatives held for hedging	-	128 856	-	**128 856**	**132 160**
Deposits from banks	-	-	1 606 926	**1 606 926**	**1 620 632**
Deposits from customers and other financial liabilities at amortized cost	-	-	24 821 910	**24 821 910**	**23 218 598**
Debt securities issued	-	-	1 392 666	**1 392 666**	**312 933**
Fair value changes of the hedged items in portfolio hedge of interest rate risk	-	-	4 203	**4 203**	**(16 331)**
	-	**230 853**	**27 835 355**	**28 066 208**	**25 427 298**

The movement in financial instruments belonging to Level 3 for the year ended December 31, 2023 is as follows:

In thousands of BGN

	Derivatives held for trading	Loans mandatory at FV	Equity Investments	Debt securities	Property measured at FV
Opening balance (January 1, 2023)	**362**	**189**	**15 955**	**24 704**	**132 714**
Increases	**2 687**	**-**	**9 808**	**849**	**12 614**
Purchase	2 687	-	-	-	-
Profit recognized in income statement	-	-	864	-	-
Profit recognized in equity	-	-	8 870	754	10 211
Transfer from other levels	-	-	-	-	-
Other increases	-	-	74	95	2 403
Decreases	**(362)**	**(51)**	**(550)**	**(4 001)**	**(5 895)**
Sales	-	-	(550)	-	-
Redemption	-	-	-	(4 001)	-
Loses recognized in income statement	-	(51)	-	-	(3 474)
Loses recognized in equity	-	-	-	-	(1 291)
Transfer to other levels	-	-	-	-	(1 130)
Other decreases	(362)	-	-	-	-
Closing balance (December 31, 2023)	**2 687**	**138**	**25 213**	**21 552**	**139 433**

The table below analyses information about significant unobservable inputs used as at 31 December 2023 in measuring financial instruments categorized as level 3 in the fair value hierarchy.

Type of instrument	Fair value as at 31.12.2023	Valuation technique	Significant unobservable input	Range of estimates (weighted average) for unobservable input	Fair value as measurement sensitivity to unobservable inputs
Derivatives held for trading	2 687	Discounted Cash flows	Relevant interest rate risk curve for in the respective currency used for discounting	2023 from 0% to 5.4% (average 3.7%) 2022 from -1% to 2% (average 0%)	Significant increase in the relevant interest rate curve used for discounting would result in a lower fair value
Debt securities	21 552	Mark-to-model (Discounted Cash flows)	Relevant interest rate risk and credit spread curves for comparable instruments and comparable issuer in the respective currency	2023 Rates from 0% to 5.4% (average 3.7%) 2022 Rates from -1% to 2% (average 0%) 2023 Credit spread from 0.5% to 2% (average 1.3%) 2022 Credit spread from 2% to 20% (average 12%)	Significant increase in the relevant interest rate or credit spread curve used for discounting would result in a lower fair value

The tables below analyze the fair value of financial instruments by classification as of December 31, 2023 and December 31, 2022.

In thousands of BGN

December 2023	Fair value through profit or loss	Loans and receivables	Investment securities	CFH derivatives	Other amortized cost	Total carrying amount	Fair value
ASSETS							
Cash and balances with Central bank	-	-	-	-	6 069 757	**6 069 757**	**6 069 757**
Non-derivative financial assets held for trading	4 381	-	-	-	-	**4 381**	**4 381**
Derivatives held for trading	100 703	-	-	-	-	**100 703**	**100 703**
Derivatives held for hedging	-	-	-	77 165	-	**77 165**	**77 165**
Loans and advances to banks and debt securities at amortized cost	-	2 787 613	-	-	-	**2 787 613**	**2 766 144**
Loans and advances to customers, debt securities and finance leases	-	19 580 156	-	-	-	**19 580 156**	**18 272 152**
Pledged debt securities at amortized cost	-	1 073 063	-	-	-	**1 073 063**	**942 692**
Investment securities	-	-	1 543 636	-	-	**1 543 636**	**1 543 636**
Pledged investment securities	-	-	645 643	-	-	**645 643**	**645 643**
TOTAL ASSETS	**105 084**	**23 440 832**	**2 189 279**	**77 165**	**6 069 757**	**31 882 117**	**30 422 273**
LIABILITIES							
Financial liabilities held for trading	111 647	-	-	-	-	**111 647**	**111 647**
Derivatives held for hedging	-	-	-	128 856	-	**128 856**	**128 856**
Deposits from banks	-	-	-	-	1 595 495	**1 595 495**	**1 606 926**
Deposits from customers and other financial liabilities at amortized cost	-	-	-	-	24 827 068	**24 827 068**	**24 821 910**
Debt securities issued	-	-	-	-	1 401 400	**1 401 400**	**1 392 666**
Fair value changes of the hedged items in portfolio hedge of interest rate risk	-	-	-	-	4 203	**4 203**	**4 203**
TOTAL LIABILITIES	**111 647**	**-**	**-**	**128 856**	**27 828 166**	**28 068 669**	**28 066 208**

In thousands of BGN

December 2022	Fair value through profit or loss	Loans and receivables	Investment securities	CFH derivatives	Other amortized cost	Total carrying amount	Fair value
ASSETS							
Cash and balances with Central bank	-	-	-	-	7 070 405	**7 070 405**	**7 070 405**
Non-derivative financial assets held for trading	2 828	-	-	-	-	**2 828**	**2 828**
Derivatives held for trading	116 097	-	-	-	-	**116 097**	**116 097**
Derivatives held for hedging	-	-	-	131 468	-	**131 468**	**131 468**
Loans and advances to banks and debt securities at amortized cost	-	1 282 131	-	-	-	**1 282 131**	**1 280 786**
Loans and advances to customers, debt securities and finance leases	-	17 427 938	-	-	-	**17 427 938**	**16 109 416**
Pledged debt securities at amortized cost	-	180 384	-	-	-	**180 384**	**175 796**
Investment securities	-	-	1 471 666	-	-	**1 471 666**	**1 471 666**
Pledged investment securities	-	-	1 062 591	-	-	**1 062 591**	**1 062 591**
TOTAL ASSETS	**118 925**	**18 890 453**	**2 534 257**	**131 468**	**7 070 405**	**28 745 508**	**27 421 053**
LIABILITIES							
Financial liabilities held for trading	159 306	-	-	-	-	**159 306**	**159 306**
Derivatives held for hedging	-	-	-	132 160	-	**132 160**	**132 160**
Deposits from banks	-	-	-	-	1 613 792	**1 613 792**	**1 620 632**
Deposits from customers and other financial liabilities at amortized cost	-	-	-	-	23 239 194	**23 239 194**	**23 218 598**
Debt securities issued	-	-	-	-	313 701	**313 701**	**312 933**
Fair value changes of the hedged items in portfolio hedge of interest rate risk	-	-	-	-	(16 331)	**(16 331)**	**(16 331)**
TOTAL LIABILITIES	**159 306**	**-**	**-**	**132 160**	**25 150 356**	**25 441 822**	**25 427 298**

(b) Fair value determination of non-financial assets

Fair value determination of non-financial assets is applied when measuring fair value of investment properties. Fair value is assessed based on external valuation considering highest and best use of the asset. As of December 31, 2023 and December 31, 2022 all investment properties have undergone external fair valuation (see also Note **29**).

(c) Impairment of financial instruments

In estimating the impairment on financial instruments carried at amortized cost and at FVTOCI and in order to meet the requirements of IFRS 9, the Group has developed specific models to calculate expected loss based on PD, LGD and EAD parameters, used for regulatory purposes and adjusted in order to ensure consistency with accounting regulation, also following the "Guidelines on credit institutions' credit risk management practices and accounting for expected credit losses" issued by EBA.

On PD, LGD and EAD specific adjustments are applied to parameters already calculated for "regulatory" purposes, in order to ensure full consistency, net of different regulatory requirements, between regulatory and accounting treatment. The main adjustments are such to:

- remove the conservatism required for regulatory purposes only;
- introduce a "point in time" adjustment, instead of the "through the cycle" adjustment embedded in the regulatory parameters;
- include forward-looking information;
- extend the credit risk parameters in a multiyear perspective;
- estimate present value of the expected credit losses;
- introduce Overlay Factor, integrating the combined effect of different macroeconomic scenarios over the ECL result.

The Group continuously validates the models applied for impairment calculations for adequacy (at least once per year) and performs calibrations, if needed.

(d) Provisions

Assessing the provisions, Management used estimates provided by experts in certain areas such as legal and regulatory advisors as well as credit risk specialists. Usually, more conservative approach is followed in order to protect the Group in case of adverse development of uncertain events.

7. Segment reporting

Business segments pay and receive interest from the Asset-Liability Management Department (ALM) on arms' length basis, through given Fund Transfer Pricing rate (FTP) to reflect the funding costs per currencies/tenors. Allocation of capital is also carried out, in proportion to respective risk-weighted assets (RWA).

The Group operates the following main business segments:

- Retail banking;
- Corporate and Investment Banking and private Banking;
- Asset-Liability Management Dept. and other

In thousands of BGN

December 2023	Retail Banking	CIB and Private Banking	ALM and other	Total
Net interest income	493 490	394 150	3 164	**890 804**
Dividend income	-	-	838	**838**
Net fee and commission income	188 607	97 633	(335)	**285 905**
Net gains on financial assets and liabilities held for trading and hedging derivatives, including FX revaluation	29 654	60 673	46 784	**137 111**
Net gains/(losses) from financial assets mandatory at fair value	-	-	3 223	**3 223**
Net gains/(losses) from financial assets measured at FVTOCI	-	-	(4 169)	**(4 169)**
Other operating income	487	8 408	33 188	**42 083**
Other operating expenses	(26 571)	(20 074)	(549)	**(47 194)**
TOTAL OPERATING INCOME	**685 667**	**540 790**	**82 144**	**1 308 601**
Personnel expenses	(90 425)	(35 552)	(75 322)	**(201 299)**
General and administrative expenses	(28 869)	(9 453)	(82 365)	**(120 687)**
Amortization, depreciation and impairment losses on tangible and intangible fixed assets, investment properties and assets held for sale	(1 417)	(24 615)	(59 629)	**(85 661)**
Total direct expenses	**(120 711)**	**(69 620)**	**(217 316)**	**(407 647)**
Allocation of indirect and overhead expenses	(146 847)	(58 816)	205 663	**-**
TOTAL OPERATING EXPENSES	**(267 558)**	**(128 436)**	**(11 653)**	**(407 647)**
Provisions for risk and charges	(4 834)	(2 831)	6 594	**(1 071)**
Net impairment loss on financial assets	(37 847)	16 800	(1 196)	**(22 243)**
Net income related to property, plant and equipment	-	-	22	**22**
PROFIT BEFORE INCOME TAX	**375 428**	**426 323**	**75 911**	**877 662**
Income tax expense	(59 068)	(54 410)	25 700	**(87 778)**
PROFIT FOR THE YEAR	**316 360**	**371 913**	**101 611**	**789 884**
ASSETS	**8 016 895**	**10 414 890**	**14 028 227**	**32 460 012**
LIABILITIES	**15 715 344**	**8 683 155**	**4 092 096**	**28 490 595**

In thousands of BGN

December 2022	Retail Banking	CIB and Private Banking	ALM and other	Total
Net interest income	339 096	240 316	4 916	**584 328**
Dividend income	-	-	1 023	**1 023**
Net fee and commission income	170 409	95 634	(561)	**265 482**
Net gains on financial assets and liabilities held for trading and hedging derivatives, including FX revaluation	29 260	43 816	31 844	**104 920**
Net gains/(losses) from financial assets mandatory at fair value	-	-	(159)	**(159)**
Net gains/(losses) from financial assets measured at FVTOCI	-	-	5 664	**5 664**
Other operating income	1 617	5 844	26 826	**34 287**
Other operating expenses	(25 460)	(4 444)	(833)	**(30 737)**
TOTAL OPERATING INCOME	**514 922**	**381 166**	**68 720**	**964 808**
Personnel expenses	(80 932)	(32 448)	(68 413)	**(181 793)**
General and administrative expenses	(21 669)	(7 587)	(73 704)	**(102 960)**
Amortization, depreciation and impairment losses on tangible and intangible fixed assets, investment properties and assets held for sale	(1 359)	(21 962)	(48 520)	**(71 841)**
Total direct expenses	**(103 960)**	**(61 997)**	**(190 637)**	**(356 594)**
Allocation of indirect and overhead expenses	(131 754)	(54 208)	185 962	**-**
TOTAL OPERATING EXPENSES	**(235 714)**	**(116 205)**	**(4 675)**	**(356 594)**
Provisions for risk and charges	(1 942)	(1 169)	3 354	**243**
Net impairment loss on financial assets	(61 879)	(55 115)	4 529	**(112 465)**
Net income related to property, plant and equipment	-	-	15 196	**15 196**
PROFIT BEFORE INCOME TAX	**215 387**	**208 677**	**87 124**	**511 188**
Income tax expense	(40 834)	(30 657)	20 734	**(50 757)**
PROFIT FOR THE YEAR	**174 553**	**178 020**	**107 858**	**460 431**
ASSETS	**6 576 254**	**9 672 575**	**13 053 171**	**29 302 000**
LIABILITIES	**14 079 929**	**9 222 344**	**2 423 121**	**25 725 394**

In the following tables, fee and commission income from contracts with customers in the scope of IFRS 15 is disaggregated by major service lines:

In thousands of BGN

December 2023	Retail Banking	CIB and Private Banking	ALM and other	Total
Fee and commission income				
Collection and payment services	106 303	77 652	(135)	**183 820**
Lending business	32 611	26 505	(257)	**58 859**
Account services	25 906	5 499	20	**31 425**
Management, brokerage and securities trading	11 678	5 508	154	**17 340**
Documentary business	657	22 484	15	**23 156**
Package accounts	33 996	1 934	-	**35 930**
Other	21 686	3 109	321	**25 116**
	232 837	142 691	118	**375 646**
Fee and commission expense				
Collection and payment services	(39 850)	(33 248)	53	**(73 045)**
Management, brokerage and securities trading	(133)	(1 455)	(486)	**(2 074)**
Lending business	(4)	(27)	-	**(31)**
Other	(4 243)	(10 329)	(19)	**(14 591)**
	(44 230)	(45 059)	(452)	**(89 741)**
Net fee and commission income	**188 607**	**97 632**	**(334)**	**285 905**

In thousands of BGN

December 2022	Retail Banking	CIB and Private Banking	ALM and other	Total
Fee and commission income				
Collection and payment services	96 228	67 530	(73)	**163 685**
Lending business	27 251	23 309	(240)	**50 320**
Account services	26 927	5 488	-	**32 415**
Management, brokerage and securities trading	13 209	4 807	126	**18 142**
Documentary business	552	20 881	32	**21 465**
Package accounts	23 882	1 778	-	**25 660**
Other	19 735	2 234	140	**22 109**
	207 784	126 027	(15)	**333 796**
Fee and commission expense				
Collection and payment services	(35 614)	(25 687)	58	**(61 243)**
Management, brokerage and securities trading	(106)	(1 728)	(594)	**(2 428)**
Lending business	(2)	(41)	-	**(43)**
Other	(1 654)	(2 937)	(9)	**(4 600)**
	(37 376)	(30 393)	(545)	**(68 314)**
Net fee and commission income	**170 408**	**95 634**	**(560)**	**265 482**

8. Net interest income

In thousands of BGN

	2023	2022
Interest income calculated using the effective interest method		
Loans and advances to banks and debt securities at amortized cost	159 502	17 699
Loans and advances to customers and debt securities	788 666	537 523
Investment securities	40 513	43 210
Interest income on liabilities	4	27 055
	988 685	**625 487**
Other interest income		
Non-derivative financial assets held for trading	46	6
	46	**6**
Interest expense		
Derivatives held for hedging	(1 352)	(12 508)
Deposits from banks	(33 317)	(6 624)
Deposits from customers	(9 767)	(3 101)
Debt securities issued	(53 207)	(5 231)
Interest expense on assets	(284)	(13 701)
	(97 927)	(41 165)
Net interest income	**890 804**	**584 328**

For the financial years ended December 31, 2023 and December 31, 2022 the interest income recognized on defaulted financial instruments (loans and advances to customers) is in the amount of BGN 28 378 thousand and BGN 21 636 thousand, respectively.

Interest income on liabilities and interest expenses on assets have been presented in separate positions due to materiality of the amounts.

9. Net fee and commission income

In thousands of BGN

	2023	2022
Fee and commission income		
Collection and payment services	183 820	163 685
Lending business	58 859	50 320
Account services	31 425	32 415
Management, brokerage and securities trading	17 340	18 142
Documentary business	23 156	21 465
Package accounts	35 930	25 660
Other	25 116	22 109
	375 646	**333 796**
Fee and commission expense		
Collection and payment services	(73 045)	(61 243)
Management, brokerage and securities trading	(2 074)	(2 428)
Lending business	(31)	(43)
Other	(14 591)	(4 600)
	(89 741)	(68 314)
Net fee and commission income	**285 905**	**265 482**

10. Net gains on financial assets and liabilities held for trading and hedging derivatives, including FX revaluation

In thousands of BGN

	2023	2022
Realized and unrealized FX trading income, net	121 917	113 498
Net gain from debt instruments	1 359	639
Net gain from equity instruments	-	195
Net gain /(loss) from derivative instruments	15 329	(9 769)
Net gain /(loss) from hedging derivative instruments	(1 494)	357
Net gains on financial assets and liabilities held for trading and hedging derivatives, including FX revaluation	**137 111**	**104 920**

The total CVA (net of DVA) for the years ended December 31, 2023 and December 31, 2022, included in position net gains on financial assets and liabilities held for trading and hedging derivatives is in the amount of BGN 1 749 thousand and BGN 464 thousand, respectively.

11. Net gains/(losses) from financial assets mandatory at fair value

In thousands of BGN

	2023	2022
Equity securities	3 328	367
Loans and advances	(105)	(526)
Net gains/(losses) from financial assets mandatory at fair value	**3 223**	**(159)**

12. Net gains/(losses) from financial assets measured at FVTOCI

In thousands of BGN

	2023	2022
Realized gains on disposal of debt securities	(4 621)	5 197
Other	452	467
Net gains/(losses) from financial assets measured at FVTOCI	**(4 169)**	**5 664**

13. Other operating income and expenses

13.a Other operating income

In thousands of BGN

	2023	2022
Income from non-financial services	9 807	7 808
Rental income	22 509	19 840
Other income	9 767	6 639
Other operating income	**42 083**	**34 287**

13.b Other operating expenses

In thousands of BGN

	2023	2022
Deposit guarantee fund and RR fund annual contribution	(28 992)	(26 797)
Impairment of foreclosed properties	(21)	-
Losses on tangible assets measured at fair value	(205)	(178)
Other operating expenses	(17 976)	(3 762)
Other operating expenses	**(47 194)**	**(30 737)**

14. Net income related to property, plant and equipment

In thousands of BGN

	2023	2022
Net income on disposal of property, plant and equipment	22	15 196
Net income related to property, plant and equipment	**22**	**15 196**

15. Personnel expenses

In thousands of BGN

	2023	2022
Wages and salaries	(165 182)	(150 498)
Social security charges	(23 037)	(21 459)
Pension and similar expenses	(1 161)	(1 441)
Temporary staff expenses	(569)	(1 219)
Share-based payments	(1 632)	(730)
Other	(9 718)	(6 446)
Personnel expenses	**(201 299)**	**(181 793)**

As of December 31, 2023 the total number of employees, expressed in full time employee equivalent is 3 692 (December 31, 2022: 3 985).

As described in **note 3 (p) (iii)** ultimate parent company UniCredit S.p.A has granted stock options and performance shares to top and senior managers of UniCredit Bulbank AD. Upon expiration of the vesting period of any of the granted instruments, UniCredit Bulbank AD is required to settle in cash to the parent amounts corresponding to the economic value of the respective instruments. In addition to that, employees of the Group can voluntarily participate in Employee Share Ownership Plan (ESOP), where the advantages are that by buying UniCredit S.p.A ordinary shares employees can receive free ordinary shares, measured on the basis of the shares purchased by each participant during the "Enrolment period". The granting of free ordinary shares is subordinated to vesting conditions.

The table below analyses the costs and movement in the Group's liability by type of instruments granted:

Pension and similar expenses comprise current services costs and interest costs related to defined benefits obligation of the Group to its employees upon retirement. For more details about the pension scheme see Note **39**.

16. General and administrative expenses

In thousands of BGN

	2023	2022
Advertising, marketing and communication	(8 772)	(7 603)
Credit information and searches	(1 002)	(1 023)
Information, communication and technology expenses	(56 152)	(41 090)
Consulting, audit and other professional services	(2 315)	(2 247)
Real estate expenses	(14 519)	(15 115)
Rents	(4 069)	(5 053)
Travel expenses and car rentals	(4 060)	(3 643)
Insurance	(1 814)	(1 765)
Supply and miscellaneous services rendered by third parties	(17 068)	(14 751)
Other costs	(10 916)	(10 670)
General and administrative expenses	**(120 687)**	**(102 960)**

The amounts accrued in 2023 for the services provided by the registered auditors for statutory independent financial audit are as follows: for KPMG Audit OOD: BGN 435 thousand including VAT, for Baker Tilly Klitou and Partners EOOD: BGN 198 thousand including VAT. In 2023 the Group was charged with amounts for other non-statutory audit services provided by KPMG Audit OOD at a total amount of BGN 489 thousand including VAT and by Baker Tilly Klitou and Partners EOOD: BGN 25 thousand including VAT.

For 2022 the accrued amount for the provided audit and non-audit services by the external auditors were BGN 858 thousand including VAT.

In thousands of BGN

	Economic value at December 31, 2022	2023 Cost (Gains)	Settled in 2023	Economic value at December 31, 2023
Deferred Short Term Incentive (ordinary shares)	3 155	1 632	(1 374)	3 413
ESOP and shares for Talents	-	-	-	-
Total Options and Shares	**3 155**	**1 632**	**(1 374)**	**3 413**

17. Amortization, depreciation and impairment losses on tangible and intangible fixed assets, investment properties and assets held for sale

In thousands of BGN

	2023	2022
Depreciation charge	(79 572)	(71 841)
Impairment	(6 089)	-
Amortization, depreciation and impairment losses on tangible and intangible fixed assets, investment properties and assets held for sale	**(85 661)**	**(71 841)**

As part of the standard year-end closure procedures, the Group performs impairment assessment of its long-term assets. Impairment is recognized whenever recoverable amount of the assets is lower than their carrying amount.

18. Provisions for risk and charges

Provisions are allocated whenever based on Management's best estimates the Group has present obligation (legal or constructive) arising from past events for the settlement of which outflow of resources embodying economic benefits will be required. Whenever based on new circumstances and evidences it is not any more likely the outflow of resources to occur, the previously allocated provisions are reversed (for more details see also Note **39**).

In thousands of BGN

	2023	2022
Additions of provisions		
Restructuring provisions	(1 923)	-
Legal cases provisions	(2 356)	(2 449)
Other provisions	(200)	(108)
	(4 479)	**(2 557)**
Reversal of provisions		
Legal cases provisions	1 030	395
Other provisions	2 378	2 405
	3 408	**2 800**
Provisions for risk and charges	**(1 071)**	**243**

19. Net Impairment loss on financial assets

In thousands of BGN

	2023	2022
Net impairment losses on loans and advances to customers	(18 882)	(80 911)
Net impairment (loss)/ reversal on debt securities from customers at AC	(521)	662
Net impairment (loss)/ reversal on Loans and advances to Banks	44	(68)
Net impairment (loss)/ reversal on debt securities from banks at AC	(64)	151
Net impairment (loss)/ reversal on Balances with Central Bank	(30)	137
Net impairment (loss)/ reversal on Financial assets at fair value through OCI	6 341	(4 239)
Loss allowance of financial guarantee contracts and other commitments	(9 131)	(28 197)
Net impairment loss on financial assets	**(22 243)**	**(112 465)**

For detailed movement of ECL related to financial instruments please refer to 4(d) credit risk.

20. Income tax expense

Taxation is payable at a statutory rate of 10% on adjusted profits under the annual tax return prepared under the Bulgarian Corporate Income Tax Law. Deferred tax is calculated using a tax rate of 10%, applicable for 2023. The breakdown of tax charges in the income statement is as follows:

In thousands of BGN

	2023	2022
Current tax	(88 571)	(47 330)
Deferred tax income (expense) related to origination and reversal of temporary differences	1 053	(2 838)
Overprovided prior year current tax	(260)	(589)
Income tax expense	**(87 778)**	**(50 757)**

The tax on the Group's profit before taxation differs from the theoretical amount that would arise using the basic tax rate as follows:

In thousands of BGN

	2023	2022
Accounting profit before tax	877 662	511 188
Corporate tax at applicable tax rate (10% for 2023 and 2022)	(87 766)	(51 119)
Tax effect of non-taxable revenue	783	79
Tax effect of non-deductible tax expenses	(746)	(569)
(Underprovided)/ Overprovided prior year income tax	(49)	852
Income tax expense	**(87 778)**	**(50 757)**
Effective tax rate	**10.00%**	**9.93%**

As of fiscal year 2024, the UniCredit Group will fall within the scope of the newly designed Pillar Two regulation.

The Pillar Two regulation provides for an international framework of rules aimed at ensuring that the worldwide profits of multinational groups are subject to tax at a rate not lower than 15% in every jurisdiction in which the groups operate.

The rules have been firstly designed by the Inclusive Framework of the OECD and then implemented in the European Union through the EU Council Directive 2022/2523 of 14 December 2022. For EU countries, this Directive is expected to enter into force as of 2024 (in Bulgaria, the provisions of the Directive have been transposed into Bulgarian law with the Act on the Amendment and Supplement of the Corporate Income Tax Act, promulgated in State Gazette 106/2023 in force from 1.1.2024). Certain non-EU Member State in which the UniCredit Group operates have announced that they will implement the Pillar Two rules as of 2024 (e.g. United Kingdom) while other jurisdictions have not yet communicated if and when they will implement such set of rules.

In a nutshell, the Pillar Two rules provide that, if in certain jurisdictions where the UniCredit Group operates the effective tax rate (given by the ratio between adjusted accounting results and adjusted corporate income taxes paid in that jurisdiction) falls below 15%, then the UniCredit Group will be required to pay an additional tax (so-called top-up tax) to reach the 15% tax rate threshold.

The relevant set of rules also provides for a transition period in which the in-scope multinational groups may avoid undergoing the complex effective tax rate calculation required by the new piece of legislation. In particular, the Pillar Two legislation provides for a transitional safe harbour ("**TSH**") that applies for the first three fiscal years following the entry into force of the relevant regulation; the TSH relies on simplified calculations (mainly based on data extracted from the Country-by-Country Reporting under BEPS Action 13, implemented in Italy with Law n. 208/2015) and three kinds of alternative tests. Where at least one of the TSH tests is met for a jurisdiction in which the UniCredit Group operates, the top-up tax due for such jurisdiction will be deemed to be zero.

A test is met for a jurisdiction where:

1. Revenue and profit before tax are below, respectively, EUR 10 million and EUR 1 million (the *de minimis test*);
2. The Effective Tax Rate (i.e. ETR) equals or exceeds an agreed rate (the *ETR test,* 15% for FY 2024); or
3. The profit before tax does not exceed an amount calculated as a percentage of tangible assets and payroll expense (the *routine profits test*).

Even if for the financial year 2023 the Pillar Two rules have not entered into force yet, the UniCredit Group has performed an assessment of its potential exposure for Pillar Two top-up taxes.

Based on the assessment performed, most of the jurisdictions should benefit from the TSH. However, Bulgaria might not benefit from the TSH regime.

The UniCredit Group has therefore provisionally calculated the potential top-up tax exposure based on the full Pillar Two regime and Bulgaria would not meet the 15% minimum ETR with a limited top-up tax potentially due for an amount lower than €6 million.

The above analysis has to be considered as an estimate. The estimated calculation is based on complex regulations that have only recently been enacted with limited guidelines and not all the relevant data required to perform the full Pillar Two calculation was available.

Starting from 2024, each legal entity of the UniCredit group will apply the exception to the recognition and disclosure of deferred tax assets and liabilities relating to Pillar Two income taxes referred to in paragraph 4 A IAS 12.

21. Cash and balances with Central Bank

In thousands of BGN

	2023	2022
Cash in hand and in ATM	285 554	280 642
Cash in transit	177 785	167 707
Current account with Central Bank	5 606 418	6 622 056
Cash and balances with Central Bank	**6 069 757**	**7 070 405**

22. Non-derivative financial assets held for trading

In thousands of BGN

	2023	2022
Government bonds	4 381	-
Equities	-	2 828
Non-derivative financial assets held for trading	**4 381**	**2 828**

Financial assets held for trading consist of bonds that the Bank holds for the purpose of short-term profit taking by selling or repurchasing them in the near future.

23. Derivatives held for trading

In thousands of BGN

	2023	2022
Interest rate swaps	44 632	66 731
FX forward contracts	2 524	5 568
FX options	60	50
Other options	503	197
FX swaps	37 182	13 565
Commodity swaps	15 802	29 986
Derivatives held for trading	**100 703**	**116 097**

Derivatives consist of trading instruments that have positive market value as of December 31, 2023 and December 31, 2022. They are traded for Bank's own purposes, including off-setting some FX, interest rate or credit risks in banking and trading book as well as covering Bank customers' business position.

24. Derivatives held for hedging

As described in Note **3 (j)** in 2009 the Bank has adopted hedge accounting methodology aiming at managing the residual interest rate risk in banking book.

Until 2014 the Bank has designated only cash flow hedge relationships with hedging instruments being interest rate swaps and hedged items being highly probable forecasted interest cash flows derived from customers' and banks' business (attracted deposits and loans to customers). Since 2015 the Bank has started to apply Fair Value Hedge accounting also. Hedging instruments are interest rate swaps and respectively hedged items are bonds classified as financial assets at FVTOCI or at AC and deposits from customers.

In thousands of BGN

	2023		2022	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Risk exposure				
Interest rate				
Designated in FV hedges	73 561	41 689	101 009	16 424
Designated in CF hedges	3 604	87 167	30 459	115 736
Total interest rate derivatives	**77 165**	**128 856**	**131 468**	**132 160**

Fair value hedge

In thousands of BGN

	Maturity 2023			Maturity 2022		
	Less than 1 year	1 to 5 years	More than 5 years	Less than 1 year	1 to 5 years	More than 5 years
Risk exposure						
Interest rate						
Micro FV hedges of FVOCI						
Nominal amount	95 875	350 242	608 273	154 511	336 051	546 607
Average fixed interest rate	0.89%	0.71%	1.74%	0.19%	0.73%	0.72%
Micro FV hedges of debt securities at AC						
Nominal amount	-	5 867	460 500	-	-	-
Average fixed interest rate	-	3.02%	3.07%	-	-	-
Macro FV hedges of deposits						
Nominal amount	-	381 387	364 643	80 950	-	306 874
Average fixed interest rate	-	3.33%	2.46%	0.07%	-	2.33%

The amounts relating to items designated as hedging instruments and hedge ineffectiveness were as follows:

In thousands of BGN

	Carrying amount			Line item in the statement of financial position where the hedging instrument is included	Change in FV used for the hedging instrument used for calculating hedge ineffectiveness	Ineffectiveness recognized in profit or loss	Line item in profit or loss that include hedge Ineffectiveness
	Notional	**Assets**	**Liabilities**				
Micro FV hedges of FVOCI as of 31.12.2023	1 054 390	60 157	13 680	Derivatives assets(liabilities) held for hedging	45 812	(1 115)	Net gains on financial assets and liabilities held for trading and hedging derivatives, including FX revaluation
Micro FV hedges of FVOCI as of 31.12.2022	1 037 169	100 992	-	Derivatives assets(liabilities) held for hedging	101 955	574	Net gains on financial assets and liabilities held for trading and hedging derivatives, including FX revaluation
Micro FV hedges of debt securities at AC as of 31.12.2023	466 367	-	22 584	Derivatives assets(liabilities) held for hedging	(22 299)	(617)	Net gains on financial assets and liabilities held for trading and hedging derivatives, including FX revaluation
Micro FV hedges of debt securities at AC as of 31.12.2022	-	-	-	Derivatives assets(liabilities) held for hedging	-	-	Net gains on financial assets and liabilities held for trading and hedging derivatives, including FX revaluation
Macro FV hedges of deposits as of 31.12.2023	746 030	13 404	5 425	Derivatives assets(liabilities) held for hedging	4 752	238	Net gains on financial assets and liabilities held for trading and hedging derivatives, including FX revaluation
Macro FV hedges of deposits as of 31.12.2022	387 824	17	16 424	Derivatives assets(liabilities) held for hedging	(16 298)	(217)	Net gains on financial assets and liabilities held for trading and hedging derivatives, including FX revaluation

The amounts related to items designated as hedged items were as follows:

In thousands of BGN

	Carrying amount		Accumulated amount of FV hedge adjustments on the hedged items included in the carrying amount of the hedged item		Line item in the statement of financial position in which the hedged item is included	Change in FV used for the hedging instrument used for calculating hedge ineffectiveness	Accumulated amount of FV hedge adjustments remaining in the statement of financial position for any hedged items that have ceased to be adjusted for hedging gains and losses
	Assets	**Liabilities**	**Assets**	**Liabilities**			
Debt securities FVOCI as of 31.12.2023	1 040 750	-	(685)	-	Investment securities	(46 951)	-
Debt securities FVOCI as of 31.12.2022	973 011	-	(1 139)	-	Investment securities	(102 268)	-
Debt securities at AC as of 31.12.2023	493 844	-	22 126	-	Loans and advances to customers and debt securities	22 126	-
Debt securities at AC as of 31.12.2022	-	-	-	-	Loans and advances to customers and debt securities	-	-
Deposits as of 31.12.2023	-	746 030	-	4 203	Deposits from customers and other financial liabilities at amortized cost	(4 203)	-
Deposits as of 31.12.2022	-	387 824	-	(16 331)	Deposits from customers and other financial liabilities at amortized cost	16 331	-

Cash flow hedge

In thousands of BGN

	Maturity 2023			Maturity 2022		
	Less than 1 year	**1 to 5 years**	**More than 5 years**	**Less than 1 year**	**1 to 5 years**	**More than 5 years**
Interest rate swaps						
Nominal amount of Macro CFH hedges of deposits	20 536	180 914	574 036	156 466	58 675	625 866
Average fixed interest rate of Macro CFH hedges of deposits	3.15%	1.97%	2.53%	1.99%	0.70%	2.49%
Nominal amount of Macro CFH hedges of loans	97 141	388 563	291 422	16 190	388 563	388 563
Average fixed interest rate of Macro CFH hedges of loans	(0.27%)	0.34%	(0.02%)	1.78%	(0.11%)	1.52%

The amounts relating to items designated as hedging instruments and hedge ineffectiveness were as follows:

In thousands of BGN

Macro CFH hedges	Carrying amount			Line item in the statement of financial position where the hedging instrument is included	Change in FV used for calculating hedge ineffectiveness	Change in the value of the hedging instrument recognized in OCI	Hedge ineffectiveness recognized in profit or loss	Line item of profit or loss that include hedge Ineffectiveness	Amount reclassified from hedge reserve to profit or loss	Line item of profit or loss affected by the reclassification
	Notional	Assets	Liabilities							
Deposits as of 31.12.2023	775 487	3 604	10 023	Derivatives assets (liabilities) held for hedging	-	(36 165)	-	Net gains on financial assets and liabilities held for trading and hedging derivatives, including FX revaluation	-	Other interest income (expense)
Deposits as of 31.12.2022	841 007	30 459	-	Derivatives assets (liabilities) held for hedging	-	59 205	-	Net gains on financial assets and liabilities held for trading and hedging derivatives, including FX revaluation	-	Other interest income (expense)
Loans as of 31.12.2023	777 126	-	77 143	Derivatives assets (liabilities) held for hedging	-	41 044	-	Net gains on financial assets and liabilities held for trading and hedging derivatives, including FX revaluation	-	Other interest income (expense)
Loans as of 31.12.2022	793 316	-	115 737	Derivatives assets (liabilities) held for hedging	-	(105 195)	-	Net gains on financial assets and liabilities held for trading and hedging derivatives, including FX revaluation	-	Other interest income (expense)

The amounts related to items designated as hedged items were as follows:

In thousands of BGN

	Change in value used for calculating hedge ineffectiveness	Cash flow hedge reserve	Balances remaining in the cash flow hedge reserve from hedging relationships for which hedge accounting is no longer applied	Line item in the statement of financial position where the hedged instrument is included
EUR deposits from customers				
As of 31.12.2023	-	(2 062)	-	Deposits from customers and other financial liabilities at amortized cost
As of 31.12.2022	-	30 487	-	Deposits from customers and other financial liabilities at amortized cost
EUR loans to customers				
As of 31.12.2023	-	(65 236)	-	Loans and advances to customers and debt securities
As of 31.12.2022	-	(102 176)	-	Loans and advances to customers and debt securities

25. Loans and advances to banks and debt securities at amortized cost

In thousands of BGN

	2023	2022
Loans and advances to banks at amortized cost:		
Loans and advances to banks	2 247 564	1 099 729
Current accounts with banks	126 418	84 763
Debt securities	413 833	97 821
Loans and advances to banks and debt securities at amortized cost	**2 787 815**	**1 282 313**
Less impairment allowances of loans and advances	(134)	(178)
Less impairment allowances of bonds	(68)	(4)
Less impairment allowances of loans and advances and debt securities at amortized cost	**(202)**	**(182)**
Loans and advances to banks and debt securities at amortized cost	**2 787 613**	**1 282 131**

26. Loans and advances to customers and debt securities

In thousands of BGN

	2023	2022
Loans and advances to customers at amortized cost:		
Companies	10 099 927	9 273 084
Individuals		
Housing loans	4 032 518	3 300 749
Consumer loans	2 900 412	2 373 054
Other loans	111 865	64 215
Central and local governments	282 849	354 181
Government bonds classified at amortized cost:		
Non-pledged government bonds	1 789 676	1 962 072
Pledged government bonds	1 073 374	180 384
	20 290 621	**17 507 739**
Less impairment allowances of loans and advances	(776 450)	(834 637)
Less impairment allowances of securities at amortized cost	(815)	(294)
Less impairment allowances	**(777 265)**	**(834 931)**
Financial assets to customers at amortized cost	**19 513 356**	**16 672 808**
Loans and advances to customers mandatory at fair value	**138**	**1 744**
thereof: Accumulated negative changes in fair value due to credit risk on non-performing exposures	(1 688)	(1 638)
Loans and advances to customers and debt securities	**19 513 494**	**16 674 552**

26.a Finance leases

In thousands of BGN

	2023	2022
Finance leases:		
Companies	1 019 098	875 394
Individuals	162 633	122 992
	1 181 731	998 386
Less impairment allowances	(42 006)	(64 616)
Finance leases	**1 139 725**	**933 770**

27. Investment securities

In thousands of BGN

	2023		2022	
	Non-Pledged Investment securities	Pledged Investment securities	Non-Pledged Investment securities	Pledged Investment securities
Securities measured at FVTOCI				
Government bonds	1 452 036	645 643	1 328 462	1 062 591
Bonds of banks and other financial institutions	21 552	-	73 485	-
Corporate bonds	43 427	-	40 744	-
Equities	20 301	-	11 981	-
Securities mandatory measured at FV				
Equities	6 320	-	16 994	-
Investment securities	**1 543 636**	**645 643**	**1 471 666**	**1 062 591**

Government and corporate bonds classified and measured at FVTOCI as of December 31, 2023 are held by the Bank for the purposes of maintaining middle-term and long-term liquidity and coverage of interest rate risk. They all have determinable fair value.

Equities presented comprise minority participation of the Bank in companies where neither control nor significant influence is exercised. These investments are carried at fair value, when such can be reliably measured, otherwise at cost.

Part of bonds are subject to Fair value hedge. Notional of hedged securities as of 31.12.2023 is BGN

1 056 346 thousand and as of 31.12.2022 is BGN 1 037 169 thousand.

As of December 31, 2023 and as of December 31, 2022 there are pledged investments amounting to BGN 645 643 thousand and BGN 1 062 591 thousand respectively (see also Note **43**).

28. Investments in associates

As of December 31, 2023 and December 31, 2022 there is only one associated company, where the Group exercises significant influence by holding 25% of the share capital of that company. This is Cash Service Company AD, presented at equity method. Summary of major financials of the associate as of December 31, 2023 and December 31, 2022 are as follows:

Company	Activity	Share in capital	Carrying value in thousands of BGN Dec 2023	Carrying value in thousands of BGN Dec 2022
Cash Service Company AD	Accepting, processing, safekeeping and delivering of valuable consignments with banknotes and coins to the banks	25%	4 303	3 885
		Total	**4 303**	**3 885**

	2023	2022
Cash Service Company AD		
Total assets	22 153	17 838
Total liabilities	4 342	1 697
Revenue	17 674	9 170
Net profit for the year	1 788	1 869

29. Property, plant, equipment, rights of use assets and investment properties

In thousands of BGN

	Lands	Buildings	Buildings - Right of use	Furniture	Electronic equipment	Other	Other -Right of use	Total
Cost or revalued amount								
As of December 31, 2022	**11 180**	**227 637**	**82 522**	**12 336**	**96 929**	**195 687**	**5 988**	**632 279**
Additions	-	3 955	6 138	451	5 295	54 212	664	70 715
Transfers	-	(1 130)	-	13	369	(382)	-	(1 130)
Write offs	-	(1 275)	(399)	(467)	(13 905)	(35 028)	(4 588)	(55 662)
Disposals	-	-	-	-	(89)	(210)	-	(299)
As of December 31, 2023 before revaluation	**11 180**	**229 187**	**88 261**	**12 333**	**88 599**	**214 279**	**2 064**	**645 903**
Increase in revaluation reserve upon new revaluation	703	9 509	-	-	-	-	-	10 212
Decrease in revaluation reserve upon new revaluation	(99)	(1 193)	-	-	-	-	-	(1 292)
Decrease in value in profit or loss upon new revaluation	-	(205)	-	-	-	-	-	(205)
Revaluation adjustment	**604**	**8 111**	**-**	**-**	**-**	**-**	**-**	**8 715**
As of December 31, 2023 after revaluation	**11 784**	**237 298**	**88 261**	**12 333**	**88 599**	**214 279**	**2 064**	**654 618**
Depreciation								
As of December 31, 2022	**-**	**99 654**	**28 618**	**9 789**	**67 031**	**84 427**	**2 990**	**292 509**
Depreciation charge	-	5 730	10 850	691	10 081	28 287	357	55 996
Write offs	-	(1 275)	(399)	(467)	(13 905)	(35 028)	(4 588)	(55 662)
On disposals	-	-	-	-	-	(209)	-	(209)
Transfers	-	-	137	-	(6)	10 126	1 733	11 990
As of December 31, 2023	**-**	**104 109**	**39 206**	**10 013**	**63 201**	**87 603**	**492**	**304 624**
Net book value as of December 31, 2023	**11 784**	**133 189**	**49 055**	**2 320**	**25 398**	**126 676**	**1 572**	**349 994**
Net book value as of December 31, 2022	**11 180**	**127 983**	**53 904**	**2 547**	**29 898**	**111 260**	**2 998**	**339 770**

In thousands of BGN

	Lands	Buildings	Buildings - Right of use	Furniture	Electronic equipment	Other	Other -Right of use	Total
Cost or revalued amount								
As of December 31, 2021	**11 398**	**227 065**	**69 910**	**12 713**	**95 733**	**173 173**	**7 518**	**597 510**
Additions	-	3 148	12 948	503	8 563	44 349	550	70 061
Transfers	(114)	(2 475)	-	1	116	(117)	-	(2 589)
Write offs	-	(841)	(336)	(881)	(6 078)	(17 568)	(2 080)	(27 784)
Disposals	(353)	(901)	-	-	(1 405)	(4 150)	-	(6 809)
As of December 31, 2022 before revaluation	**10 931**	**225 996**	**82 522**	**12 336**	**96 929**	**195 687**	**5 988**	**630 389**
Increase in revaluation reserve upon new revaluation	382	4 094	-	-	-	-	-	4 476
Decrease in revaluation reserve upon new revaluation	(133)	(2 170)	-	-	-	-	-	(2 303)
Decrease in value in profit or loss upon new revaluation	-	(283)	-	-	-	-	-	(283)
Revaluation adjustment	**249**	**1 641**	**-**	**-**	**-**	**-**	**-**	**1 890**
As of December 31, 2022 after revaluation	**11 180**	**227 637**	**82 522**	**12 336**	**96 929**	**195 687**	**5 988**	**632 279**
Depreciation								
As of December 31, 2021	**-**	**95 978**	**19 639**	**9 872**	**64 430**	**75 990**	**3 459**	**269 368**
Depreciation charge	-	5 743	9 315	798	10 045	30 155	1 611	57 667
Write offs	-	(841)	(336)	(881)	(6 078)	(17 568)	(2 080)	(27 784)
On disposals	-	(338)	-	-	(1 366)	(4 150)	-	(5 854)
Transfers	-	(888)	-	-	-	-	-	(888)
As of December 31, 2022	**-**	**99 654**	**28 618**	**9 789**	**67 031**	**84 427**	**2 990**	**292 509**
Net book value as of December 31, 2022	**11 180**	**127 983**	**53 904**	**2 547**	**29 898**	**111 260**	**2 998**	**339 770**
Net book value as of December 31, 2021	**11 398**	**131 087**	**50 271**	**2 841**	**31 303**	**97 183**	**4 059**	**328 142**

In thousands of BGN

	Investment property
Net book value as of December 31, 2021	**595**
Transfers	(700)
Increase in fair value	105
Net book value as of December 31, 2022	**-**
Additions	-
Transfers	-
Increase in fair value	-
Disposals	-
Net book value as of December 31, 2023	**-**

Items of plant, equipment, right of use assets and other are carried at cost less any accumulated depreciation and adjusted for impairment, if any, while land and buildings used in business and investment properties are revalued to their fair value.

As part of the year-end closing procedure, the Group has assessed all items of property, plant and equipment and for existence of any impairment indicators. For non-real estate items, impairment is usually recognized when those items are found to be obsoleted or their usage is planned to be discontinued. In such cases the recoverable amount on those items is reasonably assessed to be immaterial (close to zero), therefore the remaining carrying amount is fully impaired.

Type	Fair value as at 31.12.2023	Significant unobservable input	Range (BGN) (weighted average) 2023 in BGN	Range (BGN) (weighted average) 2022 in BGN
Land	11 784	price per m^2	176.25 - 461.55 (282.32)	163.13 - 428.15 (267.79)
Buildings	76 699	rent per m^2	9.45 - 14.35 (11.49)	6.35 - 14.37 (9.08)
Buildings	50 227	rent per m^2	9.05 - 19.75 (13.65)	11.64 - 17.60 (14.52)
Buildings	723	price per m^2	792 - 1161 (964.94)	847 - 1 049 (963.77)
Property measured at FV	**139 433**			

Starting from January 01, 2019, in accordance with the IFRS 16 requirements, whenever the Group acts as the lessee under contracts meeting the definition of the standard, there is recognition of an asset, representing the right of use of the underlying asset and, at the same time, a liability for the future payments requested by the lease contract.

30. Intangible assets

In thousands of BGN

Cost	
As of December 31, 2022	**205 050**
Additions	30 876
Write offs	(8 357)
As of December 31, 2023	227 569
Depreciation	
As of December 31, 2022	**106 379**
Depreciation charge	**23 576**
Impairment due to obsolescence	6 089
Write offs	(8 357)
Transfers	1 380
As of December 31,2023	**129 067**
Net book value as of December 31, 2023	**98 502**
Net book value as of December 31, 2022	**98 671**

In thousands of BGN

Cost	
As of December 31, 2021	**181 829**
Additions	28 222
Write offs	(5 001)
As of December 31, 2022	**205 050**
Depreciation	
As of December 31, 2021	**90 486**
Depreciation charge	20 894
Write offs	(5 001)
Transfers	
As of December 31,2022	**106 379**
Net book value as of December 31, 2022	**98 671**
Net book value as of December 31, 2021	**91 343**

31. Current tax assets/liabilities

The current tax assets comprise Group's net receivable tax position with regard to corporate income tax for the respective years increased by overpaid prior years' tax that is not yet recovered by tax authorities. According to the statutory requirements, Group pays during the year advance instalments for corporate income tax on the basis of forecasted tax profit for the current year. Should by the year-end advance instalments exceed the overall annual current tax liability, the overpaid amount cannot be automatically off-set with next year current tax liabilities, but have to be explicitly recovered by tax administration. Based on that, as of December 31, 2023 there are no current tax assets (as of December 31, 2022: BGN 1 687 thousand), while current tax liabilities represent net payable current tax position for the years 2023 (BGN 18 439 thousand) and 2022 (BGN 618 thousand).

32. Deferred tax assets/liabilities

The origination breakdown of the deferred tax assets and liabilities as of December 31, 2023 and December 31, 2022 is as outlined below:

In thousands of BGN

	2023	2022
Property, plant, equipment, investment property and intangible assets	17 979	17 296
Provisions	(5 189)	(5 087)
Actuarial losses	(624)	(179)
Other liabilities	(6 991)	(6 175)
Tax losses carried forward	-	(121)
Net tax liabilities	**5 175**	**5 734**

The movements of deferred tax liabilities on net basis throughout 2023 are as outlined below:

In thousands of BGN

	Balance 31.12.2022	Recognized in P&L	Recognized in equity	Balance 31.12.2023
Property, plant, equipment, invest-ment property and intangible assets	17 296	(256)	939	17 979
Provisions	(5 087)	(102)	-	(5 189)
Actuarial (losses)	(179)	-	(445)	(624)
Other liabilities	(6 175)	(816)	-	(6 991)
Tax losses carried forward	(121)	121	-	-
Net tax liabilities	**5 734**	**(1 053)**	**494**	**5 175**

33. Non-current assets and disposal groups classified as held for sale

In these consolidated financial statements the Group presents as non-current assets and disposal group held for sale properties that no longer will be used in the ordinary activity of the Group nor will be utilized as investment properties. For all such assets Management has started intensively looking for a buyer and the selling negotiations are in advance stage as of the year-ends.

In thousands of BGN

	2023	2022
Land	-	-
Buildings	1 130	-
Non-current assets and disposal groups, classified as held for sale	**1 130**	**-**

34. Other assets

In thousands of BGN

	2023	2022
Receivables and prepayments	85 673	66 019
Receivables from the State Budget	2 339	829
Materials, spare parts and consumables	7 883	11 130
Other assets	10 765	9 700
Foreclosed properties	12 800	21 115
Other assets	**119 460**	**108 793**

35. Financial liabilities held for trading

In thousands of BGN

	2023	2022
Interest rate swaps	46 514	74 191
FX forward contracts	13 663	1 562
Other options	541	94
FX options	58	50
FX swaps	35 241	53 650
Commodity swaps	15 630	29 759
Financial liabilities held for trading	**111 647**	**159 306**

36. Deposits from banks

In thousands of BGN

	2023	2022
Current accounts and overnight deposits		
Local banks	381 120	51 993
Foreign banks	1 013 920	1 283 024
	1 395 040	**1 335 017**
Deposits		
Local banks	153 727	174 729
Foreign banks	24 493	50 393
	178 220	**225 122**
Other	**22 235**	**53 653**
Deposits from banks	**1 595 495**	**1 613 792**

37. Deposits from customers and other financial liabilities at amortized cost

Deposits from customers comprise outstanding balances on clients' current accounts, term deposits and saving accounts as well as respective accrued interest on them as of the reporting date.

As of December 31, 2023 and December 31, 2022 there are transfers in execution that have either not left the Bank's patrimony (outgoing payments), or clients' accounts have not been yet credited (incoming payments). These temporary balances are presented as deposits from customers under transfers in execution process.

In thousands of BGN

	2023	2022
Current accounts		
Individuals	8 062 937	7 007 051
Corporate	10 325 843	10 038 466
Budget and State companies	617 875	740 287
	19 006 655	**17 785 804**
Term deposits		
Individuals	3 350 319	3 214 244
Corporate	387 849	237 629
Budget and State companies	19 474	19 572
	3 757 642	**3 471 445**
Saving accounts	**1 712 388**	**1 732 276**
Lease liabilities	**51 951**	**56 333**
Factoring related liabilities	**45 995**	**26 717**
Transfers in execution process	**221 569**	**131 096**
Other	**30 868**	**35 523**
Deposits from customers and other financial liabilities at amortized cost	**24 827 068**	**23 239 194**

The following table represent liabilities under lease contracts, while existing right of use assets are presented in Note **29**:

In thousands of BGN

Lease liabilities	2023	2022
As of January 1st	**56 333**	**52 130**
Additions	6 153	12 485
Repayments	(10 666)	(8 422)
Accrued interest	729	582
Interest paid	(598)	(442)
As of December 31st	**51 951**	**56 333**
Up to one year	11 670	10 020
From beyond 1 year to 2 years	10 468	10 087
From beyond 2 years to 3 years	7 908	9 283
From beyond 3 years to 4 years	7 165	7 174
From beyond 4 years to 5 years	5 985	6 449
Beyond five years	11 034	15 844
Total lease payments to be made for finance leases	**54 230**	**58 857**
Unearned finance expenses (Discounting effect)	(2 279)	(2 524)
Net book value as of December 31st	**51 951**	**56 333**

38. Debt securities issued

As part of UniCredit Group, whose resolution strategy is of the type "Single Point of Entry", UniCredit Bubank is subject to internal Minimum Requirement for Own Funds and Eligible Liabilities (iMREL) and therefore issues such instruments only within the Group, with a sole buyer and holder UniCredit S.p.A.

On 5th of June 2023, UniCredit Bulbank received the latest Single Resolution Board decision on the Minimum Requirement for Own Funds and Eligible Liabilities (MREL). It defines the fully loaded requirement on consolidated basis to be fulfilled since 1st of January 2024 at 18.79% plus the Combined Buffer Requirement (CBR) of the Risk weighted assets (iMREL RWAs) and 5.90% of the Leverage Ratios Exposures (LRE). As per the SRB letter, UniCredit Bulbank shall ensure linear build-up of own funds and eligible liabilities towards those requirements.

Due to very strong business growth, the respective risk weighted assets increase, the linear build-up requirement of SRB and the increase of the countercyclical capital buffer valid from 01 October 2023, UniCredit Bulbank has issues EUR 450 Mio SNP in 2023 of which EUR 250 Mio in January, EUR 100 Mio in July and EUR 100 Mio in December. Thus the total amount of the senior non-preferred iMREL eligible bonds reached EUR 610 Mio (of which EUR 160 Mio in 2021 and EUR 450 Mio in 2023). The interest rate is floating, linked to 3Mo Euribor, maturity is 6 years and call option is exercisable on the 5th year. The call option is with the issuer who can redeem the notes in whole in case he determines that the note is not anymore eligible for recognition in eligible liabilities for purposes of meeting MREL requirements (i.e. due to the reason of remaining maturity being less than the regulatory prescribed period). Redemption of the notes could also occur upon tax or MREL disqualification events.

In the last quarter of 2023, the Bank issued iMREL bond, aiming to further qualify as Tier 2 Capital. Parameters of the issue are as follows: nominal amount of EUR 100 Mio, floating interest rate, linked to 3Mo Euribor, 10 year maturity and a call option exercisable on the 5th year. The call option is with the issuer who can redeem the notes in whole. Redemption of the notes could also occur upon tax or regulatory events. Pursuant to Art. 33“r“, para. 1 of Ordinance No. 2 of 22 December 2006 on the Licenses, Approvals and Permissions Granted by the Bulgarian National Bank According to the Law on Credit Institutions, inclusion of capital instruments in the Tier 2 Capital is subject to approval by BNB. The respective application with regards to above mentioned notes has been sent to the Central Bank in December 2023. As the procedure was on-going, as of 31 December 2023 the instrument is not included in Tier 2 capital for regulatory purposes.

39. Provisions

The movement in provisions for the years ended December 31, 2023 and December 31, 2022 is as follows:

In thousands of BGN

	Off-balance sheet commitments and financial guarantees	Legal cases	Retirement benefits	Constructive obligations	Other	Restructuring provisions	Total
	(a)	(b)	(c)	(d)	(e)	(f)	
Balance as of December 31, 2021	**55 207**	**32 922**	**13 145**	**302**	**11 153**	**7 524**	**120 253**
Allocations	62 332	2 449	1 441	-	108	-	**66 330**
Releases	(34 135)	(395)	-	-	(2 405)	-	**(36 935)**
Additions due to FX revaluation	6 556	3 649	-	-	-	-	**10 205**
Releases due to FX revaluation	(6 754)	(3 320)	-	-	-	-	**(10 074)**
Actuarial gains recognized in OCI	-	-	(4 261)	-	-	-	**(4 261)**
Utilization	-	(243)	(1 119)	-	(561)	(3 585)	**(5 508)**
Balance as of December 31, 2022	**83 206**	**35 062**	**9 206**	**302**	**8 295**	**3 939**	**140 010**
Allocations	74 244	2 356	1 161	-	200	1 923	**79 884**
Releases	(65 113)	(1 030)	-	-	(2 378)	-	**(68 521)**
Additions due to FX revaluation	2 017	2 545	-	-	-	-	**4 562**
Releases due to FX revaluation	(2 155)	(2 751)	-	-	-	-	**(4 906)**
Actuarial losses recognized in OCI	-	-	4 470	-	-	-	**4 470**
Utilization	-	(881)	(1 418)	-	(159)	(2 108)	**(4 566)**
Balance as of December 31, 2023	**92 199**	**35 301**	**13 419**	**302**	**5 958**	**3 754**	**150 933**

(a) Provisions on letters of guarantees and credit commitments

As per IFRS 9 requirements, loan commitments and financial guarantees that are irrevocable are in the perimeter subject to expected losses calculation for impairment. As a result of the assessment as at December 31, 2023 accumulated provisions are in the amount of BGN 92 199 thousand (as of December 31, 2022: BGN 83 206 thousand).

(b) Provisions on legal cases

Provisions on legal cases are recognized when based on legal expertise the Group would most likely have to settle the obligation in the near future. As of December 31, 2023 Group has assessed its position in legal cases against it, and provision in the amount of BGN 35 301 thousand has been recognized (BGN 35 062 thousand as of December 31, 2022).

(c) Retirement benefit provision

Retirement benefit provision represents the present value of the Bank's liability in accordance with Collective Labor Agreement as of the reporting date. Actuarial gains/losses adjust the value of the defined benefit liability with corresponding item recognized in the Statement of comprehensive income.

Major assumptions underlying in 2023 defined benefit obligation are as follows:

- Discount rate – 4.90%;
- Salary increase – 5.00% p.a.;
- Retirement age: Men 64 years and 3 months, women 61 years and 6 months for 2021 and increase by 2 months for women and 1 month for men each year thereafter until the age of 65 years for men and for women is reached.

The pension plan specified and required by the BG Labor Code has not changed since 2021. The Bank has approved an additional plan to the BG Labor Code one, defining additional payments (2 or 4 monthly salaries) on top of the obligations by law depending on service time within the company:

- Six times the gross monthly remuneration, when the employee has worked for UniCredit Bulbank AD or its subsidiaries in Bulgaria for the last 10 years and until 19 years and 11 months;
- Eight times the gross monthly remuneration when the employee has worked for UniCredit Bulbank AD or its subsidiaries in Bulgaria for the last 20 years and until 29 years and 11 months;
- Ten times the gross monthly remuneration when the employee has worked for UniCredit Bulbank AD or its subsidiaries in Bulgaria for the last 30 years and above;
- 2 + (0.4 x N), where N shall be the number of full years, but not less than the gross labor remuneration thereof for a period of two month in the cases where the employee has not completed ten years of employment service for UniCredit Bulbank AD or its subsidiaries in Bulgaria – no change, i.e. less than six;
- For termination of the labor relation upon disability: 2,4 monthly salaries without connection with length of service;
- For termination of the labor relation upon death: 4 monthly salaries - without connection with length of service.

The movement of the defined benefit obligation for the year ended December 31, 2023 and expected services cost, interest costs and amortization of actuarial gains/losses for the following year are outlined in the table below:

In thousands of BGN

	Total
Recognized defined benefit obligation as of December 31, 2022	**9 206**
Current service costs for 2023	663
Interest cost for 2023	498
Past Service Cost	-
Actuarial gains recognized in OCI in 2023	4 470
Benefits paid	(1 418)
Recognized defined benefit obligation as of December 31, 2023	**13 419**
Interest rate beginning of the year	5.75%
Interest rate end of the year	4.9%
Future increase of salaries	5.00%
Expected 2024 service costs	878
Expected 2024 interest costs	597
Expected 2024 benefit payments	(1 551)

Current service cost and interest cost are presented under Personnel expenses (See note **15**).

The major factors impacting the present value of the defined benefit obligation are those of discount rate and future salary increase rate. Sensitivity analysis of those two is as follows:

In thousands of BGN

	2023	2022
Sensitivity - Discount rate +/- %	0.25%	0.25%
DBO Discount rate -	13 186	9 332
DBO Discount rate +	12 736	9 033
Sensitivity - Salary increase rate +/- %	0.25%	0.25%
DBO Salary increase rate -	12 735	9 030
DBO Salary increase rate +	13 185	9 335

In the course of regular business, the Bank has to follow certain rules as defined by specific Banking legislation prevailing in Bulgaria.

(d) Provisions on constructive obligation

In accordance with the requirements set out in Law on Territory Planning, Energy Efficiency Act and some other related regulations the Bank had to perform until the end of 2015, energy efficiency assessment and technical passportization of all owned buildings with Gross Floor Area above 500 sq. m. In 2015 law amendments moved the deadline for the above mentioned assessment to December 31, 2016. The balances as of December 31, 2023 and December 31, 2022 in the amount of BGN 302 thousand represent unutilized provision amounts as of the reporting dates with regards to energy efficiency of owned buildings.

(e) Other provisions

Other provisions in the amount of BGN 5 958 thousand as of December 31, 2023 (BGN 8 295 thousand as of December 31, 2022) relate to coverage of claims related to credit cards business as well as other claims.

(f) Restructuring provisions

As of December 31, 2020 the Bank has allocated restructuring provisions for the amount of BGN 6 023 thousand following the requirements of IAS 37 – Provisions, Contingent Liabilities and Contingent Assets. In December 2020 the Management Board has approved restructuring plan where the key restructuring rationale is to ensure efficient operations so that UniCredit Bulbank AD fits to the new competitive landscape shaped by digitalization trends and changed preferences of the customers.

The plan implies a review and improvement in the way of working and influences the Bank's business model in terms of customer experience, employee experience, digitalization and ethical and sustainable business. It includes network optimization through centralization, automation and simplification of branch processes, as well as envisages also to affect employees, who on voluntary basis and consistent with the business priorities, will have the opportunity to access the early retirement also getting an additional exit package. During 2021 out of restructuring provisions, BGN 470 thousand were utilized majorly for network optimization, brand management and other HR activities.

In 2021 the restructuring plan was updated following the Strategic plan of UniCredit Group. The key elements of the Strategic Plan aiming at unlocking the Group potential are as follows:

- Unified client segments
- Harmonized service model
- Simplified processes
- Common organizational structure
- Best-in-class factories delivering for our clients

Additional BGN 1 971 thousand were allocated in 2021 with regard to new organizational model and change management activities.

Following the approved restructuring plan, execution of all its components is monitored consequently on a yearly basis.

In 2023 the Management Board of the Bank approved the following additional restructuring provisions to be allocated:

- BGN 1 423 thousand for the purpose of the updated Early/Pre-retirement program;
- BGN 500 thousand for the purpose of the updated initiatives for insourcing new skills and reinforcement of the future managerial pipeline and recognition initiatives.

As per the requirements of IAS 37 the Bank has duly communicated the approved restructuring plan to all employees in order to create a valid expectation.

The total utilization of restructuring provisions for 2023 is for the amount of BGN 2 108 thousand, where BGN 1 997 thousand were spent on people related initiatives, and BGN 111 thousand on branch network optimization.

40. Other liabilities

In thousands of BGN

	2023	2022
Liabilities to the State budget	2 522	2 503
Liabilities to personnel	23 930	21 701
Liabilities for unused paid leave	8 245	6 686
Dividends	1 436	1 161
Incentive plan liabilities	3 413	3 155
Other liabilities	203 327	98 318
Other liabilities	**242 873**	**133 524**

Liabilities to the State Budget include current liabilities related to different tax positions of the Group.

Liabilities to personnel include accrued but not paid liabilities to employees with regard to additional performance payments. The amounts represent Management best estimate for the goals achieved throughout 2023 and 2022 in accordance with the defined target settings and adopted incentive programs.

Liabilities for unused paid leave represent quantification of Group's current liability due to employees for unutilized current and prior years leave.

As described in note **3 (p) (iii)** selected group of Top and Senior Managers are given UniCredit S.p.A stock options and performance shares as part of their remuneration packages. The economic value of the options and shares is presented as other liability, as upon expiring of the vesting period respective amounts have to be settled in cash. The breakdown of the liabilities by type of instruments is presented in Note **15**. The other liabilities increase is mainly due to undesired customers' funds (clients which relationship with the Bank is ceased due to compliance reasons) which balance as of December 31, 2023 is BGN 89 056 thousand.

41. Equity

a) Share capital

As of December 31, 2023 and December 31, 2022 share capital comprises of 285 776 674 ordinary shares with nominal value of BGN 1 each. All shares give equal voting rights to their holders.

b) Statutory reserves

Statutory reserves represent allocated profits after taxation into Reserve Fund in accordance with requirements of the Bulgarian Commercial Act. The Group has to allocate at least 10% of its profit for the current year after taxation and before payment of dividends, to the Reserve Fund until the accumulated amount becomes equal or exceeds 10% of the capital according to the statute of the Group. These reserves are not subject to distribution to the shareholders. They can only be used for covering losses from the current or previous financial years. The share-premium of newly issued ordinary shares is also allocated into statutory reserves.

c) Retained earnings

Under Retained earnings the Group shows the excess of all reserves, formed out of net profit in prior years and transformation of revaluation reserves over statutory reserves amount. In this position the Group also shows the difference between the purchase price paid for newly acquired subsidiaries in business combinations under common control and their book value as recorded in the consolidated financial statements of the transferor as of the date of transfer.

d) Revaluation and other reserves

Revaluation reserves include those related to fair value changes on FVOCI and derivatives designated as effective hedging instrument in cash flow hedge relationship as well as actuarial gains/losses on remeasurement of defined benefit obligation in accordance with IAS 19 “Employee Benefits”.

Revaluation reserves related to FVOCI and derivatives designated as effective hedging instruments in cash flow hedge relationship are subject to recycling through profit or loss upon certain conditions being met (e.g. derecognition, hedge revoke etc.).

For the years ended December 31, 2023 and December 31, 2022 only reserves related to FVTOCI investments have been recycled to profit or loss following their derecognition. For 2023 there is loss of BGN 4 169 thousand and for 2022 there is a gain of BGN 5 664 thousand.

42. Contingent liabilities

In thousands of BGN

	31.12.2023	31.12.2022	31.12.2023	31.12.2022	31.12.2023	31.12.2022	31.12.2023	31.12.2022
	Stage 1		Stage 2		Stage 3		Total	
Letters of credit and letters of guarantee	1 920 208	1 647 325	346 987	450 672	15 810	17 386	**2 283 005**	**2 115 383**
Credit commitments	5 397 217	4 906 395	1 383 366	878 820	33 906	25 611	**6 814 489**	**5 810 826**
Other commitments	68 353	67 496					**68 353**	**67 496**
Total contingent liabilities	**7 385 778**	**6 621 216**	**1 730 353**	**1 329 492**	**49 716**	**42 997**	**9 165 847**	**7 993 705**

a) Letters of credit and letters of guarantee

The Bank provides financial guarantees and letters of credit to guarantee the performance of customers to third parties.

The contractual amounts of financial guarantees and letters of credit are set out in the above table. The amounts reflected in the table for commitments assume that amounts are fully advanced. The amounts for guarantees and letters of credit represent the maximum accounting loss that would be recognized if counterparties failed completely to perform as contracted. These commitments and contingent liabilities are reported off-balance sheet and only fees and accruals for probable losses are recognized in the statement of financial position until the commitments are fulfilled or expire. Most of the contingent liabilities and commitments expire without being advanced in whole or in part.

As per IFRS 9 requirements, loan commitments and financial guarantees that are irrevocable are subject to expected losses calculation for impairment.

b) Litigation

As of December 31, 2023 and December 31, 2022 there are some open litigation proceedings against the Group. There is significant uncertainty with regard to the timing and the outcome of such proceedings. Since the ultimate outcome of the claims against the Group cannot presently be determined with sufficient reliability, provisions have been accrued only on cases where sufficient degree of certainty exists that the Group would have to settle the obligation. Litigation claims provisions provided for in these consolidated financial statements as of December 31, 2023 are in the amount of BGN 35 301 thousand (BGN 35 062 thousand as of December 31, 2022), (see also **Note 39**).

c) Credit commitments

During the course of normal lending activity the Group has negotiated with clients different types of credit facilities including credit lines, overdraft facilities and revolving loans. Contractually the Group has committed itself for a certain amount, which is at clients' disposal.

As of December 31, 2023 and December 31, 2022 the Group presents unutilized credit facilities as part of its off-balance sheet positions.

43. Assets pledged as collateral

In thousands of BGN

	2023	2022
Securities pledged for budget holders' account service	723 841	538 685
Securities pledged on REPO deals	975 188	1 242 975
Securities pledged on other deals	19 677	-
Loans pledged for budget holders' account service	98 041	254 864
Loans pledged on other deals	10 369	11 714
Total assets and collaterals received encumbered	**1 827 116**	**2 048 238**
Pledged assets include:		
Securities at amortized cost	1 073 063	719 069
Investment securities	645 643	1 062 591
Loans and advances	108 410	266 578
	1 827 116	**2 048 238**

Securities and loans pledged on other deals include those contractually pledged on financing provided to the Bank by local and foreign institutions.

44. Related parties

UniCredit Bulbank AD has a controlling related party relationships with its direct parent company up to October 2016 UniCredit Bank Austria AG and its ultimate parent UniCredit S.p.A (jointly referred as "parent companies"). In 2016 due to the reorganization of the UniCredit banking group activities in Central and Eastern Europe ("CEE") the transfer of the CEE Business of UniCredit Bank Austria AG (including also the banking shareholdings of the above mentioned area) under the direct control of UniCredit SpA was performed thus leading to change of the Bank's main shareholder to UniCredit SpA.

In addition the Group has relatedness with associates (see also **Note 28**) as well as all other companies within UniCredit Group and key management personnel (jointly referred as other related parties).

The related parties' balances and transactions in terms of statement of financial position items as of December 31, 2023 and December 31, 2022 and Income statement items for the years then ended are as follows:

In thousands of BGN

As of December 31, 2023	Parent company	Other related parties	Total
ASSETS			
Derivatives held for trading	12 852	65 101	**77 953**
Derivatives held for hedging	16 348	60 817	**77 165**
Current accounts and deposits placed	1 703 220	28 340	**1 731 560**
Debt securities	-	413 765	**413 765**
Extended loans	-	2 320	**2 320**
Other assets	1 889	2 342	**4 231**
LIABILITIES			
Financial liabilities held for trading	1 055	23 339	**24 394**
Derivatives held for hedging	786	128 070	**128 856**
Current accounts and deposits taken	898 864	32 051	**930 915**
Debt securities issued	1 401 400	-	**1 401 400**
Other liabilities	5 689	6 001	**11 690**
Guarantees received by the Group	**53 293**	**122 967**	**176 260**

In thousands of BGN

As of December 31, 2022	Parent company	Other related parties	Total
ASSETS			
Derivatives held for trading	26 473	80 709	**107 182**
Derivatives held for hedging	31 203	100 265	**131 468**
Current accounts and deposits placed	945 172	16 322	**961 494**
Debt securities	97 817	-	**97 817**
Extended loans	-	2 904	**2 904**
Other assets	2 390	1 785	**4 175**
LIABILITIES			
Financial liabilities held for trading	1 549	43 797	**45 346**
Derivatives held for hedging	-	132 160	**132 160**
Current accounts and deposits taken	1 176 256	62 843	**1 239 099**
Debt securities issued	313 701	-	**313 701**
Other liabilities	4 221	3 023	**7 244**
Guarantees received by the Group	**9 562**	**107 740**	**117 302**

In thousands of BGN

Year ended December 31, 2023	Parent company	Associates	Other related parties	Total
Interest incomes	120 400	-	5 772	**126 172**
Interest expenses	(46 681)	-	(12 193)	**(58 874)**
Dividends	-	-	-	**-**
Fee and commissions income	1 284	-	926	**2 210**
Fee and commissions expenses	(4)	-	(187)	**(191)**
Net gains (losses) on financial assets and liabilities held for trading	370	-	4 683	**5 053**
Other operating income	566	-	-	**566**
Administrative and personnel expenses	(4 241)	(1 278)	(24 078)	**(29 597)**
Total	**71 694**	**(1 278)**	**(25 077)**	**45 339**

In thousands of BGN

Year ended December 31, 2022	Parent company	Associates	Other related parties	Total
Interest incomes	12 874	-	224	**13 098**
Interest expenses	(18 774)	-	(7 221)	**(25 995)**
Dividends	-	-	-	**-**
Fee and commissions income	992	-	928	**1 920**
Fee and commissions expenses	(3)	-	(141)	**(144)**
Net gains (losses) on financial assets and liabilities held for trading	24 342	-	180 957	**205 299**
Other operating income	789	-	-	**789**
Administrative and personnel expenses	(3 511)	(1 227)	(16 782)	**(21 520)**
Total	**16 709**	**(1 227)**	**157 965**	**173 447**

Compensation paid to key management personnel is as follows:

In thousands of BGN

Paid benefits	2023	2022
Short-term employee benefits	4 278	3 653
Other long-term benefits	98	233
Share-based payments	91	50
Non-monetary benefits	421	440
Other	254	111
Total benefits paid	**5 142**	**4 487**

45. Cash and cash equivalents

In thousands of BGN

	2023	2022
Cash in hand and in ATM	285 554	280 642
Cash in transit	177 785	167 707
Current account with the Central Bank	5 606 418	6 622 056
Current accounts with banks	126 418	84 763
Placements with banks with original maturity less than 3 months	695 304	917 535
Cash and cash equivalents	**6 891 479**	**8 072 703**

46. Leasing

The Group has concluded numerous operating lease agreements to support its daily activity. Under operating lease contracts the Group acts both as a lessor and lessee in renting office buildings and cars. IFRS16, effective starting from January 01, 2019 introduces a new definition for leases. For all the leasing typologies, the recognition of an asset, representing the right of use of the underlying asset and, at the same time, a liability for the future payments requested by the lease contract. The amounts of right of use of assets and lease liabilities are disclosed in Notes **29** and **37.**

(a) Financial lease contracts, where the Group acts as a lessor

In thousands of BGN

Residual maturity	Total future minimum lease payment		NPV of total future minimum lease payment	
	31.12.2023	**31.12.2022**	**31.12.2023**	**31.12.2022**
Up to one year	475 090	454 068	368 345	298 755
Between one and five years	675 580	653 058	677 988	624 261
Beyond five years	89 037	10 980	93 391	14 133
Total	**1 239 707**	**1 118 106**	**1 139 724**	**937 149**

(b) Operating lease contracts where the Group acts as a lessor

In thousands of BGN

Residual maturity	Total future minimum lease payment	
	2023	**2022**
Up to one year	20 466	21 711
Between one and five years	50 900	43 483
Total	**71 366**	**65 194**

47. Other regulatory disclosures

In accordance with the requirements of art. 70 para 6 of Law on Credit Institutions, Banks are required to make certain quantitative and qualitative disclosures related to major financials and other indicators separately for the business originating from Republic of Bulgaria and from other countries, where Bank has active subsidiaries and/or branches.

UniCredit Bulbank AD possesses a full-scope banking license for performing commercial banking activities. For the years ended December 31, 2023 and December 31, 2022 UniCredit Bulbank AD has no subsidiaries or branches established outside Republic of Bulgaria. Summary of consolidated quantitative mandatory disclosures required by Law on Credit Institutions and their respective reference to other Notes in these consolidated financial statements or other mandatory reports are as follows:

In thousands of BGN

	2023	2022	Reference to other notes and reports
Total operating income	1 308 601	964 808	Consolidated Income Statement and details in Notes 8,9,10,11,12 and 13
Profit before income tax	877 662	511 188	Consolidated Income Statement
Income tax expense	(87 778)	(50 757)	Consolidated Income Statement and details in Note 20
Return on average assets (%)	2.60%	1.68%	2023 Annual Report on Activity
Annual Turnover	1 308 601	964 808	Consolidated Income Statement
Full time equivalent number of personnel as EoY	3 692	3 985	Note 15

UniCredit Bulbank AD has never requested or been provided any state grants or subsidies.

48. IBOR Reform

The cases of attempted market manipulation and false reporting of global reference rates, together with the post-crisis decline in liquidity in interbank unsecured funding markets, undermined confidence in the reliability and robustness of existing interbank benchmark interest rates. Uncertainty surrounding the integrity of these reference rates represents a potentially serious source of vulnerability and systemic risk.

Against this background, in 2013 the G20 asked the FSB to undertake a fundamental review of major interest rate benchmarks and plans for reform to ensure that those plans were consistent and coordinated, and that interest rate benchmarks are robust and appropriately used by market participants.

In the case of LIBOR, the UK Financial Conduct Authority (FCA) announced that it will not compel or persuade LIBOR panel banks to submit to LIBOR after the end of 2021. Cessation dates for LIBORs were defined: 31-Dec-2021 for all EUR, CHF, GBP, JPY tenors as well as USD 1-week and 2-month, and 30-Jun-2023 for all other USD settings. The currencies affected in the case of UniCredit Bulbank were USD and CHF. In order to allow for smooth transition towards the new lending indexes, starting from the beginning of 2022, the Bank duly replaced respective LIBORs applied on customer business, as follows:

- In USD, through CME Term SOFR Reference Rates (forward-looking);
- In CHF, through SARON Compound Rate, in line with Regulation (EU) 2021/1847.

The change was reflected in the Bank's Cessation Plan. The General Terms & Conditions were duly updated and customers were notified about the change.

As the all-in customer rates remained unchanged, no financial impact is expected for the customers of the Bank.

- In USD, all LIBOR-linked transactions outstanding as of 01-Jan-2023 based on tenors 1, 3 or 6 months count to 37 deals in total for the on-balance sheet sum of approx. BGN 88 Mio., an insignificant amount compared to the Bank's balance sheet. Starting from 01-July-2023, as per cessation plan approved by the MB, term SOFR Reference Rates administered by CME Group Benchmark Administration Limited were applied to the non-matured loans which were based on LIBOR-linked indices. The deals were renegotiated on and the all-in rate was kept the same. From the beginning of 2022, all new USD-denominated floating-rate transactions are made at market prices, using the SOFR and SOFR-linked indices as benchmarks.
- In CHF, the CHF LIBOR applied on the outstanding legacy private individuals mortgage loans was replaced, in compliance with Regulation (EU) 2021/1847, by 3-month SARON Compound Rate (incl. statutory spread adjustment), starting from the beginning of 2022. No new CHF loans have taken place in 2023 and no new CHF lending business has been planned.

49. Events after the reporting period

There are no significant events after the reporting period with effect on the financial statements as of December 31, 2023.

BANK NETWORK

Aitos
27, Stacionna str.

Asenovgrad
8, Radi Ovcharov str.

Balchik
34A, Cherno more str.

Bansko
3, Pirin str.

Berkovitsa
1, Yordan Radichkov sq.

Blagoevgrad
1, Macedonia sq.17, Zelenopolsko shose str.
18, St. Kiril and Metodius blvd.
22, Ivan Shishman str.
5, St. Dimitur Solunski str.
57, Vasil Levski blvd.

Bojurishte
85, Evropa blvd.

Botevgrad
2, Saransk sq.

Burgas
104, Democracia blvd.
22, Alexandrovska str.
62, San Stefano blvd.
Burgas, Meden rudnik, 118
186, Slaveikov district
Izgrev district, 53, Transportna str.

Chirpan
2, Yavorov str.

Cherven bryag
4, Otets Paisii str.i

Dimitrovgrad
4B, Bulgaria blvd.

Dobrich
3, Bulgaria str.

Dulovo
14, Vasil Levski str.

Dupnitza
3, Ivan Vazov str.

Elin Pelin
5, Nezavisimost sq.

Etropole
18 A, M. Gavrailova str.

Gabrovo
13, Radecki str.

Galabovo
8, dr. Jekov str.

General Toshevo
5, Treti Mart str.

Godech
2, Svoboda sq.

Gorna Orjahovitsa
1A, M. Todorv str.

Gotse Delchev
11, Byalo More str.

Harmanli
1, Vazrajdane sq.

Haskovo
4, Han Kubrat str.

Ihtiman
8, Polk. B. Drangov str.

Kardzhali
51, Bulgaria blvd.

Karlovo
2, Vodopad str.

Karnobat
14, Bulgaria blvd.

Kazanlak
4, Rozova Dolina str.

Knezha
5, Nikola Petkov str.

Kostenets
2, Belmeken str.

Kostinbrod
7, Ohrid str.

Kozlodui
1, Kiril I Metodii str.

Kurdjali
51, Bulgaria blvd.

Kyustendil
39, Democracy str.

Lom
14, Dunavska str.

Lovech
10, Akad Ishirkov str.

Mezdra
8, Georgi Dimitrov str.

Montana
216 Treti Mart blvd.
72, Treti Mart blvd

Nessebar
Nesebar, 38, Han Krum str.

Nova Zagora
49, Vasil Levski str.

Novi Pazar
4, Rakovski sq.

Panagiurishte
1, G. Benkovski str.

Parvomai
2 B, Hristo Botev str.

Pavlikeni
20, Svoboda sq.

Pazardzhik
13, Stefan Stambolov blvd.
5, Esperanto str.
6, Bulgaria blvd.

Pernik
21, St Kiril and Methodius blvd.
41, Krakra str.

Peshtera
19, Dimitar Gorov str.

Petrich
48, Rokfeler str.

Pirdop
Todor Vlaikov sq., block 2

Pleven
1, Kosta Hadzhipakev str.
4, Georgi Kovachev blvd.
121, Vasil Levski str.
13, Danail Popov str., block Volga

Plovdiv
1, Asenovgradsko Shosse str.
13, Kniaz Alexander Ist str.
133, Sankt Peterburg blvd.
15 A, Vasil Aprilov blvd.
31, Ivan Vazov str.
4, Ivan Vazov str.
41, Saedinenie str., Trakia
51, Raiko Daskalov str.
73A, Makedonia blvd.
8, Vasil Levski str.

Polski Trumbesh
55, Turgovska str.

Pomorie
2a, Graf Ignatiev str.

Popovo
99, Bulgaria blvd.

Radnevo
10A, G. Dimitrov str.

Rakovski
Rakovski, 19 B, Moskva str.

Razgrad
1, Momina Cheshma sq.

Razlog
1, Eksarh Iosif str.

Russe
1, Kiril Starcev str.
38, Hristo Botev str.
5, Sveta Troica sq.

Samokov
3, Prof V. Zahariev str.

Sandanski
52, Macedonia str.

Sevlievo
21, Svoboda sq.

Shumen
5, Simeon Veliki blvd.
8, Slavianski blvd.

Silistra
4, Georgi S. Rakovski str.

Slanchev Briag
Slanchev bryag, business building Sapfir

Sliven
14, Tzar Osvoboditel blvd.

Slivnitsa
2, Saedinenie sq.

Smolyan
59, Kolio Shishmanov str.

Sofia
1, Madrid blvd.
1, P.U. Todorov blvd. block 1
1, Skopie blvd.
1, Yanko Sakazov blvd.
100, Cherni Vruh blvd.
105, Gotse Delchev blvd.
115, Tsarigradsko shose blvd.
127, Slivnica blvd.
133, Tsarigradsko Shosse blvd. – 7th km
145, Georgi S. Rakovski str.
2, Buzludzha str.
2, Ivan Asen IInd str.
2, Lomsko shosse str.
265, Okolovrusten put str.
22, Ierusalim str., MLADOST, Sofia
22, Zlaten rog, str.
3, Filip Avramov str.
3, Todor Kableshkov blvd.
3, Tsar Kaloyan str.
38, Liubliana str.
57, Gotse Delchev str.
444 A, Slivnica blvd.
56, Georgi Sofiiski str.
65, Shipchenski prohod str.
69, Bulgaria blvd.
7, Sveta Nedelya Sq.
88, Yanko Sakuzov blvd.
9, Dondukov blvd.
9, Julio Kiuri str.
90, Al. Stamboliyski blvd.
90, Vitosha blvd.
9A, Boris Stefanov str.
Business park Sofia, 2nd building
Hotel Trivia, Botunec
Lyulin 4, block 417
Lyulin center, block 752A
Simeonovo, 14A Momina salza str.
Sofia, 2 Pozitano Sq., Perform Business Center.
Tsarigradsko Shosse blvd. – 7th-11th km
48, Sitnyakovo blvd.

Sozopol
2, Parvi May str.

Stamboliiski
2, Osmi Mart str.

Stara Zagora
126, Simeon Veliki blvd.
157, Tzar Simeon str.
80, Tzar Simeon Veliki blvd.
Nikola Petkov str.

Sungurlare
15, Hristo Smirnenski str.

Svilengrad
60, Bulgaria blvd.

Svishtov
16, Tzar Osvoboditel str.

Svoge
35, Tsar Simeon str.

Targovishte
23, Vasil Levski str.

Troyan
1, Gen. Karzov str.

Tzarevo
20, Kraimorska str.

Varna
115, Osmi Primorski polk blvd.
117, Republika blvd.
267, Tsar Osvoboditel blvd.
36-38, Vladislav Varnenchik str.
39, Maria Luiza str.
43, Kniaz Boris str.
61, Pirin str.
9, P. Karavelov str.
29, Tsar Simeon str.

Veliko Tarnovo
13, Vasil Levskli str.
2B, Krakov blvd.

Velingrad
5, Aleksandar Stamboliyski str.

Vidin
3, Tzar Simeon Veliki str.

Vratsa
17a, Krastio Bulgariyata str.

Yambol.
3, Gorg Papazov str.

BANK NETWORK (continued)

Corporate offices

Sofia
8, Aksakov str. International Center
7 St. Nedelya, floor 1

Varna
28, Slivnitsa blvd.

Stara Zagora
126 Tzar Simeon Veliki blvd.

Burgas
22 Alexandrovska str.

Russe
5 Sveta Troitsa str.

Veliko Tarnovo
13 Vassil Levski str.

Pleven
11 Tzar Simeon str.

Plovdiv
4 Ivan Vazov str.

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