Setting the benchmark for excellence

2024 Annual Report and Accounts

Empowering
Communities to Progress.

UniCredit Bulbank

Contents

FINANCIAL HIGHLIGHTS (Unconsolidated)

Thousands of BGN, unless otherwise stated

Income Statement Figures	YEAR		CHANGE
	2024	2023	
Net interest income	775 891	708 057	9.6%
Net fee and commission income	315 405	280 932	12.3%
Income from dividend, net gains/(loss) from trading income, hedging derivatives and investment securities	339 143	245 874	37.9%
Other operating income/expenses, net	1 422	(18 913)	107.5%
Operating income	1 431 861	1 215 950	17.8%
Operating expenses	(364 674)	(349 932)	4.2%
Gross operating profit	1 067 187	866 018	23.2%
Net impairment (loss)/reversal on financial assets	(9 253)	20 437	145.3%
Provisions for risk and charges	16 797	(2 660)	731.5%
Net income from PPE	179	(1)	100.0%
Profit before tax	1 074 910	883 794	21.6%
Net profit	947 244	806 695	17.4%
Volume Figures			
Total assets (eop)	34 896 854	32 124 499	8.6%
Net customer loans (eop)[1)]	23 605 471	20 397 934	15.7%
Customer deposits (eop)[2)]	26 418 924	24 863 665	6.3%
Shareholders' equity (eop)	4 150 681	3 662 015	13.3%
RWA (eop)	16 322 827	14 310 590	14.1%
Key Performance Indicators (%)			
Return on average assets (ROA)	2.8	2.6	0.2pp
Return on average equity (ROE)	24.2	23.3	0.9pp
Cost/Income ratio	25.5	28.8	(3.3pp)
Net profit margin	66.2	66.3	(0.1pp)
Capital/Asset ratio (eop)	11.9	11.4	0.5pp
Total capital adequacy ratio (eop)	21.80	20.41	1.4pp
Tier 1 capital ratio (eop)	19.60	20.02	(0.4pp)
CET 1 capital ratio (eop)	19.60	20.02	(0.4pp)
Risk weighted assets/Total assets ratio (eop)	46.8	44.5	2.3pp
Non-performing exposures/Gross loans	2.3	2.5	(0.2pp)
Net Loan/Deposit ratio	89.4	82.0	7.3pp
Resources (number) – (eop)			
Employees	3 134	3 234	(100)
Branches	125	130	(5)

[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 2024	YEAR 2023	CHANGE
Net interest income	993 165	890 804	11.5%
Net fee and commission income	321 655	285 905	12.5%
Income from dividend, net gains/(loss) from trading income, hedging derivatives and investment securities	129 698	137 003	(5.3%)
Other operating income/expenses, net	32 212	(5 111)	730.2%
Operating income	1 476 730	1 308 601	12.8%
Operating expenses	(427 665)	(407 647)	4.9%
Gross operating profit	1 049 065	900 954	16.4%
Net impairment (loss)/reversal on financial assets	(84 260)	(22 243)	(278.8%)
Provisions for risk and charges	18 771	(1 071)	100.0%
Net income from PPE	156	22	100.0%
Profit before tax	983 732	877 662	12.1%
Net profit	837 522	789 884	6.0%
Volume Figures			
Total assets (eop)	35 134 595	32 460 012	8.2%
Net customer loans (eop)[1)]	23 755 940	20 653 219	15.0%
Customer deposits (eop)[2)]	26 399 550	24 827 068	6.3%
Shareholders' equity (eop)	4 348 270	3 969 417	9.5%
RWA (eop)	15 928 051	14 101 241	13.0%
Key Performance Indicators (%)			
Return on average assets (ROA)	2.5	2.6	(0.1pp)
Return on average equity (ROE)	20.1	20.9	(0.8pp)
Cost/Income ratio	29.0	31.2	(2.2pp)
Net profit margin	56.7	60.4	(3.7pp)
Capital/Asset ratio (eop)	12.4	12.2	0.2pp
Total capital adequacy ratio (eop)	24.11	22.87	1.2pp
Tier 1 capital ratio (eop)	21.86	22.48	(0.6pp)
CET 1 capital ratio (eop)	21.86	22.48	(0.6pp)
Risk weighted assets/Total assets ratio (eop)	45.3	43.4	1.9pp
Non-performing exposures/Gross loans	2.8	3.0	(0.2pp)
Net Loan/Deposit ratio	90.0	83.2	6.8pp
Resources (number) – (eop)			
Employees	3 582	3 692	(110)
Branches	134	139	(5)

[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 step into 2025, supported by a strong, motivated team with fresh ideas for innovation and growth, along with our most valuable asset: the trust of over one million customers. We will continue to be their reliable financial partner, just as we have been for the past more than 60 years."

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

Dear shareholders, partners, clients, and colleagues,

We ended 2023 with the best historical result that this bank has ever achieved and we did it in a sustainable way. This challenged us to leverage this momentum **in 2024 and achieve even greater success for the clients and communities we empower**.

Despite the lasting effects of the significant shifts in the global macroeconomic landscape and ongoing conflicts, **dynamism, innovation, and resilience** are crucial not only for businesses to survive, but also for continuing to **support the communities** that depend on them.

Therefore, UniCredit Bulbank stands as a forward-thinking company, embracing innovation and prioritizing clients in everything we do, **creating value while ensuring that our communities are well-supported**.

We've streamlined our organization, processes, and ways of working to **improve efficiency**, while also **investing in our people, digital capabilities, data, product development, and distribution networks to deliver even more value to our clients**. Our commitment to serving them remains at the core of everything we do.

2024 was a record year in digital aspect for UniCredit Bulbank in all key aspects. More than **1.2 million payments per month** were processed via **Bulbank Mobile – 30% YoY growth**. The volumes increase is even higher – **40% YoY growth**.

In 2024 UniCredit Bulbank surpass the impressive **760k Digital Active Users and 720k Mobile Active Users**, representing **~70% penetration of thetotal customer base**. The increase in Mobile Active Users is a BESTS EVER RESULT since the birth of the mobile banking app. These achievements enabled us to enhance customer satisfaction.

The twelve 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. Last year the **green financing** to our clients reached approximately **BGN 455 mln and the social lending is approximately BGN 186 mln.**

Keeping costs and risk under control, in 2024 **fully organically we managed to achieve a record net profit**, preserved our **leading position on the Bulgarian banking** market closing 2024 as **market leader in corporate**, the **most active lender** (vs main peers y/y) in both Corporate and Retail and the **most efficient bank** (keeping the lowest Cost / Income ratio) in Bulgaria generating roughly ¼ of Banking System's 2024 Net profit, thus **outperforming the banking system in key profitability indicators** for another year in a row.

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 continued to be one of the **best liquid and capitalized banks** (CET 1 at 19.6% - stand-alone) supported by a **record Net Profit** at BGN 947.2 mln, **growth** of 17.4% y/y (stand-alone). **Highest ever new loans volumes production**, **decreasing NPE ratio**, 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.

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 all peers (26.5% for UCB, incl. UCFin business vs 35.8% for the Market, incl. UCFin business).

From a commercial perspective, in 2024 the Bank achieved the **highest ever new Loans volume production**.

In Corporate Loans sector UCB continues to be absolute market leader with 26.8% 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** (21.6% market share as of Dec'24, growth of 32 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 23.3% y/y vs. growth of 20.7% for Banking System (+36 bps to 17.3% market share, the highest ever after **36 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 that achieved the highest y/y growth in Retail Loans**.

Advancement in digital transformation

In 2024 UniCredit Bulbank **enhance even more its digital channels**, following the strategy to develop mobile banking as a main tool in the everyday banking of our customers.

In 2024 Bulbank Online is already the virtual ecosystem of UniCredit Bulbank **for exclusive financial customer experience** and value creation for companies. The Online banking platform is top rated by the corporate clients and #1 customer choice in Internet banking – satisfaction 61 pts, +23 pts gap to competitors on the local market.

Payments with digitized cards marked a huge YoY growth – 84% more payments with digitized card in 2024 in comparison with 2023.

UniCredit Bulbank, was the **first bank on the local market** which launched a **Beyond Banking functionality** called **My Car**.

In 2024 we introduced our new **simplified Mastercard Touch Cards**, designed for visually impaired users, making us **the first in Bulgaria to offer such a groundbreaking solution**.

UniCredit Bulbank develops the market of investment solutions – the bank noted the **successful launch of onemarkets Fund** – an innovative product, thanks to which UniCredit Bulbank gives Bulgarian clients **access to investments in world-renowned funds in asset management** such as Amundi, Allianz Global Investors, BlackRock, Fidelity, J.P. Morgan, Pictet, PIMCO and others.

Our **Agent model** (UniCredit Point) has been successfully accepted by our customers and has expanded to total of 7 locations in the country.

UniCredit Bulbank – employer of choice

UniCredit Bulbank continued following its **strong focus on people engagement and development**, **fostering inclusive culture,** and working environment in order to **unlock the full potential** of our people while promoting UniCredit Bulbank as **best place to work**, supported by the strong brand of UniCredit.

Diversity, equity, and inclusion (DE&I) at the workplace remained part of the P&C priorities and the managerial agenda across all functions.

In 2024 our continuous efforts for achieving **gender equity and inclusion** through the years continued being recognized also externally, via the 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.

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 2024. 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 remain focused on driving organic growth by developing a sustainable business-risk model.

As we step into 2025, we are supported by a **strong, motivated team** with **fresh ideas for innovation and growth**, along with our most valuable asset: **the trust of over one million customers**. We will continue to be their reliable financial partner, just as we have been for the past **more than 60 years**.

For us, **progress is a team sport**, and we are committed to collaborating with all our stakeholders to contribute to the success of Bulgaria's economy and society.

In line with our commitment to **empower communities to progress**, UniCredit Bulbank will persist in expanding and strengthening its client base, **transforming its service model**, and **optimizing productivity**, all while maintaining **disciplined risk management**, s**tringent controls, and careful capital and balance sheet management. ESG initiatives will remain a priority**, with clear objectives to enhance environmental and social client offerings, expand the ESG Learning Journey (including our clients), and advance the Carbon Footprint Reduction program, ensuring full transparency through ongoing communication and community engagement.

I want to extend my **gratitude to all our shareholders, clients, partners, and colleagues**. With our collective dedication, motivation, and inspiration, 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)[1]

Emilia Palibatchiyska	**Chairperson**
Massimo Francese - from 19.09.2024	**Deputy Chairperson**
Pasquale Giamboi	**Members**
Atanas Georgiev	
Francesco Correale	
Daniela-Margareta Bodirca – from 07.03.2024	
Silvia Carlotta Viviano - from 10.12.2024	

Monika Rast – released as of 07.03.2024

Management Board (MB)

Tzvetanka Mintcheva	**Chairperson and Chief Executive Officer**
Andrea Tognetti	**Executive Officer**
Ivaylo Glavchovski – from 31.12.2024	**Executive Officer**
Borislav Bangeev	**Members**
Velko Djilizov	
Borislav Genov	
Milena Vukotic	
Nevena Nikse – from 26.11.2024	

Dalibor Cubela, Deputy Chairman and Deputy CEO – released as of 07.06.2024

Mario Collari – released as of 03.06.2024
Sandra Vojnovic – released as of 30.07.2024

[1] As of December 31, 2024

SUPERVISORY BOARD AND MANAGEMENT BOARD[1]

ART. 247, PAR. 2, PT. 4 FROM THE COMMERCIAL LAW (01.01.2024 - 31.12.2024)

Members of the Supervisory Board

Emilia Palibatchiyska

- UniCredit Bank Hungary ZRT. – Chairperson of SB

Massimo Francese

- Does not participate in the management of any other entities

Pasquale Giamboi

- UNICREDIT BANK A.D. BANJA LUKA - Chairman of SB
- UNICREDIT BANK S.A. - Chairman of SB
- Felsina EOOD – sole owner
- Felsina SRL in liquidation - 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

Francesco Correale

- UNICREDIT BANKA SLOVENIJA D.D. – Chairman of SB
- ALPHA BANK ROMANIA S.A. – Member of BoD – from 04.11.2024

Daniela-Margareta Bodirca

- UNICREDIT LEASING CORPORATION IFN S.A. – CEO – till 30.11.2024
- Kimivo Partners SRL – 50% ownership – from December 2024

Silvia Carlotta Viviano

- Does not participate in the management of any other entities

SB members released during 2024

Monika Rast

- UniCredit Bank GMBH – Member of the MB/Executive Board - till 29.02.2024

Members of the Management Board

Tzvetanka Mintcheva

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

Andrea Tognetti

- Does not participate in the management of any other entities

Ivaylo Glavchovski

- Cash Service Company - Member of BoD
- UNICREDIT CONSUMER FINANCING EAD – CEO and Chairman of MB – till 11.06.2024

Borislav Bangeev

- UNICREDIT CONSUMER FINANCING EAD – Member of SB
- UNICREDIT LEASING EAD - Member of SB
- Consortium "Fund for green and smart development" – Manager – from 15.11.2024

Borislav Genov

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

Velko Djilizov

- Does not participate in the management of any other entities

Milena Vukotic

- UNICREDIT BANKA SLOVENIJA D.D.- Member of SB
- UNICREDIT CONSUMER FINANCING EAD – Member of SB
- UNICREDIT LEASING EAD - Member of SB

Nevena Nikse

- EUROPA INVESTMENT FUND MANAGEMENT LTD - Member of SB – till 31.12.2024
- UNICREDIT BANK SERBIA JSC – Member of SB
- UNICREDIT CONSUMER FINANCING EAD – Member of SB - from 17.12.2024
- UNICREDIT LEASING EAD - Member of SB – from 17.12.2024

MB members released during 2024

Dalibor Cubela

- UNICREDIT CONSUMER FINANCING EAD – Deputy Chairman of SB – till 07.06.2024
- UNICREDIT LEASING EAD – Deputy Chairman of SB – till 14.06.2024

Mario Collari

- Does not participate in the management of any other entities

Sandra Vojnovic

- UNICREDIT CONSUMER FINANCING EAD – Member of SB till 16.07.2024
- UNICREDIT LEASING EAD - Member of SB – till 16.07.2024
- UNICREDIT LEASING EAD - Member of MB – from 25.07.2024
- AO UNICREDIT BANK - Member of SB

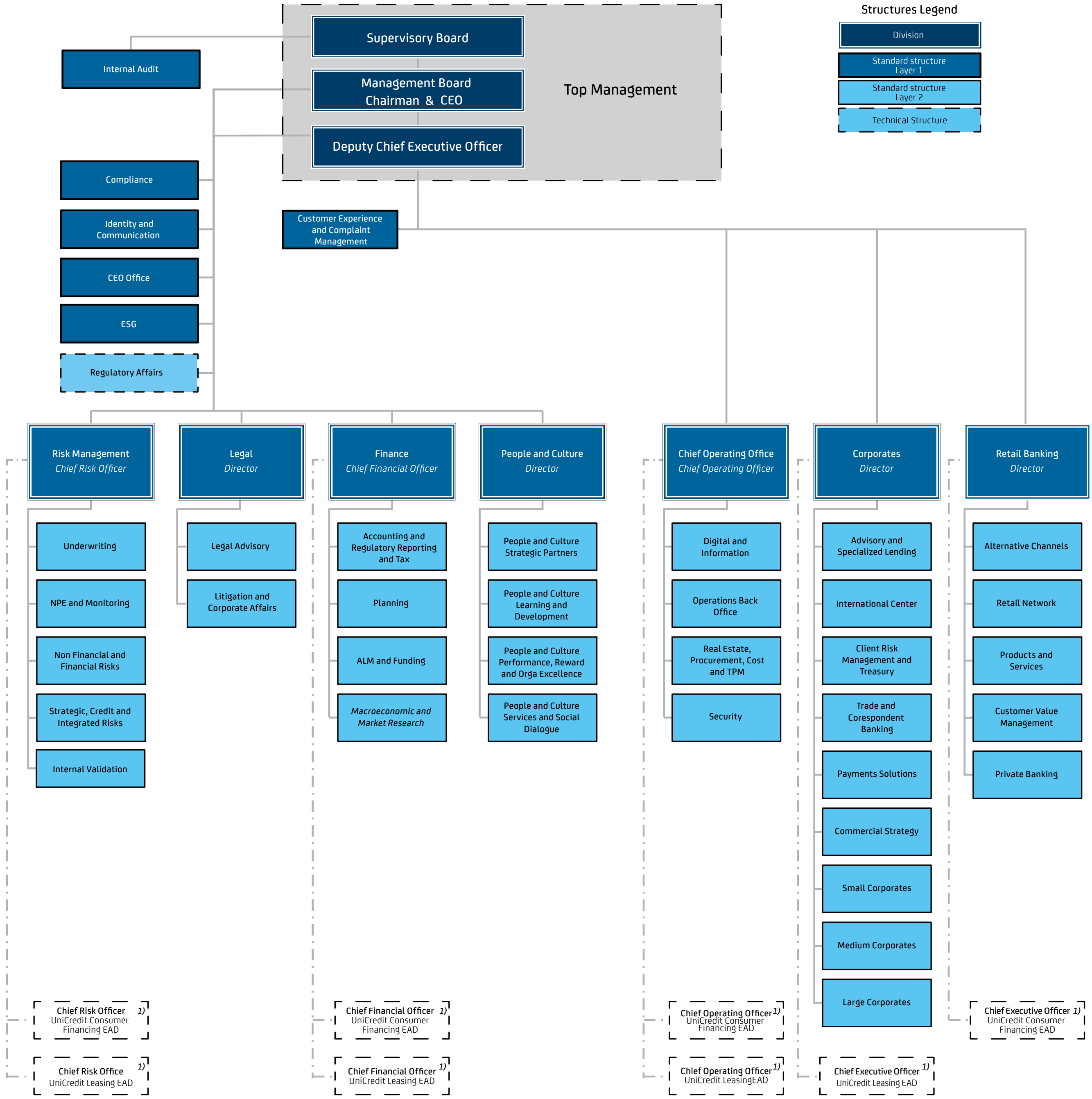
As of December 31, 2024 the consolidated loans extended to key management personnel amount to BGN 2 171 thousand (BGN 1 853 thousand in 2023). As of December 31, 2024 the benefits paid to key management personnel amounts to BGN 6 639 thousand (BGN 5 142 thousand in 2023).

In 2024 no shares and bonds were acquired, owned or transferred to MB and SB members of UniCredit Bulbank AD.

During 2024 no contracts under Art. 240b of the Commercial Law were concluded.

[1] As of December 31, 2024

ORGANISATION CHART[2]



[2] As of December 31, 2024

CREDIT RATING

UNICREDIT BULBANK CREDIT RATING (FITCH RATINGS)

Long-term	BBB+
Short-term	F2
Outlook	Positive

2024 AWARDS

- Global Finance: Best Digital Bank for 2024
- Global Finance: Best Bank in Bulgaria
- Global Finance: Best Custodian Bank in Bulgaria
- The Banker: Best Private Banking
- Euromoney FX Awards: The Best Foreign Exchange Bank in Bulgaria
- Euromoney: Best Private Bank in Bulgaria in the High Net Worth category
- Bank of the Year Association: Market share
- Bank of the Year Association: Best Digital Bank Project
- Top Employers Institute: Top employer in Bulgaria and Europe
- Employer of Choice Awards - Students activities & Recruitment
- Employer of Choice Awards - Technologies in HR Management
- Operational Excellence Awards - Always Together Category
- B2B Media Awards: Grand Prize in the category “Business Innovation”
- B2B Media Awards - Community Brand Campaign
- B2B Media Awards - Innovative Service
- B2B Media Employer Branding Awards: Innovation in Talent Education
- B2B Media Employer Branding Awards: Employer Branding
- B2B Media Employer Branding Awards: Culture & Values
- B2B Media - “The Greenest Companies in Bulgaria”: Greenest Bank
- B2B Media - “The greenest companies in Bulgaria”: Green Office
- Digitalk & A1 Awards: Special award for innovative and technological solutions
- Atanas Burov Foundation: Award for banking and industrial management

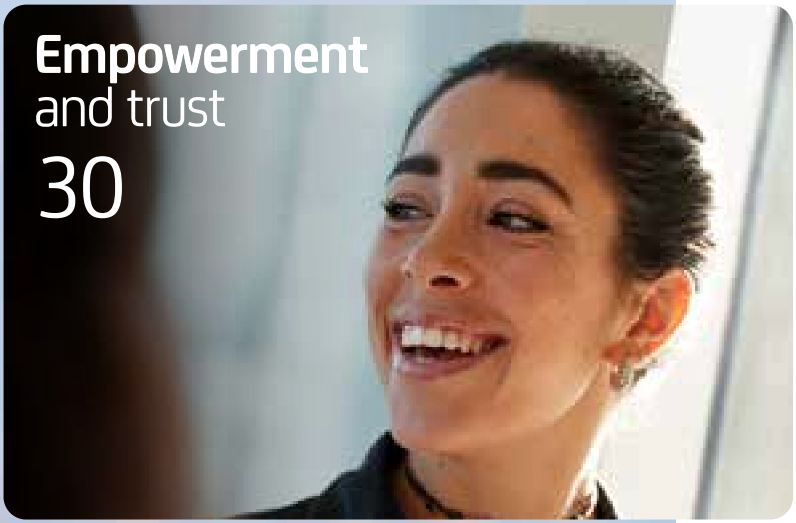
Excellence at UniCredit

UniCredit is a pan-European Bank with a unique service offering in **Italy, Germany, Austria, and Central and Eastern Europe**. Our Purpose is to Empower Communities to Progress, delivering the best-in-class solutions and services for all stakeholders, unlocking the potential for our clients and our people across Europe.

For additional information **visit our Reporting microsite**

Delivering Excellence

We believe that by delivering the very best for our stakeholders, we are unlocking the potential that exists across Europe, for our clients, our people and our communities. We are setting a new benchmark for banking through our three strategic focus areas:



Contents

UniCredit: a pan-European network empowering thirteen banks, leveraging Group synergies

Confirming our value proposition

UniCredit is well-rooted in local communities and has a leadership position in the Countries and Regions where we have a presence, especially in terms of profitability and efficiency. Local banks manage their day-to-day operations, cascade and execute the Group Strategy. The Group sets the overarching direction and harmonises scalable activities, bringing everything under a common denominator.

Offering our clients a gateway to Europe

Our core operations are located in Italy, Germany, Austria and Central and Eastern European Countries, all served by three high-quality product factories: Corporate, Individual and Group Payment Solutions. Our approach allows us to be as close as possible to our clients while also using the scale of the entire Group for developing and delivering the best products across our markets.

Placing clients at the centre

We provide top-tier products and solutions, strategic advice and innovation to over one million SMEs and corporates, as well as 14 million affluent, private and other retail clients.

Our best in class in-house solutions, complemented with the top industry expertise of our partners, and powered by reliable digital and data capabilities, create significant value for our clients, firmly positioned at the centre of all we do.

13
Leading banks

>75,000
Talented colleagues[2]

4
Coverage Regions

3
Product factories

15m
Clients worldwide

1,000+
Employee Networks active members[3]

Italy - Quality earnings powerhouse
Consistently delivering high profitability and growth

Germany – Resilient anchor
High-quality growth and best year ever as a result of successful transformation

Ranking based on Net Profit FY2024 for Italy and Germany and 9M24 for CE&EE, as per FY2024 results market presentation methodology. Austria based on total assets at bank level as per last available disclosure.

1. Central Eastern Europe (CEE) includes the Czech Republic, Hungary, Slovakia, Slovenia, Bosnia and Herzegovina, Bulgaria, Croatia, Romania and Serbia.
2. Headcount as at 31 December 2024.
3. Diversity traits represented: LGBTQIA+, Gender, STEM, Disability, Cultural Diversity, Generations, Caregiving

Group scale, local reach

Empowered banks unified as one Group, in the continuous pursuit of excellence

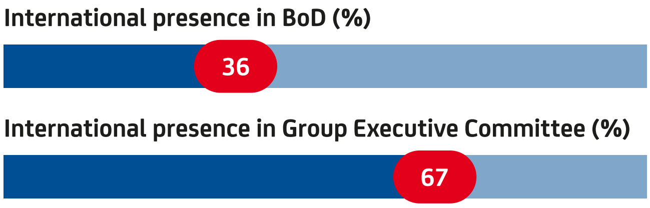
Austria - Resilient anchor
Operational and capital excellence champion, delivering best results ever, moving forward with transformation

CEE - Growth Engine
Leading franchise in the region consistently delivering excellent performance and growth in individual markets

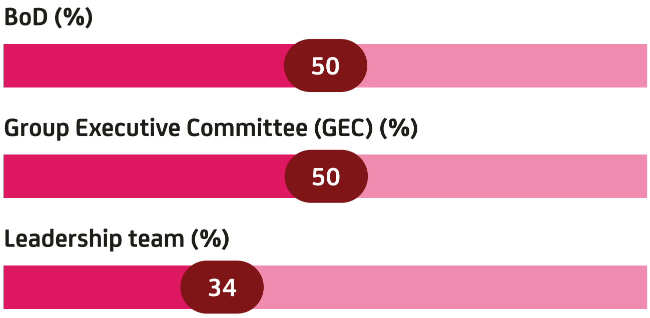
Nurturing our diverse talent base

UniCredit recognises that it is essential that we unlock the potential of our over 75,000 people, businesses, and communities across Europe. We have long recognised that an equitable, inclusive and diverse workforce is vital to our business and creates a more fair, inclusive and positive working environment. We believe that when Diversity, Equity and Inclusion (DE&I) work in harmony, great things happen.

International mindset



Female representation



Our business model is centred on delivering sustainable growth, built on strong foundations across **13 leading and empowered banks** with local coverage close to the clients, leveraging a common denominator: the **strength of three product factories** with an ecosystem of strategic partners, a centralised and efficient **Group Procurement**, all continuously streamlined and simplified through our **Digital & Operations**.

Enhancing our product offering: three global product factories

While clients access our services through local banks, our comprehensive offering to meet their needs is created by our three global product factories – **Corporate, Individual and Payment Solutions**. Each of these factories delivers best-in-class solutions, developed internally or through our dynamic ecosystem of trusted partners.

Corporate Solutions

Empowering corporates to progress

We have an extensive corporate client base and we provide them with seamless access to value-added services through three product lines – Advisory & Financing, Client Risk Management, Trade & Correspondent Banking. Combining deep local expertise and a strong cross-border presence, we support our clients with the broader array of products and services that they require, facilitating their growth ambitions.

Individual Solutions

Advising clients to achieve their investment and insurance objectives

Clients benefit from a large and attractive range of products for Retail, Wealth Management and Private Banking across all our markets.

By combining our in-house capabilities with external top industry expertise, we provide them with greater choice and access to our global solutions and platforms. We have launched and we are progressing with our in-house brand (**onemarkets**) and are seamlessly integrating Insurance into our offering, with a unique client base for cross-selling.

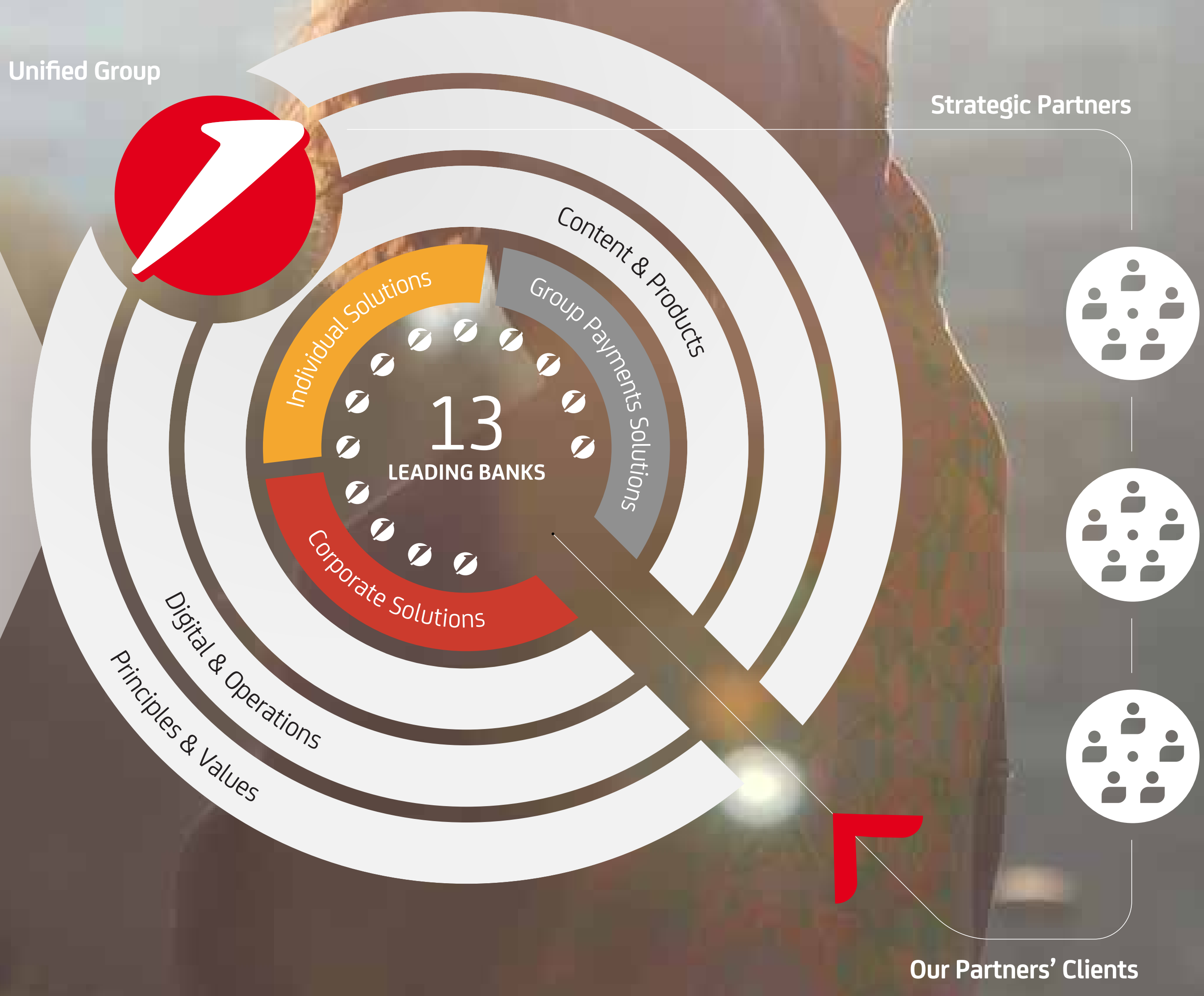
Payments Solutions

Every European client's first choice for payments

Our unique pan-European footprint, cross-border positioning, payments expertise and advanced data and technology support our Vision of becoming the first choice for payments in Europe. In 2024 we formed a multi-market partnership with Mastercard, while our new Group Payments Solutions factory expanded our international offering and nearly doubled the number of corporates accessing our digital portal since 2021.

How we create value

Read more on page 25



The strongest performance in our bank's history

2024 record results crowning 16 consecutive quarters of quality profitable growth. All our geographies and product factories demonstrated superior execution and beat all the targets set in 2021. This performance balances excelling in the short-term and preparing for the future and is a testament to the dependability of UniCredit and its people.

Financial highlights

TOP-LINE GROWTH

€24.8bn

Gross Revenue
+4.3% FY/FY
+4.0% Net Revenue

OPERATIONAL EFFICIENCY

37.9%

Cost-to-income ratio
-1.8pp FY/FY
€9.4bn costs, -0.6% FY/FY

GOP

€15.4bn

Gross Operating Profit
+7.5% FY/FY

CAPITAL EFFICIENCY

8.7%

Net-revenue-to-RWA ratio
+0.8pp FY/FY

ASSET QUALITY

15bps

CoR
+2bps FY/FY

ORGANIC CAPITAL GENERATION[1]

444bps

€12.6bn

BEST-IN-CLASS PROFITABILITY, GROSS REVENUE RoTE

17.7%

RoTE @13%
CET1r 20.9%

FY24 INCREASED DISTRIBUTIONS[2]

€9bn

>€26bn total distributions FY21-24

RECORD BOTTOM LINE

€9.7bn

Stated Net Profit
+2.2% FY/FY
€9.3bn Net Profit
€10.3bn underlying[3]

1. Before considering the impact of strategic investments.
2. Of the cash dividend (€3.73bn), €1.44bn already paid as interim. Of the SBB (€5.27bn), €1.7bn already completed, the balance to be completed pending supervisory and shareholder approvals at AGM and expected to be commenced post completion of BPM offer.
3. Net Profit net of integration costs and RusChemAlliance (RCA) full coverage.

Sustainability highlights

Thanks to our strong ESG foundations, in 2024 we continued to make progress on our ESG KPIs.

Environment

Sustainable financial instruments and Net Zero commitments.

Read more on **page 94**

We advanced our sustainable financial instruments, reaching a total of €26.9 billion in cumulative green lending since January 2022.

11
Green Bonds issued

€6.5bn
Total amount of financing from Green Bonds

Social

Social financing for initiatives in our communities.

Read more on **page 95**

Since 2022, we have provided €13.2 billion in social financing via micro-credit, impact financing and lending to disadvantaged areas.

€78.1m
FY24 contribution to communities

c.15,000
Hours dedicated to volunteering by our colleagues

Governance

ESG-aligned remuneration and solid DE&I framework.

Read more on **page 96**

CEO and top management remuneration saw a 20% weighting of long-term performance related to ESG business, DE&I priorities, and climate risk. Furthermore a relevant link to Group's Values and Culture - "**Winning. The Right Way. Together**" goal – is also part of the short-term scorecard.

+1,500
Colleagues across the Group part of Culture Network

365
Initiatives mapped in the context of our well-being framework

Delivering our Vision of excellence

Dear shareholders,

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

In 2025, we look ahead to a horizon that promises a great deal of change. At the same time, we are still under the long shadow of the many changes in the macroeconomic environment that have rocked the world since we first put out our strategic plan, UniCredit Unlocked, into action.

Global growth has been stifled by multiple wars compounding an already fraught macroeconomic environment post-pandemic. Globalisation is fracturing increasingly under this pressure.

While there is optimism among the investor community about America's economy, recent political developments and their implications for how we address macro issues like climate change contribute to the pervasive feeling of uncertainty.

In short, the clouds over Europe and the world have not cleared, and we are not sure when they will. Dynamism, innovation, and resilience are not only key to businesses enduring in these circumstances, they are also essential for continuing to support the communities that rely on these businesses.

UniCredit continues to prove itself as an exemplary European business; the type our continent needs, according to Mario Draghi and Enrico Letta's reports on the state of European competitiveness and the Single Market. UniCredit is a dynamic business embracing innovation and keeping clients at the centre of everything we do, unlocking value while ensuring that our communities are supported.

> "UniCredit continues to prove itself as an exemplary European business; the type our continent needs."

We have a proven model for resilience and delivery under macroeconomic pressure, as is clear from our results of the last four years. After 16 consecutive quarters of quality growth, we are preparing to move into a new era where we use this momentum to achieve even greater success for the clients and communities we serve.

The businesses we support are key to the prosperity of our communities, because they contribute to the competitiveness of those communities and our bloc as a whole.

By deepening the markets we serve in Europe, while also leveraging on the creation of continental banks, we – as a banking group – can play an all-important role as the driving force of our continent's competitiveness, serving companies to the best of our ability and efficiently serving retails, so they can channel their savings into the economy.

We have the leverage in our pan-European banking network, the Strategy, the energy, and the ambition, to help our continent steer a course out of these years of stagnation and stalling and into a new era of prosperity. We can help our bloc become a true rival to the likes of the US.

Our strong position is supported by our adoption of a new governance system. Operating under the mandate of a new Board of Directors, we will continuously improve our processes in the same spirit of always striving to do better and deliver our best that has defined UniCredit's industrial Strategy since the launch of our transformation.

Under the leadership of our CEO, Andrea Orcel, who is working with the Board and our strong management team to deliver this transformation successfully, we will unlock new growth organically and, where they arise, seize opportunities for inorganic growth that will support our trajectory.

We will build the strength of our international profile, having already built ourselves a strong foundation with two core markets in Italy and Germany, demonstrating the value of our status as a pan-European bank.

Though the economic picture is not what we would want it to be for Europe, we have built our resilience as an institution to be able to navigate what comes and, most importantly, remain firmly by our clients to help them achieve success. In this sense, the prospects for us are positive.

We are ready to take the necessary steps to strengthen our position – through technological innovation, for example – and deliver sustainable results, so the clients and communities we serve can navigate a course through these difficult times. Our service to them remains at the centre of everything we do.

Our greatest asset in achieving this will be our people's continuous commitment to our strategic Vision, our Purpose, and our Culture. It is their dedication that has brought us this far, and this is reflected in our most recent results. I wish to congratulate and thank all of them for their hard work. Their continued dedication will empower us to push the bar even further.

There are great things for us on the horizon, if we seize this opportunity now.

Thank you,

Pietro Carlo Padoan
Chairman UniCredit S.p.A.

Leading the way in European banking

> "When we launched UniCredit Unlocked we were stepping into a new era for the bank. I believe that we are doing it again and in doing so we will improve even further."

Dear Stakeholders,

Since launching UniCredit Unlocked in 2021, our winning Strategy set to achieve our Vision – to be the Bank for Europe's Future – has also propelled us to become one of Europe's best performing banks and one that sets ambitions and path for others to follow.

UniCredit's 2021-2024 transformation has been nothing short of exceptional, achieved while also consistently delivering outstanding financial results quarter after quarter, setting a new benchmark for banking.

We unified, refocused, and galvanized all our people around one single Vision, Strategy, and Culture. We restored trust and empowerment in our 13 banks and our people: all coming together as ONE Group.

We simplified and streamlined our organization, processes, and ways of working, transforming our efficiency while also investing in our people, digital and data, product factories and distribution channels to offer more to our clients.

We have lived by our Values and focused on our fundamental Purpose: to Empower Communities to Progress.

We continued to honor our ESG commitments with notable social investments, such as our €2.6bn "UniCredit for CEE" initiative and our new Edu-Fund platform, supporting programmes addressing educational deprivation in our communities.

Together this has firmly set out our proven blueprint for banking not only in terms of financial achievements but also in terms of how we should support the communities in which we operate and always attempt doing what is right driving necessary change. This is, we hope, the ambition and path we have set for our sector.

Record-breaking results

Our 2024 results were the very best in UniCredit's long history. The most recent quarter marks our 16th consecutive quarter of profitable growth.

€24.2bn
Net revenue
+4% FY/FY

>€11bn
Revenues generated in our product factories

c.17.7%
RoTE
Target: 10%

513%
Total Shareholder Return
Beginning 2021-2024
3x greater than
our European peers

>€26bn
Total distributions
FY21-FY24
Target: €16bn

€12.6bn
Organic capital generation
In 2024

Our RoTE reached c.18% notwithstanding the substantial excess capital we still carry, and is best-in-class when adjusted for such excess capital. Our stated net profit reached €9.7bn (€10.3bn underlying). Our organic capital generation of 444bps – equal to €12.6 billion - has allowed us to accrue €9.0 billion to be distributed, while maintaining a CET1 ratio of c.15.9% with ca €6.5bn of excess capital vs our CET1 ratio target.

Our net revenue reached €24.2 billion up 4% year on year further reinforcing the quality of our top line as NII profitability remained best in class and our fees, driven by our rebuilt market leading product factories, reached a top tier 343% of total revenues.

Our operational and capital efficiency also improved further respectively with a CIR <38% and a Net Rev/RWA ratio of 8.7%.

We continued to build our lines of defense to protect and propel our future taking extraordinary charges of €1.3bn.

Over the last 4 years, we delivered Total Shareholder Return of 513%, outperforming our European peers by four times, with total cumulative distributions of €26bn, more than 1.5 times our market cap at the beginning of the period. Our EPS and DPS growth (CAGR) respectively of 48% and 64% speaks for itself. We are the most shareholder-friendly bank in Europe.

Into a new era

The last four years have laid a firm foundation for our next phase of quality growth. We have prepared ourselves to take the essential next step. We will redouble our commitment to unlock more value from our bank and go beyond the benchmarks we have set. In summary we are now moving to the second phase of UniCredit Unlocked: **Acceleration**.

It will be our attractive geographical presence, client, and business mix, that protected by our unmatched lines of defense and leveraged upon by our team, will allow us to further positively differentiate ourselves from our peers and set a seven-year track record of superior performance through the cycle.

We are both excited about the opportunity we have in front of us and confident we will achieve it.

Our approach is showing the need to reform our single market so it functions as it should, empowering our European communities instead of stifling them.

We are showing the leadership Europe needs on this issue, to support our bloc's structural growth and bring an end to years of economic stagnation.

The power behind our model for banking are the people of UniCredit, united as ONE by a vision, a strategy and a culture we all believe in. who have made it a success. I am both grateful for their efforts and honored to lead them.

When we launched UniCredit Unlocked we were stepping into a new era for the bank. I believe that we are doing it again and in doing so we will improve even further. I believe that, together, we can Unlock our Acceleration!

Yours,

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

A unique investment proposition

Delivering unrivalled shareholder value, while laying future foundations

Structural advantages

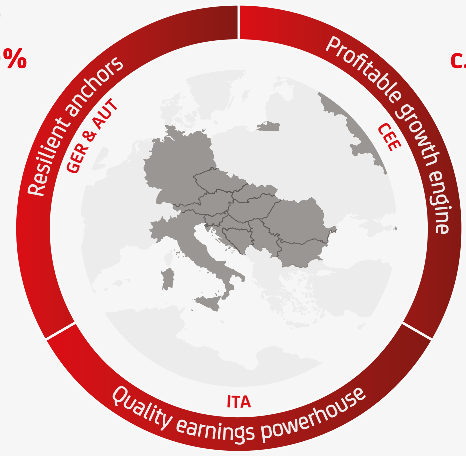
Attractive geographic mix

2024-2027 KPIs

● Share of 2024 Net Profit[1] ● Share of 2027 Net Profit[1]

33%
c.35%

22%
c.25%



45%
c.40%

Quality client mix

15m
Clients across Europe
(+3.5m Alpha Bank)

60%
SMEs, Private and Affluent, % of Revenue[2]

Superior business mix

#1
NII RoAC[3]

40%
Fee-to-revenue ratio towards 40%[4]

Proven execution

Leading financial results

12/12
Financial targets exceeded[5]

Leader
In operating and capital efficiency and profitability[6]

Marked transformation

One
Vision, Strategy and Culture

Fully redesigned
and streamlined organisation

New sustainable run rate

+5x
Net Profit since 2021[7]

3x
RoTE since 2021[7]

1. Share of Net Profit computed as sum of Italy, Germany and Austria and CEE (excl. Russia); excl GCC.
2. SMEs including Micro Business.
3. Peer group: BBVA, BNP Paribas, Commerzbank, Credit Agricole S.A., Deutsche Bank, ING, Intesa San Paolo, Santander, Société Générale.
4. Fees including Net insurance results and excluding Vodeno and Aion.
5. UniCredit Unlocked 2024 targets.

With structural advantages – such as the unique geographic footprint, high quality client base and a superior business mix – we are uniquely positioned for success. **Our proven execution** delivers leading financial results and a sustainable run rate: we drive clear alpha initiatives, ensuring **outstanding returns and future growth**. A unique investment proposition, still accessible at an attractive valuation.

Strategically fortified

Clear alpha initiatives

+€1.4bn
Fees 2024-2027[4]

High
Efficiency

Solid lines of defence

€1.7bn
Overlay Stock

€3.6bn
Integration costs, FY21–FY24

Long-term approach

Growth
From several strategic investments (e.g. **onemarkets**, Vodeno)

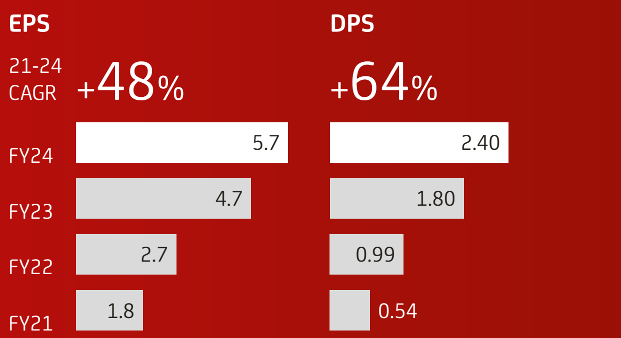
c.€2.5bn
Incremental IT investments, 2025–2027

Outstanding returns

Sustainable organic value generation

c.€10bn
Net Profit target in 2027

Strong
EPS and DPS growth



Top-tier distribution policy

#1
Distribution yield[8] as of FY24

50%
Dividend payout ratio from FY25

>FY24
Expected yearly distributions[9] FY25-27

Strategic flexibility

c.€6.5bn
Excess Capital[10]

M&A
Executed only if accretive

6. #1 among peer group FY24 Cost/Income, Net Revenue/RWA and RoTE@13%.
7. FY24 vs FY21; Stated Net Profit.
8. Total distribution as announced FY24 on average market cap 2024 for peer group as per footnote 3.
9. Subject to inorganic opportunities and delivery of financial ambitions
10. vs target CET1r 12.5-13%.

UniCredit Unlocked has proven to be a successful Group Strategy that plays to our strengths. We are evolving that Strategy to Unlock Acceleration in 2025 and beyond.

Our Vision is To Be the Bank for Europe's Future

United around a clear Vision

The Bank
for Europe's future

Powered by Culture, Principles and Values

Integrity, Ownership, Caring

Read more on **page 29**

Inspired by a shared Purpose

Empowering
Communities to Progress

Read more on **page 31**

Proud of the success of our Strategy

Industrial Transformation,
Financial Progress

Read more on **page 33**

Committed to Sustainability

Leading by example,
supporting client transition,
championing social impact

Read more on **page 77**

Our Culture, Principles and Values

Our Group has created a new benchmark for banking, keeping our clients at the centre and unlocking the potential of our people

Our **Culture** is key to our success in unifying and inspiring our people, driving them to work as a team and **achieve excellence in the right way**. Our Culture network is fuelled by passion and enthusiasm, spreading positive cultural change throughout UniCredit.

Collectively, we are building the **Bank for Europe's future**, as one team of people acting as true partners to our clients. A better bank, creating better outcomes: strongly grounded in the right Principles and **Values**; and delivering sustainable, quality growth and value.

Values

Integrity

- We act in the best interest of our customers
- We are honest, straightforward, and transparent
- We do the right thing – even when no one is watching.

Ownership

- We deliver on our promises and take accountability for our actions and commitments
- We are empowered to make decisions and learn from failure. We speak up – to express an idea, an opinion, or when we see something wrong.

Caring

- We care about our customers, communities and each other
- We are eager to help one another and for our people to thrive
- We treat each other with respect and value our differences.

Our **Values** are the foundation of our identity – what we pass down to our people and what our people share and enact through their actions. They are at the heart of our decision-making, **ensuring we deliver for our clients honestly, straightforwardly and transparently**. We're committed to helping our customers, communities and each other by treating everyone with respect and valuing our differences.

In 2024, we updated our **Employer Value Proposition** to help our team bring our Values to life and ensure everyone at UniCredit is motivated to actively contribute to Unlocking a Better Tomorrow. Through a single voice, we are building a common narrative across the Group and increasing the awareness and attractiveness of our employer brand.

March Group

New EVP: **Unlock a Better Tomorrow**

In March 2024, we launched a new Employer Value Proposition (EVP) – Unlock a Better Tomorrow – to fit our Strategy and Purpose.

We want our existing and future employees to unlock their fullest potential at UniCredit – attracting and retaining individuals who embody our Values of Integrity, Ownership and Caring.

Our ambitions and commitments include guaranteeing equal opportunities for all colleagues, supporting our people's personal growth and well-being, nurturing a positive and inclusive working environment, and leveraging our unique international footprint. By encouraging and inspiring everyone at UniCredit, we will drive innovation and create better solutions for all our clients, helping us to achieve business success.

Our EVP is built on four pillars:

- Accelerators of ambition – we are focused on keeping our clients at the centre and unlocking the potential of our people as individuals and as professionals. We are a better bank, delivering better outcomes for our stakeholders. Collectively, we are building the bank for Europe's future.
- Champions of diversity – we are fostering an inclusive environment that has no ceiling, with no limit to how high and far our team can go. As a Group, we provide a diverse and dynamic international experience that only a pan-European bank such as UniCredit has to offer.
- Challenge seekers and changemakers – in our team we have talented, dedicated and open-minded individuals who challenge the status quo. They deliver digital innovation that inspires; they push boundaries and strive to set a new benchmark for banking. There is no telling what we might do next.
- Drivers of sustainable change – Sustainability is in our DNA. We are rebuilding our communities and economies for the better and keeping ESG at the forefront of everything we do. We care about creating a cleaner, greener future for our people, our communities and Europe's next generation.

To recognise and celebrate the contributions and achievements of our people as champions of our EVP, we've launched the UniCredit Storytellers initiative. This advocacy programme features our colleagues as the voice of our Bank, showcasing their UniCredit journeys and giving a glimpse into life at UniCredit. Browse the stories here to find out more.

For additional information **visit Careers – UniCredit**

Our Purpose

Empowering Communities to Progress while ensuring long-term, sustainable growth and delivering value to all our stakeholders

By operating with the right Principles and Purpose, we have the power to do tremendous good – for our clients and communities, our people, our shareholders and investors.

As the foundation of a principle-driven organisation, we actively engage with and extensively listen to all our stakeholders equally.

UniCredit is committed to maintaining high standards of integrity, transparency, professionalism and co-operation in managing our relations with regulators – EU authorities – and in performing advocacy activities.

We actively communicate and engage with national, European and international regulators to improve the EU sustainable finance framework and facilitate the transition to a low-carbon economy.

Offering our contributions to discussions held by EU institutions and actively participating to the development of a sustainable financial framework is central to developing a sustainable economic framework for all our stakeholders.

Our stakeholders

Our clients

Our clients are at the heart of everything we do. We build everything around their needs, providing choice and discretion through best-in class products and innovative solutions.
Our teams deliver exceptional service and personalised support, building strong relationships and consistently exceeding expectations. Through our service model, we leverage a range of distribution channels – physical and remote branches, call-centres, internet and mobile – accessible to our clients any time, anywhere.

>12k
Front-line hires since 2021, Group-wide

c.85%
Branches refurbished in Italy

26
Net promoter score, +4 increase vs. 2023

Our people

Our people are our greatest asset. We actively listen to them and are committed to fostering an environment where they feel valued, trusted, empowered and accountable, so they can focus on value-added, client-facing activities and achieve excellence.
With our common Vision and a clear Culture, our teams are unified and inspired to drive our business forward, aligning individual aspirations with organisational goals. We invest in professional growth through training, and a clear career path that recognises and rewards performance.
With a shared belief in our Mission, we take pride in who we are and in the collective impact we can make.

20k
People involved in Culture Day in 2024, including CEO and Top management

c.33
Hours of training courses per employee per annum

1%
Gender pay gap on comparable roles, from c.4%; €100m pledged to further reduce our GPG

Our shareholders

As a unique pan-European champion, we leverage Group synergies to provide superior capital generation and distributions. Our UniCredit Unlocked Strategy has been consistently delivering unmatched value while protecting assets and investing to secure sustainable, quality growth and remuneration.
We maintain open and transparent communication with our investors through regular updates, financial disclosures and proactive engagement. Through annual general meetings, investor calls and roadshows, we provide platforms for dialogue, addressing queries and fostering mutual understanding.
We also actively engage with investors on ESG topics, highlighting our sustainable initiatives and aligning our practices with investor interests in responsible growth.

308
Institutions met during 2024

€9bn
2024 distributions

>€26bn
2021-2024 cumulative distributions

Our Strategy

Driving industrial transformation, investing for the future

UniCredit Unlocked is our unique **Strategy** tailored to our inherent strengths and flexible enough to adapt to a changing environment.

Over the past few years, we were committed to **Unlocking trapped potential** and laying the foundations of **a fully transformed UniCredit**.

Today, we have one Group with one Vision, Culture and Strategy and clear direction to harmonise and leverage scale and scope – best-in-class product factories, converging technology and operations. We also have a network of 13 local banks empowered to manage their own operations locally within a streamlined organisation capable to deliver operations locally within a streamlined organisation capable of delivery.

Unlocked Potential

Laying the foundations of a fully transformed UniCredit: 2021 to 2024

Empowerment and trust

13 Banks empowered by clear Principles and Values, cascading Group Strategy.

Investing, trusting and empowering our people with clear Principles and Values.

Read more on **page 41**

Simplification and streamlining

Leaner and **delayered** organisation, with decisions closer to the clients where it matters.

Simplified and **harmonised processes**.

Read more on **page 49**

Leveraging common strengths

One Vision, One Culture, One Strategy.

Product factories, **procurement** and **technology** under common denominator **leveraging scale and scope**.

Read more on **page 57**

The **financial results** achieved to date are a testament of scale and progress made with the holistic top-to-bottom industrial transformation. We are not only delivering excellent results, but more importantly we are producing the right kind of results.

Results that show the discipline with which we are focusing on **quality profitable growth, operational and capital efficiency**, building lines of defence and continuing to invest in the business for the future.

Quality Growth

Focusing on capital-light growth and quality lending, while maintaining discipline in origination.

Operational Excellence

Simplification and streamlining to target efficiencies and optimisation, while continuing to invest in the future.

Capital Excellence

Considered capital allocation and active portfolio management to ensure sustainable, best-in-class organic capital generation.

Unlocking Acceleration

2025 and beyond: Ushering in a new era of sustainable growth

The same, evolving **Strategy**

Building on our structural strengths with new alpha initiatives to widen our competitive gap.

Having laid the foundations and released our full potential, we're entering the next phase, where we'll evolve, not change, our Strategy.

UniCredit Unlocked will maintain the same unifying Vision, Culture and inspiring Purpose, while the focus of the Strategy will be on **Unlocking Acceleration** to unleash our full potential and widen the competitive gap further to herald a new era of sustainable growth.

In the rest of this report, we dive deeper into our progress against our UniCredit Unlocked Strategy.

Read more on **page 74**

Together, every change we make, every month of the year, throughout all our businesses across all our geographies, contributes to delivering excellence and reaching our ambitions

Review all our milestones on **our Reporting microsite**

January

Employee daycare opened by HypoVereinsbank
Office in Munich supports our work-life balance

UniCredit named Top Employer in Europe for the eighth year

Bank iD launched in the Czech Republic
Smoothing organisations' access to online services

February

Customers rate Bulbank Online #1 in internet banking

Launch of EmpoweringU
UniCredit's first holistic approach to employee well-being

UniCredit included as an Equileap Top 100 gender equality company
Ranked #2 in Italy for the third year in a row

America's Cup 2024
UniCredit becomes the event's Global Partner, exclusive Global Banking Partner, and is named partner of the UniCredit Youth America's Cup

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

March

UniCredit launches My Advisory
Making our expertise easier to access for wealth management and private banking clients

Women's financial advisory month
Leveraging on dedicated products and services to help women plan their finances

New Employer Value Proposition
Unlocking a Better Tomorrow; for colleagues, clients and communities

April

UniCredit offers contactless services in the Czech Republic and Slovakia

250
Contactless ATMs

UniCredit's strategic support for German startups with GetYourGuide
Continuing to set industry benchmarks by fostering growth in the tech sector

Focusing on women in digital
A series of initiatives to empower female employees' growth

Pre-approved loans for small-sized clients
Advisors provide exclusive service for smaller businesses

May

UniCredit supports Education Academy project in Austria
Free facility CAPE 10 helps children and young people to learn

1Q24 Group Results
Record results, significant value ahead

Statement on Natural Capital and Biodiversity
UniCredit's first comprehensive framework to link biodiversity and climate

June

UniCredit's online branch buddy becomes new official banking partner of the Davis Cup 2024

UniCredit in Germany hosts the third edition of our Culture Day

Basket Bond ESG: from UniCredit and CDP
Two new rounds for Italian programme funding

>€143m
funding

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

UniCredit supports Europe's largest liability management operation
TIM NetCo/KRR deal worth €5.5 billion

UniCredit starts process of acquiring Vodeno and Aion Bank

2Q24 & 1H24 Group Results
Record quarter and first half results; profitable growth and superior distribution trajectory continue

Net Zero targets set on Shipping and Commercial Real Estate sectors in addition to Steel sector disclosed in January

SmartBizz app now live
Accelerating loan approvals for small businesses

July

UCF Edu-Fund Platform launched
Helping to lift young people out of educational deprivation

August

Zaba's AI virtual assistant enhanced
Saving clients' and bankers' time

Launch of UniCredit for CEE
Helping micro and small enterprises to grow

UniCredit acquires around 9% equity stake in Commerzbank AG

~9%

Equity stake

Digital Strategy moves to Phase II

Tech and talent transformation accelerates

Digital Days reloaded

Showcasing our Digital team to the Group

12,000

Online connections

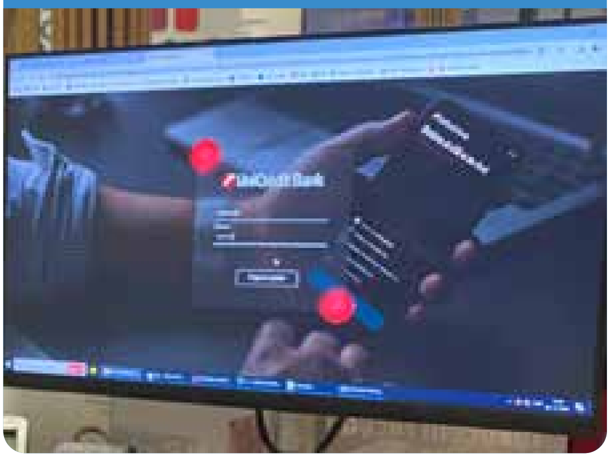
Expansion of our onemarkets Fund

September

October

Launch of UNA App

Simplifying business processes for employees and customers



UniCredit's €15 million social impact loan

Provided to Nuova Assistenza Soc. Coop. Sociale ONLUS

Leading the way for digital corporate banking in Germany

€5 billion plafond

Supporting Italian businesses that reduce energy consumption with "Transizione 5.0"

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

Second annual ESG Day tackles pressing concerns
A challenged future: choosing the path ahead

€8.3 million
Financing Agroloop Kft with innovative greenfield investment

4Q24 & FY24 Group Results
Unlocking Acceleration: Record results crowning 16 consecutive quarters of quality growth

Talento Diffuso project extended
Enhancing employee talent in Italy

November

3Q24 & 9M24 Group Results
Record third-quarter and nine-month results, ushering in a new era of sustainable quality growth

UniCredit Bulbank to use 75% green energy
Contract signed with photovoltaic power plant

UniCredit secures majority stake in Alpha Bank Romania

Over €1 million to support education in Serbia
Investing in initiatives to help transform the education system, from 2023 to 2026

December

FT names UniCredit Global Bank of the Year
Won the award for the second time

Empowerment and trust

A winning mentality grounded in clear Principles and Values and a shared Culture of Empowerment and trust. Fostering bottom up ideas and an environment where people are proud to own and drive growth and success.

Our progress this year

2024 was another year of extensive listening to our people and joint work across all levels to spread and reinforce the Culture and Values that define us.

We made significant investments in education, professional development, and continuous learning, nurturing our talent for long-term success.

Today, as a transformed bank, our people feel connected, valued, embrace a can-do attitude, and view mistakes as opportunities to learn, all in the relentless pursuit of excellence.

This progress has contributed to our recognition as Global Bank of the Year for the second consecutive year by The Banker.

Read more on **page 51**

16
Culture roadshows
With 20k colleagues involved, including CEO and Leadership Team

c. 600
Colleagues in Italy participating in reskilling plan
Moved from central functions to commercial branches, as a blueprint to be extended to the overall Group

€30m
To UniCredit Foundation
Strengthening our focus on Youth and Education

25k
Participants in UniCredit University
in Italy in 2024, with 50 hours of active learning per capita

>16k
Hirings in business divisions,
since 2021, 9k of which young talents, transforming the organisation

Group

Empowering teams to lead

A new major training programme for our people in Italy has introduced new collaborative ways of working at UniCredit, empowering decision-making for our credit teams.

Implemented in June 2022, after a year of preparatory activities, our Empowerment Italy – Credit Delegations project is a significant example of how UniCredit has transformed. It has helped employees to better support our new business model, as they have gained awareness and accountability. It has also aligned our risk and business functions, encouraged greater collaboration and enabled both functions to jointly take ownership of the Italian credit portfolio, guaranteeing a strong risk presidium.

Supported by a comprehensive preparatory training programme, the project Empowerment Italy – Credit Delegations project has:

- Enhanced customer proximity
- Rebuilt and empowered our first line of defence
- Refocused and evolved our second line of defence of risk management
- Clarified the roles between first and second line of defence, strengthening our controls framework.

>2,000

People trained in Italy FY23 to take c.90% credit decisions vs +5% in FY21 (based on volumes)

70

Hours training per person, over 356 classrooms and 80 teachers

December | Italy

Unlocking the talents of all our people

Everyone has intrinsic abilities and skills that can help us to succeed. That's the idea behind Talento Diffuso.

Talento Diffuso stemmed from a listening campaign piloted in 2023. We engaged with 28,000 colleagues to discover what motivated them and what inherent talents they wanted to develop. We then committed to building a personalised training path that helps them grow, express these skills and unlock their true potential, professionally and personally.

More than 12,000 colleagues across UniCredit Italy, including Retail, Corporate and Private Banking as well as Central Functions, Competence lines, Wealth Management and Large Corporates, have joined the initiative since its launch in 2023.

Almost 2,200 colleagues have completed a blended learning path with online courses and an on-site "Talent Development Lab" resulting in individual development plans; another 4,000 colleagues from Network Italy and Central Functions, Wealth Management, Large Corporates will be involved in 2025 in experiential workshops dedicated to personal efficacy and enhancement of their own talents.

"I have learned to pay attention to the talents of my colleagues. The talent of each person allows us to create value: that's the true essence of Talento Diffuso."

Elisabetta Zavagli
Operational Manager, Private Area Lombardia East

"The Talento Diffuso programme definitely helped me become more conscious about our work, providing me better understanding of what will be in the focus of our Bank in the future."

Fabio Maltese
Private Banker

January | Germany

Employee daycare opens in Munich

HypoVereinsbank is supporting colleagues' work-life balance by opening a daycare centre in Munich.

Bavaria's shortage of childcare places makes it challenging for colleagues to balance their work and family life. The bank's innovative daycare centre, operated with Dussmann KulturKindergarten GmbH, bridges the gap by providing childcare spots for 36 children aged three months to three years.

Housed in a distinctive circular building with a rooftop garden, the centre is a protected, inspiring and traffic-free environment where children can play and relax.

The new centre is part of a broader offering that supports a sustainable, family-friendly corporate culture, such as flexible care options for elderly or dependent relatives and children, and a Parents4Parents network for parents to connect and exchange ideas.

November Serbia

Over €1 million to support education in Serbia

UniCredit Bank and the UniCredit Foundation in Serbia have invested over €1 million in an educational initiative to help schools and teachers transform the country's education system and unlock the potential of young people, in the period from 2023 to 2026.

The RePower project builds on partnerships established with Junior Achievement Serbia, the Nordeus Foundation and Teach For All, alongside the Faculty of Philosophy at the University of Belgrade. The aim is to strengthen local communities and provide teachers with the tools they need to build more inclusive school environments, reflecting the enduring commitment of the UniCredit Foundation to the development of young people.

In just one year, 11,629 students and around 300 teachers from 190 secondary schools took part in programmes including a Business Challenge, Student Company, Financial Literacy and Business Ethics, as well as a Special Challenge competition.

We plan to reach more than 10,000 students in the underdeveloped regions of Serbia by 2026, via a network of 100 dedicated and innovative teachers who will focus on concrete actions in their communities.

"Investing in education is an investment in the future of our community. It is not only socially responsible, but also a smart business decision. One of UniCredit's key priorities is education, and we actively cooperate with many institutions in order to ensure that educational programmes reflect the state's strategic goals. We believe that in this way we are creating a synergy that will benefit our country."

Nikola Vuletić
President of the Management Board of UniCredit Bank

July Group

Bold move to lift young people out of educational deprivation

The UniCredit Foundation advanced its mission to Empower Europe's Next Generation by launching the UCF Edu-Fund Platform with a total commitment of €14 million.

The initiative seeks to foster quality education and promote regional growth by engaging community stakeholders, contributing to a more equitable future. It supports multidimensional projects focused on the academic challenges young people face in countries where we operate. Examples include preventing school dropouts, addressing inadequate educators' skills, encouraging university education and improving employability for students aged 11 to 19.

The initiative is open all year round. Its funding pool offers three streams of funding opportunities, ranging from €100,000 to over €1 million, to non-profits across Austria, Bosnia and Herzegovina, Bulgaria, Croatia, the Czech Republic, Germany, Hungary, Italy, Romania, Serbia, Slovakia, and Slovenia.

The entities must have a comprehensive background in fostering quality education, regional development, and an inclusive response to their communities' educational needs.

March Italy

Women's financial advisory month helps bridge the financial gender gap

UniCredit firmly believes that investing in financial education for women generates long-term benefits and boosts the sustainable development of communities and social inclusion.

We used International Women's Day (IWD) on 8 March to launch a month-long series of initiatives in Italy aimed at bridging the gender gap and raising women's financial literacy levels.

An IWD open day for women in over 100 branches of the bank throughout Italy kicked off our women's financial advisory month. Over 30,000 customers were invited to complete a wealth questionnaire to determine their personal requirements around financial planning, wealth management and insurance.

> "Effective financial management is a key lever in empowering women and enhancing their independence. Mastering money management is crucial, as it can significantly impact their ability to make autonomous decisions and foster both personal and professional development.
>
> **Marianna Plafoni**
> Head of Retail at UniCredit in Italy

A woman's goals and financial needs change throughout her life, and her investment strategy can adapt to reflect this.

Our wealth questionnaire helps us provide our female clients with the tools and information they need for a profitable and flexible investment strategy over time, via a transparent approach to consciously manage their assets and provide long-term oversight of their finances.

May Austria

UniCredit supports Education Academy project in Austria

Together with the UniCredit Foundation (UCF), UniCredit Bank Austria now provides long-term financial support for an outstanding education project in Vienna's most culturally and linguistically diverse district.

The bank supports two projects by the CAPE 10 social and health facility in Favoriten – an Education Academy and a Hobby Lobby education initiative. Its €600,000 contribution is part of our drive to promote equal educational opportunities for children and young people.

"

UniCredit Bank Austria is making a sustainable financial contribution to this outstanding project. The CAPE 10 initiative is paving the way for young people to complete school. With the Education Academy, it offers students in Vienna a low-threshold free learning and education programme as an important supplement to the regular curriculum. The aim is to provide equal educational opportunities for all children and young people in a culturally and linguistically diverse district.

Ivan Vlaho
UniCredit Bank Austria CEO

Simplification and streamlining

A new way of working in a leaner and more efficient organisation, with decisions closer to the clients. Simplifying and harmonising processes to deliver a seamless experience and focus our people on what creates value.

Our progress this year

At UniCredit, we continuously rethink our organisation, questioning every process, operation and capability to ensure we are focused on what truly adds value for both our clients and the Bank.

2024 was a year of significant achievements – we accelerated our simplification and streamlined initiatives, reducing layers between us and our clients and creating a leaner organisational structure for faster and more efficient delivery.

We reviewed numerous key processes also leveraging technology and AI to automate and reduce complexity, improving our ways of working while enhancing the most impactful steps, driving greater efficiency and value.

Read more on **page 51**

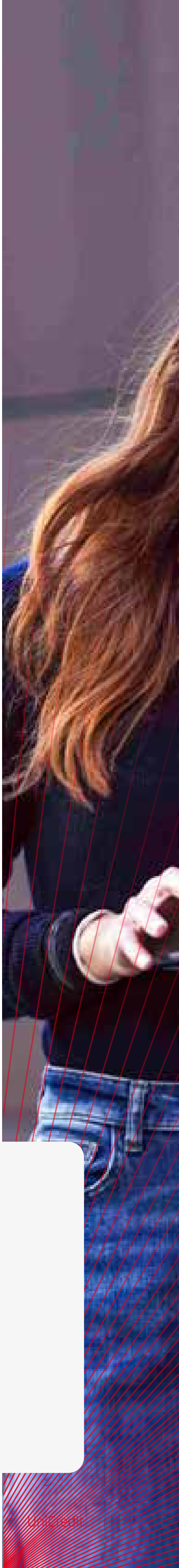
c.-35%
Reduction in organisational structures
c.-50% in Holding

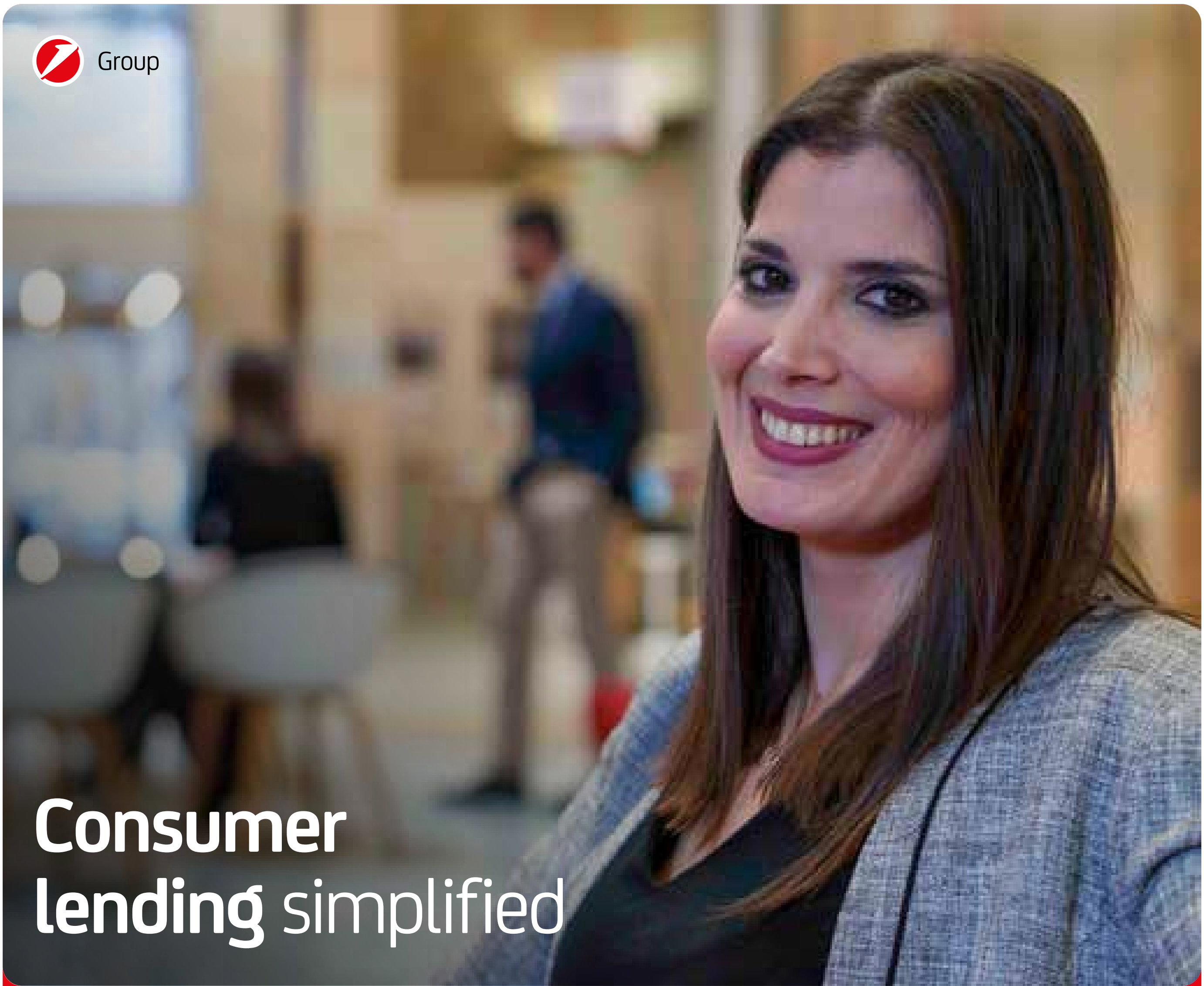
>2k
Simplification proposals
c.50% in implementation across 10 countries

106
AI use cases

-5
Fewer layers to the client
(4 from 9)

>530
Apps decommissioned





Consumer lending simplified

Giving our clients a streamlined and more efficient experience

UniCredit has moved from a top-heavy, centralised organisation to a leaner, faster and more effective structure, with a significant reduction in organisational complexity.

This transformation is down to our focus on simplification. We do it by applying a "blank sheet approach" to everything we do – across all countries and functions. We question every process from scratch, ensuring that we focus on what truly adds value.

In Italy, we've successfully applied this approach and redesigned consumer lending process, and in doing so we created a Group benchmark and a common new way of working.

Today, 95% of consumer loans in Italy are processed in this new, efficient and faster way. Clients are experiencing a faster experience with quicker loan approval – from over 24 hours to just 25 minutes – in a redesigned and a seamless journey, consistent across all channels.

Our people are reducing their task load to focus on higher-value and client-facing activities. Our business is benefiting from lower operating costs and high scalability across segments and countries, and our shareholders are enjoying the benefits of our improved performance.

September Bosnia and Herzegovina

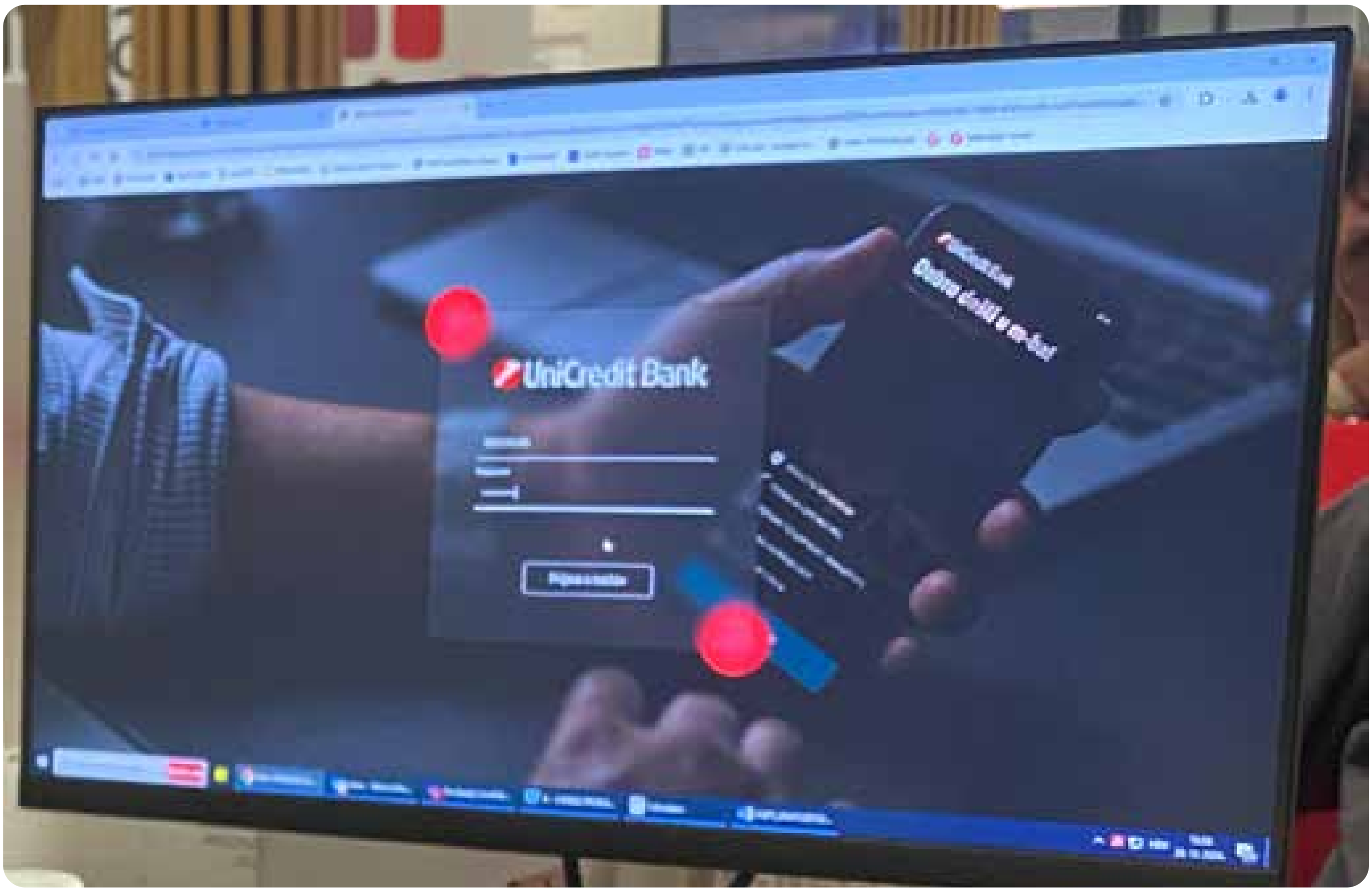
New UNA App improves business processes for customers and colleagues

UniCredit has launched its new UNA App in Bosnia and Herzegovina, simplifying everyday business processes and providing a faster service for customers.

Our customers enjoy 1.6 times faster interactions with the system, thanks to a user-friendly interface and streamlined features. We estimate that some business process tasks in the new application will run 40% faster, helping colleagues focus on delivering better experiences for clients.

Built using a microservice architecture, the new UNA App benefits from greater flexibility, scalability and easier maintenance, as well as robust security measures. Updates and new features are delivered more quickly.

This project is being developed in collaboration with colleagues from UniCredit in Mostar and Banja Luka, highlighting the power of cross-team co-operation and the shared commitment to excellence found across our network in Bosnia and Herzegovina.



October Germany

Leading the way for digital corporate banking in Germany

HypoVereinsbank (HVB) was awarded third place in the FINANCE magazine 2024 Banks Survey of the best corporate banks in Germany, repeating our success in 2023's survey.

The FINANCE Banks Survey is one of the key indicators of performance and customer orientation in German corporate banking and gives a comprehensive insight into the developments and trends in the industry.

HVB came first in the "Digitalisation of Corporate Customer Business" category, recognising the successful implementation of our digital transformation strategy and the value to corporate clients of our strategic investments in digital solutions. This underlines the growing need for broad digital platform solutions in corporate banking.

In the last three years, we have reduced over 1,000 individual processes and achieved significant efficiency gains, including reducing the time between application and disbursement of consumer loans by 30%.

We also achieved a productivity gain of over 10% in mortgage loan applications thanks to process automation and simplification. In wealth management, we managed to reduce processing times by more than 30%. Additionally, we worked intensively on our product catalogue, adapting and simplifying it according to our customers' needs.

HVB is popular with German SMEs: more than half of the survey's SME respondents placed HVB in top place. We were second in the "Most Common House Banks" category, with particularly strong support from companies with a turnover of less than €250 million, two-thirds of whom list HVB as their principal bank.

HVB also came second in the "Best Service Level" and "Advice on Sustainable Financing/ESG" categories.

Since 2023 we have organised 111 events at our Innovation Hub, with participation from over 12,517 people across all divisions. With the Regional Innovation Days, we addressed topics ranging from AI and digital platforms to security, leadership, and entrepreneurship. 33% of the sessions were co-organised with external partners, contributing to the promotion of digital innovation and knowledge sharing. Additionally, our Democracy Hub Campaign hosted five events focused on democracy and our Bank's engagement, with participation from over 1,180 people.

For the coming year, HVB has set itself the goal of defending our leading position in digitalisation and further improving our overall position.

> These pleasing rankings are a great confirmation that we are on the right track with our Strategy. They underline the importance of continuous change and our ability to adapt. They motivate us to constantly improve and offer our customers the best possible service.

Martin Brinckmann
Head of Small and Medium Corporates

July | Italy

UniCredit supports Europe's largest liability management operation

UniCredit has played a pivotal role in structuring the finance for the transfer of TIM Group's NetCo business to Kohlberg Kravis Roberts & Co. LP (KKR) – including a huge liability management operation that allows TIM to compete more effectively in its key Italian markets.

Earlier, in April, we supported TIM in the closure of the sale of NetCo, acting as bookrunner, mandated lead arranger, documentation bank and facility agent for a financing term loan of €1.5 billion with an 18-month maturity.

We also acted as joint lead manager for one of the largest liability management operations ever carried out in Italy, and the largest carried out in Europe for a corporate issuer. This was for a €5.5 billion equivalent "par-to-par" exchange to enable a significant portion of TIM bonds to be contributed to NetCo.

The operation allows TIM to adopt a new business model that will enable the Group to compete more effectively in the Consumer and Enterprise markets in Italy, thanks to a greater focus on industrial and commercial components and a solid financial structure.

August | Croatia

Enhanced Zaba AI saves time for clients and colleagues

Zagrebačka banka (Zaba)'s virtual assistant – Mia – was introduced in October 2023 to shorten waiting times for clients and free up time for contact centre agents to provide a better service. A year later, Mia is handling over 20% of all calls.

Almost 70% of Zaba's clients bank digitally, with 95% of all transactions carried out online. Mia is a key feature of the bank's digital service, filtering calls and answering the most frequently asked questions around card and online payments as well as general information about our services.

The introduction of Mia resulted in agents handling 22.3% fewer calls, making them available to deal promptly with more complex client enquiries.

Mia's accuracy is paramount: the answers given are always consistent and verified, and customer feedback is helping to develop and improve the service. We are working with leaders in AI technology to further increase functionality and ensure Mia remains the leading virtual assistant in the Croatian banking sector.

~70%
Zagrebačka banka (Zaba) clients bank digitally

>20%
Calls handled by Mia after a year of operation

22.3%
Reduction in calls handled by agents since Mia's introduction

Pre-approved loans for small-sized clients

Small companies are the backbone of many economies, so we must create innovative banking initiatives to support their growth.

In Slovenia, we launched an exclusive pre-approved loan service for smaller clients. UniCredit Bank Slovenija selects companies with a solid strategy, clear vision and an excellent credit rating. The bank's advisors then offer them pre-approved credit when opening and using a transaction account with a small business package.

Using targeted communications and repeated contact, the bank has retained its existing customers and attracted new ones, increasing business volumes by meeting individual customer needs.

January | Czech Republic and Slovakia

Launch of Bank iD brings seamless online verification to Czech clients

UniCredit Bank is giving clients in the Czech Republic an easier way to interact with key public and private services, from submitting tax returns to getting a prescription. Bank iD is a new app allowing people to verify their identity using the same credentials across a range of applications.

Bank iD is a secure mobile identity checker that integrates with the online portals of many government services, authorities, health and insurance providers and private companies.

It allows customers to verify their identity via our smart banking app using their normal UniCredit pin code, fingerprint or Face ID, and then log into a third-party service in the usual way.

To activate Bank iD, UniCredit clients just need an active online bank account, smart key activation and the latest version of our banking app.

A range of useful public and private sector services can be accessed with Bank iD:

> submitting tax returns
> checking the validity of personal documents
> accessing the vehicle registry
> viewing property records
> accessing the Citizen Portal
> checking pension details
> obtaining e-prescriptions
> applying for housing or family subsidies
> changing health insurance provider
> registering with a doctor
> signing contracts with mobile operators or energy suppliers
> signing rental agreements
> signing employment contracts or work-related document
> signing enrolment agreements for studies.

Bank iD continues to integrate with other services and is becoming one of the most popular methods of online identification – a clear example of UniCredit providing simple solutions for clients and supporting the broader needs of the communities in which we operate.

Leveraging common strengths

One Group with a common Vision, Strategy and Culture. Leveraging scale and scope of best-in-class product factories, common Procurement, Digital and Operations serving all, fully empowered, local banks.

Our progress this year

While our banks manage day-to-day operations, the Group provides overarching direction and harmonises scalable activities.

In 2024, we continued investing in our product factories, reinforcing talent, and making significant progress in our solution offerings. We selectively partnered with top industry leaders to complement our in-house capabilities and deliver best-in-class solutions.

All our product factories marked significant growth this year, demonstrating the potential of our Group; combining high-quality products from the centre with the distribution power of our network in the countries.

Additionally, our centralised procurement and converging digital and operational efforts protect long-term priorities and serve the entire Group, offering solutions with quality and speed that individual banks would likely find difficult to achieve on their own.

Read more on **page 59**

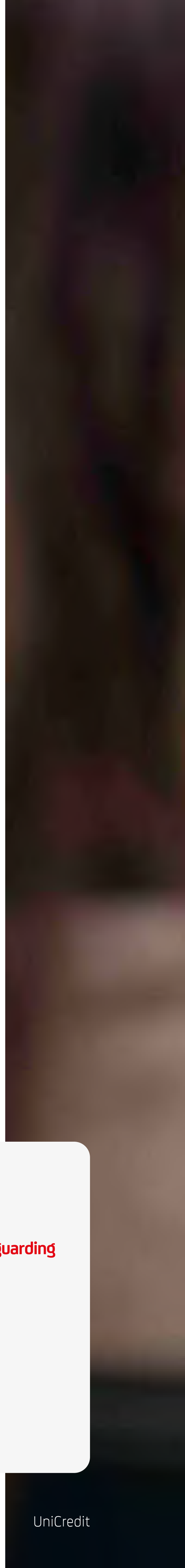
€14.5bn
onemarkets funds
#44 funds in 10 countries

Payments
Built a Group global factory and strengthened key partnerships

1 Group Procurement
Taking back control and safeguarding our long-term interests
>100 vendors discontinued

Insurance
Setting the foundation for internalisation of Life Insurance and partnership with Alpha Life in Greece

>91%
FX and commodities trades executed E2E digitally



October

Group

Expansion of our **onemarkets Fund portfolio and launch in Greece**

A new approach to investment solutions, putting our clients firmly at the centre of all we do.

We've continued to develop our asset management strategy, bringing innovation to our regions as we expand our **onemarkets** Fund portfolio, which provides clients with access to a growing selection of actively managed funds.

The **onemarkets** Fund portfolio offers a comprehensive fund proposition in terms of asset classes, geographies and investment themes to respond to the investment strategies of all our clients.

Through the **onemarkets** Funds, UniCredit offers an exclusive selection of bespoke investment opportunities, managed by a team of experts, under a framework that ensures quality and specific risk-return profiles.

The platform offers 44 funds distributed in 10 countries and €14.5 billion AUM, with a growing selection of actively managed options. It's a best-in-class investment solution, developed in-house with UniCredit's Investment Strategy and Product Management teams across countries, and through partnering with experienced asset managers.

In October, it was launched in Greece, empowering local Alpha Bank clients with sophisticated actively managed investment products, while leveraging UniCredit's scale.

"The onemarkets Fund portfolio opens a window to international investment opportunities for our clients and gives them the option of investing in mutual funds managed by asset managers. It offers innovative products and strategies covering all investment profiles, leveraging UniCredit's expertise combined with the extensive experience and strong performance of Alpha Bank's Asset Management teams."

Vassilios Psaltis
Alpha Bank CEO

In addition, our partnership with Azimut means that Nova, a second fully-fledged funds business, is at the heart of our open platform to support the continuous launch of new funds in Italy. Part of the **onemarkets** funds, 13 Nova funds are available with €3.3 billion AUM*.

*data accurate as of 31 December 2024.

buddy named **Davis Cup 2024 Official Banking Partner**

The International Tennis Federation's appointment of buddy, UniCredit's new online branch, as the new official banking partner of the famous Davis Cup has served up opportunities to present the new digital and remote service model to customers.

buddy is a complementary, not an alternative, service model to the physical one. Customers can choose where, how, and when to be served, with the same service level.

In September, UniCredit presented buddy to customers in Bologna during the group-stage Davis Cup finals, which also took place in Manchester, Valencia and Zhuhai. We also stayed close to customers in Bologna when the final eight teams played in November.

Several other initiatives since buddy's launch, such as Roma 2024 European Athletics Championships and local projects related to universities, have underlined the focus on innovation, and commitment to stay close to our territories.

"With buddy as Official Banking Partner of the Davis Cup we confirm our commitment to promote sport as a powerful means of inclusion and personal growth, encouraging the development of the communities and territories in which we operate."

Annalisa Areni
Head of Client Strategies at UniCredit in Italy

February | Group

UniCredit gets on board the **America's Cup**

The famous America's Cup set sail with UniCredit on board for the first time as its Global Partner and Global Banking Partner, reflecting our belief in teamwork and relentlessly pursuing success. UniCredit also sponsored the inaugural UniCredit Youth America's Cup Regatta, enabling us to support young people's sailing talent and promote sustainable development.

Our overall sponsorship served as a platform to engage and inspire existing and future client relationships. We reserved spaces for clients on a dedicated boat to watch the races. 20 UniCredit structures included a stand where we welcomed 50,000 visitors and a photo booth that racked up 10,000 360° video experiences.

We didn't miss the opportunity to engage with colleagues, including 70 who exemplified teamwork in the project team. We offered free hospitality passes for the AC37 Preliminary Regatta in Vilanova i la Geltrú, near Barcelona, so our people could experience the event first-hand.

We also had a stand at the Race Village at the Louis Vuitton 37th America's Cup and Puig Women's Cup, with engaging activities for colleagues.

"We are proud to be partnering with an event that showcases talent and prioritises environmental and sustainable practices. This is fully aligned with UniCredit's Strategy."

Andrea Orcel
UniCredit Group CEO

July Group

UniCredit advances its technology with **Vodeno and Aion Bank acquisition**

UniCredit has entered into a binding agreement to acquire the entire share capital of Belgium's Aion Bank and its digital partner Poland's Vodeno for around €370 million. The acquisition will amplify our digital capabilities with next-generation, scalable and flexible cloud-based banking technology, without depending on third-party core banking providers.

The companies include banking-as-a-service products via Vodeno's cloud platform and 200 engineers, developers, and data scientists who can help us innovate and develop a seamless offering for clients. It will allow UniCredit to embed financial solutions directly into the customer journeys of fintechs, retailers, e-commerce marketplaces, banks and technology providers, and to pursue new, targeted client segments and European market expansion.

"Aion and Vodeno represents a strategic investment for our Group, unlocking the full potential of entering new markets thanks to a highly flexible and scalable business model, fully in line with UniCredit growth goals and ambitions. A&V will contribute to generate further excess cash and capital in the medium term and enhancing our Group profitability and value for our shareholders and stakeholders."

Fiona Melrose
Head of Group Strategy & ESG at UniCredit

November Romania

UniCredit acquires majority share in Alpha Bank Romania

UniCredit has acquired a 90.1% stake in Alpha Bank, creating the third largest banking group by assets in Romania.

This is the start of a gradual integration of Alpha Bank Romania into UniCredit Group, which will be completed with the merger through absorption of Alpha Bank Romania S.A. within UniCredit Bank S.A., estimated to take place in the second part of 2025.

The merger will bring together two complementary banks, both with longstanding relationships and expertise in the Romanian market. The corporate and retail experience of UniCredit Romania and Alpha Bank Romania will strengthen the position of the resulting bank.

"This is a decisive step in our strategic partnership with Alpha, allowing us to further enhance our presence in the country for the benefit of clients and our wider stakeholders. The resulting bank will be well positioned for growth opportunities in the Romanian market, as well as for the development of the potential of all employees in Romania and across the wider Group"

Andrea Orcel
CEO of UniCredit

"Together with UniCredit, we are building a leading bank in the Romanian market – reflecting Alpha Bank's longstanding presence in the country – while actively collaborating across multiple areas to deliver top-tier services to Greek companies expanding into Europe and to European groups looking to invest in Greece."

Vassilios Psaltis
CEO of Alpha Services and Holdings

"We are happy to collaborate with the Alpha Bank Romania team. During this transition period, we are ensuring business development, quality service to our customers and the best possible work environment for employees."

Mihaela Lupu
CEO of UniCredit Bank Romania

"I am confident that today's step towards a merger lays the groundwork for one of the most important, dynamic and customer-focused banking institutions in Romania. This institution resulted will stand as a modern, leading force in the industry – one that not only meets but anticipates the evolving needs of our customers and all stakeholders in an increasingly competitive and fast-changing business landscape."

Sergiu Oprescu
Executive President of Alpha Bank Romania

October Italy

UniCredit provides **€15 million social impact loan**

In line with our ESG Strategy, UniCredit has provided a social impact loan of €15 million over eight years to Nuova Assistenza, a cooperative working in the socio-health, welfare and educational sectors in Italy.

The loan is to support the construction of new long-term care facilities (RSAs) in Tuscany and Sardinia and the acquisition of a number of facilities already managed by the organisation. This will enable Nuova Assistenza to increase the number of beds it offers by over 300 – with 144 in the new facilities and 177 in the facilities already managed by the organisation.

The investment is backed by SACE's Garanzia Futuro and is subsidised due to the social impact generated, in terms of the wellbeing of guests, the reduction of waiting lists and respite afforded to caregivers.

November | Group

Digital unlocked: Our updated Digital Strategy

Our determined efforts to accelerate transformation through simplification and centralisation have paid off. We are now taking back control of our technology and talent, building an operating model based on end-to-end ownership of our core technology, products and processes.

Progressive transformation

With our technology and talent in-house, we can accelerate our evolution and reach our potential as a top-tier digital and data-driven bank.

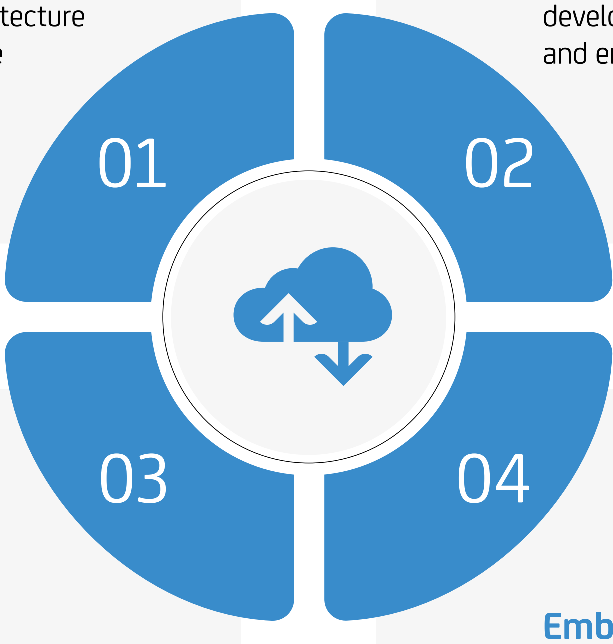
Four strategic areas comprise the next phase:

Transitioning our infrastructure

Modernising our infrastructure to make it more resilient and suited to our evolving needs, with a standardised architecture for managing Group-wide applications and data.

Elevating our application landscape

Upgrading our application landscape with a cloud-first approach to accelerate development, foster synergies, and enhance infrastructure.



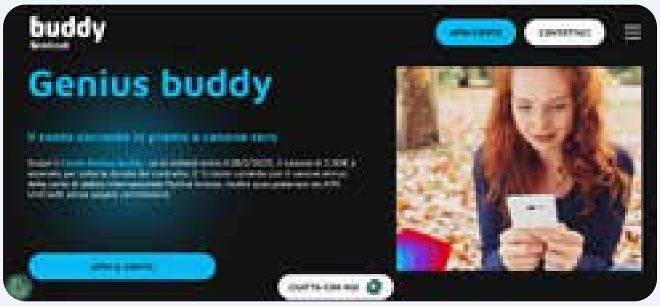
Enhancing our way of working

Streamlining our organisation and investing in our people to improve efficiency, foster growth and drive innovation.

Embracing Data and AI

Becoming a data-driven bank leveraging AI and analytics to boost profitability and create a better, more tailored customer experience.

Key achievements



Digital onboarding on buddy and all channels
The optimised flow minimises steps and user inputs, making it faster than ever to become a UniCredit customer. This onboarding process has now also been extended to cards and new current account products for UniCredit and buddy.

Rolling out GenAI solutions with UniAsk
A new way for colleagues to search the Bank's knowledge base of regulatory, policy and product information using a generative-AI-powered chatbot.

Expansion of our Global Bank Insurance platform
Providing customers with a more flexible, modern and paperless experience that can bundle together banking and insurance products.

Implementation of AI for previously manual processes
An average of 5,000 cheques a day are now processed using AI.

Developing AI tools to classify M&A clients
Assessing their status as likely buyers or sellers, and finding matches between compatible companies.

Looking ahead

Potential catalysts to accelerate our Digital machine:

A significant deal with a cloud service provider, bringing major benefits of scale and accelerating our transition to the cloud.

A single integration platform across the Group.

A single vendor strategy across the Group.

A single AI platform across the Group.

Driving positive impact:

- **Supporting the Bank's industrial plan** by enabling the digitalisation of our factories, franchise and governance functions
- **Fulfilling the latest regulatory requirements** and future-proofing our business
- **Empowering the workforce of the future** by bringing technology expertise into the Bank and reducing reliance on third parties
- **Delivering a single, consistent and ubiquitous technology ecosystem** to harmonise our user experience across channels
- **Optimising run and change processes** – driving greater efficiency in the daily running of our Digital machine while streamlining and standardising development of new products and services
- **Improving the monitoring of our digital ecosystem** through automated KPI measurements, capacity planning and project tracking, as well as improved governance around third parties.

April Germany

UniCredit's Strategic Support for **German Start-Ups**

UniCredit's ability to leverage its collective strengths across markets is exemplified by its success in **Germany**, where **HypoVereinsbank (HVB)** has positioned itself as a key partner for the country's most promising start-ups. Through a dedicated Tech Team and deep expertise in digital business models, HVB has played a crucial role in **fostering innovation** and supporting high-growth companies from inception to global expansion.

A prime example of this approach is the collaboration with **GetYourGuide**, a global online marketplace to book travel experiences and tours, and one of Germany's most successful start-ups. Since its early stages, UniCredit has been instrumental in the company's growth, acting as the sole private placement agent for its secondary equity private placement. The transaction, led by a new institutional investor, was oversubscribed despite challenging market conditions, underscoring GetYourGuide's strong trajectory.

This partnership reflects UniCredit's broader strategy to **empower tech-driven businesses**, particularly in future-oriented fields such as AI, technology, and resilient digital infrastructure. By offering **tailored financial solutions** – including convertible bonds, green financing, and international expansion support – we ensure that companies like GetYourGuide can continue scaling successfully.

Looking ahead to 2025, we remain committed to fostering growth in the tech sector. The expansion of the German Tech Team with two additional key hires will further enhance its ability to support clients with specialised expertise. By leveraging its European network and deep local market knowledge, **we continue to set industry benchmarks** in strategic guidance and financial solutions, reinforcing Germany's role as a **model of excellence** within the Group.

August Group

Launch of UniCredit for CEE boosts competitiveness for micro and small enterprises

The launch of UniCredit for Central and Eastern Europe has brought €2 billion of tailored financing to help micro and small enterprises become more competitive, including third sector organisations.

UniCredit for CEE brings concrete financial, accounts management and advisory solutions to small businesses across the CEE region, helping them grow and transition to more sustainable business practices.

Finance

60 different finance solutions were made available during 2024, including targeted programmes in specific markets to support innovation, digitalisation, competitiveness and sustainability. Local programmes for certain economic sectors such as agriculture, tourism or exporters were also made available.

In four markets, subsidised credit facilities for microbusinesses will support new companies with financing solutions, including digital payments and financial education.

Accounts management

In some markets and under certain conditions, fee-free periods are offered to third sector organisations and newly onboarded clients.

Advisory

We support micro, small and SME clients as they transition towards more sustainable business models. 13 ESG financing programmes help clients invest in sustainable practices and green technologies.

March

Italy

My Advisory: the brand-new advisory service **dedicated to private banking and wealth management clients in Italy**

UniCredit has launched a new advisory service for high net worth clients, combining advanced portfolio analysis methodologies with the expertise of UniCredit's investment strategy experts.

My Advisory leverages on a newly developed platform designed to help Bankers identify clients' needs and share tailored investment proposals with them, supported by advanced portfolio and risk analysis.

With its multichannel approach, My Advisory combines traditional and digital channels, ensuring clients can count on the personal attention of their Banker, while monitoring their financial assets remotely.

Furthermore, the new platform allows clients to receive complete and detailed reporting, both periodic and on-demand, allowing them to monitor the performance of investments in a timely, simple and intuitive way.

The result is a service that stands out for its quality, customised reporting and tailor-made investment advisory.

A transformed bank delivering three years of outstanding results

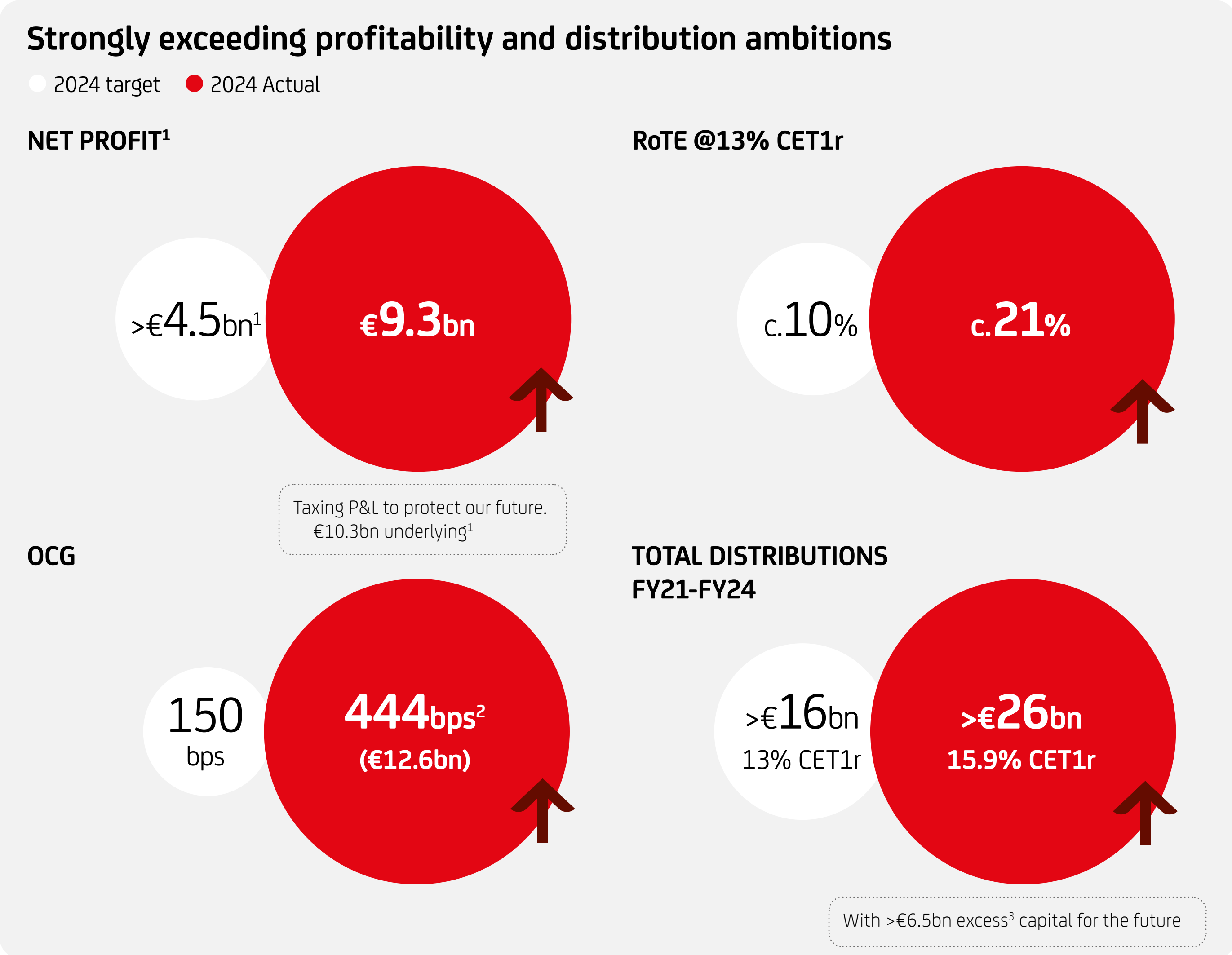
Three years of cultural, industrial and financial transformation have elevated UniCredit to the position of the **leading pan-European bank**. UniCredit has consistently delivered **outstanding financial results quarter after quarter**, whilst setting a new benchmark for banking.

We have successfully completed the first phase of UniCredit Unlocked as a transformed bank that delivered sixteen consecutive quarters of profitable growth, **crowning our best year ever** and with all regions contributing.

We beat our Unlocked targets set in 2021, reaching a new sustainable run rate

		2024 Target	2024 Actual	
Quality Growth	Gross Revenue	c.€19bn	€24.8bn	↑
	Net Revenue CAGR FY21-FY24	+2%	+14%	↑
	Fee growth CAGR FY21-FY24	+4%	+6%	↑
	Net NPEr	c.1.8%	1.4%	↑
Operational Excellence	Cost-to-income ratio	c.50%	37.9%	↑
	Total Costs	€9.4bn	€9.4bn	✓
			Notwithstanding higher-than-expected inflation	
Capital Excellence	Net-revenue-to-RWA ratio	5.3%	8.7%	↑
	CET1r	12.5-13%	15.9%	↑

Read more about our Strategy on **pages 27-34**



Our strong **quality revenue growth** was achieved with discipline. Our best-in-the-industry NII ROAC increased from 4% to 9%, with fees increasing at a 6% CAGR, well ahead of our peers, to 33% of total revenues. The impact of our investments in our factories has just started to show.

Despite high levels of inflation in the countries where we operate, we reduced costs by around €1.7 billion, while reinvesting c.€1.4 billion to strengthen our Group – a testament of our continuous focus on **operational excellence**. As a result, our cost-to-income ratio reached 37.9% notwithstanding our complexity, beating our peers by a significant margin.

We also demonstrated outstanding **capital efficiency**, beating all targets on net revenue to RWA and CET1r. This supported €26 billion of distributions – 65% more than the original €16 billion target – while building excess capital of €6.5 billion (taking €3.6 billion of integration costs and €700 million of additional overlays).

Our 2024 Net Profit is now more than double what we planned in 2021.

This excess capital will enable us to further boost our distributions going forward or provide us with strategic flexibility.

Our RoTE at 17.7% is also significantly ahead of the c.10% UniCredit Unlocked target despite our excess capital.

This performance maintains a balance between achieving excellence in the short-term and establishing a solid foundation for the future. It is proof of the consistency of UniCredit and its people.

Distribution subject to supervisory, Board of Directors and shareholder approvals.

1. Net Profit underlying refers to Net Profit adjusted for integration costs and RCA case. The €4.5bn Unlocked target was referred to «Net Profit after AT1 and cashes coupons», i.e. c.€5.0bn before AT1 and cashes coupons, comparable with the actual FY24 Net Profit at €9.3bn (before AT1 and CASHES coupons).
2. Before considering the impact of strategic investments.
3. vs target CET1r at 12.5-13%.

Surpassing our peers across all relevant metrics

UniCredit remains a leader in the industry across all KPIs, beating peers by a significant margin. We delivered **the highest** total shareholder return which is four times our European peers[1], **the best** share price performance and **the most generous** distributions, whilst building our excess capital.

We are **beginning the next phase of our journey from a position of significant strength** able to offset the normalisation of the macro environment.

From Laggard... to Leader

FY24 vs FY21 (Ranking)

#1 from #9
Net-revenue-to-RWA ratio

#1 from #8
RoTE @13%

#1 from #5
Cost-to-income ratio

#1 from #4
Total Distributions[2]

Outstanding value generation

FY24 vs FY20 (compared to EU peers)

4x
TSR

c.2x
Total Distribution growth among the peer group[3]

5x
Share price

Uniquely positioned to deliver true differential value, especially within a more challenging macro environment

While we are realistic with respect to the challenges from a macro environment that will normalise, we believe that we are best placed to deliver the differential value and growth necessary to offset it.

Prepared for **shifting macro...**

- NII normalisation
- Uncertain European growth outlook
- CoR normalisation
- Inflationary Costs pressure
- Digital Evolution
- Russia compression.

UniCredit is strategically positioned in regions with higher-than-average economic growth, where the banking sector is expanding at an accelerated pace. This provides us with a compelling advantage over our peers to further build on the foundations we've established over past three years and to continue to grow.

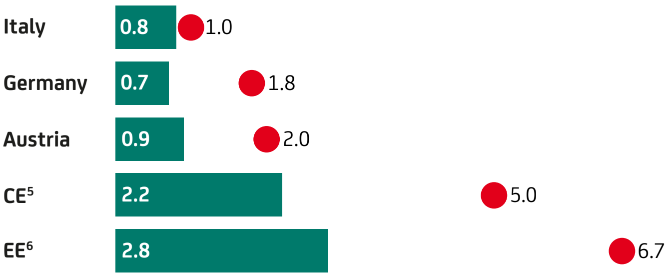
GDP growth (2022-24)[4]

GDP growth across our geographic footprint is expected to be approximately 30 basis points higher than the eurozone average.

1. Peers include BBVA, BNP, Crédit Agricole S.A., Commerzbank, Deutsche Bank, ING, Intesa Sanpaolo, Santander, Société Générale.
2. Actual disclosed distributions accrued to FY24.
3. Considering core EU peers with market cap above €30bn as of 31/12/2024, i.e. BBVA, BNP, Crédit Agricole S.A., Deutsche Bank, ING, Intesa Sanpaolo, Santander.
4. GDP actual up to 9M24; 4Q24 Bloomberg data; FY25 UC scenario, Loans actual up to 2023; 2024 and 2025 UC scenario.

Loan growth vs. GDP3 (2025) %[4]

In many of our markets, loan growth is projected to exceed GDP growth, serving as a powerful catalyst for continued top-line expansion.



5. Excluding Austria
6. Excluding Russia

Furthermore, we have built unique lines of defence including €1.7 billion of overlays to insulate us from the cost of risk cycle. We have also front-loaded non-operating items and extraordinary charges equal to €1.3 billion in 2024 alone which should also trend to zero.

Together with the strength of our transformed Group and our alpha initiatives in flight, these lines of defence will de-risk the achievement of our Net Profit ambitions.

Unlocking Acceleration in 2025 and beyond

The first phase of UniCredit Unlocked was focused to **unlock trapped potential** – UniCredit has surpassed our own ambitions set at the end of 2021, resetting the bar higher each year. We have moved from laggard to leader in our sector, and are now poised to enter the next chapter of growth.

As we look ahead, we are evolving our Strategy to **Unlock Acceleration** of our performance while completing our transformation. Leveraging our lines of defence, we will build on our **structural strengths** and accelerate our quality growth trajectory through **clear managerial initiatives**.

The same, evolving Strategy

UniCredit Unlocked

Win. The Right Way. Together.

Unlocked Potential
2021 to 2024

Laying the foundations to release our trapped potential.

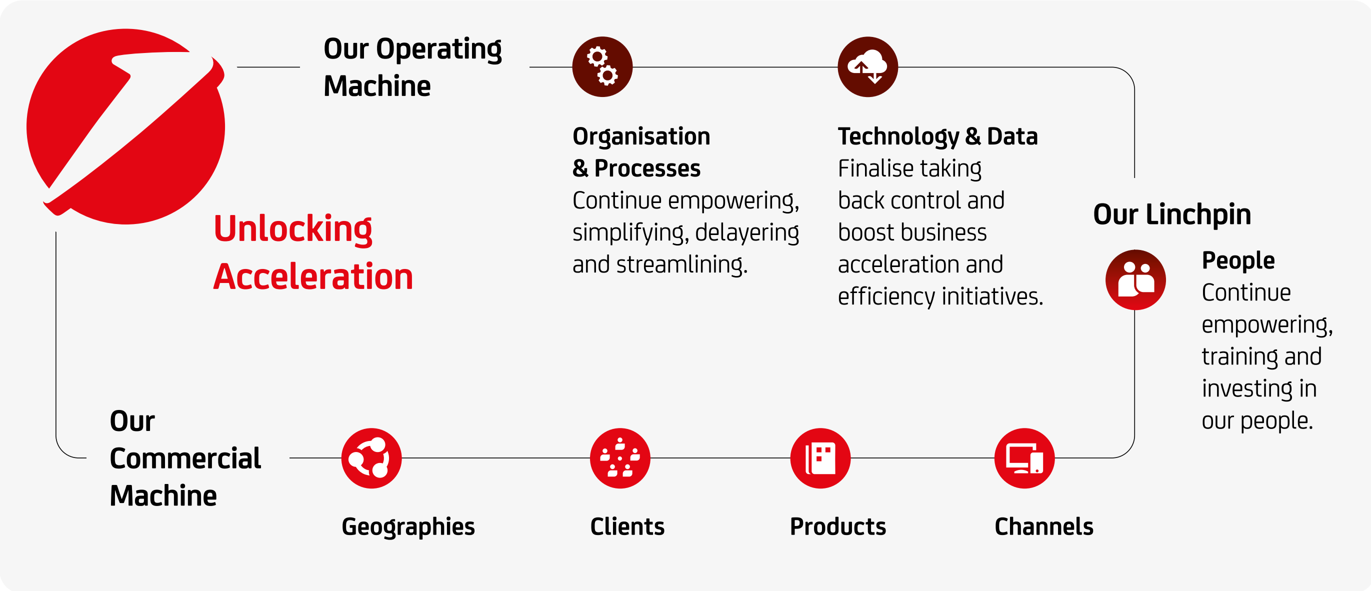
Read more on **pages 29-30**

Unlocking Acceleration
2025 and beyond

Building on our structural strengths with new alpha initiatives to widen our competitive gap.

A new roadmap to navigate as the leading pan-European Bank

We are optimally positioned to execute on this acceleration phase and solidify our position as a leading pan-European bank and a benchmark for the sector. We have strong competitive edge thanks to our unique structural advantages and will build on these through alpha initiatives and investments in our business.



Leveraging our structural advantages

Leveraging our structural strengths		...with a clear roadmap...	...to become the Bank that...
Attractive **Geographic Footprint**	**Profitable and diversified franchise** Italy – Quality Earnings Powerhouse Germany and Austria – Resilient Anchors CEE – Profitable Growth Engine	Direct capital allocation and investments to higher growth opportunities	Clients **recognise** and **trust** us as the leading pan-European bank, firmly embedded in our communities
Quality **Client Mix**	**High quality base** **c.60%** of revenues in most profitable segments (SMEs[1], Private, Wealth and Affluent)	Increase focus on targeted client segments	Offers clients a **superior** experience with people and banks that **care** and **understand** their needs
Superior **Business Mix**	**NII RoAC at 16%** **Fee-to-revenue ratio[2] towards 40%** With above market fee growth driven by **product factories** and superior lending **products**	Enhance product offering and how we grow in high-value segments	Offers clients **best-in-class** products for all their business and individual needs
	Connecting clients with superior integrated distribution **channels** offering them choice and flexibility	Move towards an omnichannel offering	Offers clients the flexibility to access **when**, **where** and **how** they want

1. Including Microbusiness in SMEs.
2. Fees including insurance results.

Alpha initiatives

Alongside our structural strengths, our targeted alpha initiatives will drive our quality growth over the next three years.

This exciting organic growth, together with the results of our transformation, will allow us to absorb expected future headwinds in full, and significantly grow without diluting profitability.

Our exciting story: the emergence of our true differential value

We aim to achieve c.€10 billion of Net Profit by 2027, and to distribute in each of the next three years[1] more than in FY24: of which cash dividends at 50% of Net Profit.

This is supported by a greater than 17% RoTE, an average organic capital generation broadly in line with Net Profit, and the return of our excess capital[2].

We continue to target strong EPS and DPS growth.

This will result in six years of improving performance and growth at an increasing margin over our cost of equity, which, coupled with an outsized yield, should also lead to a significant re-rating of our stock.

We are excited about the challenge and determined to meet it.

1. Subject to inorganic opportunities and delivery of financial ambitions.
2. vs target CET12 12.5-13%.

Our ESG Strategy

Our ESG Foundations

At UniCredit we are committed to embedding Sustainability in everything we do

We lead by example, which is why ESG (Environmental, Social and Governance) is at the heart of our strategic framework. Our Purpose is to Empower Communities to Progress, guided by three Principles:

- Holding ourselves to the highest possible standards to do the right thing by our clients and our communities
- Being fully committed to playing our part in supporting our clients in a just and fair transition
- Respecting and balancing the perspectives and priorities of all our stakeholders throughout our business and decision-making.

Strengthening our ESG business proposition

Read more on **page 79**

Promoting ESG awareness across our organisation and beyond

Read more on **page 89**

Over recent years, **we have built strong ESG foundations by:**

2

Advancing a distinctive social approach with tangible results

Read more on **page 81**

3

Ensuring a just and fair transition through clear commitments

Read more on **page 83**

4

Guaranteeing accountability and transparency, along with a robust risk framework

Read more on **page 87**

1 Our strengthened ESG business proposition

Enhanced ESG business functions:

- Dedicated ESG Advisory team, complemented by industry specialists
- Local ESG teams providing technical support across the Group.

Enriched ESG client offerings:

- ESG-focused products
- ESG factors integrated into the credit process.

A **supporting** ESG ecosystem of strategic partners:

- Open-es to assess clients' ESG maturity and develop tailored plans
- Regional partnerships in specific sectors (e.g., real estate).

Read more about our **ESG Strategy**

Our ESG offer

Open-es

In March 2023, we partnered with Open-es to better support our clients in measuring and improving their ESG performance.

Open-es unites entrepreneurs, financial institutions and associations through an innovative digital platform.

22
Partners

29,000
Companies

Launched in 2021 and involving more than 29,000 companies and 22 partners, Open-es is an **inclusive and collaborative ecosystem** committed to achieving ESG targets and implementing innovative solutions. In this alliance, our role as a **value-chain leader partner** is to facilitate the **sustainable development of the Italian corporate sector** with initiatives and solutions aimed at companies of every size.

Our ESG offer

Supporting Italian companies with "Finanziamento Futuro Sostenibile Plus"

We want to **support companies committed to improving their sustainability profile** through dedicated financing tied to tailored Sustainability objectives – based on a company's Sustainability and transition strategy.

In Italy, thanks to our partner, **Cerved Rating Agency**, our new product, Finanziamento Futuro Sostenibile Plus, also offers a free and fast ESG assessment through the Open-es platform.

Financing the transition with "Transizione 5.0"

UniCredit has allocated a **new €5 billion plafond to support companies taking part in "Transizione 5.0"**, a public initiative offering tax credit for energy efficiency projects.

This allocation is part of the third edition of "UniCredit for Italy", our broader programme supporting families, individuals and businesses since 2022. With this new fund, the total amount made available to Italian companies in 2024 has reached €15 billion, for a total value of €35 billion earmarked for individuals and businesses since 2022.

€15bn
Increased funding available to the Italian production system

2 A **distinctive social approach**

Social finance

We have a suitable, accessible, fair, and equitable (SAFE) financial offer:

> We developed new social products, tailored to local needs, including Futuro Sostenibile Sociale, UniCredit per l'Italia and UniCredit for CEE, and two new current accounts, Imprendo Sociale and Imprendo Sociale Più, for non-profit organisations

> We signed partnerships in the social sector.

Direct social contribution

We support communities through social projects and donations:

> We contribute to youth and financial education, through initiatives such as the Banking Academy in Italy and UniCredit Foundation programmes (Teach for All, Junior Achievement) across the Group

> We promote volunteering initiatives, encouraging our employees to directly support their communities.

Support to employees

We promote flexibility, well-being and people care, enhancing Diversity, Equity and Inclusion (DE&I):

> We foster a culture of continuous learning through initiatives such as Culture Bootcamps, mentoring programmes, reskilling opportunities, and well-being workshops

> We cultivate an inclusive and diverse workplace through employee networks, bias-free processes and equal opportunities

> We prioritise employee well-being and quality of life through initiatives such as "Ask for Help" resources, flexible working arrangements, mental health awareness activities, prevention programmes, and local welfare benefits.

Caring for our people

Holistic well-being approach

Our commitment to well-being is embedded in our Caring culture and ESG framework.

In February 2024, we introduced a Group holistic approach to support our colleagues across all stages of their lives, integrating **mental, physical, social, career, and financial well-being** into daily practices.

We mapped 365 well-being initiatives across the Group – one for each day of the year. We gave access to **dedicated courses and an interactive guide with practical tips and suggestions**, empowering each of us to take charge of our own well-being journey.

Additionally, we trained c.40 internal well-being trainers and delivered well-being workshops across the Group.

Recognising our efforts, UniCredit has been awarded **Diversity and Inclusion Initiative of the Year EMEA 2024** in the influential magazine Environmental Finance's annual Sustainable Company Awards for its "**Group holistic well-being approach**".

365
Well-being initiatives

c.40
Internal well-being trainers

3 Clear commitments to support a just and fair transition

In 2019:
Signed the UNEP FI Principles for Responsible Banking (PRB), which support banks in aligning their business strategy with society's goals and promote financial inclusion.

2019 2021

In 2021:
Became a member of the Net Zero Banking Alliance, with a clear commitment to reduce emissions of our lending portfolio.

In 2022:
Signed the Sustainable Steel Principles, a climate-aligned finance agreement for the steel industry.

2022

In 2022:
Joined Finance for Biodiversity Pledge (FfBP) Foundation, the only international pledge dedicated to financial institutions, calling on global leaders to protect and restore biodiversity through their finance activities.

2024

In 2022:
Became a member of the Ellen MacArthur Foundation, an international charity that supports the acceleration of the circular economy across our countries.

May

Group

Launch of our **Statement on Natural Capital and Biodiversity**

In May 2024, we published our Statement on Natural Capital and Biodiversity. This new statement represents UniCredit's first comprehensive Natural Capital Framework, in which biodiversity and climate issues are interconnected.

Alongside our Net Zero targets and Transition Plan, our Natural Capital Framework also considers the circular economy as a key lever for change. We have already addressed nature-related issues, including adopting the Equator Principles and publishing policies on sensitive sectors alongside commitments on human rights.

Our first step for our Natural Capital Framework was to evaluate sources, methodologies and frameworks to effectively address key challenges related to biodiversity and nature, in coherence with the Kunming-Montreal Global Biodiversity Framework.

We then developed a sector-level heatmap of our loan portfolio, to assess which sectors are most exposed to nature-related risks by gauging their impact on nature.

Finally, we have set up a specific training programme to build awareness around the emergent topics of biodiversity and nature, which will be available to all employees in 2025.

We engage with the circular transition by integrating circular economy considerations into our business operations, alongside climate-related initiatives. We were the first Italian bank to have signed up to the Finance for Biodiversity Pledge (FfBP), calling for and committing to taking ambitious action on biodiversity to reverse nature loss in this decade through collaboration, engagement and assessing our own biodiversity impact.

In addition, we are a member of the Working Group on Nature within the United Nations Environment Programme Finance Initiative (UNEP FI), related to Principles for Responsible Banking (PRB). We are the only Italian bank to have contributed, together with 34 international banks, to the publication of the 'PRB Nature Target Setting Guidance', which aims to help the banking sector align with the Kunming-Montreal Global Biodiversity Framework and halt biodiversity loss.

November Hungary

UniCredit supports investment in **sustainable animal feed production**

UniCredit has provided a development loan of €8.3 million to Agroloop, a Hungarian business that produces animal feed components using insect farm technology.

Part of an investment signed with the European Investment Fund's InvestEU Sustainability guarantee, the innovative greenfield finance totals €28 million and includes a bank guarantee of €1.5 million.

Agroloop is one of the SMEs supported by UniCredit Bank Hungary as part of our UniCredit for Enterprises service. The funds will be used to develop Agroloop's technology and expand production at the region's most significant insect farming and processing facility on the outskirts of Budapest. Approximately 60 tonnes of feedstock is processed here daily.

Agroloop's approach to sustainable animal feed production is a sustainable, circular model, using food industry by-products in the form of organic waste from the bottom of the feed value chain. It creates high value-added, premium quality feed protein, feed oil and soil improver compost that minimises emissions and has a reduced environmental impact.

The process uses black soldier fly larvae to recycle feed-grade food industry by-products with minimal water and soil use. It can use 30% of the world's food production, which would otherwise go to waste, and is pioneering sustainable animal feed production in the Hungarian market.

Our commitment to Net Zero

Promoting sustainable steel in Germany

UniCredit acted as Mandated Lead Arranger and lender of the SACE-covered green loan financing for steel producer Salzgitter Group.

> The transaction contributed to the financing of its €2.3 billion decarbonisation project SALCOS®, to convert its blast furnace steel production to DRI and electric arc furnaces powered by green electricity and green hydrogen.

> Once completed in 2033, SALCOS® will enable a 95% abatement of Salzgitter Group's CO_2 emissions in steel manufacturing, reducing Germany's aggregate CO_2 emissions by around 1%.

> The financing facility was among the first ECA-covered Corporate Green Loans in the steel sector worldwide and the first in Germany.

Fostering energy-efficient real estate in Italy

UniCredit has financed a number of projects in the commercial real estate sector.

One of these involves **Coima Group** and is related to P39, a real estate office and residential complex located in Milan. It applies the **most effective sustainable building practices with constant focus on energy saving**, allowing the building to meet the Nearly Zero Energy Building standard.

4 **Full accountability and transparency,** along with a robust risk framework

We set a **comprehensive policy framework** to manage environmental and social risks in controversial sectors, such as Coal, Oil & Gas, Human Rights and others.

We keep integrating **climate and environmental factors** into **our risk management processes and procedures**.

We continue to enhance our **ESG Product Guidelines** ensuring homogeneous classification and reporting of our ESG financial offer, to prevent greenwashing and social washing risks.

We provide disclosure on our ESG activities, through **reports in line with sector guidelines and recommendations**.

November Bulgaria

UniCredit Bulbank uses **75% green energy**

UniCredit Bulbank has signed a new three-year contract to accelerate its renewable energy use and significantly reduce its carbon footprint.

It will now purchase electricity from a photovoltaic power plant, so around 75% of the bank's total energy consumption will be from green energy generation.

Bulbank will purchase green energy monthly, with an annual supply of 7,000 MWh. The origin of the energy purchased will be guaranteed in the form of certificates from the Sustainable Energy Development Agency (AUER).

The new agreement encompasses all of the bank's locations across Bulgaria, except for some leased premises where electricity is invoiced by the landlord.

This partnership aligns with UniCredit Group's goals. We were the first bank in Italy to commit to a corporate power purchase agreement (PPA) with a green energy producer. UniCredit Bulbank is a pioneer within the CEE region, following Italy in signing a corporate PPA and reflecting the Group's commitment to Sustainability and green energy solutions.

Other Sustainability initiatives from UniCredit Bulbank include:

> Installing photovoltaic panels on the roof of Sveta Nedelya. In the first seven months of operation, they produced 23 MWh of electricity.

> Replacing its fleet with hybrid cars. Since the beginning of 2024, 26 more hybrid cars have been delivered, and 40% of its fleet is now made up of electric and hybrid cars.

> Installing additional charging stations in the Central Office garages. Up to eight cars can now be charged simultaneously.

5 Promoting ESG awareness

Our flagship initiative is our ESG Day. At this popular and eagerly-awaited event – involving employees and clients – we brainstormed on key ESG-related issues and potential solutions, as well as developing concrete actions.

We considered topics such as:

- How do we resolve relevant trade-offs?
- How can we prioritise social issues in our approach?
- How can we better support our ESG-focused clients?

Success story

ESG Day 2024 tackles pressing challenges head-on

UniCredit's second ESG Day emphasised the urgency of addressing critical social and environmental challenges and **the need for collective action and behavioural change** to create a sustainable future, for a just and fair transition.

ESG Day 2024, centred around the theme "A challenged future: choosing the path ahead", **putting clients at the centre** and designing a customer journey to define concrete actions to solve trade-offs and open points.

It included a **live event** at the UniCredit Tower Hall in Milan with corporate clients and strategic partners. In parallel, local side events in various countries included colleagues and external guests joining the main event via live streaming, into four languages of the Group countries (Italian, Bulgarian, Hungarian and German) and broadcasted in English. We also broadcasted externally on LinkedIn and Facebook.

13,243

Total number of participants vs first edition
+9%

Success story

Panels and key takeaways

A zero-sum game?
Solving Sustainability trade-offs

- Manage conflicting interests as part of the transition, with balancing act between environmental, social and biodiversity issues
- No silver bullet for this difficult situation; firms will have to take a nuanced approach, drive gradual progress with clear governance
- Be realistic about what is being sacrificed for what.

The social dilemma:
how climate change and technology are reshaping society

- Recognition of the “S” component as a fundamental lever for a just and fair transition
- Eco-anxiety can be channelled into concrete community actions to build resilience. Companies must define clear ecological values reflecting those of their workers.
- AI is an amplification of thinking to find solution to the social and environmental challenges.

The way forward:
from responsibility to response-ability

- Importance of fostering more sustainable ways of doing business
- Examples included service providers tracking consumer behaviour and offering rewards, same approach could be applied to investors, with creditors who contribute to a company’s Sustainability goals earning a better return.

The crucial nexus between climate and nature

Following the second panel, the Head of Biodiversity and Natural Capital at Iberdrola and Convener of the Nature Positive Initiative discussed the connection between **climate and nature**.

Key takeaways from the double interview were that the world agreed at COP15 to halt and reverse nature loss, putting nature onto international agendas. **The financial sector's wider presence signals increasing attention.**

Moving ESG discussions forward

The Group ESG team, with support from UniCredit Group Investment Strategy and Group Stakeholder Engagement launched a white paper on the need to tackle issues faced by society and the environment. "A challenged future: choosing the path ahead" provides context and insights into key topics, including the effects of the green transition on society and how financial institutions and corporate clients can play their part.

407

Number of downloads

Everyone has a part to play in saving our planet – clients, colleagues, competitors, governments and other influential bodies and organisations. We change our behaviour if we stand up together and make a concerted effort.

Read more about our ESG Day 2024, **here**

Our progress to date

In 2024 we fully achieved our ESG targets across products

From ESG volumes to ESG penetration

Focus on ESG share over total business for a more transparent view on UniCredit's ESG performance.

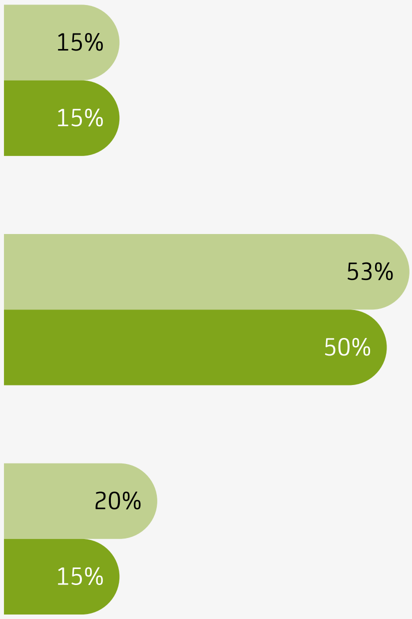
Three indicators netting out overall market effects unrelated to ESG.

ESG penetration (FY24)

ESG lending[1]
Good performance on environmental lending with €26.9bn, while outperforming on social lending with €13.2bn since January 2022.

ESG Investment Products[2]
Positive year with improved ESG penetration rate at 53% (c.€106bn stock) at FY24 vs 48% at December 2023.

Sustainable Bonds[3]
Good performance with €32.9bn issuance since January 2022 with focus on Corporates and Financial Institutions in alignment with Group Strategy.



Environment

Sustainable financial instruments and Net Zero commitments.

Read more **on page 94**

Social

Social financing for initiatives in our communities.

Read more **on page 95**

Governance

ESG-aligned remuneration, solid DE&I framework.

Read more **on page 96**

1. KPI calculated as ESG new production Including Environmental, Social and sustainability-linked lending, divided by MLT loans new production in given year.
2. Based on Art. 8 and 9 SFDR regulation.
3. LT Credit. KPI calculated as ESG all regions' bonds, including Sustainability-linked bonds, divided by all regions' bonds for given year.

Environment

We advanced our sustainable financial instruments, reaching a total of €26.9 billion in cumulative green lending since January 2022

11
Green Bonds issued

€6.5bn
Total amount of financing from Green Bonds

2030
New targets set for key carbon-intensive sectors

We issued 11 Green Bonds, totalling €6.5 billion in financing:

Senior Green Bonds

3 (Jun 21, €1bn; Nov 22, €1bn; Nov 23, €0.75bn)

Green Mortgage Covered Bonds

2 (May 22, €0.5bn; Sep 22, €0.5bn)

3 (May 22, €0.5bn; Feb 23, €0.75bn; Jan 24, €0.75bn)

2 (Sep 21, €0.06bn; Sep 23, €0.047bn)

1 (Jun 23, €0.5bn)

In 2024, we continued to turn our Net Zero commitment into action:

We disclosed our first Transition Plan, which outlines the implementation of key enablers to embed Net Zero into our organisation for the three priority sectors.

We set new 2030 targets for key carbon-intensive sectors (Steel, Shipping, Commercial Real Estate), and defined an emissions baseline for Residential Real Estate.

We extended our Net Zero Transition Plan deliverables (e.g., client clustering, supporting tools) to the new sectors for which the targets have been disclosed.

Read more on Net Zero in **E1 Climate change** in our **Sustainability Statements**

Social

Since 2022, we have provided €13.2 billion in social financing via micro-credit, impact financing and lending to disadvantaged areas

€35bn
UniCredit per l'Italia, including +€5bn credit "Piano Transizione 5.0"[1]

€155m
Issued in our own social bond

€78.1m
Funding for social contribution[2]

€30m
Enhanced funding to UniCredit Foundation

c.15,000
hours dedicated to volunteering by our colleagues

>700,000
Financial education beneficiaries reached

Our efforts included local initiatives to support communities such as UniCredit per l'Italia, adding up to €35 billion (including additional €5 billion to support corporates with "Piano Transizione 5.0")[1].

We also joined the Venice Sustainability Foundation to promote local Sustainability and issued a €155 million social bond to support communities.

In 2024, our social contribution[2] rose to €78.1 million (€60 million in 2023), of which in 2024, €30 million was allocated to UniCredit Foundation (€20 million in 2023). Around 50% of our social contribution is dedicated to youth and education.

Since 2022 we have invested in financial education and ESG awareness initiatives, reaching over 700,000 financial education beneficiaries across our countries, focusing on priority targets such as the young, women and vulnerable individuals. In 2024, we launched our **Skills for Transition** programme to deliver training to young people and businesses that are expected to be the most affected by climate change.

1. As of 31 December 2024.
2. Gross monetary amount paid in support of communities and projects, including Sponsorship & Donation.

Governance

CEO and top management remuneration saw a **20% weighting of long-term performance related to ESG business**, DE&I and climate risk priorities. Furthermore, a relevant link to Group's Values and Culture – "Winning. The Right Way. Together" goal – is also part of the short-term scorecard."[1]

+1,500
Colleagues across the Group part of Culture Network

+1,000
Active members in our Employee Networks

In 2024:

- **7** Culture Roadshows were held reaching **3,000** colleagues across the Group's Countries
- c.20,000 colleagues joined Annual Culture Day Group-wide
- In the context of our well-being framework:
  - **365** initiatives mapped across the Group
  - **c.40** internal trainers trained to deliver dedicated workshops
  - Dedicated courses and an interactive guide with practical tips and suggestions are available to every employee in our Group
- Raised ESG awareness through dedicated training sessions and our second ESG Day
- Over 1,000 active members in our Employee Networks, focused on various diversity traits across the Group
- Significant share of women in our governing bodies and leadership teams (as of 4Q24):
  - 50% Board of Directors
  - 50% Group Executive Committee
  - 34% Leadership Team
- Strong international presence (as of 4Q24 36% BoD, 67% GEC, 38% Leadership Team).

1. 20% of our CEO's short-term scorecard.

Strengthening internal processes and collaboration for our CSRD aligned reporting

Transitioning to Corporate Sustainability Reporting Directive (CSRD) compliant reporting required a significant enhancement of our internal systems, processes, and capabilities. In 2023, a joint ESG and CFO working group analysed requirements and created a 2024 adaptation plan.

We invested in enhanced data collection, analysis, and reporting, leveraging automation for efficiency and risk reduction. Extensive cross-functional collaboration, including senior management oversight, ensured accurate identification and reporting of key Sustainability topics. Close alignment with local legal entities across our operating countries guaranteed consistent compliance.

This commitment underscores our dedication to Sustainability, transparency, and accountability, establishing a strong foundation for continuous improvement.

Going forward: evolving our ESG Strategy

UniCredit's evolving **ESG Strategy** supports our Purpose of Empowering Communities to Progress

It is based on strong fundamentals and a set of interrelated elements to deliver value. Guided by our Principles, we implement key enablers required to support strategic levers, which in turn allow us to achieve the ESG goals underlying our ambition. This interconnected framework ensures alignment and cohesion across all ESG initiatives, maximising our impact.

Read more on each element of our ESG Strategy, in section "**SBM-1 Strategy, business model and value chain" of our Sustainability Statements**

Our Principles-based approach, aligns with our Group Values and guides our actions, enabling us to embed Sustainability in everything we do. It also allows us to continuously adapt our ESG Strategy to a changing external environment, address regulatory expectations, rising geopolitical tensions and evolving customer needs.

In this context, **we have evolved our ESG strategic framework** to ensure it includes all key enablers and levers needed to effectively support our communities. The key changes are:

Goals

- Updated ESG business targets with a focus on ESG penetration for transparent performance tracking
- Integrated Net Zero emissions targets into ESG goals.

Levers

- Broadened social focus to address new challenges like an ageing population.

Read more in the dedicated section **Strengthening Our Social Focus**

- Elevated Net Zero from commitment to action to support clients' transition
- Expanded focus beyond climate to assess nature-related risks and opportunities
- Prioritised transparency to inform stakeholders and mitigate green and social washing risk.

Enablers

- Enhanced client offerings with ESG-related products to support their transition
- Lean governance to embed Sustainability efficiently across roles
- Dedicated ESG risk framework to bolster strategic levers
- Leveraged organisational Culture to engage employees in ESG implementation.

Our ESG penetration targets

We updated our ESG penetration targets on total business volumes for 2025-2027

15%	15%	50%
ESG lending	**Sustainable bonds**	**ESG investment products**[1]

1. Based on Art. 8 and 9 SFDR regulation.

Ambition

Leading by example
Fulfilling our Purpose of Empowering Communities to Progress.

Goals

Evolving in step with regulation and market forces
ESG penetration targets allowing for a more transparent and meaningful view on our ESG performance while also aligning our lending portfolio with Net Zero emissions by 2050.

Levers

Championing Social
Backing our communities, our people and our wider society.

Enhanced Client Support
Leveraging Net Zero Strategy and Transition Plan.

Beyond Climate
Weighing and evaluating natural capital risks and opportunities.

Evidencing Accountability
Providing transparency in disclosure and impact assessment.

Enablers

Enriched Client Offering
Expanding and diversifying our ESG business portfolio.

Lean Governance
Clear ESG roles and responsibilities, embedding agency and ownership.

Robust Framework
Effective and enhanced monitoring of our ESG risk and lending portfolio.

Empowered Culture
Common Vision, Strategy, and Principles to Win. The Right Way. Together.

Our Principles guide our ESG Strategy, in line with our Group Values.

Strengthening our Social Focus

We are adapting our social strategy to reinforce our efforts on youth, education and on a just and fair transition, while exploring new emerging social topics like health – an increasingly important issue in the context of an aging population

The evolving strategy includes fulfilling our social role through social finance with projects supporting youth and balancing environmental and social risks.

We are also exploring how we can best support our communities in addressing emerging social challenges, such as health. We continue to support our communities through social contributions, focusing on education, financial inclusion, and expanding our **Skills for Transition** programme. We will support our people by fostering a learning culture, building an inclusive and diverse workplace and ensuring well-being and quality of life.

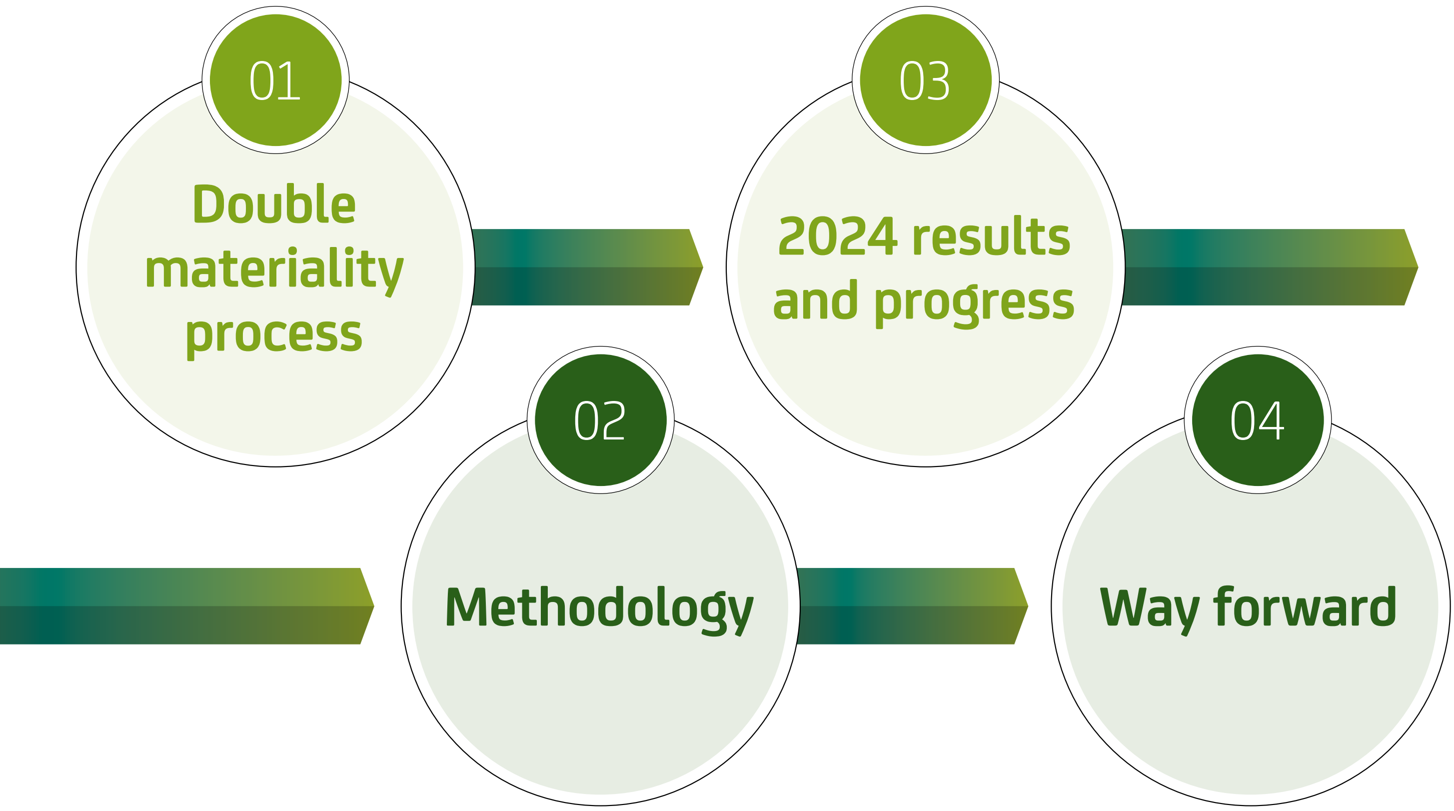
Read more about our Skills for Transition programme **here**

Double Materiality Analysis

Our strategic approach

Every year, we conduct a materiality analysis to identify key stakeholder issues, including business impacts, risks, and opportunities (IROs) across ESG matters

In 2024, we performed our first Double Materiality Analysis (DMA), considering both impact and financial materiality to gain a comprehensive ESG perspective.



01

Double materiality process

As part of the EU Corporate Sustainability Reporting Directive (CSRD), our double materiality process integrates into UniCredit Group's due diligence system.

> Impact materiality assesses a business's potential or actual impacts on people and the environment, considering severity and likelihood
> Financial materiality evaluates risks and opportunities affecting economic performance.

02

Methodology

For our 2024 DMA, we:

> Engaged internal and external stakeholders to identify material topics
> Assessed materiality through top management and Group Risk Management
> Informed the Board and finalised key issues

Read more about our **methodology in section ESRS 2 General information of our Sustainability Statements**

03

2024 results and progress

Our DMA identified material impacts, risks, and opportunities, strengthening financial oversight. The Group Executive Committee plays an active role, and findings will guide policy and target improvements.

Read more about our **List of Material IROs in section SBM-3** – Material impacts, risks and opportunities and their interaction with Strategy and business model of our Sustainability Statements.

04

Way forward

We are refining our governance framework to align with CSRD requirements, ensuring Sustainability is fully integrated into strategic oversight.

About our **Sustainability Statements**

This year, we present our Sustainability Statements, which we have prepared in alignment with the new Corporate Sustainability Reporting Directive (CSRD)

The CSRD introduces a new era of Sustainability reporting, emphasising greater transparency, standardisation and accountability in how organisations report on their environmental, social and governance (ESG) performance and impacts.

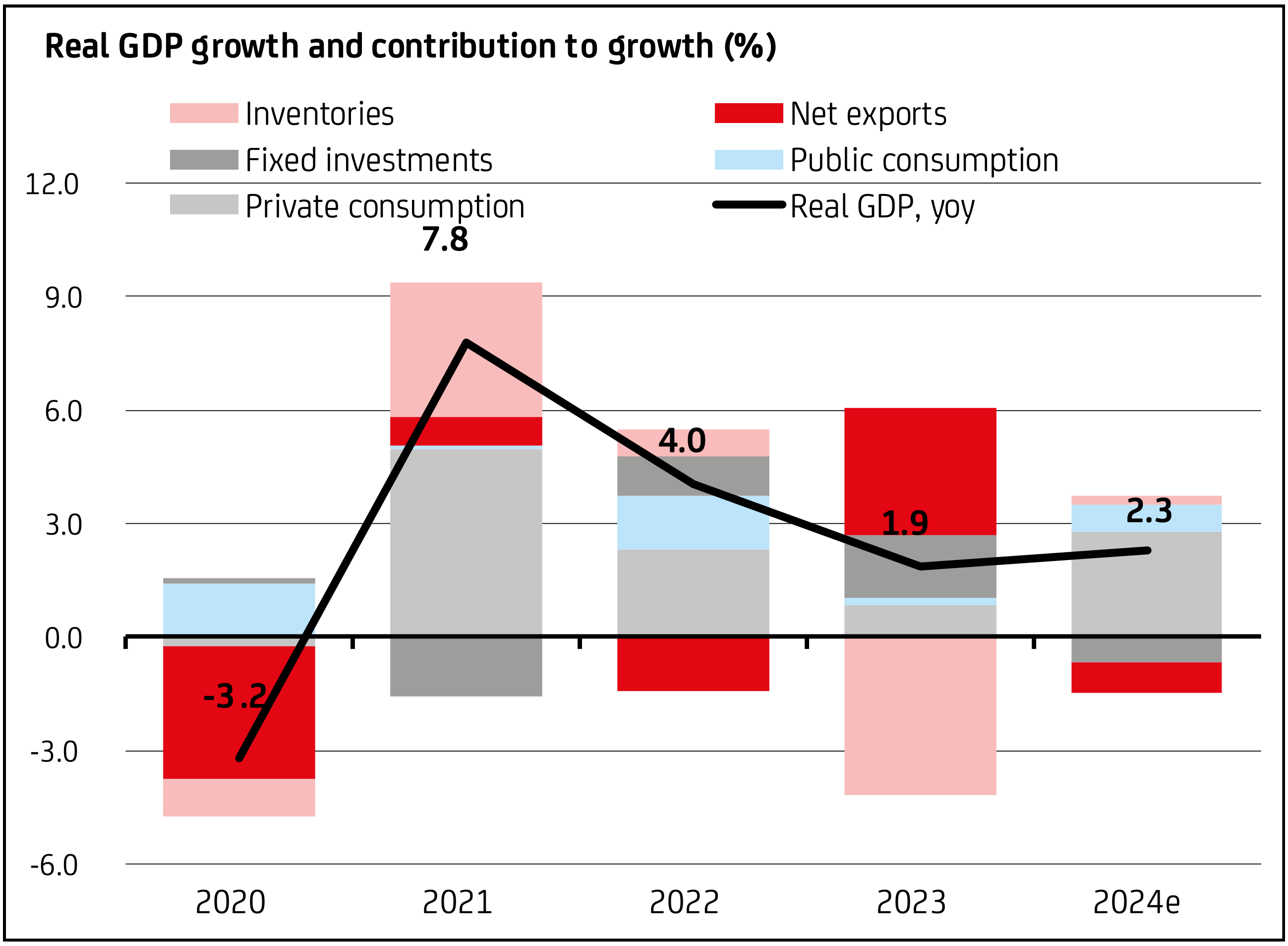
In previous years, we used the Global Reporting Initiative (GRI) standards to disclose our material topics in our Integrated Report. In 2024, we have made significant efforts to ensure our Sustainability Statements comply fully with CSRD requirements, in particular their emphasis on double materiality. We have undertaken an extensive double materiality assessment to identify the most pressing ESG issues relevant to our business and stakeholders. This process included aligning with the European Sustainability Reporting Standards (ESRS), which serve as the foundational framework for the CSRD.

Additionally, we have incorporated quantitative performance metrics, detailed qualitative narratives and forward-looking commitments, enabling readers to gain a deeper appreciation of our progress, challenges and ambitions.

As a result of this new section, **UniCredit will no longer publish a separate Integrated Report**.

While meeting CSRD requirements is a regulatory necessity, we view this as a broader opportunity to drive value creation for all stakeholders, build trust, enhance our reputation and strengthen our position as a responsible and forward-thinking organisation. Furthermore, the CSRD framework provides us with a roadmap to assess and mitigate risks related to critical ESG challenges, ensuring that we remain resilient and competitive in an evolving global landscape.

Read more on the actions, impacts and aspirations set out in these Statements as we advance toward a more sustainable tomorrow.



Source: National Statistical Institute, UniCredit Bulbank

The prolonged period of domestic political instability continued last year, after two more snap elections were held, while the country was mostly run by a succession of caretaker governments. Elevated uncertainty negatively affected investments flows, which dropped in real terms by an estimated 3.6% in 2024, while, at the same time, implementation of the growth enhancing reform, including those envisaged in the country's Recovery and Resilience Plan, slowed down even further.

Nevertheless, GDP is likely to have posted a decent real growth of around 2.3% in 2024, as consumption and particularly private consumption growth proved very resilient. Acceleration of private consumption was above all attributable to the strong double-digit increase in incomes, where both wages and pensions growth posted very solid increases well above inflation. Real wages in particular are likely to have increased by an estimated 10.8% in 2024, which, if reconfirmed, would be the strongest annual gain posted since the record high 2008. Also importantly, the transmission of higher interest rates in advanced economies to a higher cost of credit for local households failed to materialize, which helped consumption get a boost from the double-digit growth in retail credit.

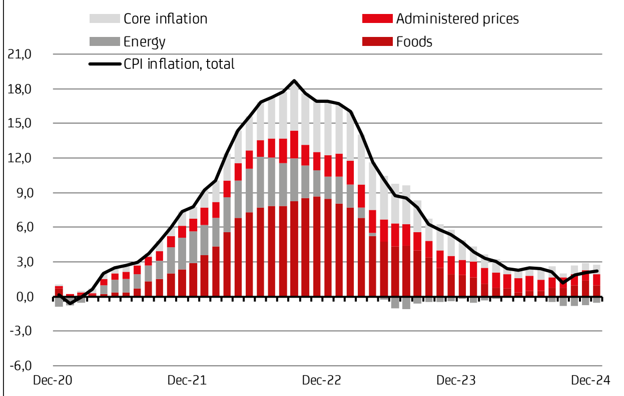
Consumer price inflation, calculated according to the national methodology, bottomed out at just 1.2% y/y in September 2024, before raising marginally to 2.2% y/y in December 2024. Meanwhile, core inflation slowed down to 2.8% in December 2024, from the elevated level of 5.8% one year earlier. Alleviation of both headline and core prices inflation reflects base effects in combination with lower input-prices pressure, as functioning of the global supply chains has continued to improve. At the same time, administratively regulated prices remained very sticky, despite the ongoing political instability, where voters went to the ballots two more times in June 2024 and later in October 2024, respectively.

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 in 2024, with labor shortages rising in almost every sector of the economy, according to the regular surveys conducted by the NSI. Against this backdrop, nominal wages growth in 2024 (estimated 13.3% y/y) remained little changed when compared to the previous year (13.7% y/y), despites well pronounced deceleration in consumer price inflation.

Ministry of finance posted a cash deficit equivalent to 3.0% of the country's GDP in 2024. The result is in line with both the government target and the limit established in the Stability and Growth Pact, which, along with the marked deceleration in consumer price inflation, further strengthened Bulgaria credentials to complete the euro adoption process and introduce the euro starting from 2026. The BNB continued to work intensely on the preparation for Bulgaria's full membership in the euro area, while support for the euro introduction markedly increased in the last Eurobarometer survey, compared to one year ago when still very elevated inflation fueled peoples' concerns.

Bulgaria became a fully-fledged member of the border-free Schengen area. Accession into the Schengen area would reduce economic loses and air pollution associated with the long ques of tracks and other transport vehicles waiting many hours to pass border controls. It would result in significant savings of time. Only elimination of the land border controls between Bulgaria and Romania is estimated to produce savings of time equivalent to 240 thousand days annually. This would help tourism sector to

Contribution to CPI dynamics by components (%)



Source: National Statistical Institute, UniCredit Bulbank

benefit, while, at the same time, it would improve EU's image among Bulgarian citizens. Looking at the individual sectors in the economy, the heavy cargo transport is set to benefit the most, but it would be fair to say that full entry into the Schengen area would help all export oriented companies to deepen their integration into the western European supply chains.

MACROECONOMIC INDICATORS	2024	2023	2022	2021	2020	CHANGE 2024/2023
Nominal GDP[1] (BGN million)	201 340	185 233	168 360	139 602	121 088	8.7%
GDP per capita[1] (BGN)	31 685	28 738	26 112	21 535	18 537	10.3%
Real GDP growth[1], swda (%)	2.3	1.9	4.0	7.8	(3.2)	+0.4 pp
LEONIA, avg (%)	3.10	0.02	(0.58)	(0.65)	(0.48)	+3.1 pp
Inflation, eop (%)	2.2	4.7	7.8	0.1	3.8	(2.5 pp)
Inflation, avg (%)	2.4	9.6	15.3	3.3	1.7	(7.2 pp)
Unemployment rate[1], SA (%)	3.9	4.3	4.1	5.2	5.1	(0.5 pp)
Official exchange rate, eop (BGN/USD)	1.87	1.80	1.85	1.73	1.61	3.9%
Official exchange rate, avg (BGN/USD)	1.81	1.81	1.86	1.65	1.72	(0.1%)
Current account balance[2] (BGN millions)	1 905	1 640	(4 366)	(1 503)	536	97.5%
Current account balance[2] / GDP[1] (%)	0.9	0.9	(2.6)	(1.1)	0.4	+0.4 pp
Net foreign direct investments[2] (BGN millions)	(1 908)	(5 172)	(6 654)	(2 176)	(4 997)	(65.1%)
Net foreign direct investments[2] / GDP[1] (%)	(0.9)	(2.8)	(4.0)	(1.6)	(4.1)	(3.9 pp)
Gross foreign debt, eop (BGN millions)	93 272	88 168	85 308	80 503	75 799	8.8%
Gross foreign debt / GDP[1] (%)	46.3	47.6	50.7	57.7	62.6	+0.1 pp
Public debt, eop (BGN millions)	47 733	41 388	37 095	32 528	28 859	14.8%
Public debt / GDP[1] (%)	23.7	22.3	22.0	23.3	23.8	+1.3 pp
BNB FX reserves (BGN millions)	82 255	81 999	75 151	67 666	60 334	0.3%
Budget balance, cash basis / GDP[1] (%)	(3.0)	(3.0)	(0.8)	(2.9)	(2.9)	+0.0 pp

Source: Eurostat, Bulgarian National Bank, National Statistical Institute, Ministry of Finance and UniCredit Bulbank projections

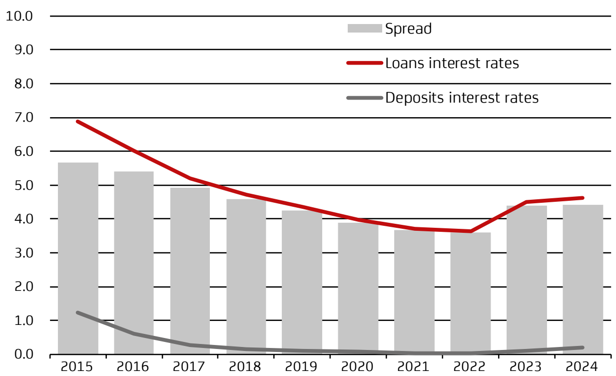
[1] UniCredit Bulbank forecast for 2024

[2] Data as of November 2024; Change November 2024 vs November 2023

BULGARIAN BANKING SECTOR IN 2024

Tight monetary conditions in the euro area pushed average interest rate on EUR denominated loans in Bulgaria to 5.43% in 2024, from 5.15% in 2023. At the same time, interest rates on BGN denominated loans remained resilient to the changes in the external monetary conditions, as prices of these loans are linked to changes in the cost of deposits that banks attract locally. In response, the cost of BGN denominated loans not only remained well below those denominated in foreign currencies, but increased only marginally to 4.39% on average in 2024, from 4.27% in 2023.

Loans and deposits interest rates and spread, outstanding (%)



In the context of abundant local liquidity, where savings exceeded investment for more than a decade, interest rates on average customer deposit posted only a marginal increase. More specifically, average interest rate on BGN denominated deposits rose to 0.13% in 2024, from 0.06% in 2023, while average interest rate on EUR deposits was up to 0.28%, from 0.13% reported in 2023.

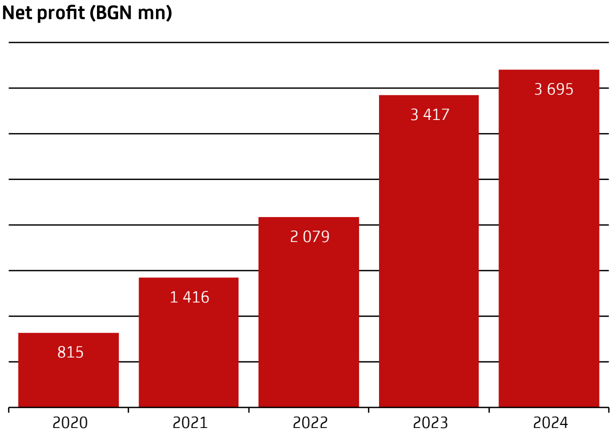
Against this favorable environment for the prices of BGN denominated loans demand for new loans remained significant. Retail credit growth accelerated to 20.8% y/y in 2024, from already sizable 15.9% y/y growth in 2023, with mortgage credit growth (29.1% y/y) spearheading the expansion. Meanwhile, corporate lending grew by a solid 10.1% y/y in 2024, which was above both country's nominal GDP growth (8.7% y/y) and corporate lending growth registered in 2023 (7.3% y/y).

Net profit posted 8.1% y/y rise to BGN 3.7 bn in 2024, which is the highest level reached so far. Record high profitability in 2024 was above all attributable to the significant increase in lending growth and very resilient loan-to-deposit interest rates spread, which pushed NII higher by 14.9% y/y, while fee and commission income growth accelerated to 9.9% in 2024, from only 3% y/y in 2023. The pace of administrative costs expansion remained under control, helping cost-to-income ratio to go down to 38.1%. At the same time, the combination of strong labor market and significant lending expansion helped the share of non-performing loans go down to just 3.4%, which was yet another positive record posted in 2024.

BNB has adopted requirements with respect to the indicators on lending standards for household mortgage loans. More specifically, the BNB has required that the ratio between the loan amount and the value of the immovable property at origination shall not exceed 85%. The ratio between the current debt service amount and the monthly disposable income of the debtor shall not exceed 50%, while, at the same time, the maximum term of the loan agreement shall not exceed 30 years. The BNB's decision to introduce these requirements represents a subsequent stage of the formalized process of evaluation of real estate lending related risks. Importantly, the BNB underscored that there is no worsening in the weighted-average lending standards applied by the local banks as well as that the activated requirements are of a preventive nature and are targeted to preserve the resilience of the banking system in the context of increasing medium-term cyclical risks.

Against this very positive backdrop, 2024 is set to go down in history books as the strongest year in the modern history of 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 19.1% last year, is perhaps the strongest single piece of evidence that the sector is set to remain attractive for private capital looking ahead.

Net profit (BGN mn)



Source: Bulgarian National Bank, UniCredit Bulbank

BULGARIAN ECONOMY IN 2024 (continued)

BANKING SYSTEM KEY FIGURES	2024	2023	2022	2021	2020	CHANGE 2024/2023
INCOME STATEMENT (BGN MILLION)						
Operating income	7 885	6 912	5 276	4 452	4 162	14.1%
incl. Net interest income	5 566	4 846	3 227	2 757	2 649	14.9%
incl. Net non-interest income	2 319	2 066	2 049	1 695	1 513	12.2%
Operating costs	3 007	2 705	2 448	2 215	2 264	11.2%
Operating profit	4 878	4 207	2 827	2 237	1 898	15.9%
Provisions (net)	614	444	588	661	991	38.3%
Pre-tax profit	4 264	3 763	2 239	1 576	907	13.3%
Net profit	3 695	3 417	2 079	1 416	815	8.1%
BALANCE SHEET (BGN MILLION)						
Total assets	191 611	172 075	155 406	135 410	124 006	11.4%
Loans to customers (incl. non-residents)	110 609	97 394	86 081	75 875	69 500	13.6%
thereof: Non-performing loans	3 807	3 853	4 447	4 969	5 711	(1.2%)
Deposits from customers (incl. non-residents)	148 935	136 768	126 197	109 356	100 671	8.9%
Shareholders' equity	23 155	20 019	17 281	16 607	15 352	15.7%
KEY PERFORMANCE INDICATORS (%)						
Loans-to-Deposits ratio (on residents)	72.4	69.2	67.4	68.6	68.8	+3.2 pp
Cost / Income ratio	38.1	39.1	46.4	49.7	54.4	(1.0 pp)
NPE ratio	3.4	4.0	5.2	6.5	8.2	(0.6 pp)
Cost of Risk[1]	0.6	0.5	0.8	1.0	1.5	+0.1 pp
ROAE (after tax)	17.2	18.3	12.3	8.9	5.5	(1.1 pp)
ROAA (after tax)	2.1	2.1	1.4	1.1	0.7	(0.0 pp)
RESOURCES (NUMBER, EOP)						
Acting commercial banks at the end of the period	23	23	25	25	24	0

Source: Bulgarian National Bank

[1] Provisions flow / Avg gross loans

MARKET POSITIONING

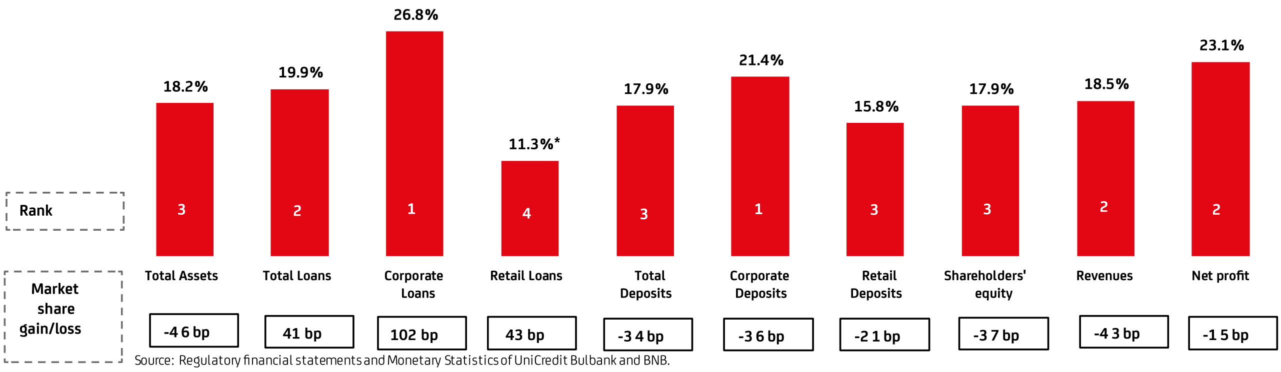
Being the only one bank growing fully organically in the past decade (DSK, UBB and Postbank all participated in M&A), **UniCredit Bulbank** successfully managed to preserve its **leading position** on the Bulgarian banking market closing 2024 as **market leader** in corporate, **the most active lender** (vs main peers y/y) in both Corporate and Retail and **the most efficient Bank** (keeping the lowest Cost / Income ratio) **in Bulgaria** generating roughly ¼ of Banking System's 2024 Net profit, thus **outperforming the banking system** in key profitability indicators for another year in a row.

UniCredit Bulbank continued to be **one of the best liquid and capitalized banks** (CET 1 at 19.6% - stand-alone) supported by a **record Net Profit** at BGN 947.2 mln, growth of 17.4% 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 Loans, and marked **better y/y improvement** of Cost/Income ratio compared to the Banking System.

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**, decreasing NPE ratio, 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.
*17.3% market share or third position if including the business, generated mainly through the Bank's subsidiary, specialized in consumer financing UCFin

Serving more than 1 million customers through a branch network of 125 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 2024 in **Total Assets**, UCB achieved 18.2% market share, (+8.6% y/y vs growth of 11.4% for the Banking System) while in **Shareholders' Equity** market share at 17.9% (+13.3% y/y vs growth of 15.7% for the Banking System).

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 19.9% in Total Gross Loans (or 20.2% if including the business, generated mainly through the Bank's subsidiary specialized in consumer financing – UniCredit Consumer Financing (UCFin).

Real GDP in 2024 is estimated to consolidate at around 2.3% y/y. Both Banking System and UCB achieved a positive y/y lending growth above the level of GDP (lending growth of 14.4% for Banking System vs growth of 16.8% for UniCredit Bulbank).

From a commercial perspective, in 2024 **the Bank achieved the highest ever new volume production**.

In **Corporate Loans** sector UCB continues to be absolute **market leader** with 26.8% 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 (21.6% market share as of Dec'24, growth of 32bps 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 23.3% y/y vs growth of 20.7% for Banking System (+36bps to 17.3% market share, **the highest ever** after **36 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. **UCB** achieved growth of 26.7% y/y in **Mortgage Loans** achieving market share of 19.6% 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 18.9% y/y vs growth of 12.9% for Banking System (+75bps to 14.9% market share). In 2024, the Bank achieved **the best ever** new loans volumes production of consumer and mortgage loans.

In 2024 **UCB** continues to be amongst **the most trusted banks on the Deposit market**, achieving a moderate growth of 7.3% y/y (market share at 17.9%).

In **Retail deposits** the Bank recorded growth of 10.3% y/y vs growth of 11.8% for the market, market share at 15.8%, -21bps 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 21.4% (-36bps y/y) keeping its distinguished position vs the second largest competitor at almost BGN 2 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 all peers (26.5% for UCB, incl. UCFin business vs 35.8% for the Market, incl. UCFin business).

Although the challenging market environment, UniCredit Bulbank kept its market share in Revenues stable at 18.5%, **above** the market share in Total Assets at 18.2% while market share in Gross Operating Profit reached 21.2%.

With a **Net Profit of BGN 947.2 mln**, the Bank accumulated almost 1/4 from Banking System's 2024 Net Profit for another year in a row (23.1% market share), **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 geopolitical tensions and conflicts, and ongoing consolidation of Bulgarian banking sector, UniCredit Bulbank successfully managed to strengthen its profitability reaching a growth of 17.4% y/y in Net profit, thanks to better performance in almost all revenue lines.

The focus on creating positive customer experience, digitalization, diversifying the product and service's offers, building lean processes along with its excellent reputation helped **UniCredit Bulbank to mark another year of success.**

In 2024 **Operating income** increased by 17.8% over 2023, amounting to BGN 1 432 mln, growing organically with main contributors net interest income, net fees and commissions and dividend income.

A significant source of operating income growth is coming from **Net interest income** at BGN 775.9 mln with increase of 9.6% y/y, supported by growth in lending volumes and higher income from securities, partially offset by the higher MREL costs and the gradual increase in deposits' rates.

Net fees and commission income (BGN 315.4 mln), up by 12.3 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 and brokerage services and Investment fees. The growth was triggered by increased economic activity in the country, by dedicated commercial actions of business divisions especially on high value added financial services areas (trade finance, investment products, corporate finance advisory, etc.) and launching the OneMarket platform for AuM products.

Net gains on financial assets and liabilities held for trading and hedging derivatives (incl. FX revaluation) also increased by 10.7% y/y to BGN 151.8 mln, due to higher net income from derivative instruments, while **Dividends and net gains/(losses) from financial assets mandatorily at fair value and at fair value through other comprehensive income** reported an increase by 72.2% y/y, mainly in income from dividends.

Other operating income/expense, net are in the amount of BGN 1.4 mln, where the main contributor in 2024 is the increase in other income, partially offset by the increase in expenses for the Deposit guarantee fund and Resolution and restructuring fund annual contribution.

Operating expenses (BGN -364.7 mln) increased by 4.2% y/y, coming from: staff expenses, related to inflation salary adjustments, selective salary review and additional social payments; 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 functionalities and some additional regulatory and mandatory costs.

In thousands of BGN

INCOME STATEMENT	YEAR		CHANGE	
	2024	2023	%	AMOUNT
Net interest income	775 891	708 057	9.6%	67 834
Net fee and commission income	315 405	280 932	12.3%	34 473
Net gains on financial assets and liabilities held for trading and hedging derivatives	151 845	137 111	10.7%	14 734
Dividend income and net gains from financial assets MFVPL and at FVTOCI	187 298	108 763	72.2%	78 535
Other operating income/expenses, net	1 422	(18 913)	107.5%	20 335
OPERATING INCOME	**1 431 861**	**1 215 950**	**17.8%**	**215 911**
Operating expenses	(364 674)	(349 932)	4.2%	(14 742)
GROSS OPERATING PROFIT	**1 067 187**	**866 018**	**23.2%**	**201 169**
Net impairment (loss)/reversal on financial assets	(9 253)	20 437	(145.3%)	(29 690)
Provisions for risk and charges	16 797	(2 660)	n.m.	19 457
Income from property, plant and equipment	179	(1)	n.m.	180
Income tax expense	(127 666)	(77 099)	65.6%	(50 567)
NET PROFIT	**947 244**	**806 695**	**17.4%**	**140 549**

Unconsolidated Financial Results (continued)

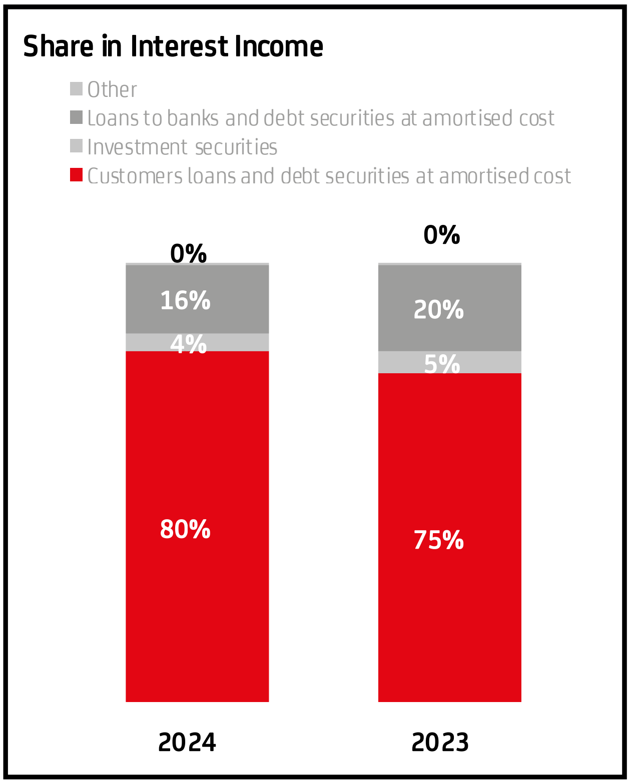
In line with the trend in Operating income, **Gross operating profit** rose by 23.2% to BGN 1 067.2 mln.

As of December 2024 **Net Impairment (loss)/reversal on financial assets** is at amount of BGN - 9.3 mln, higher y/y mainly due to lower CoR in 2023, driven by releases from recoveries in NPE portfolio in a favorable macro environment.

At the end of 2024 **Provisions for risk and charges** represented a positive amount of BGN 16.8 mln and the main driver is the release on provisions for some old legal cases.

REVENUE STRUCTURE	YEAR	
	2024	2023
Net interest income	54%	58%
Net fee and commission income	22%	23%
Net income from dividends, trading income, hedging derivatives and investment securities and other net operating income/expenses	24%	19%

In 2024 **Net interest income** remained the **major item in revenues composition** for UniCredit Bulbank, with share of 54% (58% in 2023). However, the share of non-interest income increase to 46% in 2024 vs 42% in 2023.



Interest income calculated using the effective interest method (BGN 934.1 mln) increased by 16.4% 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 at amortized cost** (BGN 747.2 mln) increased by 24.0% y/y, while **interest income from investment securities** (BGN 40.5 mln) remained flat y/y and accounted for 4% from interest income (vs 5% in 2023). In 2024 **interest income from loans and advances to banks and debt securities** decreased to BGN 146.4 mln at the end of the year and marked 16% from interest income (compared to 20% in 2023).

Interest expenses (BGN -158.3 mln) increased by 67.0% y/y, where the main contributor is the y/y increase in **interest expense on issued debt securities** (BGN -95.1 mln in 2024, representing 60% of total interest expenses vs 56% for 2023). **Interest expenses on deposits from customers** (BGN -17.7 mln) and **Interest expense on deposits from banks** (BGN -40.8 mln) also reported an annual growth and respectfully at the end of 2024 accounted for 11% (9% for 2023) and 26% (33% for 2023) of total interest expenses. **Interest expenses on derivatives used for hedging** (BGN -4.7 mln) reaching a share in total interest expenses of 3% (1% in 2023).

In 2024 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 accounted for 22% of total operating income and recorded a growth of 12.3% y/y. Fees on accounts services and packages rise by 13.5% y/y. Net fees from financial and brokerage services marked 13.3% y/y growth and net fee for collection and payment services stated 4.0% y/y growth. Other net fees and commissions (BGN 49.1 mln) increased by 33.6% y/y.

Operating expenses increased annually by 4.2%, which is driven by: a growth of 5.0% y/y for **personnel costs** (reaching BGN -186.9 mln), in line with the general labor market trends for inflation salary review and additional social payments adjustments; **General and administrative expenses** (BGN -121.1 mln) increased by 7.7% y/y, as above stated mainly due to higher ICT expenses and some additional regulatory and mandatory costs. **Expenses for amortization, depreciation and impairment losses on tangible and intangible fixed assets, investment properties and assets held for sale** drop by 4.8% y/y to BGN –56.7 mln.

At the end of 2024 NPE ratio decreased to 2.3%, 0.27 pp better vs. a year ago (2.5%). NPE coverage ratio reported 71.4% (75.9% in 2023).

Profit before tax recorded a positive development of 21.6% y/y,

Unconsolidated Financial Results (continued)

In thousands of BGN

STATEMENT OF FINANCIAL POSITION STRUCTURE	YEAR		CHANGE	
	2024	2023	%	AMOUNT
ASSETS				
Cash and balances with Central Bank	5 755 504	6 069 757	(5.2%)	(314 253)
Investment securities and non-derivative financial assets held for trading	2 359 131	2 193 660	7.5%	165 471
Derivatives held for trading and held for hedging	166 563	177 868	(6.4%)	(11 305)
Loans and advances to banks and debt securities at amortised cost	2 478 542	2 787 613	(11.1%)	(309 071)
Loans and advances to customers and debt securities, net	23 605 471	20 397 934	15.7%	3 207 537
Property, plant, equipment, right of use assets and investment properties	235 282	234 426	0.4%	856
Intangible assets and other assets	296 361	263 241	12.6%	33 120
TOTAL ASSETS	**34 896 854**	**32 124 499**	**8.6%**	**2 772 355**
LIABILITIES AND EQUITY				
Deposits from banks	2 088 730	1 583 312	31.9%	505 418
Deposits from customers and other financial liabilities at amortized cost	26 418 924	24 863 665	6.3%	1 555 259
Financial liabilities held for trading, derivatives used for hedging and fair value changes of the hedged items	215 199	244 706	(12.1%)	(29 507)
Debt sequrities issued	1 743 506	1 401 400	24.4%	342 106
Other liabilities	279 814	369 401	(24.3%)	(89 587)
TOTAL LIABILITIES	**30 746 173**	**28 462 484**	**8.0%**	**2 283 689**
SHAREHOLDERS' EQUITY	**4 150 681**	**3 662 015**	**13.3%**	**488 666**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**34 896 854**	**32 124 499**	**8.6%**	**2 772 355**

reaching BGN 1 074.9 mln and as a result **Net profit after tax** reached BGN 947.2 mln (+17.4% 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 8.6% y/y, reaching BGN 34 897 mln. In 2024 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 (+6.3% y/y). However, on the assets side a significant increase of net customer loans and debt securities was recorded (+15.7%), reinforced by investment securities and non-derivative financial assets held for trading.

Net loans and advances to customers, incl. debt securities increased to BGN 23 605 mln, primarily component related to net loans and advances to customers at amortized costs (almost 17% 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 (68%, + 4.1 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) increased to BGN 2 359 mln, (7.5% y/y) and retained their share in total assets of 7%. The majority part of portfolio comprised of Bulgarian government bonds.

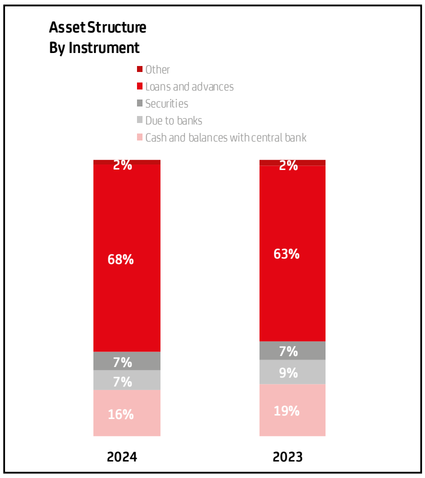
In 2024 **Net loans and advances to banks and debt securities at amortised cost** marked a decrease of -11.1% y/y to BGN 2 479 mln and at the end of 2024 this position represented 7% of total assets.

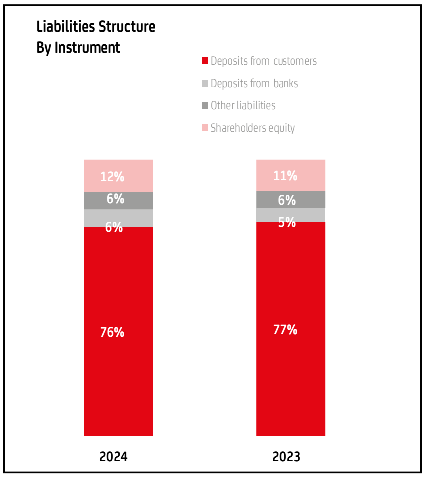
Intangible assets and other assets are at the amount of BGN 296 mln (1% share of total asset) and comprise of other items on the asset side of the statement of financial position, such as intangible assets, investments in subsidiaries and associates, other assets, mainly receivables and prepayments, and foreclosed properties.

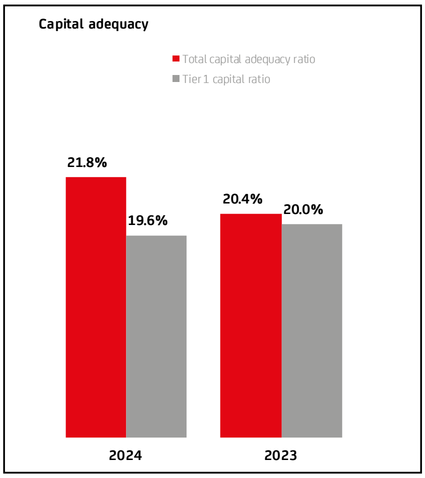
Customer deposits and other financial liabilities at amortized cost reached BGN 26 419 mln and kept their very high share in total liabilities (excl. equity) of 86%. Thus, the Bank affirms its self-funding profile. Taking advantage of its strong market position and impeccable reputation, UniCredit Bulbank achieved growth in customer deposits of 6.3% y/y, in both segments Retail and Corporate. In 2024 **Net loans/deposits ratio** increased to 89% (82% in 2023).

Deposits from banks at the amount of BGN 2 089 mln, remaining with insignificant share in total liabilities (7% in 2024 vs 6% in 2023).

Unconsolidated Financial Results (continued)







Shareholders' equity reached BGN 4 151 mln, with 12% share in total liabilities and equity and increase of 13.3% y/y.

In compliance with Basel III (CRD IV) regulatory framework, in 2024 UniCredit Bulbank fulfilled **with significant excess** the minimum requirements including regulatory buffers for total capital adequacy ratio and for Tier 1 ratio. The **total capital adequacy ratio registered 21.8%** and **Tier 1 ratio reached 19.6%**. The comparable levels of total and Tier I capital adequacy indicate the **high quality of the capital instruments**.

Unconsolidated Financial Results (continued)

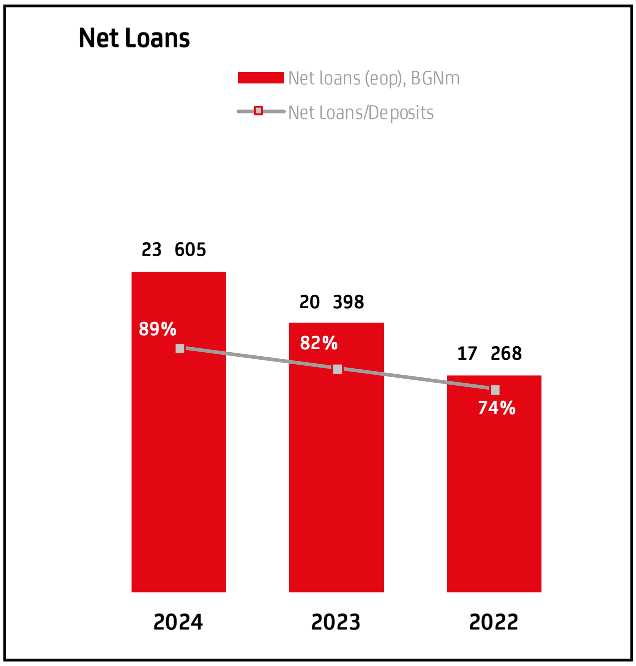
Customer Loans

While managing to be one of the most active Bank on the loans market in 2024 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 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.

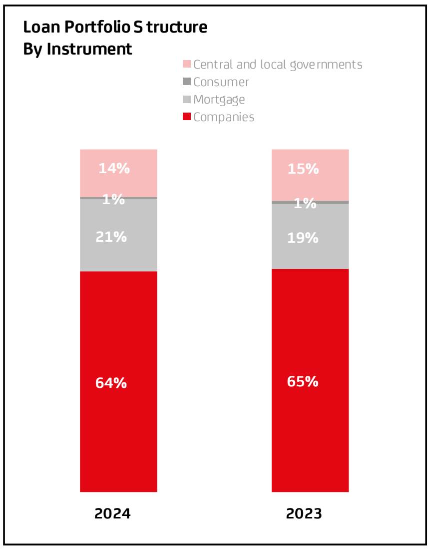
UniCredit Bulbank affirmed its market position among Top 3 banks with **net customer loans, incl. debt securities** at the amount of BGN 23 605 mln and **gross customer loans, incl. debt securities,** amounting to BGN 24 309 mln. The Bank continued to be one of the biggest players on the Bulgarian lending market with a share of 19.9%.

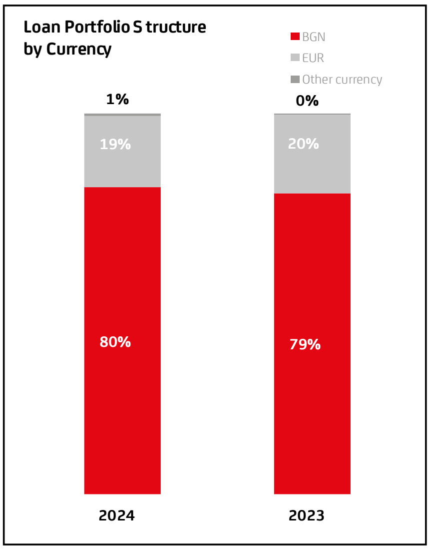
Loans to companies and central and local government represented the largest portion (78%) of the Bank's loan portfolio and amounted to BGN 18 985 mln, up by 12.7% y/y. With regard to corporate customers, the Bank is indisputable leader and continuously facilitated sound businesses initiatives and profitable 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 5 324 mln, rose by 25.6% y/y, representing 22% share of total loans. In 2024 mortgage loans marked a positive trend of 26.6% y/y, reaching BGN 5 106 mln. Their share in loans to individuals increased to 96% (21% share in total gross loans and advances to customers and debt securities at amortized cost).

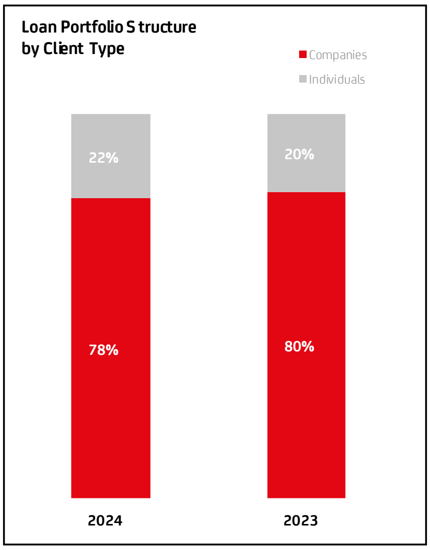
At the end of 2024 loans and advances to customers at amortized cost in BGN grew by 18.5% y/y and keeping their share at 80% of Bank's gross loan portfolio. The share of loans in EUR stayed at 19% in the end of 2024, while the loans in other currencies remained immaterial with less than 1% share.



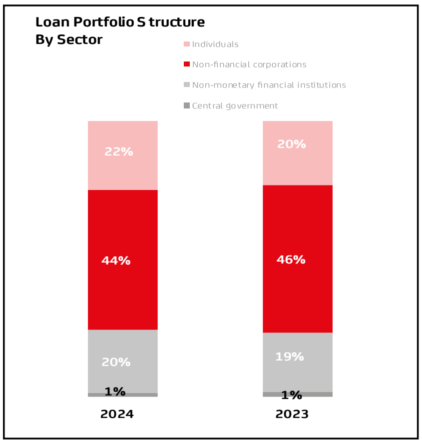
Regarding the **structure by economic sectors**, over the course of the past 12 months, loans granted to non-financial corporations represented the largest portion in the total loans volume. They took the share of 44%, while the loans to non-monetary financial institutions increased its share to 20%. The share of loans to individuals represented 22% of total loans portfolio, while the loans to central government remained at 1% in 2024.







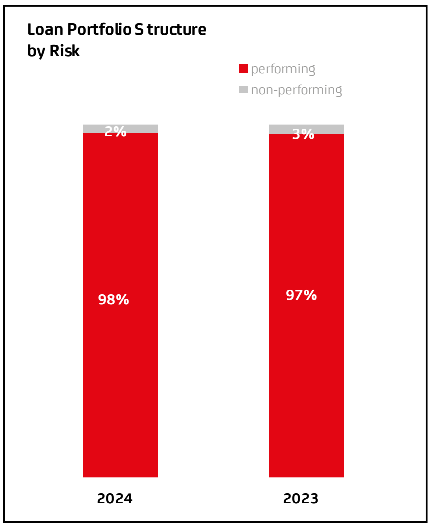
Unconsolidated Financial Results (continued)

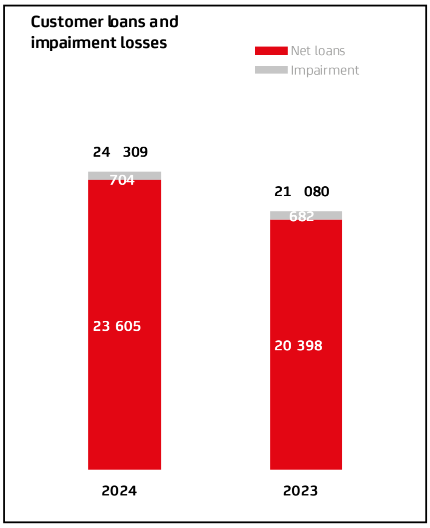


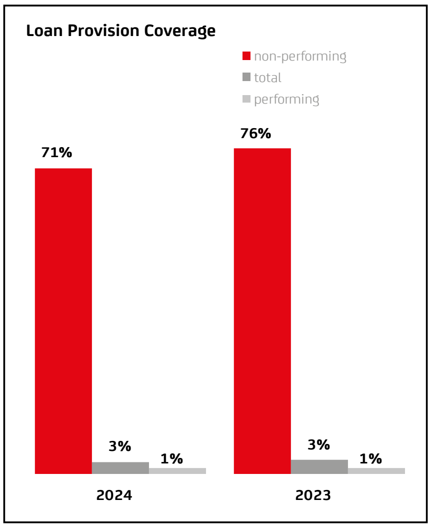
Despite the challenging macroeconomic scenario the Bank continued to pursue its strategic goals related to **assets quality**. Benefitting from a continued disciplined risk approach the performing loans portfolio stayed at 98% (+15.6% y/y growth) and amounted to BGN 23 757 mln. On the other hand, the share of non-performing loans decreased to 2% and reported BGN 552 mln.

As of December 2024 the Bank reported NPE ratio at 2.3%. The loan loss provision coverage of non-performing exposures decreased by 449 bp and stated 71.4%. Total loan loss impairment allowances increase by 3.2% on an annual basis and reached BGN 704 mln. Total coverage ratio is set at 2.9% (3.2% for 2023).

In terms of industry structure at the end of 2024 the most significant growth in share was achieved by sector Financial services (increase by BGN 842 mln y/y), followed by Manufacturing (BGN 452 mln). In line with the Bank's strategy, Housing loans registered an increase by 26.6% y/y. At the end of 2024 the largest areas of concentration were Financial services (20%), Manufacturing (14%), Sovereign (14%) and Housing loans (21%).







Thousands of BGN

INDUSTRY STRUCTURE	2024		2023	
	AMOUNT	SHARE	AMOUNT	SHARE
Financial services	4 947 947	20%	4 105 762	19%
Manufacturing	3 412 915	14%	2 960 485	14%
Sovereign	3 365 849	14%	3 145 899	15%
Commerce	3 014 179	12%	2 802 024	13%
Construction and real estate	2 064 474	8%	1 788 294	8%
Transport and communication	724 515	3%	681 615	3%
Services	582 259	2%	481 540	2%
Agriculture and forestry	534 667	2%	503 543	2%
Tourism	339 858	1%	372 058	2%
Retail (individuals)	**5 324 311**	**22%**	**4 240 632**	**20%**
Housing loans	5 105 552	21%	4 032 518	19%
Consumer loans	129 771	1%	136 378	1%
Other	88 988	0%	71 736	0%
TOTAL LOAN PORTFOLIO	24 310 974	100%	21 081 852	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 **17.9% market share** leveraging on its distinguished reliability and faithfulness.

In 2024 UniCredit Bulbank's **Deposits from customers and other financial liabilities at amortized cost** grew by 6.3% y/y to BGN 26 419 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 from individuals had an upward momentum of 10.0% y/y, ending 2024 at BGN 14 441 mln and the company's deposits (incl. budget and state deposits, leases and factoring related liabilities) remained stable, with an increase of 2.0% y/y to BGN 11 978 mln. In 2024 the share of Individuals deposits reported 55% in customer deposits, compared to 45% share of deposits from companies, signaling once again the solid funding profile of UniCredit Bulbank with well-diversified and stable deposits franchise.

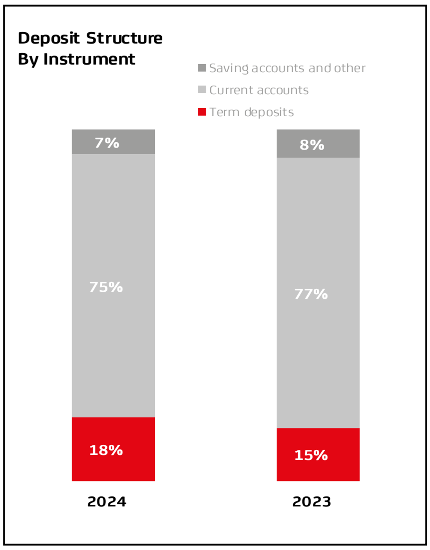
With regard to the **product structure**, current accounts increased by 4.1% y/y with share at 75% year-end. Term deposits significantly increased by 25.8% y/y and extanded its share in total funds to 18%. Saving and other accounts remained with 7% share close to prior year level.

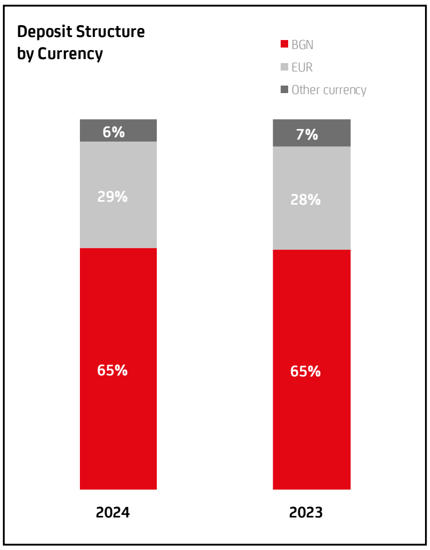
In terms of **currency distribution,** the structure of deposits remained balanced, 65% share of BGN denominated deposits vs 35% in EUR and other currencies. The growth of the deposit base is predominantly driven by BGN denominated deposits which increased by 7.2% y/y, while those in other currencies grew by 4.8% y/y.

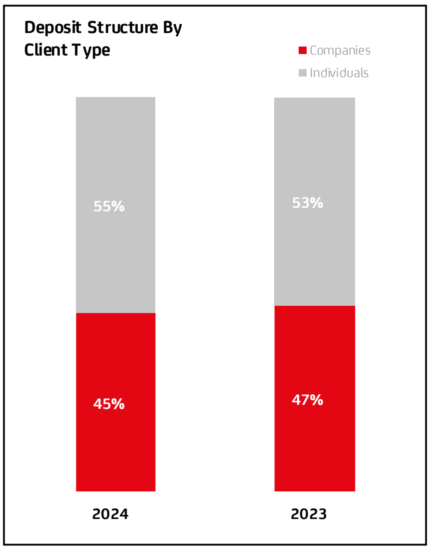
Following customer behavior trends, the Bank continuously enriched its product portfolio. Besides the standard deposits, a variety of long-term investment and saving solutions are offered to customers, such as structured deposits, mutual funds, life insurances and pension funds of Allianz, OneMarket funds (investment solutions offered to UniCredit customers, combining products developed inhouse and via strategic partnership with leading asset managers like BlackRock, PIMCO, J.P. Morgan, and Fidelity).

Events after the reporting period

There are no significant events after the reporting period with effect on the financial statements as of December 31, 2024.







Consolidated Financial Results

As of 31 December 2024 UniCredit Bulbank's subsidiaries and associates (UniCredit Bulbank Group, the Group), their consolidation method and the respective participation in their equity are as follows:

COMPANY	PARTICIPATION IN EQUITY	CONSOLIDATION METHOD
UniCredit Consumer Financing EAD	100.0%	Full consolidation
UniCredit Leasing Group	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 2024 marked BGN 837.5 mln, reaching a growth of 6% y/y, driven by better performance in almost 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 2024 **Operating income** increased by 12.8% over 2023, amounting to BGN 1 477 mln, growing organically with main contributors net interest income amd net fees and commissions.

The major source of operating income growth was **Net interest income** at BGN 993.2 mln with increase by 11.5% y/y, supported by growth in lending volumes and higher income from securities, partially offset by the higher MREL costs and the gradual increase in deposits' rates.

Net fees and commission income (BGN 321.7 mln), up by 12.5% 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 and brokerage services and Investment fees. The growth was triggered by increased economic activity in the country, by dedicated commercial actions of business divisions especially on high value added financial services areas (trade finance, investment products, corporate finance advisory, etc.) and launching the OneMarket platform for AuM products.

Net gains on financial assets and liabilities held for trading and hedging derivatives (incl. FX revaluation) also increased by 10.7% y/y to BGN 151.8 mln, due to higher net income from derivative instruments, 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 of BGN -22.0 mln, mainly losses from financial assets measured at FVTOCI.

Other operating income/expense, net are at the amount of BGN 32.2 mln, where the main contributor in 2024 is the increase in other income, partially offset by the increase in expenses for the Deposit guarantee fund and Resolution and restructuring fund annual contribution.

Operating expenses (BGN -427.7 mln) increased by 4.9% y/y, coming from: staff expenses, related to inflation salary adjustments, selective salary review and additional social payments; 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

In thousands of BGN

INCOME STATEMENT	YEAR		CHANGE	
	2024	2023	%	AMOUNT
Net interest income	993 165	890 804	11.5%	102 361
Net fee and commission income	321 655	285 905	12.5%	35 750
Net gains on financial assets and liabilities held for trading and hedging derivatives	151 844	137 111	10.7%	14 733
Dividend income and net gains from financial assets MFVPL and at FVTOCI	(22 146)	(108)	n.m.	(22 038)
Other operating income/expenses, net	32 212	(5 111)	730.2%	37 323
OPERATING INCOME	**1 476 730**	**1 308 601**	**12.8%**	**168 129**
Operating expenses	(427 665)	(407 647)	4.9%	(20 018)
GROSS OPERATING PROFIT	**1 049 065**	**900 954**	**16.4%**	**148 111**
Net impairment (loss)/reversal on financial assets	(84 260)	(22 243)	278.8%	(62 017)
Provisions for risk and charges	18 771	(1 071)	n.m.	19 842
Income from property, plant and equipment	156	22	n.m.	134
Income tax expense	(146 210)	(87 778)	66.6%	(58 432)
NET PROFIT	**837 522**	**789 884**	**6.0%**	**47 638**

Consolidated Financial Results (continued)

functionalities and some additional regulatory and mandatory costs.

In line with the trend in Operating income, **Gross operating profit** rose by 16.4% to BGN 1 049.1 mln.

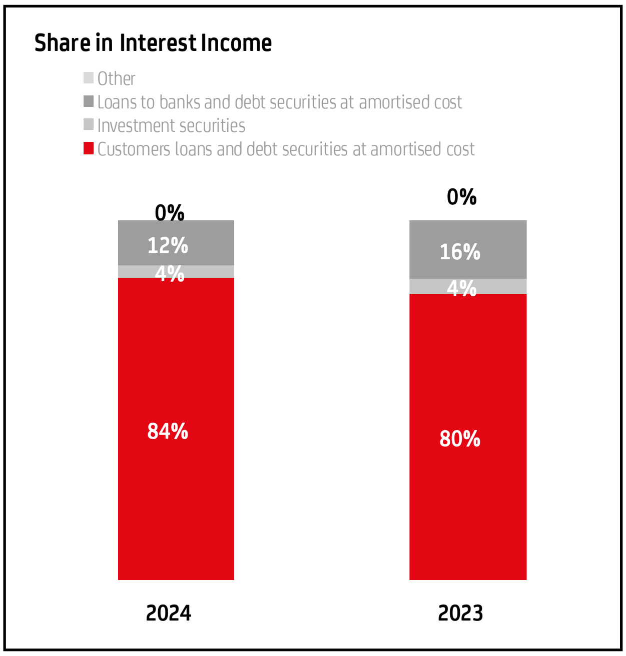
As of December 2024 **Net Impairment loss on financial assets** is at amount of BGN – 84.3 mln, higher y/y mainly due to lower CoR in prior 2023, driven by releases from recoveries in NPE portfolio in a favorable macro environment.

At the end of 2024 **Provisions for risk and charges** represented a positive amount of BGN 18.8 mln and the main driver is the release on provisions for some old legal cases.

REVENUE STRUCTURE	YEAR	
	2024	2023
Net interest income	67%	68%
Net fee and commission income	22%	22%
Net income from dividends, trading income, hedging derivatives and investment securities and other net operating income/expenses	11%	10%
OPERATING INCOME	**100%**	**100%**

In 2024 **Net interest income** remained the **major item in revenues composition** for UniCredit Bulbank, with share of 67% (68% in 2023). However, the share of non-interest income increase to 33% in 2024 vs 32% in 2023.

Interest income calculated using the effective interest method (BGN 1 155.0 mln) increased by 16.8% y/y and is primarily earned from the lending business, which accounted for 84% 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 at amortized cost** (BGN 968.1 mln) increased by 22.8% y/y, while **interest income from investment securities** (BGN 40.5 mln) remained flat y/y and accounted for 4% from interest income. In 2024 **interest income from loans and advances to banks and debt securities** decreased to BGN 146.4 mln at the end of the year and marked 12% from interest income (compared to 16% in 2023).



Interest expenses (BGN -161.9 mln) increased by 65.3% y/y, where the main contributor is the y/y increase in **interest expense on issued debt securities** (BGN -95.1 mln in 2024, representing 59% of total interest expenses). **Interest expenses on deposits from customers** (BGN -20.5 mln) and **Interest expense on deposits from banks** (BGN -41.6 mln) also reported an annual growth and respectfully at the end of 2024 accounted for 13% (10% for 2023) and 26% (34% for 2023) of total interest expenses. **Interest expenses on derivatives used for hedging** (BGN -4.7 mln) reaching a share in total interest expenses of 3% (1% in 2023).

In 2024 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 accounted for 22% of total operating income and recorded a growth of 12.5% y/y. Fees on accounts services and packages rose by 13.5% y/y. Net fees from financial and brokerage services marked 15.1% y/y growth and net fee for collection and payment services stated 3.5% y/y growth. Other net fees and commissions increased by BGN 8.1 mln y/y.

Operating expenses rose annually by 4.9%, which is driven by: a growth of 4.9% y/y for **personnel costs** (reaching BGN -211.2 mln), in line with the general labor market trends for inflation salary review and additional social payments adjustments. **General and administrative expenses** (BGN -131.2 mln) increased by 8.7% y/y, as above stated mainly due to higher ICT expenses and some additional regulatory and mandatory costs. **Expenses for amortization, depreciation and impairment losses on tangible and intangible fixed assets, investment properties and assets held for sale** drop by 0.4% y/y to BGN –85.3 mln.

At the end of 2024 NPE ratio decreased to 2.8%, 0.2 pp better vs. a year ago (3.0%). NPE coverage ratio reported 69.4% (74.2% in 2023).

Consolidated Financial Results (continued)

Profit before tax recorded a positive development of 12.1% y/y, reaching BGN 983.7 mln and as a result **Net profit after tax** reached BGN 837.5 mln (+6.0% y/y).

Consolidated Assets and Liabilities

In terms of **Total assets** the Group recorded a growth of 8.2% y/y, reaching BGN 35 135 mln. In 2024 the trends for statement of financial position structure were driven by the Group's strategy for liquidity optimization and organic growth. Total assets development was supported by the increase in customer deposits (+6.3% y/y). However, on the assets side a significant increase of net customer loans, debt securities and finance lease was recorded (+15.0%), reinforced by investment securities and non-derivative financial assets held for trading.

Net loans and advances to customers, incl. debt securities and finance lease increased to BGN 23 756 mln, primarily in component related to net loans and advances to customers at amortized costs (almost 88% share of y/y growth). As a result, net loans and advances to customers, incl. debt securities and finance lease already constitute more than half (68%, + 4.0 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) increased to BGN 2 359 mln, (7.5% y/y) and retained their share in total assets of 7%. The majority part of portfolio comprised of Bulgarian government bonds.

In 2024 **Net loans and advances to banks and debt securities at amortised cost** marked a decrease of -11.1% y/y to BGN 2 479 mln and at the end of 2024 this position represented 7% of total assets.

Intangible assets and other assets are at the amount of BGN 264 mln (below 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, other assets, mainly receivables and prepayments, and foreclosed properties.

Customer deposits and other financial liabilities at amortized cost reached BGN 26 400 mln and kept their very high share in total liabilities (excl. equity) of 86%. Thus, the Bank affirms its self-funding profile. Taking advantage of its strong market position and impeccable reputation, UniCredit Group achieved growth in customer deposits of 6.3% y/y, in both segments Retail and Corporate. In 2024 **Net loans/deposits ratio** increased to 90% (83% in 2023).

Deposits from banks at the amount of BGN 2 096 mln, remaining with insignificant share in total liabilities (7% in 2024 vs 6% in 2023).

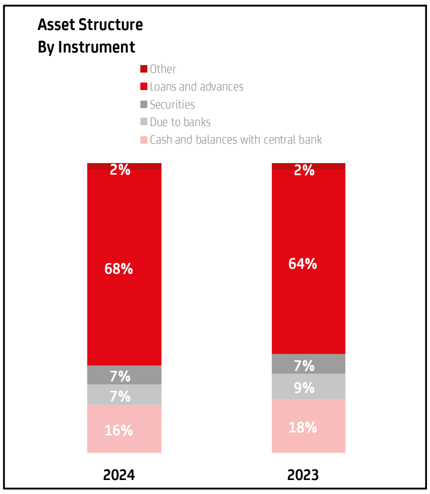
In thousands of BGN

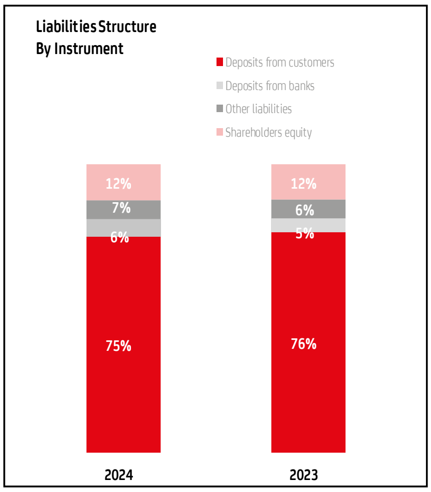
STATEMENT OF FINANCIAL POSITION STRUCTURE	YEAR		CHANGE	
	2024	2023	%	AMOUNT
ASSETS				
Cash and balances with Central Bank	5 755 504	6 069 757	(5.2%)	(314 253)
Investment securities and non-derivative financial assets held for trading	2 359 131	2 193 660	7.5%	165 471
Derivatives held for trading and held for hedging	166 563	177 868	(6.4%)	(11 305)
Loans and advances to banks and debt securities at amortised cost	2 478 542	2 787 613	(11.1%)	(309 071)
Loans and advances to customers, debt securities and finance lease (net)	23 755 940	20 653 219	15.0%	3 102 721
Property, plant, equipment, right of use assets and investment properties	355 284	349 994	1.5%	5 290
Intangible assets and other assets	263 631	227 901	15.7%	35 730
TOTAL ASSETS	**35 134 595**	**32 460 012**	**8.2%**	**2 674 583**
LIABILITIES AND EQUITY				
Deposits from banks	2 096 038	1 595 495	31.4%	500 543
Deposits from customers and other financial liabilities at amortized cost	26 399 550	24 827 068	6.3%	1 572 482
Financial liabilities held for trading, derivatives used for hedging and fair value changes of the hedged items	215 199	244 706	(12.1%)	(29 507)
Debt sequrities issued	1 743 506	1 401 400	24.4%	342 106
Other liabilities	332 032	421 926	(21.3%)	(89 894)
TOTAL LIABILITIES	**30 786 325**	**28 490 595**	**8.1%**	**2 295 730**
SHAREHOLDERS' EQUITY	**4 348 270**	**3 969 417**	**9.5%**	**378 853**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**35 134 595**	**32 460 012**	**8.2%**	**2 674 583**

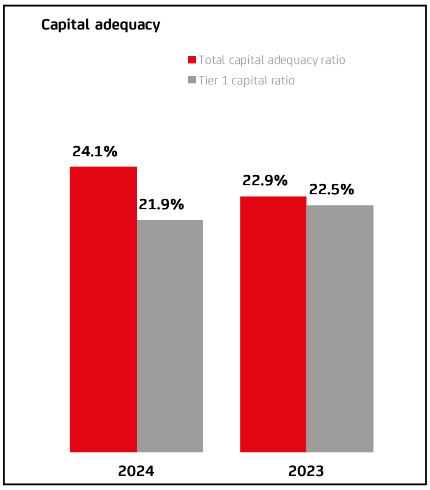
Consolidated Financial Results (continued)

Shareholders' equity reached BGN 4 348 mln, with 12% share in total liabilities and equity and increase of 9.5% y/y.

In compliance with Basel III (CRD IV) regulatory framework, in 2024 UniCredit Bulbank fulfilled **with significant excess** the minimum requirements including regulatory buffers for total capital adequacy ratio and for Tier 1 ratio. The **total capital adequacy ratio registered 24.1%** and **Tier 1 ratio reached 21.9%**. The comparable levels of total and Tier I capital adequacy indicate the **high quality of the capital instruments**.





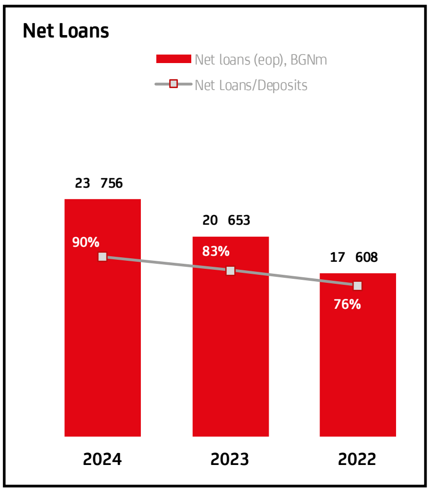


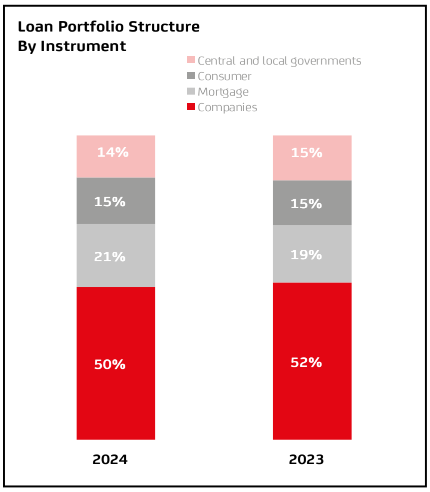
Customer Loans

While managing to be one of the most active bank on the loans market in 2024 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 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.

At the end of 2024 UniCredit Group reported **net customer loans, incl. debt securities and finance leases** at the amount of BGN 23 756 mln and **gross customer loans, incl. debt securities and finance leases,** amounting to BGN 24 631 mln.

Loans to companies and central and local government represented the largest portion (64%) of the Bank's loan portfolio and amounted to BGN 15 734 mln, up by 10.3% y/y. With regard to corporate customers, the Group 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 8 897 mln, rose by 23.4% y/y, representing 36% share of total loans. In 2024 mortgage loans marked a positive trend of 26.6% y/y, reaching BGN 5 106 mln. Their share in loans to individuals increased to 57% (21% share in total gross loans).



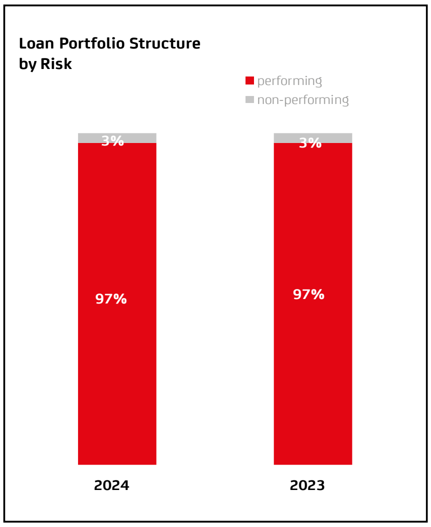


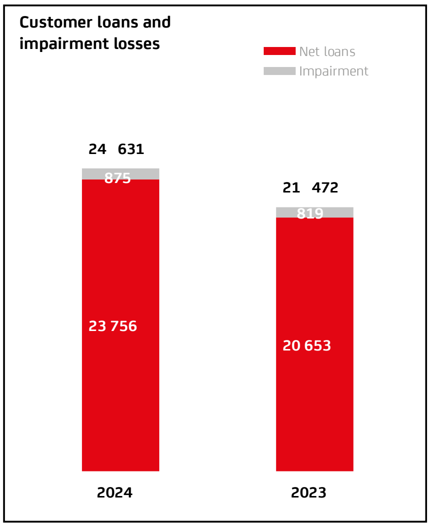
Consolidated Financial Results (continued)

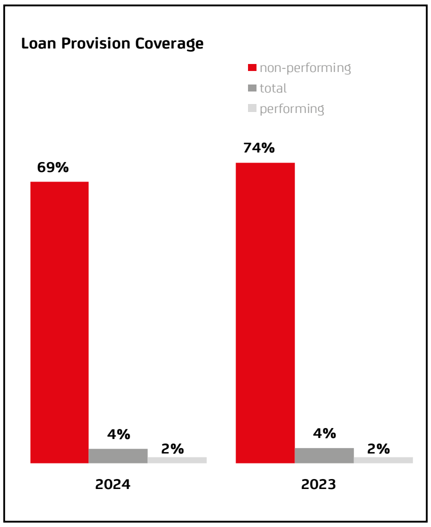
Despite the challenging macroeconomic scenario the Group continued to pursue its strategic goals related to **assets quality**. Benefitting from a continued disciplined risk approach the performing loans portfolio stayed at 97% (+14.9% y/y growth) and amounted to BGN 23 939 mln. On the other hand, the share of non-performing loans remained to 3% and reported BGN 692 mln.

As of December 2024 the reported NPE ratio is 2.8%. The loan loss provision coverage of non-performing exposures decreased by 480 bp and stated 69.4%. Total loan loss impairment increase by 6.8% on an annual basis and reached BGN 875 mln. Total coverage ratio is set at 3.6% (3.8% for 2023).

In terms of industry structure at the end of 2024 the most significant growth in share was achieved by sector Manufacturing (BGN 463 mln y/y) and Construction and RE (BGN 310 mln y/y. For 2024 the largest areas of concentration were Housing loans (21%), Manufacturing (15%), Sovereign (14%) and Commerce (14%).







Thousands of BGN

INDUSTRY STRUCTURE	2024		2023	
	AMOUNT	SHARE	AMOUNT	SHARE
Manufacturing	3 648 671	15%	3 185 874	15%
Sovereign	3 365 849	14%	3 145 899	15%
Commerce	3 350 469	14%	3 107 749	14%
Construction and real estate	2 190 023	9%	1 880 192	9%
Transport and communication	1 001 742	4%	910 919	4%
Agriculture and forestry	731 874	3%	720 923	3%
Services	668 609	3%	535 838	2%
Financial services	422 552	2%	387 927	2%
Tourism	351 050	1%	380 780	2%
Retail (individuals)	**8 901 970**	**36%**	**7 218 077**	**34%**
Housing loans	5 105 552	21%	4 032 518	19%
Consumer loans	3 446 211	14%	2 900 412	13%
Other	350 207	1%	285 147	1%
TOTAL LOAN PORTFOLIO	**24 632 809**	**100%**	**21 474 178**	**100%**

Consolidated Financial Results (continued)

Customer Deposits

UniCredit Group recorded another successful year in the field of attracting and managing funds.

In 2024 **Deposits from customers and other financial liabilities at amortized cost** grew by 6.3% y/y to BGN 26 400 mln supported by both Retail and Corporate segments, where the UniCredit continues to be one of the most trusted and preferred banks. UniCredit became the bank of choice for the individual clients and companies thanks to its undisputable safety and stability as well as excellent reputation.

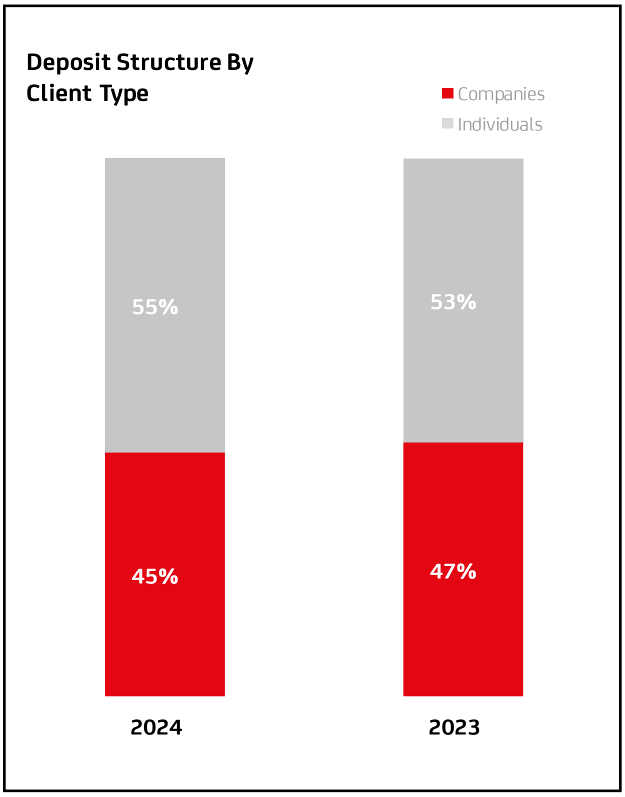
In terms of **clients type**, deposits from individuals had an upward momentum of 10.0% y/y, ending 2024 at BGN 14 441 mln and the company's deposits (incl. budget and state deposits, leases and factoring related liabilities) remained stable, with an increase of 2.2% y/y to BGN 11 959 mln. In 2024 the share of Individuals deposits reported 55% in customer deposits, compared to 45% share of deposits from companies, signaling once again the solid funding profile of UniCredit with well-diversified and stable deposits franchise.

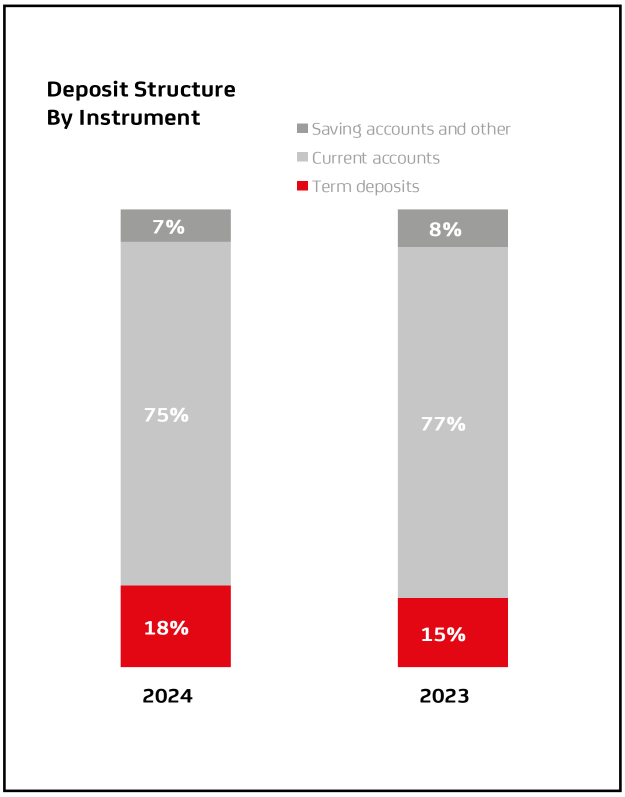
With regard to the **product structure**, current accounts increased by 4.1% y/y with share at 75% year-end. Term deposits significantly increased by 25.8% y/y and extanded its share in total funds to 18%. Saving and other accounts remained with 7% share.

Following customer behavior trends, the Group continuously enriched its product portfolio. Besides the standard deposits, a variety of long-term investment and saving solutions are offered, such as structured deposits, mutual funds, life insurances and pension funds of Allianz, OneMarket funds (investment solutions offered to UniCredit customers, combining products developed inhouse and via strategic partnership with leading asset managers like BlackRock, PIMCO, J.P. Morgan, and Fidelity).

Events after the reporting period

There are no significant events after the reporting period with effect on the financial statements as of December 31, 2024.





Risk Management

Credit Risk

In 2024 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 on-going conflicts in Ukraine and Middle East, trade tensions between major economies and potential evolution of inflation. This is also reflected in the UniCredit adverse economic scenario which foresees worsening of some indicators such as GDPs growth– mainly due to US election-related impacts – Global trade and economic growth impact from US tariff, US foreign policy also in relation to US military and economic support to Ukraine, FX fluctuations depending on the evolution of inflation, rates and economic growth across countries, Market forward rates volatility impacted by US elections results, as well as commodity prices and developments in the Middle East and disruption to trade flow.

Given the situation depicted above Geo-political management overlay already accumulated in 2022 and Commercial Real Estate Overlay in 2023 have been reviewed and re-scaled with the growth of the Portfolio to ensure addressing potential risks in the most affected industry sectors. As of 31 December 2024 the Geo-political overlay amounts of BGN 149.7 mln, and the CREF (Commercial Real Estate Financing) overlay amounts to BGN 10.8 mln.

In addition to this, the overlays have been introduced considering that the current IFRS 9 core model framework does not specialize the forward-looking information by industry sectors in a context where the novel risks arisen within 2022-2023 in terms of geo-political context and real estate market should have produced expected asymmetric effects across different sectors.

As of 31 Dec. 2024, two years have passed from Geo-Political overlays adoption and 1 year from CREF one, thus staying currently still within the 3-year horizon of initial projection falling on 2025 for Geo-Political Overlays and 2026 for CREF overlays. In addition to this, the Group is under the assessment phase of possible evolution of the IFRS9 core model framework, specializing the forward-looking component by industry sectors, relying on sector-based scenarios. Such methodological evolution, in 2024-end adopted specifically for Climate & Environmental Risks thus including only climate-based scenarios, could not be possible before 2025-2026 thus supporting the maintenance of the overlays in 2024 to recognize a sector-based specialization into the ultimate LLP quantification.

The overall annual growth of the customer loan portfolio (not including debt securities at amortized cost) is 15.8%, out of which 10.9% in Corporate and 23.4% in Retail segments. Main focus are renewable energy projects and construction in Corporate segment and mortgage lending to Private individuals in Retail segment. The overall level of impaired loans (NPE ratio) is decreasing to 2.8% 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.

In the course of the year a review on the Stage 2 has been undertaken to ensure no impact on the asset quality is expected, the triggers have been reviewed for relevance, Gas Spill Over impacted customer showed resilience over the period of the conflict have been also removed from the watch lists, thus the Banks stage 2 share contracted by 474 bps from 22.5% to 17.8%..

In terms of cost of risk ratio the Bank is recording relative small net charge for the whole year, mainly related to good recovery of old NPE cases and their transfer back to performing portfolio. The loan loss provision coverage is at a comfortable level for both portfolios – performing and non-performing.

The Bank has initiated a more sophisticated process towards periodically review of the collateral value for residential real estate properties in order to ensure a regular update. One-off impact on collateral value update (BGN 12.4 mln ECL uplift), mainly over loans originated before 2021 where the market value of the collaterals haven't been reviewed since the loan inception.

According to Group methodological standards for IFRS 9 ECL modeling the Bank has to assure inclusion of overdue amounts in the EAD (Overdue factor) for LLP estimation purposes. In the first year-half modeling team has performed simulation according Group methodology and the overall estimated impact on additional LLP's in the amount of BGN 5.3 mln is booked as post model adjustment.

In fourth quarter of 2024 UniCredit Bulbank has introduced Climate & Environmental risks. The impact on the Expected Credit Loss related to these risks is respectively BGN 15.5 mln for Transitional risk and BGN 6.3 mln for Physical risk. The part related to Transitional risk is in production and the part related to Physical risk is booked as post model adjustment.

Maintenance of LGD management overlay in Private individuals mortgage portfolio with regards to forthcoming LGD model implementation due in 2025 in the amount of BGN 26.6 mln as of year-end.

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
- 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. Enhanced model for indexation was adopted as of the year end.

Continuous improvements in underwriting systems and processes have been a key focus, leading to further enhancements in the underwriting framework aimed at simplifying processes and freeing up time for commercial activities:

- Establishment of Retail E2E Lending Room This initiative focuses on improving the underwriting credit process, automating verifications, and integrating additional automatic data from internal and external sources.
- SME Pre-approved Lending process to 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
- New Mortgage Lending Restrictions: Effective from 01.10.2024, the National Regulator has introduced new restrictions on mortgage lending, including a maximum term of 30 years, a maximum debt service ratio (excluding cost of living) of 50%, and a maximum loan-to-value (LTV) ratio of 85%. A stringent approach to mortgage lending is emphasized, with only 5% of quarterly production allowed exceptions in one of the components. The impact on credit portfolio metrics will be seen in 2025
- Climate Risk Profile Assessment: client's climate risk profile assessment has been implemented in the corporate credit process
- Corporate Underwriting System Enhancements: Continous focus on enhancing the corporate underwriting system
- Second Level Control Framework: The scope of the implemented second-level controls as per ECB regulatory requirements has been increased at the end of 2024 to cover more processes within the Bank

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 Standardized 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 2024 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 regulations and the defined Risk Appetite Framework and strategy. The policies and operational framework continued to be transformed with focus on simplification and empowerment without sacrificing group-wide compliance and stringent risk standards. An underlying theme for all financial risk management areas was the anticipated EUR adoption, which prompted rigorous preparations in terms of business practices and IT infrastructure.

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 reliable, timely and automated managerial and regulatory reporting for IRRBB and Liquidity. The Bank responded promptly to supervisors' requirements continuing the weekly SSM liquidity exercise throughout the course of the year and executing a new extraordinary joint JST and SRB exercise at the end of November, during which UC Bulbank was subject to an individual delivery to the regulator.

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 improve the Non-maturity Deposits and Term Deposit roll-over behavioural models' enhancing under rigorous validation process. UniCredit Bulbank broadened its practices for capturing the interest rate risk profile of statistically based lending indices, covering all indices used in the Bank's credit activities and considering the sensitivities of each index's component. Modeling plays a key role in the risk management of Financial risk with a complete integration in the regular stress testing activities in the fields of liquidity and interest rate risk.

New rules for managing, measuring and controlling the credit spread risk of the banking book were applied in 2024 ensuring implementation of the EBA Guidelines "on the management of interest rate risk and credit spread risk arising from non-trading book activities" - EBA/GL/2022/14. Over the course of the year, the Bank successfully achieved full compliance with the changed EBA guidelines for IRRBB reporting and the newly introduced limitations on Net Interest Income volatility.

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 updated with a comprehensive summary of potential profit and loss impacts 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 continues to use the Group internal model IMOD for daily managerial control and economic capital assessment, leveraging on Group market risk methodology and architecture.

Important activity in the field of Market risk management in 2024 was the revision of the methodology and processes for the current standardized approach for Market Risk Own Funds Requirement and Risk Weighted Assets calculation. The Fundamental Review of Trading Book (FRTB) and the Standardized Approach for Counterparty Credit Risk' results were closely monitored, and the reliability of the methodology and outcomes regularly verified. Preparation for the reporting based on the new Basic Approach for Credit Valuation Adjustment (CVA) capital charge relying on automated calculations in the Group systems was performed. The respective go-live is scheduled for the beginning of 2025 in compliance with the Capital Requirements Regulations III. Another important activity in 2024 was a comprehensive Euro adoption testing across systems, evaluating risk metrics after the replacement of BGN with EUR.

Non-Financial Risk

The main focus of the Non Financial Risk (NFR) function activities in 2024 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) and Group Operations RCSA validation, 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, Cyber Security Risk Assessment monitoring.

On top of the regular annual operational risk activities, within 2024 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, the scope of the assessed processes has been enlarged toward payment and digital risk topics, the number of validation checks performed by NFR was also increased.
- Participation of NFR in the annual activity regarding the 2024 Group Operations RCSA
- New Key Risk Indicators (KRIs) were created:
    - 2 KRIs related to Internal Audit Management with: 1) aim to monitor the "critical" and "major" audit findings (Number of "high" and "medium-high" audit findings) and 2) aim at monitoring the number of overdue and postponed important findings (Number of delayed medium-low findings)
    - 1 KRI (Nr of clients sent to branch after unsuccessful digital onboarding) has been implemented to monitor the number of clients attempting digital onboarding without success and with subsequent redirection to complete the process in branch. The KRI is related to the Customer onboarding and development – Customer Management process
    - 1 KRI (Compilation ratio of KYC (Know Your Client)) related to Compliance management has been implemented to replace a similar KRI which was monitored monthly. The new KRI was set on a quarterly basis
- Second level control monitoring on Digital risk was enlarged. Three new controls on Cyber Security Processes were implemented: 1) Major Security Incidents, 2) Remediation plans for Red wave overdue vulnerabilities and 3) Red wave vulnerabilities in Take the risk status.
- The NFR activities regarding Digital Risk increased with new important process regarding Cyber Security Risk Assessment monitoring (Cyber SRA). The outcomes related to the overall ICT Asset Portfolio of the Bank are analyzed, checked and challenged by NFR and the results are discussed with Digital Functions. NFR provides relevant reporting to Local NFR Committee for all Applications at risk (over tolerance level)
- The ICT project risk assessment process has been significantly developed in terms of the validation step executed by NFR. The aim is to strengthen traceability of project risks and the mitigations that reduce them, track the progress of mitigation implementation, and monitor additional evidence

and documents of the project. New final step of the validation process is the formalization step

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 (e.g. Internal losses, External data, Scenario analysis), the Assessment Measurement activities (e.g. KRI, RCSA, ICT Project Risk Assessment, Cyber SRA activity, etc.) and the Addressing – Mitigation activities (e.g. 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 conducted at least quarterly where process improvements and mitigation actions were discussed and monitored in a timely manner.

The outcome of the 2024 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 2024 Audit Report on Operational risk management and measurement processes for Advanced Measurement Approach was issued with overall Adequate evaluation and no findings.

Within 2024 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 2024 the NFR organized dedicated trainings aiming to improve the expertise of the branch managers and supervisors of the retail network of the Bank regarding operational risks in their daily activities. Moreover, three dedicated practical online trainings were held in 2024. 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.

During 2024 NFR successfully performed a decommission of the local IT tool for internal reporting of Operational Risk loss events. Targeting more simplified process, lean data flow and optimization of the data collection process for OpRisk Events, Non Financial Risk conducted an initiative to discontinue the use of separate system for internal reporting and to switch completely to the group application. This allows to synchronize the local approach to the maximum extent with the practices in the group, discontinue all unnecessary steps and help to prepare for the upcoming new EBA framework for the operational risk loss as part of the implementation of the EU Banking Package. NFR also organized ad-hoc meetings and trainings to present the new process for reporting of operational events to all relevant structures involved.

Local NFR Structure along with Group NFR performed test activities related to new calculations of Operational Risk RWA under Basel 4 and EBA RTS requirements.

A new change in E2E process on Third Parties Management was released by the end of the year to be compliant with Digital Operational Resilience Act (DORA) requirements. Due to the new DORA Requirements TPM process was updated as follows: both Outsourcing and Non-Outsourcing contracts they will be referred to as Third Parties. The granularity of the risk assessments will be driven by Criticality of the contract valid for all third party contracts. A new three steps process for calculation of the service inherent risk (SIR), applicable to all contracts, will be applied.

Non Financial Risk also participated and/or monitored in several key business, regulatory or digital transformation projects of the Bank. Among them were Euro Adoption program and Digital Operational Resilience Act – DORA.

During the year main changes within the sensitive sector reputational risk policy were:

- Regarding the Oil&Gas customers - the Net Zero provisions embedded in the policy instead of PACTA for the customer classification in Class A-B.
- New policies in Water/Dams and Nuclear (Civil Nuclear) were implemented. These two policies proposed criteria for classification of customers in scope.
- In 2024 there were seven updated Group Reputational risk policies and their respective local versions.

2025 Outlook

The risk management activity planned for 2025 - implementation of automatic decision in Retail segment (Micro and Mortgage Lending), enrichment of system interfaces for smoother and faster processing of climate risk assessment for corporate clients, and strengthening the second level of control based on sampling in both retail and corporate segments.

For 2025 the Non Financial Risk will focus and closely monitor the following risk drivers:

Risk Management (continued)

- Conduct and Fraud Risks – Follow-up on coverage extension of the Anti-Fraud system (Phase 3 of SAS FM), monitoring in Safer Payments system, enhancements and modification of the existing process for BBM self-reactivation
- ICT & ICT Security Risks – ATM obsolescence
- Reputational Risk
- Third Parties Risk
- Transformation risk – main focus on Euro Adoption Program project
- Reputational and ESG risks.

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.

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 2024 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)
- Implementing climate risk in the credit process for existing credit Corporate clients

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

In 2024 the Bank has started applying C&E considerations into two main credit processes:

- Origination/annual review for corporate credit clients:

  UCB has started the implementation of C&E considerations within the origination/annual credit review process for all corporate clients, introduced through update of Internal rules for corporate clients lending and other relevant business/risk procedures approved by relevant approval bodies

  The new process steps complement the creditworthiness assessment with climate aspects and the entire C&E factors assessment is mainly driven by a calculated Transition risk score (other elements to be considered are Rep Risk evaluation, Net Zero perimeter and Physical Risk at counterparty level, if data available). This score will be defined either conducting the internal C&E risk assessment questionnaire or using

Risk Management (continued)

available data base provided by external providers.

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 Multinational and corporate clients with large exposures
- generation of a Climate & Environmental (C&E) Risk Scorecard summarizing the main KPIs and identifying the counterparty's positioning in one of the risk areas (green-low-medium, high, very high) of the Transition Assessment matrix
- inclusion of the environmental scoring in the underwriting and decision-making process.

- Collateral Evaluation

UCB is focused on the enhancement of the methodology to assess vulnerable portfolios and mitigate related physical risks in particular the Real estate collateral portfolio.

Real Estate Collateral evaluation, applied on both Corporate and Retail clients, now also includes the relevant Transition and Physical Risk components.

- Transition risk assessment of collaterals in the context of Energy efficiency of immovable properties

  Through the current collection process of issued Energy Performance Certificate (EPC) of buildings the Bank fulfils the regulatory requirement and stores core EPC data as Energy class label, Primary energy demand and CO2 emissions intensity, applicable for all new credit transactions collateralized by immovable properties in Retail and Corporate segments. Missing parameters are provided by proxy data of external third-party vendors.

- Physical Risk assessment

  A new process for Physical Risk assessment through data collection related to severity evaluation on defined hazards for the new flow in real estate collateral portfolio has been developed too. The hazards are the following: River flood, Flash flood, Storm, Sea level rise, Wildfire.

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, Civil Nuclear, Oil & Gas, Rainforests, Tabacco 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 2024. The Group has set targets for the three most carbon intensive sectors within our portfolio, which include Oil & Gas, Power Generation, Steel 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 Y2025, Y2027, Y2030.

In 2025 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.

Asset-Liability Management and Funding

In 2024 UniCredit Bulbank continued to maintain **strong balance sheet** with **solid liquidity levels**, favorably positioning the Group for utilizing growth opportunities in the future. In 2024 UniCredit Bulbank maintained its **leading position in lending market**, growing the loan portfolio (not incl. debt securities at amortized cost) by 15.8% to BGN 21 541 mln. The Group funding profile continued to benefit from it's **robust customer deposits franchise,** which at the end of 2024 amounted to BGN 26 400 mln (+6.3% y/y) and accounts for around 85% 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. Despite the strong lending growth, the **primary funding gap, defined as the difference between customer deposits and net loans (not incl. debt securities at amortized cost), remained well high in the positive territory of BGN 5 733 mln.**

All **liquidity risk metrics** for another year in a row remained at sizably **comfortable distance from regulatory and internal limits. Liquidity Coverage ratio (LCR)** reports a level of 180% as of December 2024 (200% in 2023) confirming **strong short term liquidity position**. The **Net Stable Funding Ratio (NSFR)** reached solid **166%** (174% in 2023), with the trend influenced by the strong lending activity**.** The internal managerial metric of **structural liquidity** (Structural Liquidity Ratio / SLR) improved in 2024, **reaching historical peak of 106.5%** (103.0% in 2023) benefiting from capturing the full potential of the banks' balance sheet structure via behavioural modelling of both non-maturity and term deposits as well as thanks to issuance of iMREL eligible instruments.

In order to support from own funds perspective the **strong business growth** and the the corresponding **increase in risk-weighted assets**, in **April 2024**, the Bank issued for the second time an iMREL/Tier 2 bond, the **nominal amount** is **EUR 50 mln** with the aim of classification as Tier 2 Capital. As of the end of 2024, following regulatory approvals, **the bond issue** has already been **officially recognized** in own funds as a Tier 2 Capital instrument. Similarly, in the beginning of **December 2024**, the Bank issued iMREL bond for the nominal of **EUR 125 mln**, aiming to further qualify as Tier 2 Capital. The **application** for the approval of its inclusion in Tier 2 capital, has been **sent to the Central Bank** in December 2024. As the procedure was on-going, as of 31 December 2024 the **instrument** is **not included in Tier 2 capital for regulatory purposes**.

Thus, the **total nominal amount of debt meeting the iMREL requirements reached EUR 885 mln** (where EUR 610 mln is senior non-preferred debt and EUR 275 mln is Tier 2 notes, of which EUR 125 mln is awaiting approval by the BNB for recognition in own funds).

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 2024, UniCredit continued to pursue an active, but careful **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 2024 UniCredit 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 2024 consist primarily of the BGN denominated bonds **issued successfully by the Bulgarian Government** on the financial market. As of December 2024, investments portfolio (including debt securities at amortized cost) of reach BGN 5 864 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 2024 UniCredit Bulbank further strengthen the **interest rate profile** of it's balance sheet. Regulatory metrics on interest rates sensitivity are favorably positioned within the regulatory limitations **- EV SOT as of end of 2024 is -3.48% vs regulatory limit of -15% of Tier 1 capital and NII SOT as of end of 2024 is -0.22% vs regulatory limit of -5% of Tier 1 capital**. In 2024, despite exploiting the natural hedging opportunities for the BGN denominated position, the core insensitive components of the **BGN Non-maturing deposits** were under-replicated due to target replication amount significantly increasing in 2024 and the lack of BGN denominated derivatives market Bulgaria. For **EUR Non-maturing deposits,** taking advantage of the liquid EUR derivatives market, Bank continue using the concept of partial term hedge in combination with standard rolling hedging structures to protect against potential future re-allocation towards term deposits considering the positive rate interest rate environment.

In 2025 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 2024.

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. 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 fourth full SREP valuation held in 2024 was received at the end of Dec 2024 with no qualitative recommendations, confirming for another year in a row strong performance of the Bank in all areas (business model, governance, capital and liquidity etc.). In addition, all supervisory reviews and on-site inspections held during the year also were finalized with no material findings.

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 ensure adequate identification, measurement and management of the risk related to compliance, as well as to ensure through the design, development and implementation of policies, processes and procedures in order to be in compliance with the requirements of the Bulgarian legislation. Compliance plays an important role in the processes of creating and implementing of 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 pays special attention to the risk assessment of non-compliance to which the Bank and its companies may be exposed, using different approaches based on current assessment of the Group's activities, the regulatory framework and corporate environment.

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 all processes in the Bank and its subsidiaries, as well as of issues/risks that may affect currently or in future the implemented Compliance controls. The Compliance 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 processes and periodically reports to its Management, Supervisory Board and UniCredit Group the evaluation of risk exposure of the Bank and its subsidiaries, as well as the individual risk assessment of different competent lines.

During 2024 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. Throughout 2024, Compliance continued to strictly control the activities related to the imposed international financial sanctions, as well as to monitor the implementation of the measures, limited the risks of sanctions violation and circumvention.

In addition to the specified above, Compliance was actively involved in the initiatives related to optimization and automation of Bank's processes, implementation of new products through providing competent opinion, changing or creating of new rules and procedure in the Bank and its subsidiaries, in order to be in compliance with regulatory requirements and Group rules and procedures.

Corporate Banking

Overview

The GDP of Bulgaria for 2024 is expected to grow by 2.3% (UniCredit Research, Nov'24 data), supported mainly by domestic demand and private consumption. Inflation continues to follow a downward trend, currently meeting the inflation related requirements needed for the euro adoption in the country.

Financial Result

Corporate Banking (CB) net revenues, including the leasing and fleet management subsidiaries, increased with double digits in 2024, driven by net interest revenues, net fees and commissions, foreign exchange gains and trading result.

Our progress on ESG challenges confirmed the ongoing commitment to supporting the green transition and investing in our communities and driving positive social impact linked to our environmental and social responsibilities. Our sponsorship complies with the established policies at local and group level, giving priority to support projects and initiatives related to financial education, entrepreneurship and establishing institutional partnerships.

Performance by Segments

Each corporate segment provided a strong contribution to the outstanding results, following the upward development from the previous year. The organic growth is supported by increase in net interest income, cross-sell and up-sell, with focus on capital light products and portfolio quality.

Corporate Solutions Performance

Product lines provided for substantial growth in Fees&Commissions and improving their shares in overall revenues. Focused successful product campaigns throughout the year supported the excellent results.

Trade and correspondent banking increased y/y revenues, leveraging on the unique service model, strong commercial effort and focusing on enhancements of digitalization and further penetration on high value-added client solutions.

Payment solutions business continued its sustainable growth over the past year, confirming the role of a preferred partner in the field of payments and electronic banking services.

Advisory and Financing Solutions were focused on green initiatives and social impact banking with delivering by all product functions of complex and tailor-made solutions.

In 2024, UniCredit Bulbank reinforced its position as a leading market maker in domestic government bonds, ranking as the most active primary dealer acquiring the highest volume of government securities both for own account and overall in the primary market. In the same time it has supported the Bulgarian government in the quite successful appearance on the international market in a dual currency government bond. The DCM leadership was reconfirmed also by the Bank structuring and placing bond instruments for corporates and financial institutions.

Deposits

Deposits in corporate banking remained stable compared to previous year, confirming Bank's leadership position on the market.

Loans

In 2024 corporate banking loans increased compared to 2023, reconfirming the Bank's leadership in empowering the Bulgarian economy and local communities through balance-sheet commitment, aiming to enhance their competitiveness, green transition and innovation, with focus on balanced risk profile and cross-sell to optimize the return on capital also leveraging on EU and local guarantee schemes. CB division continued to offer to corporate clients high quality services and financing solutions to support their business growth.

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 to optimize further its internal processes and products through several simplification initiatives focused on improvement of the client experience, leveraging on higher automation of internal processes and reducing of the Time-To-Cash through simplification of credit processes and increase of the share of the automated contract preparation.

Product/Coverage Model

The CB Division differentiates itself on the local market through a service model crossing client segments coverage with corporate solutions. 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 corporate solutions provide sophisticated products and services 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 a virtual ecosystem for complete banking experience for companies, as a strategic goal of Corporate Banking is to offer an optimal number of services for our customers entirely digitally.

In 2024 the Corporate Solutions remained focused on innovation and digitalization, targeting improved customer experience which directly reflects in net promoter score of the customer satisfaction. This strategy will be continued also in 2025.

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 2024. New digital services, products requests and specific tools for analysis were implemented in the online banking platform, resulting in speed-up time to delivery and provide added value for our clients. The main focus remains on providing end-to-end digital functionalities for a fully digital customer experience.

In 2024 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 for developing the application. In 2025 it will be further enhanced with new additional functionalities, providing an opportunity for our clients to monitor the user behavior of their retail customers in their business locations using POS terminal devices.

In the beginning of the year UniCredit Bulbank started active onboarding of clients for the new web based platform for secure exchange and e-signing of documents – Digital Documents Exchange. The solution is first on the market (banking sector). With the provided new services, clients could use the integrated signing solution for signing of documents with the bank, improving customer experience and speeding-up the services.

In 2024 we further enhanced Digital documents exchange solution for legal entities which is enabler for remote processes and increased usage of digitally signed documents. The Bank exchanges & signs documentation with clients without physical interaction, improving timing for document exchange, reducing paper and ink and reducing internal exchange of documents. In 2024 we made an active campaign for clients' onboarding. In 2024, we also managed to integrate the Digital document exchange platform (DDE) into Bulbank Online, aiming to provide a single digital platform to customers.

Additional focus in 2024 was further development of Bulbank Online from transactional to self-service platform, unlocking opportunity for companies to open additional current accounts, sending requests for disbursement/repayment of revolving loans, change of loan conditions and to perform digital KYC review. In 2025, the upgrade of Bulbank Online will continue with functionalities that facilitate the customer experience and make more and more banking services available entirely digital.

Other focus in 2024 was the establishment of new partnerships between the Bank and external companies which provided high value added services to our clients, cross selling opportunities and improved customer experience.

Cross-divisional Initiative

Another joint initiative between "Retail division" and "Corporates division" continues to be on focus in 2024. 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 2025 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 a special focus on Corporate Social Responsibility package, helping our 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 micro, 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 developed a new guarantee instruments like Invest EU RRF Competitiveness program, we prolonged the inclusion period with additional five years and digitalized the process for EBRD Linked Risk sharing program with EBRD. Moreover we leverage on the changes in the new process for subsidiaries from National Agriculture fund, prolonged, established end-to-end digital process for the clients. The local scheme from National Guarantee Fund for loans with approved projects for Agriculture program has been prolonged to the end of 2027. In addition, we prolonged the EIB Linked risk sharing facility agreement with one more year to utilize limit of the program to the maximum.

In 2024 the main active guarantee agreements were:

- EIF InvestEU (Umbrella facility) – combination of 6 instruments with focus on sustainability, digitalization and innovations and cultural and creative sectors. It provides 50% guarantee for the eligible companies.
- EIF Invest EU RRF – Combination of 2 guarantee instruments, Competitiveness program and additional limits with focus on sustainability and group ESG strategy. It also provides 50% guarantee for the eligible companies.
- National Guarantee Fund – NGF 6 – well known guarantee program from the business, with competitive eligibility checks for Investment loans, WC, bank guarantees and letters of credits, Multi-purpose credit lines, and special sub-portfolio for credits with signed contracts under Operative programs.

Corporate Banking (continued)

The scheme is eligible for SME's and provides 50% guarantee.

- National Guarantee Fund – NGF – PRSR – limited program on a Country level shared with all Banks witch has signed contract with National guarantee fund. Its suitable for credits with signed contracts under Agricultural program. The scheme is eligible for SME's and provides 50% guarantee.
- 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 2025 is to continue the utilization of the existing guarantee schemes, mentioned above, and to finalize negotiations and developing of new guarantee lines:

- Fund Manager of Financial Instruments in Bulgaria (FMFIB) - new type of products, combination between guarantee schemes and grants as part of Recovery and Resilience plan. The Bank already has already sent an expression of interest for the program.
- EBRD Invest EU - In the end of 2024 we finalize Due Diligence process under new instrument with EBRD suitable for Investments loans for green deals. Expect to sign an agreement in Q1 2025.
- BDB Invest EU – starting Expression of interest for new guarantee instrument with competitive parameters under Invest EU program with local guarantor Bulgarian Development Bank.
- Negotiations with FMFIB for new guarantee scheme with recycled resource from previous COVID-19 schemes.

Client Risk Management and Treasury

In 2024 the Bank reaffirmed its reputation as a preferred partner for FX and liquidity solutions among both local and international banks and its position as a leading market maker in domestic government bonds. The Bank Treasury prioritized effective liquidity management and structural risks optimization, with an emphasis on revenue generation and RWA efficiency in a context of easing key interest rates.

The Corporate Treasury Sales (CTS) team maintained its market-leading position in providing corporate clients with tailored risk mitigation solutions for Interest Rates, FX, and Commodities. By delivering exceptional FX services, acquiring new clients, and strengthening the relationships with existing ones, the team managed to grow the business despite strong competition. Leveraging on its expertise and the Group's diverse product portfolio, CTS actively explored opportunities to introduce innovative solutions to eligible clients.

The Brokerage team, recognized for its expertise in equities, fixed income products, and exchange traded derivatives, achieved significant turnover growth in 2024. By focusing on enhancing customer experience, the team served Institutional, Corporate, and Individual clients with distinction.

Looking ahead to 2025, the Treasury team is prepared to navigate the challenges of a dynamic, lower interest rate environment by focusing on capitalizing the revenue opportunities while keeping control over structural risks management and capital preservation. The CTS team will continue to promote hedging solutions, aiming to support corporate customers in better management of their financial risks exposure, and prepare FX operations for the potential transition to the euro. The Brokerage team will concentrate on diversification of its client base and enhancement of the delivery channels.

Specialized Lending

Specialized Lending within Advisory and Financing Solutions as part of Group's Corporate Solutions Team, 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. Thanks to professional commitment of all teams and strong collaboration among different functions both in local and Group level, for consecutive year the Bank has asserted itself as the leader on the local market and the preferred choice for investors of large scale, complex and innovative projects. The Bank, through Specialized Lending teams, supported the investments of both international and local renowned investors and start-ups, thus bringing to Bulgarian economy a number of unique and vital investments and ESG solutions in energy, IT and real estate with top-tier A class real estate projects.

2024 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 continued its growth in terms of revenues and loan volumes and kept overall notable market presence with clear ESG focus.

The tailor-made advanced Specialized Lending financing solutions were structured to conform the objectives and constraints of each project and/or industry. This approach was in line with the corporate targets and values while ensuring the best possible terms and conditions from clients' and risk perspective. Financing wise, the focus continues to remain on professional investors and financially sound projects.

Corporate Banking (continued)

Advisory

In 2024, the Advisory unit – a function within Advisory and Financing Solutions – 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 continued its endeavors in business development confirming its position as a leading advisor in the market and contributed to several successful pitches which are expected to transform into cross-border mandates in 2025. Having been recognized as a prime advisor in the Energy and Infrastructure sector, the team further established its strong positions in other sectors, where independently, and with active and efficient collaboration with other pan-European Corporate Finance Advisory (CFA) teams of UniCredit Group, successfully worked on mandates in the Agricultural and Metallurgical Industry.

During 2024 the equity and debt capital market origination activities in Bulgaria continued to be dominated by issue of Debt instruments. UniCredit Bulbank was engaged in transactions of origination of Debt instruments for Corporates and in Financial Institutions Group (FIG) sector, as well as for the issue of Government Euro Bonds placed on the international capital markets, together with UniCredit Bank AG in September 2024.

In 2025 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 banks 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.

Trade and correspondent banking

In 2024, leveraging on the full commitment and expertise of our people we managed to reconfirm the Bank's role as a preferred Trade Finance, Cash & Clearing, Global Security Services and Factoring partner for both domestic and international corporate clients and financial institutions of all sizes and industries.

The proactive management of the well-diversified correspondent banking network by the Correspondent Banking team, provides the customers with fast and reliable payment solutions in various currencies and supports their trade finance activities throughout the globe. The Bank is first-choice BGN cash and clearing provider in the country for the international financial institutions, thus generating additional business opportunities for the other product areas.

Trade Finance continued its positive trend of development in terms of business generation and main KPIs' achievement, leveraging on the team's high level of advisory expertise, excellent execution and ability to structure customized and complex transactions, while applying and managing prudent risk approach. The digitalized trade finance services continued to be key advantage for our clients, ensuring easy and secure process for their trade activities. In 2024 we continued to enhance the online channel for advisory and issuance of Bank guarantees and letters of credit, guaranteeing high quality of provided services and confirming our market leadership position, which was verified by our clients in the Euromoney survey 2024 for another consecutive year, recognizing UniCredit Bulbank as the Best Trade Finance Bank in Bulgaria.

In the Global Securities Services area, a strong focus was placed again on the continued development of the custody IT systems and the optimization of the operational processes in order to ensure first-class service level for the wide range of domestic and international institutional clients. A single technical solution, servicing the diverse operational activities linked to the custody services offered, has led to considerable improvement. The necessity of further increase of the systems' efficiency has been raised by a continuing significant increase of clients' assets under custody and intensifying of clients' transactions on the local and international financial markets. The leading position of UniCredit Bulbank in the provision of securities services was reaffirmed, for the eleventh year in a row, by the Global Finance Magazine award for Best Sub-custodian Bank in Bulgaria.

For Factoring business, 2024 was a year of stable market environment and good potential for growth. The positive trend of development continued during the whole year, leading to diversification and enlargement of the client portfolio and further penetrating the market. Increased factoring products' outstanding debt, as a result of the strong commercial focus on boosting the utilization levels, was the main driver for sustainable interest income generation in the challenging competitive environment. Factoring turnover grew for another consecutive year, following the ambitions to enlarge and diversify the client portfolio and boost cross-sell opportunities, resulting in growth in fees and commissions revenues.

The overview of factoring product portfolio shows a leading position of domestic products with growth in both main categories: recourse and non – recourse businesses. The factoring product line continued to rely on its excellent expertise in the international area, very good practices within UniCredit Group and worldwide partners within FCI as a major factoring business network. Reverse factoring continued to grow, driven by the

Corporate Banking (continued)

market demand of flexible financial services and easy process of financing not only for the company but for 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.

The full digitalization of the factoring services through the web-based factoring platform eFactoring.bg continued to be an advantage for clients. During the whole year, the Bank continued to work on application enhancements, guaranteeing easy and transparent process on every stage of the factoring transactions, making it even more comprehensive and useful for clients. The growth of the turnover through the electronic channel in each year confirms the client's choice of using the platform and reaffirms the benefits for the company and its counterparties. The industry focus in 2024 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.

2025 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 focus will continue to be the digitalization of services by adding high-value enhancements guaranteeing speed and transparency.

Payments solutions

Payment solutions business registered sustainable growth in the last year, reconfirming the role of a preferred partner in the field of payments and electronic banking services. As a result of active cooperation with financial technology companies, we developed a solution that provides access and participation of Payment Service Providers in the National Payment System BISERA6. This service positions our Bank as a leader in the field of innovative and modern digital solutions.

In 2024, we launched several projects with the aim to improve the overall process and customer experience in payments. In 2025, these initiatives will continue to provide better and more reliable services. In line with the latest trends in Information technology and customer demands the Bank will continue to develop the electronic payment channels by updating existing banking functionalities in order to ensure seamless digital experience. The constant focus on the digitalization of services and product innovation will contribute to the achievement of even better long-term sustainable results in line with all regulatory requirements.

Card Business

2024 was a very successful year for our Card business. Developing our infrastructure, the number of transactions with our Credit and Debit cards increased by 18% and the volume on ATM+POS grew with +16% compared to previous year. Our Credit cards in circulation increased with +5.3% Credit Cards and the Debit one, due to optimization, decreased with -9.7%.

We continuing our ESG strategy and leveraging on our new strategic partnership with Mastercard. The Bank's entire portfolio of cards has a new design, made from environmentally friendly materials and carries the physical marker for the inclusive policy Mastercard Touch™ - a system of side slits (notches) that help blind and partially sighted users to recognize the type of card just by touch. In this way, the Bank reaffirms its commitment to support cause for vulnerable social group.

Digitalization in terms of end-to-end Digital card issuing with all functionalities to pay at POS or withdraw and deposit cash at ATM.

POS and ATM business grew also significantly mainly due to enlarging POS fleet (+10.5%) and merchants using acquiring service (+10.2%). POS acquiring volumes increased with 20% and number of transactions with 23%. At the same time we focused also on simplification in all documentation both for Debit&Credit cards.

2025 Outlook

The GDP growth for 2025 is forecasted at 2.8% (UniCredit Research, Nov. 2024), driven by a projected pick-up in domestic demand and exports as well as by public and private investments supported by improved absorption of 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).

The positive impact stemming from the accession in the Schengen border-free area and the anticipated Eurozone entry on January 1st, 2026 is expected to more than offset the negative impact of possible fiscal and monetary policy restrictions on growth.

The Corporate Banking strategy is to continue to be a market leader that is outperforming competitors in terms of customer satisfaction and loan and depo market share. In 2025 the CB strategy is to continue the sustainable growth, moving to capital light business, leveraging on best-in-class tailor-made corporate solutions and constantly enhancing digitalization for providing easy to use products and services and improvement of customer experience.

Retail And Private Banking

Overview

As we reflect on 2024, UCB present a year defined by sustainable business growth and important miles toward our transformation. Our achievements in 2024 reflect not only our determination to lead but our ability to adapt.

UCB managed to achieve third 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.

The Bank continued our success story, achieving 36 consecutive months increased retail loans market share (with +36 bps since the beginning of the year), leveraging strongly on our specialized subsidiary for consumer financing (UniCredit Consumer Financing). Our market share in consumer loans grew with +75 bps during the year and at the same time we sustained our leading position in mortgage lending of 19.6% MS.

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 well established remote advisory process and digital signing, simple straightforward and transparent price conditions, fast approval process, dedicated ESG product for Young families aiming to cover specific market niche, constant strive to improve available processes.

UCB continue to be the preferred partner for savings of our clients, increasing the share of clients that receive their incomes with us. Our market share in deposits of households remain stable at 16%.

In Assets under Management (AUM) area the Bank continue to enlarge our market share to 28.6% share of the Bulgarian AUM market as per Q3'24 (from 27.3% MS in Q3'23). Main driver of the growth were the launch of onemarkets Fund at the end of 2023. It represents a funds family that significantly expands the range of investment solutions offered to UniCredit customers, combining products developed inhouse and via strategic partnership with leading asset managers like BlackRock, PIMCO, J.P. Morgan, and Fidelity for the first time on our market. In addition, the 81% share of onemarkets Fund in the total number of Investment plans sold proves that the OMF funds are preferred option among investors when it comes to regular monthly investments.

In November 2024 UCB introduced full digital E2E sales process in the Mobile banking for the onemarkets Fund Investment plans continuing to improve investors customer experience, significantly boosting the interest and new investors onboarding.

Index-linked, products (Insurance certificates) with 70% share in Total Gross sales, continue to be significant contributor to 2024 AUM Life volumes. Main achievement in 2024 was the successful subscription of the first two certificates product of the cooperation between UCG and Allianz supporting the 38% y/y AUM Life sales growth.

Main Activities, Initiatives and Achievements

UniCredit Bulbank already has majority of core capabilities essential for customers' smooth experience in mobile banking. The heart of our progress lies in our transformation-embracing new technologies and sustainable practices.

We launched important **new fully E2E digital processes in our mobile app**, including: the possibility to open Digital Card, Digital Saving Account in bundle with our Daily banking plans, Secure Wallet within Daily Banking, Investment Plans, Tax Payments, Beyond Banking Solution My Car, Vignette Purchase, Automatic KYC review, Instalment On Debit Card, Golden Credit Card.

We won Digitalk & A1 **Special Award** for innovation of launching in March 2024 the **"MyCar"** – new beyond banking functionality in mobile banking (+40k customers subscriptions in first 3 months). It revolutionized mobile banking. The new functionality allowed our customers to manage information about their vehicles, such as the validity of the driver's license, issued fines, the term of all necessary documents for regular drivers completely free of charge using Bulbank Mobile.

In February 2024 we've managed to introduce new type of payment to our customers via Bulbank Mobile and Bulbank Online – Municipality taxes. This functionality allows our customers to pay their property, car and other taxes to over 50 municipalities in Bulgaria.

Furthermore, UniCredit Bulbank has joined the new BORICA payment scheme – Interbank Blink P2P payments (Phone-to-phone payments). It allows the customers instant payments via phone number, interbank and intrabank. These payments are executing instantly, 24/7/365 days.

Also, due to internal analysis, the daily limit volume of payments via Bulbank Mobile was increased from BGN 20 000 to BGN 30 000.

Following our digitalization strategy Digital debit card was created with fully end to end process via Bulbank Mobile. It is issued instantly and completely digital and our customers no longer wait to receive the card as the standard one. The new digital card is fully functional, allowing customers to pay in e-commerce, as well to deposit and withdraw in ATMs. The new product can be issued with new current account or also to existing ones.

The "Digital saving account" in bundle with our Daily banking plans allows mobile banking users to choose a product in which to allocate funds for the purpose of saving, which saved funds can be invested in AUM. For first 6 month of launched the product we are sold more than 12 000 digital saving accounts.

Retail And Private Banking (continued)

Following the last year's onemarkets Fund project in Bulgaria, also E2E process for selling onemarkets Fund via Bulbank Mobile was launched in November 2024.

As a second step to monetize the beyond banking services, a new type of payments were implemented and launched. Fines payments and purchase of vignettes allows the customers instantly to pay their vehicles fines.

In December 2024 UniCredit Bulbank enhance the customer journey in My Car section, launching a complete E2E sales process for vignettes (toll roads).

Our focus on simplifying existing products and services continued in 2024, and at the beginning of the year we started by discontinuing the sale of package programs Unico applicable for individuals in order to focus on planning for everyday banking.

Important improvements and developments in credit products were launched during 2024, including strategic focus over awareness and wide spreading of digital signing - over 80% digitally signed loans in Mortgage and SME loans.

Credit statements were implemented into Bulbank Mobile.

We introduced new market opportunities and products for housing loans for selected client's needs, like the product for financing of houses build by new "pre-fabricated" technology, definition of conditions for financing to foreigners living and working in Bulgaria (outside EU) - clients with high status and in demand on the international employment market because of their education and qualifications.

Simplification and reduction of documents required by the client and automation of steps in the process for loan approval was another important milestone in improvement of customer experience, like simplified paperwork for credit transactions of Private individuals by removing - matrimonial property regime and automated data gathering for client's status, ID validity, and connected parties register, etc., as well as centralized booking of collateral for loans disbursed to Agriculture producers thus improving the overall client experience during the loan process.

Numerous system improvements in the underwriting application aiming to ease the application process and layout basic functionalities that will enable full End-To-End automatic decision process.

Development of Distribution Channels

UniCredit Bulbank's customer have been increasingly active in using mobile banking. Over the past years the Bank introduced more products in the mobile app. 2024 confirmed the trend of migrating the customer service and sales from branches to digital channels as ATM, Bulbank Online and Bulbank Mobile and customer support from branches to call center. Customer visits' mission to branch became more for consultancy and sales than for operative service.

In 2024 UniCredit Bulbank have reached a new record in digitally active users in past 30 days – more than 760 000 of our customers have logged in at least once in mobile or online banking. Another new record is more than 720 000 mobile active users in past 30 days.

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, 4.6 in 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 180 000 reviews in all three app stores accumulated, which also turns Bulbank Mobile into the most rated financial application in Bulgaria.

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.

New sales processes and existing functionality enhancements in Bulbank Mobile we have launched in 2024 contributed to the biggest in our history growth of remote sales – 95% increase in 1 year.

Every third 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 2024, UniCredit Bulbank's Contact Center was focused on improving operations and enhancing customer journey and satisfaction. Service Level has increased significantly with 87% answered rate where 65% were served within 20 sec.

Contact Center sales remained stable, maintaining strong performance year-on-year, while the share of remote sales grew significantly with +67% compared to 2023, reaching 90% remote share in 2024, supporting the Bank's digitalization strategy.

Our customers appreciate the service provided by the Contact Center, and its net promoter score has improved by +22%, highlighting the positive impact of these initiatives on customer experience, supported by new customer experience management process where real-time notifications were introduced upon customer feedback submission and ensuring proactive actions to address customer feedback.

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 (31% growth on deposits volume). As well, the average transaction sum also has increased – 7% growth of the average withdrawn amount and 17% growth of the average deposited amount. UniCredit Bulbank holds the 1st position as a market share in deposited amounts via ATM network.

In 2024, the Virtual Region expanded with another new virtual branch for individuals. The team servicing individual customers split in two to manage resources more efficiently. We launched

Retail And Private Banking (continued)

a new web page on the bank's website, providing detailed information about the service and opportunity for all customers, existing and new, to become part of the Virtual Region, through online request forms. For 2024, the total volume of new loans exceeds BGN 85 mln and the income from customers in remote portfolios is over BGN 20 mln.

Transformation of the physical branches of the Bank continued, and they has become less paper generating environment with significantly high rate of digitally signed documents. Further improvements during the year in the quality of our service in the branches include the new booking service and enhanced queue management system.

Our Agent model (UniCredit Point) has been successfully accepted by our customers and has expanded to total of 7 locations in the country.

Customer experience has been improved through new cashless branches in big cities, offering consultancy with high expertise and cash service in self-service zones.

Private Banking

UniCredit Bulbank were awarded with Euromoney 2024 award for Best bank for Private Banking of High Net Worth Individuals in Bulgaria and with The Banker award for Best Private Banking in Bulgaria.

Main focus in 2024 was on providing best-in-class business relationship and products for our Private banking customers – funds, investment certificates and brokerage as well as financial solutions and services reflecting to client's needs.

Our bankers were trained and upskilled in the area of funds' investments with group knowledge leveraging on OneMarkets Fund. Related to Private banking wider opportunities opened up in cooperation with Schoellerbank. In addition, several initiatives were held including pitch dialogues why Bulgaria and UniCredit Group is offering better private banking service than Swiss banks, training on succession planning, as well as training on client management and negotiations.

Improvements in our product offer include Daily banking plan for Private clients with MasterCard World Elite was enhanced and pay back program simplified, widening the opportunities in 2024 with new onemarkets Funds solutions incl. Money market fund as next stage in yield development following existing cash fund. In mortgage lending one of the key success factors was that we were able to obtain complex financing, which supported the overall increase in market share at the end of the year.

Along with the focus on best customer service, our goals are on constantly improving investment efficiency and profitability while continue improving the compliance and risk culture.

In 2024, nevertheless the uncertainty on capital markets in the first half of the year, the sustainable business relation with clients was assured. The team remained close to clients via series of events with onmarket presentations, dedicated meetings and started to update regularly clients for their portfolios development under execution only type of investment service. 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.

The above mentioned results are mainly due to very strong increase in sales activities and proper pipeline management.

2024 was another successful year for Private banking in terms of financial performance, customer growth, new products and with strict control on operational risk, keeping the reputation at highest level and enhancing value proposition for Private clients.

2025 Outlook

As we look ahead, we remain steadfast in our commitment to driving meaningful transformation.

Our main areas of focus in coming year remains our customers, business productivity boost and operational efficiency. We will continue the efforts and investments for transferring simple operations and products in Mobile banking and Contact center, and increasing the pure advisory colleagues in the branches.

We will continue to evolve, adapt and deliver value for our stakeholders, ensuring sustainable growth and success.

Chief Operating Office

The year 2024 has marked yet another significant milestone for the Chief Operating Office (COO) perimeter in its steadfast execution of the UniCredit vision and strategic agenda. Throughout the year, we have not only set ambitious targets but have also achieved them across all our key domains, including Digital & Information, Security, Operations, Real Estate, Procurement, and Cost & Third-Party Management. These accomplishments have paved the path for sustainable growth, which is evident through our commitment to operational excellence, digital transformation, simplification of processes, a robust focus on Environmental, Social, and Governance (ESG) criteria, and the enhancement of customer experience.

Our efforts have ensured that we continue to align with our strategic objectives and business enablers, while fostering a culture of innovation, efficiency, and accountability. Moving forward, we remain dedicated to advancing these initiatives and further embedding our core values into every aspect of our operations.

Focus on Digital & Information office (CDIO)

In 2024 Digital and Information Technologies Dept. remained among the main contributors to the successful digital transformation of our business, thus enabling compliance, efficiency and growth achievement in line with the UniCredit Group's strategic goals. Nevertheless, alongside the evolution, a strong focus remained also on the maintenance and stability of the enabling technology.

Infrastructure & NW

Important **Data center and infrastructure optimizations** took place. Replaced were the core-banking system power servers in order to boost energy efficiency and ensure higher performance (EOD duration has been decreased more than 2 times).

A new **private cloud hardware** for test environments was set up. The entire test environment load from the old test cluster and the current production trusted zone's clusters was migrated, thus simplifying management, separating trusted zone's environments from each other, and improving performance.

To simplify the data center infrastructure, the previous setup, which used 4 traffic management devices and 2 security devices, was replaced with 2 modern systems that handle both security and traffic distribution efficiently.

By moving all employee mailboxes to a single Microsoft 365 system, their mail storage capacity increased from 2GB to 100GB, with an additional 100GB for archiving. This cloud-based solution also provides seamless integration with the full Microsoft 365 suite, improving efficiency and collaboration.

Following the solution centralization we have adopted the **Group internet access solution –** Zscaler which reduced the VPN traffic load.

Several key **upgrades of the Databases** (i.e. Oracle and MS SQL Servers, Unix and Windows Servers, etc) to latest versioning were performed to compress the obsolescence.

POS deactivation automation ensured a clean and up to date terminal database and resulted in cost reduction. This contributed to optimization of overall handle time and manual tasks minimization.

Throughout 2024 continued the **replacement and extension of the ATM and POS park.** Replaced were 5519 POS terminals and 73 obsolete ATMs to remove obsolescence. New 36 ATMs were installed and 4606 POS terminals were configured to support the business expansion.

Digital channels

The evolution of Bulbank's digital channels in 2024 was highlighted by few initiatives with pivotal deliverables resulting in enhanced banking solutions that meet regulatory standards and exceed customer expectations, solidifying our position as a leader in the financial sector.

All efforts invested in the fields of **Mobile banking and digital products** geared towards transforming customer experiences through innovative offerings and enhanced service delivery. New products such as Buy Now Pay Later and Investment Plans cater to evolving customer needs, while a Shopping Card and the ability to modify existing packages offer greater flexibility. Introducing Secure Wallet Insurance and a second account within packages enhances financial security and convenience. Dual currency visualization was prepared as a step towards the forthcoming Euro adoption. Additional automation related to GDPR ensures regulatory compliance, while SEPA integration further streamlines transactions. Upgrading P2P Blink Payments, SMAP 2, and incorporating municipality taxes enhances the functionality and customer experience across mobile and omnichannel platforms.

In **Online banking** was introduced a Super User role to streamline user support and elevate service efficiency. The integration with Regix and enhancements such as the Digital Documents Exchange application form are poised to improve system interoperability and customer interactions. Regulatory standards were considered by the introduction of a Signing Basket and Bulk Payments, alongside efforts to eliminate obstacles within the PSD 2 framework. The SEPA migration streamlines cross-border euro transfers, while new dual currency visualization and functionalities facilitate a smoother transition to the euro.

Projects

During the past year the **Euro Adoption** program was the bank's highest priority initiative, mobilizing significant resources across multiple teams to ensure its successful implementation. This strategic initiative's goal is to align the bank's systems, processes, and operations with the requirements for adopting the Euro

Chief Operating Office (continued)

currency in Bulgaria. Significant progress was achieved, including the development and deployment of key functionalities and compliance with regulatory standards. The program required extensive cross-departmental collaboration, development, rigorous testing, and updates to all customer channels, ensuring a seamless transition. The preparation for Euro Adoption will continue also in 2025, thus ensuring the necessary resources remains critical for the Bank's portfolio.

Alike previous years, in 2024 the Bank had a strong emphasis on the regulatory compliance and operational efficiency. In line with **Basel IV** requirements were improved the collection and the reporting of granular credit and credit risk data, supporting transparent and robust risk management. Under **AnaCredit** initiative was ensured compliance with the Capital Requirements Regulation (CRR III), enabling the Bank to meet stringent standards for detailed credit data reporting. More implementations within the Risk area focused on improvement and automation of the risk model-relevant processes. Critical enhancements under Digital Operational Resilience Acts (**DORA),** further automation of the **GDPR** mechanisms, as well as multiple deliveries in the area of the investment banking ensured smooth processing in line with the local and European legislation, thus reaffirmed the Bank's dedication to regulatory excellence.

In 2024 was successfully completed a critical **SEPA payments processing transition.** We seamlessly redirected the relevant SEPA Credit transfers along with the associated rules, routings, settlement activities and investigations through the Bulgarian National Bank. With this was replaced our previous way through the Bank of Austria. This strategic shift has streamlined our operations and enhanced our capacity in handling SEPA transactions.

Sustainability remained a core focus in 2024, with the Bank advancing its ESG agenda through a dedicated project that integrated environmental, social, and governance principles into operations. Efforts also included aligning with the **Corporate Sustainability Reporting Directive (CSRD)** to enhance transparency and accountability in sustainability practices, reaffirming commitment to responsible business conduct.

The Bank also successfully completed several initiatives to enhance its existing systems through significant upgrades and functional improvements. These projects streamlined operational processes with the successful implementation within our underwriting solution, derivatives management system and core-system enhancements.

Major continuing efforts on Group and local level were also directed at replacing and upgrading obsolete systems in the payments area, aiming to modernize the payment infrastructure, improving efficiency, scalability, and alignment with industry standards. Similarly, teams work on the introduction of a new next-generation AML detection system, strengthening the bank's ability to prevent financial crimes, ensure compliance, and support robust risk management.

Data and Intelligence

In 2024, we launched two critical projects in the data area. The first project involves implementing a **new Business Intelligence (BI) tool**, which aims to provide advanced analytics and reporting capabilities. This tool will empower decision-makers with actionable insights, driving informed business strategies. The second project focuses on **migrating the Extract, Transform, Load (ETL) processes** that feed our Data Warehouse (DWH) to a contemporary solution. This migration will enhance data processing efficiency, ensure data integrity, and support scalable growth.

At the Bank level, data governance remains a strong focus. **The Data Governance** function successfully completed a self-assessment of the Bank, following the guidelines set by the European Central Bank (ECB) under Risk Data Aggregation and Risk Reporting (RDARR). This assessment ensures that our data practices align with regulatory standards, promoting transparency, accountability, and robust risk management.

These initiatives collectively position our organization at the forefront of technological innovation, data excellence, and regulatory compliance. By investing in advanced AI, data solutions, and governance practices, we are paving the way for a future where technology and data drive our success.

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.

Focus on Security

Digital Security and Corporate Security and Resilience are essential for the Bank in order to safeguard sensitive financial and customer 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. **No Major Security incidents occurred during the year.**

During 2024 best of class Web Application Firewall: Akamai Prolexic and Akamai EDGE DNS were implemented. These products ensure the bank's resilience against cyber threats,

Chief Operating Office (continued)

setting a new standard for safeguarding financial assets and customer data.

In order to improve the security of corporate mobile devices, **Microsoft`s new Mobile Device Management (MDM) solution was adopted**. This strategic implementation has vastly improved security measures, ensuring robust protection while accommodating the diverse needs of both employees and the Bank.

In connection with the implementation of Digital Operational Resilience Act (DORA) in the beginning of 2025, changes were made to security documents to ensure compliance with the new requirements.

In 2024 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, the focus on phishing campaigns targeting employees continued, aiming to enhance their knowledge and awareness. 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 further defend the whole organization.

In the domain of **Corporate Security and Resilience** during the year, the development and implementation of antifraud rules continued, helping to better protect our customers. The good practice of conducting on-site training security sessions in the branches continues. In response to the trend of fraudulent activities taking place through social network, training was organized and antifraud bulletin with the 10 most common scams was issued for both our corporate clients and employees in order to raise awareness and provide guidance. Based on the team efforts for 2024 we managed to save around BGN 2.5 mln in our Core Banking area and BGN 3 mln in Card Antifraud and Transaction monitoring one.

Focus on Operations

The long-term strategy of Operations for Continuous improvement, Optimization & Efficiency successfully continues in 2024 with focus on the main pillars:

Digitalization/ automation, efficiency initiatives and productivity improvement, affecting all areas but main contributors being in the field of payments and loan booking, we managed to improve and optimize our processes and thus in 2024 reduced the overall headcount by 9% while supporting the increased demand (hiring avoidance/saved capacity of over 10 FTEs) in all areas of Operations teams.

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 (y/y growth 10% in domestic and 14% in international payments), cards transactions (cards transactions (y/y growth in DC 17% and CC with 19%, ATM transactions with 3%, POS transactions with 14%), growing loan portfolio and loan origination mainly driven by growth in mortgage lending for private individuals and guarantee-scheme-backed lending for companies (y/y growth in new contracts by segments 48% Retail, 9% SME and 7% in Corporate), know-your-customer (KYC) activities increase with 7% in SME and Corporate customers both (onboarding and reviews) for 2024, increase with 8% in Distraints orders processing and administration, 12% in Certificates issued and Inquiries Responds, Treasury and securities services - y/y 10% growth in securities trades and corporate events, 7% growth in OMF and Amundi funds, 5% growth in FX and MM Interbank trades, 6% growth in clients FX trades, 12% growth in the activities related to reporting and static data maintenance for financial instruments trading. The results are driven by increase in productivity, process simplification, implementation of RPA and digital solutions in all aspects of the back-office activities.

Delivery of key projects, not only delivering improved customer service and regulatory compliance, but also allowing 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 automation in all areas, migration to digital channels, RPA and smart solution and advanced capacity management
- People development to stay competitive and resilient and further develop skillset to reflect digital transformation
- Analyze possibilities for implementation of new cutting-edge efficiency tools such as AI, dynamic capacity management, data analytics

Focus on Real Estate, Procurement, Cost & Third Party Management

In 2024 **Real Estate** finalized **optimization projects**,started in 2023, related to archive outsourcing (3 own archive centers were vacated), RFID inventory of HO buildings, delivery of hybrid vehicles, optimization of cash processing equipment in the Retail Branch Network and reduction of leased personnel.

In construction area the focus was on **challenging new business projects** like opening the first Corporate center of the Bank based

Chief Operating Office (continued)

on the new vision – in Veliko Tarnovo and creation of the Vibe and Soul rooms supporting the Digital Banking Business.

Among the usual demand of projects and tasks a lot of effort was invested in **ESG initiatives** – photovoltaic system installation on the roof of the HQ Sveta Nedelya was launched in April 2024, implementation of remote control of advertising signs and photovoltaic system installation, start of façade replacement of main head office Bank building (phase 1) and energy audit of own properties.

In 2025 our focus will be again on enlarging our business in the country, self-service zones establishment, cashless branches and supporting synergy between Retail and Corporate. Together with different relocation and renovation/reconstruction projects we are going to work on management of **paper documents** in the branches and going one more step **digital** with implementation of government`s e-Delivery system.

During 2024 **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 still not able to continue providing the services under the agreed terms and conditions and new tenders and market researches were initiated for scouting the market. 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 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 such as digitalization, digital sales, energy efficiency, as well as important customer and regulatory related projects - EURO adoption in force, transfer pricing, actuarial services. Supporting the integration of ESG markers into the bank's activities, Procurement actively contributed to the execution of tasks related to selection of certified Energy Auditor for Building Energy Assessments, replacement of current lighting features in Bank branches with energy effective ones, installation of KNX equipment for energy effective solution through smart management of heating, lighting and access control systems in Aksakov Headquarter building, full Replacement of existing facade of Sveta Nedelya Headquarter Building with modern and energy efficient facade – initiative, which is substantive part of ESG program for improving Building Energy Class, decreasing Heating and Cooling Energy Loss, reducing Utility costs and significate reduction CO2 footprint.

Following ESG focus, in 2024 several market researches were performed for electricity supply on free market for bank`s locations. As of March 2024 electricity supply is delivered under Power Purchase Agreement ensuring 70% of the energy from renewable resources.

Special attention was given to the third-party risk management, in compliance with the existing rules and regulations and also of Digital Operational Resilience Act (DORA) that is applied as of January 2025. 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.

The main focus for 2025 is to continue supporting the strategic Bank and Group initiatives and projects with special focus of Euro Adoption Project – project that have to ensure smooth transition to EURO according to the National Plan. Also in our focus will be negotiation related to the DORA requirements and its implementation.

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.

In the field of **Third-party management**, in 2024 was updated the Global and local TPRM rules in order to be aligned with the new DORA regulation. ServiceNow tool (Group tool for TPRM process) was enhanced and all assessments (for outsourcing and non-outsourcing contracts) will be performed within that tool. DORA relevant contracts were identified in 2024 and DORA addendums were submitted to the vendors, and negotiations and signing is planned to be finalized till June 2025.

Focus on Bulgaria – Products COO

In the end of 2024, new organization and functional set-up took place with former Business Processes management, now Bulgaria - Products COO, mirroring the establishment of Group PCOO new structure. Bulgaria - Products COO is given a mandate of a strategic business challenger, running changes in respective product areas, processes harmonization across the Group, implementation and delivery solutions in close cooperation with all involved functions within the Bank, incl Digital.

The ongoing initiative #KeepitSimple! is among our streams in driving activities related to transformation of the Bank through processes redesign and digitalization for second consequent year and was marked by an increased number of generated and implemented ideas. The active participation in the initiative and employee-generated ideas across all organizational levels demonstrates strong organizational commitment for our transformation journey. The organic engagement reveals three critical success factors: organizational alignment, corporate culture evolution, business impact.

Strong commitment and competences of the team in assisting business process owners in designing/redesigning processes and regulative document development ensure valuable support for the Bank's strategy achievement through successful delivery of the projects within the portfolio. Remarkable examples include projects such as ESG Strategy Implementation, EU Funds Guarantee schemes, Agent Model Extension, launching Digital documents exchange platform (DDE) and more.

Chief Operating Office (continued)

After being successfully deployed in early 2024, the Repository of regulative documents is under continuous enhancements with strong focus on timely recertification process 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.

The team played an essential role in consolidating control results for all respective areas and generating regular reports for the execution of the first level of controls, adhering to the established Cooperation Model between the First Line of Defense and Compliance.

2025 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.

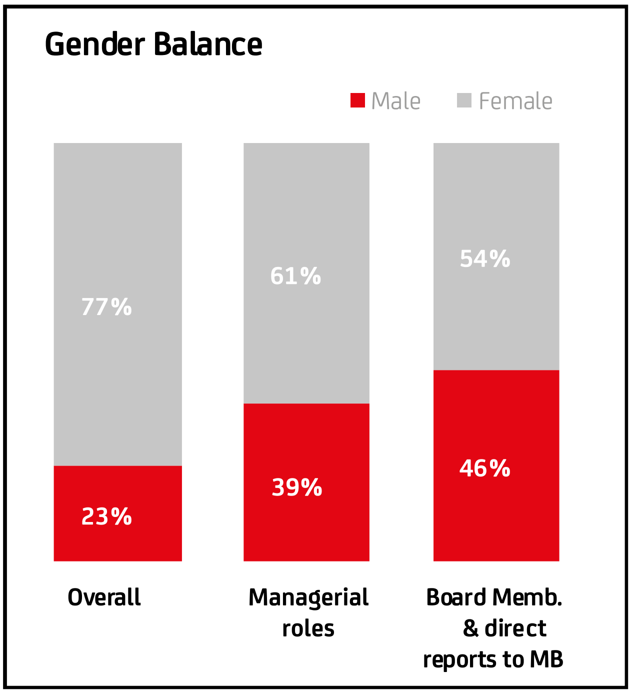
People evolution, development and overall engagement will remain a key topic as it is a vital component for all planned initiatives, goals and strategic deliverables.

The main focus for 2025 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.

People & Culture

In 2024 People & Culture (P&C) continued following its strong people engagement and development focus, fostering inclusive culture and working environment in order to unlock the full potential of our people while 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, partnering the organization during its transformation journey and supporting a positive working environment with skilled, engaged and committed workforce.

The number of employees (FTEs) of the Bank decreased from 3 234 to 3 134 (from 3 692 to 3 582 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 ~77%/23%, the ratio for the managerial positions is quite balanced – 61%/39%, while for the top managerial positions (board level and direct reports to executive directors) the ratio is ~54%/46%. 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 2024 our continuous efforts for achieving gender equity and inclusion through the years continued being recognized also externally, via the 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.

In 2024 People & Culture team has reviewed sufficient number of job applications (more than 20 000), however kept perceiving the labor market as more challenging and competitive. Particularly challenging 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 and the other big cities. The recruitment process continued being further optimized by implementation of a new Group recruitment digital tool, usage of specific personality test for selection for basic network positions, increased delegation powers for hiring decisions, etc. Further focus on attraction and sourcing of specific expertise was put in order to answer properly to the business needs. In 2024 were hired around 365 new people (425 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 to hire. In 2024 almost 120 young professionals (149 on consolidated basis) received the opportunity to conduct an internship with the bank. During the year the Bank also supported 17 young students from 5 different Bulgarian universities with a special scholarship, including an opportunity for internship within the bank. 26 of our interns (30 on consolidated basis) were offered a permanent job thus the internship program is still being an important source for recruiting of new employees, based on the needs of the company.

The partnership with the Universities continued to be on focus during the year, becoming a strategic initiative in terms of sharing knowledge and supporting financial literacy and 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. In 2024 we have launched a new educational initiative with the University for World and National Economy (UNWE): "Business Talks with UniCredit Bulbank". The initiative was designed under the motto "Accelerators for Ambition" and was piloted for more than 30 young people, studying in different economic specialties and law at UNWE. The format of the initiative includes a series of lectures for students where experts from UniCredit in Bulgaria (Retail, Corporate, Digital, P&C) present important practical aspects of the business in general, organize practical simulations and review

People & Culture (continued)

case studies together with the students. The meetings were held in the specially equipped and branded by the Bank training hall at the university building.

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 2024, among which the most relevant are the increase of the amount of the food vouchers and the coverage of the additional health insurance, as well as the opportunity for team events in order to enhance and sustain the team culture and set a basis for even better integration, cooperation and teamwork. The benefits offer is among the best ones in the country and is an important additional factor for attracting and retaining employees.

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 almost unchanged – 9.8% vs 9.4% in the previous year and on consolidated level was at 10.3% – same as in 2023, overall being below the available market benchmarks.

In 2024 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.

In 2024 we continued leveraging on our Group e-learning platforms, making learning easily accessible by all our employees. The platform provides access to more than 60 thousand online trainings aggregated from different 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 2024. In addition to the trainings with focus on healthy lifestyle, change management and effective emotional management, we continued with awareness webinars covering topics such as stroke reaction and prevention, active parenting, etc.

In 2024 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. 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.

In 2024 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 integration of climate risk and Net Zero into the credit process, the EU taxonomy, ESG in Financial Products Distribution, etc.

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 line with our DE&I commitment and with the aim to reinforce an inclusive working environment were 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 labor relation documents are available for electronic signature. Almost 100% 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 leadership capabilities.

In 2024 was launched a tailored development program for mid-level management aimed at supporting our leaders in ongoing transformation, fostering team spirit and breaking the silos attitude while ensuring moments of sharing and peer to peer learning. More than 150 managers took part in 2024 in the program.

In 2024 was also launched a new chapter of Our Branch Managers Academy, focused on "Change management". It aims at equipping this key role in the organization in embracing smoother constant changes in client profiles, business model, digitalization, employee profiles, etc. while mastering their leadership skills. 75 Branch Managers took part in the program within 2024,

The focus on accelerating high potentials' growth and unlocking their potential have continued to be at the core of the Learning & Development Strategy during 2024.

Two brand new programs dedicated to high-potentials from the new generations were launched:

- **TomorrowZ program** – aimed at hearing the voice and supporting the growth path of motivated Generation Z employees. We have 11 participants in this program.
- **EmpowerED program** - aimed at identifying and actively

supporting the readiness to make a next step of employees with relatively short professional experience and potential to grow on managerial positions. During the program the participants have access to different training initiatives, strategic meetings, stretching assignments, mentorings, etc. We have 36 participants in this program.

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 2024, with particular Group focus on cyber security and data management.

2025 Outlook

In 2025 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 and 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 2025 business challenges and priorities. Digitalization and automation of processes and tools will continue to key enablers.

Customer Experience and Complaint Management

Customer Experience Management

Following the core values of Integrity, Responsibility and Care, UniCredit Bulbank continues to strengthen its customer-centric approach. This culture of thinking is one of the most important tools for achieving the desired business results. For UniCredit Bulbank, the opinion of its customers is very important. Based on this, all units in the Bank respond to the expectations and needs of the customer with the right solution, on time.

During 2024, taking into account feedback from employees, current and potential customers and complaints received, the Bank has continued to focus on building initiatives to improve customer experience and enhance the effectiveness of the customer survey tools in place. Several of these initiatives are related to 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 a 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. During 2024, we focused on improving communication with customers and responding to their needs in a timely manner.

Using feedback from various sources, such as surveys or complaints, we actively identify issues that help us further improve our customer processes, products and services, in line with our strategy of continuous digital transformation and optimization.

Customer Satisfaction and Experience

In an effort to meet the expectations of our customers, we are working continuously to increase the number of their feedback. In 2024, we made significant progress in this direction with the collection and analysis of more than 75,000 customer feedback.

In Retail, one of the main sources of information related to ensuring a fair benchmarking to competitors, shows that UniCredit Bulbank once again consolidates its leading position with NPS = 38 and a positive gap to Competitors' average of + 12 pts.

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=24 and a positive gap to Competitors' average of +10 pts.

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 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 15th consecutive year. Cooperation and Synergies Index measuring the level of cooperation between structures and effort they put into dealing with each remains stable vs. 2023.

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

Positive and negative feedback carry equal weight and importance in managing sustainable quality of the provided by UniCredit Bulbank services and products. Receiving customers' opinions and encouraging them to share existing issues and positive emotions, correspondingly trying our best to provide individual solutions and more general changes aligned with the feedback, is the continuous focus of Complaints and Compliments Management. 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.

Our customer are free to share their complaints and compliments via multiple channels, choosing the most convenient for them and including the channel through which to receive the official position of the Bank within the 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.

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

Customer Experience and Complaint Management (continued)

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.

During 2024 were implemented a few enhancements, keeping up with the new trends and trying to stay ahead of customer expectations. One of the most significant improvements of the complaints management process for the year was implementing a robot for processing the feedback coming from the official form on the corporate web site. It has automatized the feedback download and upload in the claim management registry and reduced time to response. Additional changes to improve the customer experience include adopting the "DigiSIgn" platform and a new standardized formal e-mail response in web format.

The number of customer feedback is 2 732 complaints and 410 compliments, which are processed effectively within the legal terms or provided deadlines by the relevant regulatory authorities. By November 2024 the average time to answer has been reduced from 11.68 days to 6.29 days.

2025 Outlook

UniCredit Bulbank continues monitoring and acting on customer feedback closely, placing an even greater focus on improving customer journeys and interactions across all channels.

Building on the initiatives taken in this direction and improving the tools for communication and feedback will further enhance the customer experience. 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 by supporting sustainable projects and unlocking the potential of the next generation

UniCredit Bulbank is not only leading bank but also plays a significant role in the society creating growth opportunities for all stakeholders and local communities. In 2024, for another year in a row, while celebrating its 60th anniversary, UniCredit Bulbank supported as a major partner the implementation of many large scale projects in the fields of education, innovation, culture and art, business and social entrepreneurship.

And not only the Bank became major partner of these valuable initiatives but also bank's employees supported the most vulnerable groups in society through significant donations and volunteering.

Education kept its position as top priority

We have continued our diverse efforts in improving and enriching the opportunities for education. 2024 concluded with remarkable accomplishment – the initiative **"Education without backpacks" was awarded with EUR 1.1 mln by UCF Edu-Fund** for the program 'Better at Math with Khan Academy' in Bulgaria. The initiative drives significant improvements in math education, enhancing student engagement and academic performance and seeks to expand the use of Khan Academy nationwide by collaborating with municipalities and regional departments of the Ministry of Education.

UniCredit Bulbank and Ucha.se join forces to improve financial literacy among students to enhance financial literacy among students. This initiative aimed to provide young people with innovative tools to understand and manage personal finances effectively. Through this collaboration, we have created a series of educational videos, accessible to students nationwide. The first two episodes, focused on digital payments, provided practical knowledge and skills for informed financial decisions. The videos aimed to present financial concepts in an engaging and understandable manner.

At the same time the Bank continued to develop on a local level the long-term partnership with two major educational foundations such as **Junior Achievement** and **Teach for All Bulgaria**, involving Bank employees as mentors.

Actually, throughout the whole year, employees all around the country shared knowledge and useful financial skills with students under the arc of Financial culture.

UniCredit Bulbank once again supported the initiative by the newspaper '24 Hours,' which compares the performance of 52 higher education institutions across 52 professional fields through a ranking system. This way we contribute to the promotion of quality higher education.

In 2024, UniCredit Bulbank once again established itself as a reliable partner to the country's most reputable universities by supporting them in various ways:

- **American University in Bulgaria (AUBG)** – UniCredit Bulbank and the American University in Bulgaria (AUBG) officially launched their partnership. As a Bank committed to fostering growth opportunities, UniCredit Bulbank funded the construction of two new wings at AUBG – Skaptopara III B and C. The partnership was established through the signing of an agreement on a special visit to the Blagoevgrad campus with the university's leadership to discuss the project and potential future opportunities.
- **Economic University Varna** – UniCredit Bulbank supports EU students in their 3rd or 4th year of bachelor's programs in Bulgaria in fields like Economics, Finance, Business Administration, IT, and Mathematics. They have participated in numerous events and meetings with students and colleagues at Economic University Varna to provide extensive information and opportunities for discussions and ideas.
- **Technical University Sofia** – we launched the second edition of the two-week internships for students with technological profiles. The 2024 Digitalization in Banking Reloaded-Bootcamp provided participants with the opportunity to apply their knowledge in practice by working with mentors from the Bank on a real project to create a digital banking menu. This year's edition included students from the Technical University in Sofia, as well as finalists from UniCredit Bulbank's Scholarship Program for 2024 with digital profiles. The collaboration marked another successful year of partnership between the Bank and the university, showcasing a commitment to fostering future talent in the technological and banking sectors.
- **University of National and World Economy** – UniCredit Bulbank initiated a series of master classes aimed at talented students from various specialties at the University of National and World Economy. Joint public discussions, lectures, and many other initiatives continue to provide ongoing support and opportunities for student growth and development.
- **Sofia University** – we have become an official partner of the master's program in "Responsible and Sustainable Management" at the Faculty of Economics of Sofia University. This program aims to support Bulgarian companies, public institutions, and civil organizations in transitioning to a green and solidarity-based economy. The partnership with the University is part of the bank's ESG strategy.
- **The National Academy of Art** – The partnership with the prestigious higher education institution involves providing both graduating and newly graduated students with a unique platform to showcase their artistic creations. UniCredit Studio offers a contemporary art space, where they can exhibit their work free of charge. Over the years, many young artists have embarked on successful careers after having their first

exhibitions at UniCredit Studio. This collaboration not only supports emerging talents but also enriches the cultural landscape by bringing fresh, innovative art to the public.

Support for Art and Culture – part of the bank's DNA

As art is a core part of our culture and relation to society, another major accent of 2024 was the support for exhibition of renowned Bulgarian artist Greddy Assa, which was held at Sofia City Art, curated by Ivo Milev. Greddy Assa is known for his landscapes, nudes, and abstract paintings, using watercolor, ink, and oil paints. His style features symbolism, intense colors, energy, and rapid contrasts. His works are in collections of notable institutions worldwide. In 2024, he celebrated his 70th birthday with the 'Journeys' retrospective exhibition, showcasing key moments in his career and emphasizing his impact on contemporary Bulgarian art.

UniCredit Studio traditionally continues its mission of providing young artists with a platform to showcase their bold ideas completely free of charge. Over the years, after hosting numerous exhibitions, the gallery has become a favourite meeting spot, a space for discussions, a host for charity events and eye-catching installations. Some of the major events in 2024 were:

January: "My Photo" - Photo Exhibition by UniCredit Bulbank Colleagues: Colleagues from UniCredit Bulbank presented a collection of beautiful landscape photos in the "My Photo" exhibition at UniCredit Studio.

February: "Preparing for Something New!" - Exhibition by Dumicani Karamanski: As a winner in the "Visual Arts" category of the Flight in Art awards by Stoyan Kambarev Foundation, Karamanski creates surrealist paintings inspired by his life, focusing on abstractions and using oil paint. The show signifies a new phase in his artistic journey, as it marks the beginning of his next solo showcases, featuring self-portraits made with spray paint and oil.

March: Photo Exhibition "Findings" by Georgi Kuzmanov: Georgi Kuzmanov, Director of Large Corporate Clients at UniCredit Bulbank, presented his solo photographic exhibition "Findings" at UniCredit Studio

April: Exhibition of Children's Arts Festival - A charity auction titled "We Are the Children of the River" was held at UniCredit Studio to support the development of creative talents in children.

May: "Graffiti" - Exhibition by Sofia Urban Art - This exhibition at UniCredit Studio traced the evolution of street art in Sofia from the 90s to today. Featuring 150 photos, it showcases the journey from early "bombs" between "Druzhba" and "Nadezhda" to large murals in the city center and the rise of street art movements.

June: Children's contest – "Moiata Parichka" exhibition took place at UniCredit Studio, showcasing over 400 banknote designs and quotes from the best essays in the 2024 National Student Competition. The event aimed to inspire children's interest in money and personal finance. The competition saw participation from over 1,000 children across Bulgaria.

June: "Things that bother me on a daily basis" by Veneta Rangelova is part of the international project SIRIUS4all, where artists explore new narratives for Europe. Designed as a typographic project, the exhibition invites visitors to reflect on universal questions in a personal way. The exhibition also marked the beginning of SIRIUS4all, which involves artists and cultural organizations from Bulgaria, Berlin, Copenhagen, and Perugia.

July: "The Unknown World of Rhodope" is a photo exhibition by Ivo Filipov, which showcased the ancient and sacred Rhodope Mountain, known as a holy place in Bulgarian consciousness. It highlighted some of the earliest cult rock mega complexes in Europe. The exhibition aimed to reveal the mystery and grandeur of these sites, correct misconceptions about their dating, and draw public attention to the need for preserving Bulgaria's rich historical heritage, particularly in the Rhodope region.

September: „Imagine a Flower" by Tsvetana Nedeva featured 12 paper sculptures in the form of flower crowns, accompanied by photographs of 12 women wearing these delicate adornments. Inspired by the qualities and images she sees in flowers and their parallels with women, Nedeva focuses on capturing the spirit rather than just physical features. Observing flowers' movements and interactions with the wind intrigues her.

October: Pandæmonium - Young talent Danail Kapchin presented his fashion collection at the international Melba design festival. The Melba festival's "Diploma Project" exhibition highlights the diversity and creativity of the new generation.

November: Entropy - Photographer Vladimir Tomashevich presented his new exhibition "Entropy" at UniCredit Studio, showcasing thirteen photos capturing moments, events, and faces over the years. The photos, resembling puzzle pieces with dark hues and subtle light flashes, convey depth and mystery.

December: #WeTheArtists - On December 10th, UniCredit Studio officially opened an exhibition by the Spanish transmedia artist Jesús Azogue, named #WeTheArtists. The exhibition was brought to UniCredit Studio by the Cervantes Institute of Sofia in collaboration with the Spanish Embassy in Bulgaria.

Innovations for the benefit of society

The Bank continued its unwavering support for the advancement of innovations across diverse sectors, solidifying its reputation as a premier partner for organizing prominent forums and events. Among the numerous initiatives, some of the most distinguished included:

- **Power of Investments Conference 2024** – the forth edition of the event was held in October and focused on several key areas: alternative investments, investments in international markets and BSE, and a cryptocurrency panel. In addition to the main program, several specialized workshops were

Corporate Social Responsibility (continued)

organized.

- **Innovation Explorer** – "The innovation goes on", 10th anniversary of the international innovation forum, Innovation Explorer, organized by the innovation agency Innovation Starter. The event combined a program of futuristic lectures and critical discussions. Its mission is to inform and connect technologies with current and future challenges, bringing together education and business leaders, politicians, startups, investors, journalists, sociologists, and anthropologists with a vision for a more sustainable, fair, and inclusive future in Bulgaria.
- **Financial Forum Innovations 2024**, organized by the Bank of the Year Association, with main topic of AI's rapid growth impacted the financial industry. Banks transitioned from Machine Learning to Generative AI for insights, risk management, decision-making, and personalized service which created an interesting discussion.
- **Digitalk 2024** – the event served as a premier platform for showcasing key influencers and transformative technologies. Esteemed entrepreneurs, innovators, and visionaries convened to impart their valuable insights and strategic advice on leveraging AI to its fullest potential, guiding businesses toward a future of enhanced innovation and efficiency.
- **WEBIT** - The WebIT 2024 edition in Bulgaria "Sustainable AI Future for Humans & Robots", focused entirely on innovations and technology trends shaping the future of key industries and humanity, was a pivotal event. The one-day exclusive event hosted business leaders, top executives, policy makers, experts, scientists, media representatives, and owners of small and medium enterprises.

In 2024, we strengthened our commitment to social entrepreneurship by collaborating with various non-governmental organizations, sponsoring events, and providing valuable knowledge and support in various forms. Our partnership with the **Bulgarian Center for Not-for-Profit Law** continued, driven by our shared mission to promote impactful entrepreneurship projects and initiatives.

For the fifth year, BGlobal magazine gathered long-term investors, mayors, and municipal representatives at the **national conference 'Business and the Regions'**. Representatives of UniCredit Bulbank took part in the event themed 'The Most Valuable Capital – People'. This year's event focused on how companies retained people in the regions, the local authorities' strategies to attract investors, and how educational initiatives created new opportunities for youth and improved labor market quality.

For the 10th anniversary of the emblematic training program of the **Council of Women in Business in Bulgaria (CWBB) – Leadership Academy – 'Succeeding in Bulgaria'**, we have once again showed our engagement and support of the career path of young women. The program includes a series of free training sessions aimed at women in various managerial positions and those who run their own businesses.

In continuation of our effort to support social entrepreneurship, UniCredit supported numerous events, such as - **Horizons 2024 - Gala Dinner** of the President of the Republic of Bulgaria with the Business, which brought together leading companies, entrepreneurs, and investors. Another major event that we sponsored as General partner was the Banking and Finance Forum: The Future of Money, organized for a seventh year in a row, where leading experts talk about the dynamic processes in the banking and financial sector, happening at the regional and global level.

Maintaining its role as a key partner in various high-level initiatives remained a priority for UniCredit in 2024, with initiatives and conferences organized by business chambers in Bulgaria, including the German-Bulgarian Chamber of Industry and Commerce, Confindustria Bulgaria, and the Bulgarian Business Leaders Forum, among others.

UniCredit Bulbank has once again confirmed the commitment to contributing to the spread of financial literacy in society with our traditional support of the specialized financial forum, **The Sound of Money**, organized by profit.bg. The event is highly recognized and renowned and covers topics like macroeconomics, financial policies, banking and real estate sectors, stock markets, asset management, ESG strategies, the entrepreneurial landscape, and corporate leadership.

In 2024, UniCredit Bulbank continued its successful partnership as the official Bank of the international **cinema-literary festival Cinelibri**. The 10th edition of Cinelibri took place from October 10 to November 3, 2024. The event, themed "Endless Poetry," celebrated poets like Pierre de Ronsard, Pablo Neruda, and Oscar Wilde. Held in multiple Bulgarian cities, the festival featured cinematic works inspired by literature. Cinelibri 2024 was supported by various municipalities and cultural institutions and marked significant anniversaries, including the fall of the Berlin Wall and Truman Capote's 100th birthday.

For over 10 years, UniCredit Bulbank has been a steadfast supporter of the **"Flight of Art" ceremony by the Stoyan Kambarev Foundation**, as well as the traditional decorations of Christmas trees, the funds from which are used to support the young talents from disadvantaged families with more than two children and the young talents of the Foundation.

In continuation of UniCredit Bulbank's support for the making of the Bulgarian film **'Without Wings"** we were proud that it premiered in December 2024 and was critically acclaimed as one of the most impactful and watched Bulgarian movies of the year. The film is inspired by the real-life story of the Bulgarian Paralympian Mihail Hristov, who lost both of his hands at the age of 14 due to an electricity incident.

Corporate Social Responsibility (continued)

Donations

During the year we have provided support for **SOS Children's Villages Bulgaria** within the campaign "Together we fulfil children's dreams", donating funds for each loan granted, with commercial partners doubling their contributions. SOS Children's Villages provides a family and a healthy environment for children deprived of parental care and those at risk of losing parental support. The organization ensures these children grew up in an atmosphere of love, trust, and security.

As important part of their partnership **UniCredit Bulbank and Mastercard** donated funds for training guide dogs to support people with visual impairments. The initiative provided practical assistance and increased independence for visually impaired individuals. Funds were collected through a campaign where UniCredit Bulbank donated a dedicated amount for each payment made with newly issued Mastercard cards from April to July 2024. The total amount collected was BGN 100 thousand.

Events, related to ESG

In 2024. UniCredit Bulbank has established itself as a leading institution in the public dialogue on the topic, having been a key partner in the most important 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+ participants in the previous year, the Summit has positioned itself as one of the major events shaping tomorrow's world. During the three-day forum, topics related to the economic, technological and social future of stakeholders affected by the Green Deal were presented
- **Net Zero Economy** - a key local platform for exchanging ideas between the government, business leaders, public experts, and investors. It focused on crucial areas such as Bulgaria and EU climate goals, decarbonizing the energy system, the industry's role in the net-zero economy, climate-neutral transport, smart cities, financial stimulus, and investments for the transition, and new business models for sustainability. UniCredit Bulbank was announced as the main partner and promoted through Economedia's channels
- **TEDxVitosha COUNTDOWN** is a key component of TED's global movement to stimulate and expedite actionable solutions to the climate crisis. The event once again provided stage for scientists, activists, entrepreneurs, investors, artists, government officials, and opinion leaders, the event amplifies impactful ideas and fosters a collaborative environment

UniCredit Bulbank is active in initiating numerous activities and projects that have a positive impact on society and the environment. The Bank promotes social responsibility as a way of thinking and acting among its employees through various volunteering and donation programmes.

UniCredit Bulbank, as an active partner to its customers in achieving their ESG goals, in the end of 2023 launched the first of a series of planned workshops and trainings to support businesses on their journey towards sustainable transformation and covering new regulatory requirements. In 2024, this series of events has evolved as experts from the Bank, together with leading experts from the consulting and business sectors, presented the challenges facing large companies: how to choose the right ESG partner, what is coming under the first wave of ESG/CSRD (Corporate Sustainability Reporting Directive) and how businesses can prepare.

At the same time **UniCredit Leasing Supported New Green Taxi Company**. Volt began with over 200 premium hybrid and electric BMW 5 Series cars, aiming for 400 vehicles long-term. The initiative highlighted UniCredit Leasing's commitment to green mobility and strong client partnerships.

Last, but not least, the Bank participates in an active ecosystem of partners such as International Commercial Chambers, to which UniCredit Bulbank is a partner (AmCham, Confindustria, German-Bulgarian Industry and Commerce chamber, etc.), Council of Women in Business in Bulgaria and others.

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.

UniCredit Bulbank' s strategy is in line with UniCredit's ESG strategy, built on strong foundations and interconnected elements. UniCredit strives to lead by example, setting high standards for itself and its business partners. It also has ambitious ESG goals which support clients and partners in their own green transition. A key objective is to integrate all ESG factors into the bank's management, core business and processes. This approach takes into account both risks and market opportunities, ensuring transparency for all stakeholders.

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 structure **ESG Strategy** under CEO was established in 2024. 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.

In line with its strategy, UniCredit is a part of the **'Net-Zero Banking Alliance'**, which represents over 40% of global banking assets. The Alliance aim is to make its loan and investment portfolios 'net zero' in emissions by 2050 or earlier, in line with the most ambitious targets set by the Paris Climate Agreement.

Already disclosed on Group level in 2023 and 2024 the 2030 intermediate targets on four of the most carbon-intensive sectors in our portfolio: Oil&Gas, Power Generation, Automotive and Steel. Our focus is to support the clients in the development and scaling up of innovative climate solutions and boosting our sustainable lending (green loans and sustainability linked loans) to support our clients in their journey to decarbonise.

In 2024 was officially published on UniCredit's website **ESG Product Guidelines**. The document is designed to meet the objective to ensure the homogeneous classification and reporting of UniCredit's ESG financial products and services.The main goal is the prevention of the related risks of greenwashing and social washing. They serve as a basis to further improve UniCredit's sustainability ambitions and metrics, to deliver on our commitment to support sustainable economic growth and the transition to a more inclusive, equitable society and a low-carbon economy.

Last year the green financing to our clients reached approximately BGN 455 mln and the social lending is approximately BGN 186 mln.

We have started series of workshops with our corporate clients in order to increase ESG awareness and opportunities for the business transformation.

Following the engagement to lead by example, UniCredit Bulbank continue to work on the plan in order to improve its **own footprint.** In 2024 was signed Contract for green energy electricity delivery, where 75 % of the used electricity is from renewable sources following our goal to be carbon neutral until 2030. Photovoltaic electrical power plant on the main building Sveta Nedelya started in April and until the end of December we succed to produced and use 25MWh. There are various initiatives as replacement of the vehicles, reduction of the used paper by didgitalizing processes, and other initiatives for reduction off overall energy consumption.

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. Teach for All - teacher support has been extended over the next three years, covering more than 35,000 pupils in over 780 regional schools.

UniCredit Bulbank created the opportunity to increase the financial culture of 1 789 students and social entrepreneurs all over the country with the help of the bank's partners and 101 volunteers from the bank.

The twelve 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:

- B2B media Employer Branding Awards: Innovation in Talent Education - 1st place
- B2B media Employer Branding Awards: Employer Branding - 1st place
- B2B media Employer Branding Awards: Culture & Values - 1st place
- BCause Foundation's annual "Responsible Company - Responsible Employees" award: Silver sign
- BCause Foundation's annual Responsible Company - Responsible Employees" award: Personal award for Employee "Driving Good in Regular Giving Programs from the Workplace"
- B2B media - "The Greenest Companies in Bulgaria": Greenest Bank - 1st place
- B2B media - "The greenest companies in Bulgaria": Green Office - 1st place
- B2B media - "The Greenest Companies in Bulgaria": "Internal

ESG Governance and Strategy (continued)

Green Communication Campaign" for Green Volunteering - 2nd place

- Employer of Choice Awards - Students activities & Recruitment: Partnership with Technical university – Sofia
- PR Priz - ESG communication project to improve the quality of life in society: Educational initiative by UniCredit Studio and the National Gallery "Meet the artists..." - 3rd place
- Top Employers Institute: Top employer in Bulgaria and Europe
- B2B Media Awards - ESG Project - 3rd place

3 265 employees in the Bank have passed training Sustainable management and Environmental, social and governance (ESG) factors in 2024. Additionally the Bank organized other specialized trainings as:

- ESG in Financial Products Distribution, total 365 employees trained.
- Training regarding The EU Taxonomy: Application and opportunities - 186 trained employees
- As part of EDP trainings: Decarbonization of loan portfolio, was delivered to 11 employees
- Evolution of ESG – Webinar (ESG Induction for Boards), delivered to 9 board members.

What is ahead?

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 balance sheet management. ESG services will remain main focus, and key targets remains unchanged – to develop ecological and social client offers, to enrich 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.

In accordance with provisions of Art. 50, para. (1) and para. (5) of the Accountancy Act, UniCredit Bulbank AD is exempted from the obligation to prepare a sustainability report in its capacity as a subsidiary of the UniCredit SpA, a parent company, registered in Italy.

More information on ESG Governance and Strategy in UniCredit Group Sustainability Report: https://www.unicreditgroup.eu/en/investors/financial-reporting.html

Major Subsidiaries

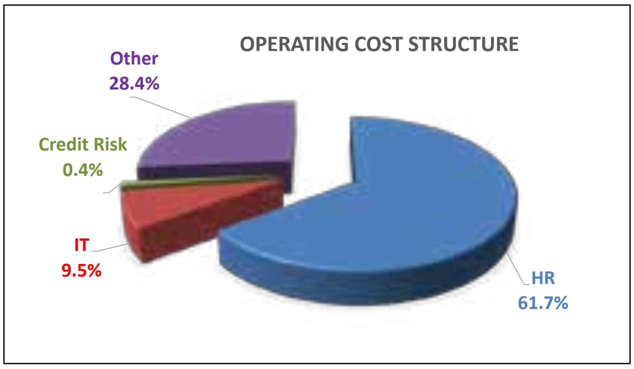
UniCredit Consumer Financing

UniCredit Consumer Financing EAD (UCFin) closed another successful year. Leveraging on great customers' relationship and focusing on innovation, UCFin managed to register another successful year in terms of financial results and reports net profit for the year in the amount of BGN 85 mln, increase by 1.7% vs 2023.

Net Revenues reached BGN 191 mln (16.0% y/y) with net interest income being the usual main contributor with a share of 88%. The three channels (Banking, POS and CVM) kept their steady performance with net interest income coming from the Banking channel preserving its predominant share, CVM revenues decreasing to 45% in 2024 (47% in 2023) of total revenues.

The operating costs of UCFin for 2024 amounted to BGN 24 mln (6% y/y). Volume driven expenses has slight increase. Depreciation costs are going up in line with implementation of new technological investments. HR costs have the highest share (62% of the total costs), followed by Back office expenses (28%), IT (10%) and Credit Risk expenses with 0.4% share.

Throughout the year a number of optimizations were implemented that resulted in increases in other administrative expenses. Credit risk expenses have decreased significantly compared to 2023. Marketing expenses represent a significant part of other operating expenses.



In relation to taxation, as a result of the new top up tax that affects Unicredit Group, tax expenses increased significantly in 2024 to an effective rate of almost 15%, compared to 10% for previous year.

2025 Outlook

The economic outlook look more favorable compared to last year. Current inflation levels are expected to be stable or slightly increase throughout 2025. GDP in Bulgaria is expected to register a modest increase. The consumer lending market is expected to remain strong as consumer spending is showing no signs of a slowing down. Competition is expected to remain fierce. There are several significant players in the market and the price competition would keep pressure on margins.

UCFin will strive to keep the leading position on the consumer lending market, leveraging on our strengths, being innovative, re-enforcing our links with UniCredit Bulbank AD in order to bring recurrent and sustainable profit.

UniCredit Leasing

Despite the challenges of 2024, UniCredit Leasing strengthened its position among the leaders on the market through strong collaboration with UniCredit Bulbank and international vendors of equipment and vehicles. New business volumes continue to grow y/y, driving a double-digit increase in gross performing loans and ensuring sustainable revenue base.

UniCredit Insurance Broker further reinforced its positions in Bulgaria, achieving stable revenues through enhanced cooperation with UniCredit Group entities.

The UniCredit Leasing has expanded its focus to ESG, becoming a market leader in green financing. Sustainability and ESG principals remain key factors for supporting clients and communities in transitioning to a low-carbon and inclusive economy.

The efficiency and increased productivity will continue to be in the core of UniCredit Leasing business model, leveraging on automation and development of all main systems.

UniCredit Fleet Management

UniCredit Fleet Management EOOD (UCFM) is a non-financial company, specialized in providing operational leasing with a full range of services to its local national and international, external clients, as well as, to the companies within UniCredit Group in Bulgaria. Despite the ongoing challenges in the field of the automotive sector, UCFM continues to report increase and stably maintains the car fleet managed by the company and customer's portfolio.

Positive progress continues thanks to joint commercial efforts and synergy with UniCredit Bulbank and UniCredit Leasing, constant development and maintenance of external partnerships with car and service providers, as well as the drive of the entire company team to provide higher quality of services offered.

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 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 and Assurance of Sustainability Reporting 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 2024 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 and Assurance of Sustainability Reporting 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 (with fully alignment between Business and Risk) are:

   (1) Small Corporates, Medium corporates Large corporates clients, International center clients incl. GAM and Group clients with local exposure up to the limit defined in the Internal Rules for corporate clients lending.

   (2) Non material waivers and changes from technical character for exposures up to the limit defined in the Internal Rules for corporate clients lending which do not deteriorate risk profile of transaction (all members at the Transactional Committee_Credit Council Session have to vote with majority).

   (3) Flexibility range regarding capital-light products (leasing and factoring frames) up to BGN 5 mln for exposures over BGN 50 mln - defined threshold in the Internal Rules for corporate clients lending.

   (4) PI and Micro clients with local exposure up to the limit defined in the Internal lending rules for individuals and Internal Rules for Micro business lending.

   (5) Non material waivers and changes from technical character for exposures PI and Micro clients over the limit defined in the Internal Rules for Small business lending and Internal lending rules for individuals, which do not deteriorate risk profile of transaction.

   (6) Clients in a Restructuring or Workout: (i) the approval competences on specific types of transactions are determined in compliance with the "Rules of proceeding for overdue loans and loans in restructuring"; (ii) GAM and Group clients with local exposure up to the limit defined in Financial and Credit Risk Committee (FCRC), Credit Risk Session; (iii) Non material waivers and changes from technical character for exposures over defined in FCRC - Credit Risk session limits.

   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 NFRC 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.

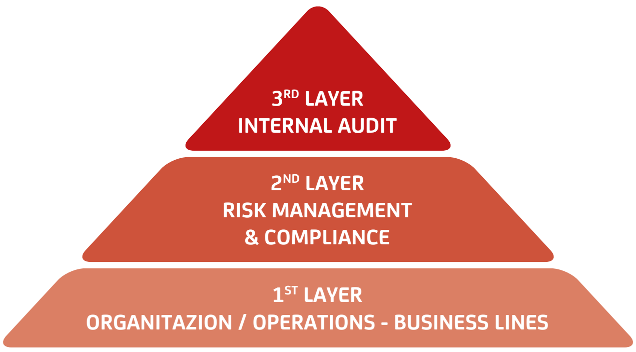
   4.4. Third Party Risk session responsible for the management of the Exception process (escalation process) of the Rules for Third Party Risk Management for Non-Outsourcing contracts and the Rules for Outsourcing contracts of the Bank and its Subsidiaries.

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 2024

As at the end of 2024 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 2024 on an individual and consolidated basis.

For UniCredit Bulbank AD:

....	....
Tsvetanka Mincheva	Ivaylo Glavchovski
Chairperson of the Management Board	*Member of the Management Board and Chief Executive Officer*
Chief Executive Officer	

KPMG

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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 99, which comprise the separate statement of financial position as at 31 December 2024 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 2024, 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 and Assurance of Sustainability Reporting Act (IFAASRA) 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 IFAASRA 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 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 2024, the separate financial statements include:

- Gross loans and advances to customers at amortised cost of BGN 21,218,773 thousand (31 December 2023: BGN 18,216,976 thousand) and related impairment allowance of BGN 702,845 thousand (31 December 2023: BGN 681,415 thousand), as disclosed in note 27 to the separate financial statements.
- Net Impairment (loss)/ reversal on loans and advances to customers recognized in the separate income statement of BGN (33,410) thousand (2023: BGN 23,744 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

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at default ("EAD"). In the wake of the economical volatility caused by geopolitical uncertainties and weak economic growth, measurement of the collective impairment allowance was associated with additional complexities and an increased estimation uncertainty. 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 2024. 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 by benchmarking with external data and performing sensitivity analysis; — Recalculating the expected credit losses as of 31 December 2024 based on the Bank's ECL model for a sample of the Bank's portfolios. For ECLs estimated on an individual basis: — For loans classified as Stage 3, we challenged key assumptions in the Management Board's estimates of future cash flows used in the impairment calculation. This included evaluating the estimated time to sell and the realizable value of collateral by referencing underlying collateral agreements and appraisals. To independently assess their relevance and reliability, we compared the appraised values against market data on a sample basis. For loan exposures in totality: — Examining whether the Bank's ECL-related disclosures in the separate financial statements appropriately address the relevant

INDEPENDENT AUDITORS' REPORT

	quantitative and qualitative requirements of the applicable financial reporting framework.

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

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

Based on the procedures performed, our opinion is that:

- The information included in the 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.

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

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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.

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We are jointly and severally responsible for performing our audit and for our audit opinion as per the requirements of the Independent Financial Audit and Assurance of Sustainability Reporting 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 and Assurance of Sustainability Reporting Act

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

- KPMG Audit OOD and Baker Tilly Klitou and Partners EOOD were appointed as statutory auditors of the separate financial statements of the Bank for the year ended 31 December 2024 by the general meeting of shareholders held on 11 April 2024 for a period of one year. The audit engagement was accepted by signing the Joint Audit Engagement Letter on 11 November 2024.
- The audit of the separate financial statements of the Bank for the year ended 31 December 2024 represents third total uninterrupted statutory audit engagement for that entity carried out by KPMG Audit OOD and eighth total uninterrupted statutory audit engagement for that entity carried out by Baker Tilly Klitou and Partners EOOD.
- We hereby confirm that the audit opinion expressed by us is consistent with the additional report, provided to the Bank's audit committee, in compliance with the requirements of Art. 60 of the Independent Financial Audit and Assurance of Sustainability Reporting Act.

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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 and Assurance of Sustainability Reporting Act.
- We hereby confirm that in conducting the audit we have remained independent of the Bank.

Sofia, 24 February 2025

For KPMG Audit OOD:

Registered under No 045 in the Register of the registered auditors

Sevdalina Dimova

Authorised representative and registered auditor, responsible for the audit

For Baker Tilly Klitou and Partners EOOD:

Registered under No 129 in the Register of the registered auditors

Galina Lokmadjieva

Authorised representative and registered auditor, responsible for the audit

45/A Bulgaria Boulevard
Sofia 1404, Bulgaria

5 Stara Planina Str., 5th floor
Sofia 1000, Bulgaria

Separate Income Statement

In thousands of BGN

	Notes	2024	2023
Interest income calculated using the effective interest method		934 130	802 762
Other interest income		26	46
Interest expense		(158 265)	(94 751)
Net interest income	8	**775 891**	**708 057**
Dividend income	10	**211 049**	**110 161**
Fee and commission income		418 622	368 142
Fee and commission expense		(103 217)	(87 210)
Net fee and commission income	9	**315 405**	**280 932**
Net gains on financial assets and liabilities held for trading and hedging derivatives, including FX revaluation	11	151 845	137 111
Net gains from financial assets mandatorily at fair value	12	1 232	3 223
Net losses from financial assets measured at FVTOCI	13	(24 983)	(4 621)
Other operating income	14a	39 186	10 753
Other operating expenses	14b	(37 764)	(29 666)
TOTAL OPERATING INCOME		**1 431 861**	**1 215 950**
Net income/(expense) related to property, plant and equipment	15	179	(1)
Personnel expenses	16	(186 924)	(178 003)
General and administrative expenses	17	(121 087)	(112 429)
Amortization, depreciation and impairment losses on tangible and intangible fixed assets, investment properties and assets held for sale	18	(56 663)	(59 500)
Provisions for risk and charges	19	16 797	(2 660)
Net impairment (loss)/ reversal on financial assets	20	(9 253)	20 437
PROFIT BEFORE INCOME TAX		**1 074 910**	**883 794**
Income tax expense	21	(127 666)	(77 099)
PROFIT FOR THE YEAR		**947 244**	**806 695**

These separate financial statements have been approved by the Management Board of UniCredit Bulbank AD on February 19, 2025.

Tsvetanka Mintcheva
Chairperson of the Management Board and Chief Executive Officer

Ivaylo Glavchovski
Member of the Management Board and Executive Officer

Nevena Nikse
Member of the Management Board and Chief Financial Officer

In accordance with an Independent Auditors' Report:
KPMG Audit OOD
Registered under No 045 in the Register of the registered auditors

Baker Tilly Klitou and Partners EOOD
Registered under No 129 in the Register of the registered auditors

Sevdalina Dimova
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

The accompanying notes 1 to 49 are an integral part of these separate financial statements.

Separate Statement of Comprehensive Income

In thousands of BGN

	Notes	2024	2023
Profit for the year		**947 244**	**806 695**
Other comprehensive income - items that will not be reclassified subsequently to profit or loss			
Actuarial losses	40	(2 966)	(4 028)
Revaluation reserve on tangible assets	30	10 485	8 920
Revaluation reserve on equity investments recycled at equity		12	8 870
Income tax relating to items of other comprehensive income that will not be reclassified subsequently to profit or loss		(754)	(1 375)
		6 777	**12 387**
Other comprehensive income - items that may be reclassified subsequently to profit or loss			
Investment securities		50 422	58 965
Cash flow hedge		15 125	4 879
Income tax relating to items of other comprehensive income that may be reclassified subsequently to profit or loss		(6 551)	(7 019)
		58 996	**56 825**
Total other comprehensive income net of tax for the year		**65 773**	**69 212**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**1 013 017**	**875 907**

These separate financial statements have been approved by the Management Board of UniCredit Bulbank AD on February 19, 2025.

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KPMG Audit OOD

Baker Tilly Klitou and Partners EOOD
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Separate Statement of Financial Position

In thousands of BGN

	Notes	31.12.2024	31.12.2023
ASSETS			
Cash and balances with Central Bank	22	5 755 504	6 069 757
Non-derivative financial assets held for trading	23	196	4 381
Derivatives held for trading	24	127 231	100 703
Derivatives held for hedging	25	39 332	77 165
Loans and advances to banks and debt securities at amortized cost	26	2 478 542	2 787 613
Loans and advances to customers and debt securities	27	22 301 885	19 324 871
Pledged debt securities at amortized cost	27	1 303 586	1 073 063
Investment securities	28	2 069 461	1 543 638
Pledged investment securities	28	289 474	645 643
Investments in subsidiaries and associates	29	52 479	52 479
Property, plant, equipment, right of use assets and investment properties	30	235 282	234 428
Intangible assets	31	88 808	94 603
Non-current assets and disposal groups classified as held for sale	34	-	1 130
Other assets	35	155 074	115 029
TOTAL ASSETS		**34 896 854**	**32 124 499**
LIABILITIES			
Financial liabilities held for trading	36	87 649	111 647
Derivatives held for hedging	25	118 926	128 856
Deposits from banks	37	2 088 730	1 583 312
Deposits from customers and other financial liabilities at amortized cost	38	26 418 924	24 863 665
Debt securities issued	39	1 743 506	1 401 400
Fair value changes of the hedged items in portfolio hedge of interest rate risk	25	8 624	4 203
Provisions	40	101 702	141 757
Current tax liabilities	32	47 736	17 034
Deferred tax liabilities	33	9 396	8 592
Other liabilities	41	120 980	202 018
TOTAL LIABILITIES		**30 746 173**	**28 462 484**
EQUITY			
Share capital		285 777	285 777
Revaluation and other reserves		(17 307)	(79 716)
Retained earnings		2 934 967	2 649 259
Profit for the year		947 244	806 695
TOTAL EQUITY	42	**4 150 681**	**3 662 015**
TOTAL LIABILITIES AND EQUITY		**34 896 854**	**32 124 499**

These separate financial statements have been approved by the Management Board of UniCredit Bulbank AD on February 19, 2025.

Tsvetanka Mintcheva
Chairperson of the Management Board and Chief Executive Officer

Ivaylo Glavchovski
Member of the Management Board and Executive Officer

Nevena Nikse
Member of the Management Board and Chief Financial Officer

In accordance with an Independent Auditors' Report:

KPMG Audit OOD
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Sevdalina Dimova
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KPMG Audit OOD

Baker Tilly Klitou and Partners EOOD
Registered under No 129 in the Register of the registered auditors

Galina Lokmadjieva
Registered auditor, Responsible for the audit and Authorized representative
Baker Tilly Klitou and Partners EOOD

The accompanying notes 1 to 49 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, 2023	285 777	342 378	2 770 759	(139 174)	(71 689)	(1 605)	64 547	3 261 993
Profit for the year	-	-	**806 695**	-	-	-	-	**806 695**
Actuarial losses	-	-	-	-	-	(4 025)	-	**(4 025)**
Change of revaluation reserve on investment securities	-	-	-	67 835	-	-	-	**67 835**
Change of revaluation reserve on cash flow hedges	-	-	-	-	4 875	-	-	**4 875**
Change of revaluation reserve on tangible assets	-	-	-	-	-	-	9 920	**9 920**
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	-	-	485	(485)	-	-	-	-
Income tax related to components of other comprehensive income	-	-	(233)	(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)**	**8 457**	**69 212**
Total comprehensive income for the year net of tax	-	-	**808 702**	**59 982**	**4 391**	**(3 625)**	**8 457**	**875 907**
Dividends paid	-	-	(465 885)	-	-	-	-	**(465 885)**
Balance as of December 31, 2023	**285 777**	**342 378**	**3 113 576**	**(79 192)**	**(67 298)**	**(5 230)**	**71 004**	**3 662 015**

	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, 2024	285 777	342 378	3 113 576	(79 192)	(67 298)	(5 230)	71 004	3 662 015
Profit for the year	-	-	**947 244**	-	-	-	-	**947 244**
Actuarial losses	-	-	-	-	-	(2 966)	-	**(2 966)**
Change of revaluation reserve on investment securities	-	-	-	50 434	-	-	-	**50 434**
Change of revaluation reserve on cash flow hedges	-	-	-	-	15 125	-	-	**15 125**
Change of revaluation reserve on tangible assets	-	-	-	-	-	-	10 485	**10 485**
Transfers of revaluation reserve of tangible assets to other net equity items	-	-	3 739		-	-	(3 739)	-
Income tax related to components of other comprehensive income	-	-	(375)	(5 040)	(1 512)	297	(875)	**(7 305)**
Total other comprehensive income for the year net of tax	-	-	**3 364**	**45 394**	**13 613**	**(2 669)**	**6 871**	**66 573**
Total comprehensive income for the year net of tax	-	-	**950 608**	**45 394**	**13 613**	**(2 669)**	**6 871**	**1 013 817**
Dividends paid	-	-	(524 361)	-	-	-	-	**(524 361)**
Balance as of December 31, 2024	**285 777**	**342 378**	**3 539 833**	**(33 798)**	**(53 685)**	**(7 899)**	**77 875**	**4 150 681**

These separate financial statements have been approved by the Management Board of UniCredit Bulbank AD on February 18, 2025.

Tsvetanka Mintcheva
Chairperson of the Management Board and Chief Executive Officer

Ivaylo Glavchovski
Member of the Management Board and Executive Officer

Nevena Nikse
Member of the Management Board and Chief Financial Officer

In accordance with an Independent Auditors' Report
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Baker Tilly Klitou and Partners EOOD

The accompanying notes 1 to 49 are an integral part of these separate financial statements.

Separate Statement of Cash Flows

In thousands of BGN

	Notes	2024	2023
Net profit		**947 244**	**806 695**
Current and deferred tax, recognized in income statement	21	127 666	77 099
Adjustments for non-cash items			
Amortization, depreciation and impairment losses on tangible and intangible fixed assets, investment properties and assets held for sale	18	56 663	59 500
Impairment/(reversal) of impairment of financial assets	20	33 818	(29 503)
Impairment of foreclosed properties	14	-	21
Provisions, net	40	(39 937)	12 837
Unrealized fair value gain through profit or loss, net		(3 663)	(9 705)
Unrealized fair value loss/(gain) on FX revaluation		31 775	(60 704)
Net gain from sale of PPE and foreclosed properties		(476)	(7 388)
Net interest income	8	(775 891)	(708 057)
Dividend income	10	(211 049)	(110 161)
Increase in other accruals		15 856	28 830
Cash flows from profits before changes in operating assets and liabilities		**182 006**	**59 464**
Operating activities			
Change in operating assets			
(Increase)/Decrease in loans and advances to banks		861 777	(1 667 271)
Increase in loans and advances to customers		(3 250 817)	(3 094 417)
Decrease in financial instruments held for trading and hedging derivatives		37 257	57 592
Decrease in non-current assets held for sale		1 130	-
Increase in other assets		(37 515)	(11 468)
Change in operating liabilities			
Increase in deposits from banks		497 059	13 132
Increase in deposits from customers		1 460 971	1 691 568
Provisions utilization		(3 550)	(4 447)
Increase/(decrease) in other liabilities		(67 859)	82 556
Interest received		945 996	754 509
Interest paid		(164 397)	(78 459)
Dividends received		211 049	110 161
Taxes paid		(86 000)	(67 800)
Net cash flow from/(used in) operating activities		**587 107**	**(2 154 906)**

Separate Statement of Cash Flows (continued)

		In thousands of BGN	
	Notes	2024	2023
Cash flow from investing activities			
Cash payments to acquire PPE		(20 259)	(13 295)
Cash receipt from sale of PPE		476	7 388
Cash payments to acquire intangible assets	31	(19 852)	(29 582)
Cash receipt from sale of FVOCI assets		725 943	663 340
Cash payments to acquire FVOCI assets		(841 842)	(257 830)
Net cash flow from/(used in) investing activities		**(155 534)**	**370 021**
Cash flow from financial activities			
Dividends paid		(523 944)	(465 885)
Cash payments related to lease liabilities		(11 113)	(9 737)
Increase in debt securities issued		342 270	1 075 707
Net cash flows from/(used in) financial activities		**(192 787)**	**600 085**
Effect of exchange rate changes on cash and cash equivalents		**4 047**	**3 602**
Impairment of cash equivalents	20	**1**	**(30)**
Net increase/(decrease) in cash and cash equivalents		**242 834**	**(1 181 222)**
Cash and cash equivalents at the beginning of period	46	**6 891 479**	**8 072 701**
Cash and cash equivalents at the end of period	46	**7 134 313**	**6 891 479**

These separate financial statements have been approved by the Management Board of UniCredit Bulbank AD on February 19, 2025.

Tsvetanka Mintcheva
Chairperson of the Management Board and Chief Executive Officer

Ivaylo Glavchovski
Member of the Management Board and Executive Officer

Nevena Nikse
Member of the Management Board and Chief Financial Officer

In accordance with an Independent Auditors' Report:
KPMG Audit OOD
Registered under No 045 in the Register of the registered auditors

Baker Tilly Klitou and Partners EOOD
Registered under No 129 in the Register of the registered auditors

Sevdalina Dimova
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

The accompanying notes 1 to 49 are an integral part of these 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, 2024 the Bank operates through its network comprising of 125 branches.

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 19, 2025. 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, except when otherwise stated. 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. Material accounting policies

There have been no changes in material 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, including FX revaluation.

(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 “Net gains from 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;
- Apply 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, 2024 and December 31, 2023 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, 2024 and December 31, 2023 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, 2024 and December 31, 2023 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 2024 and 2023.

(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, 2024 and December 31, 2023 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.

The Bank has determined that the global minimum top-up tax - which it is required to pay under Pillar Two legislation - is an income tax in the scope of IAS 12. The Bank has applied a temporary mandatory relief from deferred tax accounting for the impacts of the top-up tax and accounts for it as a current tax when it is incurred.

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, 2024 and December 31, 2023 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 1 January 2024, 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

Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability (issued on 15 August 2023, effective from 1 January 2025)

Under IAS 21 The Effects of Changes in Foreign Exchange Rates, a company uses a spot exchange rate when translating a foreign currency transaction. In some jurisdictions, no spot rate is available because a currency cannot be exchanged into another currency.

IAS 21 was amended to clarify:

- When a currency is exchangeable into another currency; and
- How a company estimates a spot rate when a currency lacks exchangeability.

The amendments also include additional disclosure requirements to help users to assess the impact of using an estimated exchange rate on the financial statements.

The Bank expects that the amendments, when initially applied, would not have a material impact on its separate financial statements.

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 financial statements. The actual effective dates for them will depend on the endorsement decision by the EC.

IFRS 18 Presentation and Disclosure in Financial Statements (issued on 9 April 2024, effective from 1 January 2027)

IFRS 18 replaces IAS 1 Presentation of Financial Statements. The major changes in the requirements are summarised below.

A more structured statement of profit or loss

IFRS 18 introduces newly defined ‘operating profit’ and ‘profit or loss before financing and income tax’ subtotals and a requirement for all income and expenses to be allocated between three new distinct categories based on a company’s main business activities: operating, investing and financing.

Under IFRS 18, companies are no longer permitted to disclose operating expenses only in the notes. A company presents operating expenses in a way that provides the ‘most useful structured summary’ of its expenses by either:

- Nature;

- Function; or
- Using a mixed presentation.

If any operating expenses are presented by function, then new disclosures apply.

MPMs – Disclosed and subject to audit

IFRS 18 also requires some 'non-GAAP' measures to be reported in the financial statements. It introduces a narrow definition for Management Performance Measures ("MPMs"), requiring them to be:

- A subtotal of income and expenses;
- Used in public communications outside the financial statements; and
- Reflective of management's view of financial performance.

For each MPM presented, companies need to explain in a single note to the financial statements why the measure provides useful information, how it is calculated and reconcile it to an amount determined under IFRS Accounting Standards.

Greater disaggregation of information

The new standard includes enhanced guidance on how companies group information in the financial statements. This includes guidance on whether information is included in the primary financial statements or is further disaggregated in the notes.

Companies are discouraged from labelling items as 'other' and are required to disclose more information if they continue to do so.

Other changes applicable to the primary financial statements

IFRS 18 sets operating profit as a starting point for the indirect method of presenting cash flows from operating activities and eliminates the option for classifying interest and dividend cash flows as operating activities in the cash flow statement (this differs for companies with specified main business activities). It also requires goodwill to be presented as a new line item on the face of the balance sheet.

Transition

In its annual financial statements prepared for the period in which the new standard is first applied, an entity shall disclose, for the comparative period immediately preceding that period, a reconciliation for each line item in the statement of profit or loss between the restated amounts presented applying IFRS 18 and the amounts previously presented applying IAS 1.

The following amendments and improvements to standards are not expected to have a material impact on the separate financial statements of the Bank.

- *IFRS 19 Subsidiaries without Public Accountability: Disclosures (issued on 9 May 2024, effective from 1 January 2027);*
- *Contracts Referencing Nature-dependent Electricity – Amendments to IFRS 9 and IFRS 7 (issued on 18 December 2024, effective from 1 January 2026);*
- *Annual Improvements Volume 11 (issued on 18 July 2024, effective from 1 January 2026);*
- *Amendments to the Classification and Measurement of Financial Instruments - Amendments to IFRS 9 and IFRS 7 (issued on 30 May 2024, effective from 1 January 2026).*

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 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 VaR model results, 60-day profitability data (Loss Warning Level) from market risk activities are also calculated 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 2024, VaR of FVOCI positions (measured with one day holding period, confidence interval of 99%) of UniCredit Bulbank AD moved in a range between BGN 1.89 million and BGN 4.92 million, averaging BGN 2.83 million, with credit spreads and interest rate curves' movements being main drivers. VaR of FVPL positions fluctuated in a range between BGN 0.08 million and BGN 0.53 million, averaging BGN 0.2 million.

VaR of UniCredit Bulbank AD by portfolio in BGN for 2024 on stand-alone basis is as follows:

Portfolio	Minimum	Maximum	Average	Year-end
FVtPL	84 013	526 175	202 616	170 090
FVtOCI	1 893 808	4 921 169	2 826 403	3 769 095

In terms of different risk factors contributing to the overall VaR of both FVPL and FVOCI portfolios, the spit by end-2024 is as follows:

December 31, 2024 (BGN)	FVOCI	FVPL
Total	(3 769 095)	(169 944)
o/w SP marginal VaR	(6 521 326)	56
o/w IR marginal VaR	2 779 145	(175 854)
o/w FX marginal VaR	-	6 064
o/w EQ marginal VaR	-	145
o/w Vega marginal VaR	-	(1)

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, 2024 (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	(19 292)	10 063	14 448	98 863	4 963	**109 045**
BGN	(26 420)	(172 582)	(84 109)	233 143	109 381	**59 413**
USD	(8 702)	(2 803)	591	(2 342)	(8 637)	**(21 893)**
CHF	(1 174)	438	(3)	(3)	-	**(742)**
GBP	(638)	533	72	-	-	**(33)**
Other	3	-	-	-	-	**3**
Total	**(56 223)**	**(164 351)**	**(69 001)**	**329 661**	**105 707**	**145 793**

IR Basis point shift, Trading book (BGN)

Currency	0-3M	3M-1Y	1Y-3Y	3Y-10Y	10Y-	SUM
EUR	17 589	26 907	(1 461)	(692)	(17)	**42 326**
BGN	(12 653)	(12 613)	-	-	-	**(25 266)**
USD	(9 677)	(8 577)	-	-	-	**(18 254)**
CHF	(1 310)	-	-	-	-	**(1 310)**
GBP	(835)	-	-	-	-	**(835)**
Other	3	-	-	-	-	**3**
Total	**(6 883)**	**5 717**	**(1 461)**	**(692)**	**(17)**	**(3 336)**

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 2024 is the following:

BP01 (BGN)	FVOCI	FVPL
BP01, total ccy	(498 055)	(3 352)
BP01 EUR	(259 981)	75 304
BP01 BGN	(226 753)	(58 261)
BP01 USD	(11 321)	(18 254)
Other	-	(2 141)

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 December 31, 2024 are:

SOT SCENARIOS	Flattening	Parallel down	Parallel up	Short rates down	Short rates up	Steepening
Economic Value (BGN)	(83 442 014)	(110 828 874)	(12 668 510)	25 970 104	(78 628 545)	45 466 153
As percentage of Tier 1	**-2.62%**	**-3.48%**	**-0.40%**	**0.82%**	**-2.47%**	**1.43%**

In terms of change in Net Interest Income (NII) sensitivity at UniCredit Bulbank AD level, as of December 31,2024 is as follows:

SOT SCENARIOS	Parallel down	Parallel up
Net interest Income (BGN)	(6 297 405)	(7 147 615)
As percentage of Tier 1	-0.20%	-0.22%

Measured by total absolute basis-point value, the credit spread sensitivity metric for UniCredit Bulbank AD as of December 31, 2024 amounted to BGN 2 262 615. 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	(1 014)	(57 400)	(243 678)	(1 773 576)	(175 201)	(2 250 869)
Financials	-	-	(1 378)	-	-	(1 378)
Corporates	-	(2 173)	-	(8 195)	-	(10 368)
Total Absolute	**1 014**	**59 573**	**245 056**	**1 781 771**	**175 201**	**2 262 615**

New rules for managing, measuring and controlling the credit spread risk of the banking book were applied in 2024 ensuring implementation of the EBA Guidelines “on the management of interest rate risk and credit spread risk arising from non-trading book activities” - EBA/GL/2022/14.

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, 2024 is as follows:

CCY	FX delta, BGN eq.
BGN	57 267 276
EUR	(57 915 070)
USD	867 609
RON	(450 836)
GBP	150 722
CHF	140 177
Other	(59 879)

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 In compliance with the respective EBA guidelines, in 2024 new climate risk stress scenarios were introduced within the Bank's ICAAP 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 improve and enhance the Non-maturity deposits and Term Deposit roll-over behavioral models, under rigorous validation process. The Bank broadened its practices for capturing the interest rate risk profile of statistically based lending indices, covering all indices used in the Bank's credit activities and taking into account the sensitivities of each index's component. Modeling plays a key role in the risk management of Financial risk with a complete integration in the regular stress testing activities in the fields of liquidity and interest rate risk.

As of December 31, 2024 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	5 738 977	16 527	**5 755 504**
Non-derivative financial assets held for trading	196	-	**196**
Derivatives held for trading	121 539	5 692	**127 231**
Derivatives held for hedging	39 332	-	**39 332**
Loans and advances to banks and debt securities at amortized cost	2 286 045	192 497	**2 478 542**
Loans and advances to customers and debt securities	22 171 158	130 727	**22 301 885**
Pledged debt securities at amortized cost	1 303 586		**1 303 586**
Investment securities	2 054 004	15 457	**2 069 461**
Pledged investment securities	289 474	-	**289 474**
Investments in subsidiaries and associates	52 479	-	**52 479**
Property, plant, equipment, right of use assets and investment properties	235 282	-	**235 282**
Intangible assets	88 808	-	**88 808**
Other assets	154 594	480	**155 074**
TOTAL ASSETS	**34 535 474**	**361 380**	**34 896 854**
LIABILITIES			
Financial liabilities held for trading	81 355	6 294	**87 649**
Derivatives held for hedging	118 926	-	**118 926**
Deposits from banks	1 881 810	206 920	**2 088 730**
Deposits from customers and other financial liabilities at amortized cost	24 833 217	1 585 707	**26 418 924**
Debt securities issued	1 743 506	-	**1 743 506**
Fair value changes of the hedged items in portfolio hedge of interest rate risk	8 624	-	**8 624**
Provisions	100 086	1 616	**101 702**
Current tax liabilities	47 736	-	**47 736**
Deferred tax liabilities	9 396	-	**9 396**
Other liabilities	115 462	5 518	**120 980**
TOTAL LIABILITIES	**28 940 118**	**1 806 055**	**30 746 173**
EQUITY	**4 150 681**	**-**	**4 150 681**
Net off-balance sheet spot and forward position	**(1 464 668)**	**1 452 737**	**(11 931)**
Net position	**(19 993)**	**8 062**	**(11 931)**

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)**

(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 2024, 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 2024	Up to 1 year	Over 1 year	Total
ASSETS			
Cash and balances with Central Bank	5 755 504	-	**5 755 504**
Non-derivative financial assets held for trading	196	-	**196**
Loans and advances to banks and debt securities at amortized cost	1 867 938	610 604	**2 478 542**
Loans and advances to customers and debt securities	6 480 334	15 821 551	**22 301 885**
Pledged debt securities at amortized cost	140 777	1 162 809	**1 303 586**
Investment securities	290 012	1 779 449	**2 069 461**
Pledged investment securities	-	289 474	**289 474**
Other assets	142 772	12 302	**155 074**
TOTAL FINANCIAL ASSETS	**14 677 533**	**19 676 189**	**34 353 722**

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 2024	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	**2 088 730**	**(2 089 234)**	(2 088 944)	-	-	(290)
Deposits from customers and other financial liabilities at amortized cost	**26 418 924**	**(26 431 349)**	(24 091 284)	(780 331)	(1 429 923)	(129 811)
Debt securities issued	**1 743 506**	**(2 509 639)**	(216 987)	(17 447)	(73 595)	(2 201 610)
Unutilized credit lines and financial guarantees	**-**	**(10 477 538)**	(8 498 388)	(996 875)	(897 208)	(85 067)
Total non-derivative instruments	**30 251 160**	**(41 507 760)**	**(34 895 603)**	**(1 794 653)**	**(2 400 726)**	**(2 416 778)**
Derivatives held for trading, net	**39 582**					
Outflow		**(8 567 024)**	(5 003 280)	(1 076 020)	(1 338 671)	(1 149 053)
Inflow		**8 604 296**	5 022 816	1 078 577	1 349 851	1 153 052
Derivatives used for hedging, net	**(79 594)**					
Outflow		**(489 449)**	(7 518)	(7 166)	(66 336)	(408 429)
Inflow		**403 169**	2 063	15 642	55 410	330 054
Total derivatives	**(40 012)**	**(49 008)**	**14 081**	**11 033**	**254**	**(74 376)**
Total financial liabilities	**30 211 148**	**(41 556 768)**	**(34 881 522)**	**(1 783 620)**	**(2 400 472)**	**(2 491 154)**

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)**

(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, considering 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, 2024 and December 31, 2023 is as shown in the next table:

In thousands of BGN

	2024	2023
Government bonds		
Rated BBB-	196	4 381
Equities		
Unrated	-	-
Derivatives (net)		
Banks and financial institution counterparties	(47 995)	(8 117)
Corporate counterparties	7 983	(54 518)
Total trading assets and liabilities	**(39 816)**	**(58 254)**

Government bonds presented as of December 31, 2024 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.

The bank has initiated a more sophisticated process towards periodically review of the collateral value for residential real estate properties in order to ensure a regular update. One-off impact on collateral value update (BGN 12.4 mln ECL uplift), mainly over loans originated before 2021 where the market value of the collaterals haven't been reviewed since the loan inception.

According to Group methodological standards for IFRS 9 ECL modeling the Bank has to assure inclusion of overdue amounts in the EAD (Overdue factor) for LLP estimation purposes. In the first year-half modeling team has performed simulation according Group methodology and the overall estimated impact on additional LLP's in the amount of BGN 5.3 mln is booked as post model adjustment.

In fourth quarter of 2024 UniCredit Bulbank has introduced Climate & Environmental risks. The impact on the Expected Credit Loss related to these risks is respectively BGN 13.4 mln for Transitional risk and BGN 6.3 mln for Physical risk. The part related to Transitional risk is in production and the part related to Physical risk is booked as post model adjustment.

Maintenance of LGD management overlay in Private individuals mortgage portfolio with regards to forthcoming LGD model implementation due in 2025 in the amount of BGN 26.6 mln as of year-end.

Other methodological change performed in 2024 was related to 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.

In the course of the year a review on Stage 2 has been undertaken to ensure no impact on the asset quality is expected, the triggers have been reviewed for relevance, Gas Spill Over impacted customer showed resilience over the period of the conflict have been also removed from the watch lists, thus the Banks Stage 2 share contracted by 474 bps from 22.5% to 17.8%.

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 (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). 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.

With regards to the modeling 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 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, 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	December 22	December 23	December 24
Baseline	60%	60%	60%
Positive	0%	0%	5%
Negative	40%	40%	35%

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.

Fulfill 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 24Q4 (60%)			Adverse IFRS 24Q4 (35%)			Positive IFRS 24Q4 (5%)		
Macroeconomic scenario	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2025**	**2026**	**2027**	**2025**	**2026**	**2027**
Real GDP, yoy % change	3.4	1.8	2.5	2.9	2.9	2.8	1.3	0.1	1.9	3.6	4.1	3.4
Inflation (CPI) yoy, eop	16.9	4.7	2.3	3.3	2.9	2.8	3.0	2.3	2.7	3.9	2.9	2.9
Inflation (CPI) yoy, average	15.3	9.6	2.6	2.8	3	3	2.7	2.6	2.7	3.1	3.3	3.1
Monthly Wage, nominal EUR	900.2	1 028.8	1 176.4	1 278.7	1 374.1	1 473.9	1 189.5	1 233.5	1 303.1	1 283.4	1 406.4	1 513.3
Unemployment rate, %	4.3	4.3	4.4	4	3.6	3.5	4.5	5.0	4.8	3.8	3.2	3.0
Exchange rate /€, eop	2	2	2	2	2	2	2	2	2	2	2	2
Exchange rate /€, average	2	2	2	2	2	2	2	2	2	2	2	2
Short term rate, eop	2.1	3.8	3.2	2.2	2.0	2.0	1.4	1.0	1.0	2.2	2.0	2.0
Short term rate,average	0.3	3.1	3.7	2.7	2.0	2.0	2.3	1.2	1.0	2.7	2.0	2.0
Long-term interest rates 10y (%)	3.4	4	3.7	3.6	3.5	3.5	3.7	3.8	3.7	4.1	4.1	3.9
House Price Index, yoy % change	13.8	9.9	14.7	8.1	6.0	5.4	7.1	3.5	5.1	8.3	6.5	5.8

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 2024

The analysis below shows that based on Negative scenario, for 1 point GDP drop (cumulated over 3 years) the ECL is estimated to increase by about +0.42% or BGN 1 250 thousands. Based on Positive scenario for 1 point GDP increase (cumulated over 3 years) the ECL is estimated to decrease by about -0.20% or BGN 579 thousands:

In thousands of BGN

Scenario	Weight	Macroeconomic variable	2025	2026	2027	3yr cum	Unweighted ECL	Weighted ECL
Positive	5%	GDP growth %	3.62	4.1	3.4	11.53	293 055	296 939
Baseline	60%	GDP growth %	2.9	2.9	2.8	8.85	294 610	
Negative	35%	GDP growth %	1.25	0.15	1.92	3.35	301 485	
					Delta Baseline vs Negative scenario	**-5.50**	**6 875**	
					Delta Baseline vs Postive scenario	**2.69**	**-1 155**	
					Absolute ECL Sensitivity vs 3-yr GDP in Negative scenario		**1 250**	
					Absolute ECL Sensitivity vs 3-yr GDP in Positive scenario		**-579**	
					% ECL Sensitivity vs 3-year cum GDP in Negative scenario		**0.42%**	
					% ECL Sensitivity vs 3-year cum GDP in Positive scenario		**-0.20%**	

The table below contains the local figures under each scenario as at December 2024:

ECL amount (In thousands of BGN)

	Baseline			Negative			Positive			Final[1]		
Portfolio	**Stage 1**	**Stage 2**	**Total**	**Stage 1**	**Stage 2**	**Total**	**Stage 1**	**Stage 2**	**Total**	**Stage 1**	**Stage 2**	**Total**
Corporate	70 800	115 448	186 248	**72 361**	117 986	190 347	70 342	**115 236**	185 578	71 715	116 939	**188 653**
Small Business	17 990	36 722	54 712	**18 552**	38 100	56 652	17 766	**36 466**	54 232	18 296	37 345	**55 640**
Retail - Mortgages	6 592	33 015	39 607	**6 723**	33 516	40 239	6 576	**32 711**	39 287	6 661	33 364	**40 026**
Retail - Others	1 007	6 070	7 077	**1 040**	6 241	7 281	996	**5 996**	6 992	1 018	6 134	**7 152**
GW segments	6 471	495	6 966	**6 471**	495	6 966	6 471	**495**	6 966	6 927	533	**7 460**

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.

1 Final ECL is representing Baseline ECL multiplied by the Overlay factor

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 2024 (GW OFs are provided on Holding level):

Rating system[2]	Overlay Factors as of Dec 2024
CRP	1.0129
FI	1.0195
IND	1.0106
MNC	1.0777
PFR	1.0129
SME	1.0170
SOV	1.2181

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.

2 (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 2024 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 on-going conflicts in Ukraine and Middle East, trade tensions between major economies and potential evolution of inflation. This is also reflected in the UniCredit adverse economic scenario which foresees worsening of some indicators such as GDPs growth compared to the projections available in 2Q24 – mainly due to US election-related impacts – Global trade and economic growth impact from US tariff, US foreign policy also in relation to US military and economic support to Ukraine, FX fluctuations depending on the evolution of inflation, rates and economic growth across countries, Market forward rates volatility impacted by US elections results; as well as commodity prices and developments in the Middle East and disruption to trade flow.

Given the situation depicted above, the Group decided to keep the Geo-political management overlay already accumulated in 2022 and CREF (Commercial Real Estate Financing) in 2023, related to the most affected industry sectors, and to re-scale it with regards to the loan portfolio growth in 2024. As of 31 December 2024 the Geo-political overlay amounts of 138.9 MBGN, and the CREF overlay amounts to 10.8 MBGN.

Specifically, the overlays have been created in end-2022 (geo-political) and end-2023 (CREF) with a quantification approach that was based on the inference of flow to NPE under a forward-looking adverse scenario. Within UniCredit framework, the macro-economic scenario forecast (as also conveyed into IFRS9 core model) covers a 3-years forecasting period. Under this vein, the initial creation of the LLP amount resulting from the overlay quantification was supposed to cope with a risk on specific sub-perimeters deemed potentially vulnerable in case of negative evolution of the scenarios over this triannual period. On top of that, also the overlay ordinary maintenance envisages analysis of the impact coming from update of adverse scenario since first-time adoption of the overlays over a three-year period.

In addition to this, the overlays have been introduced considering that the current IFRS9 core model framework does not specialize the forward-looking information by industry sectors in a context where the novel risks arisen within 2022-2023 in terms of geo-political context and real estate market should have produced expected asymmetric effects across different sectors.

As of 31 December 2024, two years have passed from Geo-Political overlays adoption and 1 year from CREF one, thus staying currently still within the 3-year horizon of initial projection falling on 2025 for Geo-Political Overlays and 2026 for CREF overlays. In addition to this, the Group is under the assessment phase of possible evolution of the IFRS9 core model framework, specializing the forward-looking component by industry sectors, relying on sector-based scenarios. Such methodological evolution, in 2024-end adopted specifically for Climate & Environmental Risks thus including only climate-based scenarios, could not be possible before 2025-2026 thus supporting the maintenance of the overlays in 2024 to recognize a sector-based specialization into the ultimate LLP quantification.

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.

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.

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, 2024 and December 31, 2023.

In thousands of BGN

	Credit risk exposure before risk transfer		Credit risk exposure after risk transfer		% of own funds	
	2024	**2023**	**2024**	**2023**	**2024**	**2023**
Biggest credit risk exposure to customers' group	330 640	329 209	186 054	7 993	5.8%	0.28%
Credit risk exposure to top five biggest customers' groups	1 447 010	1 312 793	969 492	679 795	30.3%	23.72%

The table below analyses the breakdown of loss allowances as of December 31, 2024 and December 31, 2023 on different classes:

In thousands of BGN

Loss allowance by classes	2024	2023
Balances with Central Bank	59	60
Loans and advances to banks at amortized cost	244	134
Debt securities from banks at amortized cost	230	68
Loans and advances to customers	702 845	681 415
Debt securities from customers at amortized cost	926	815
Debt investment securities at FVTOCI	998	968
Loan commitments, Financial guarantee contracts and other commitments	66 995	91 454
Total Loss allowance by classes	**772 297**	**774 914**

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 31.12.2022	**(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 - Balances with Central Bank	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowance as at 31.12.2023	(60)	-	-	-	**(60)**
Changes in the loss allowance					
New financial assets originated/purchased or disbursed during the year	(5)	-	-	-	**(5)**
Financial assets that have been repaid during the year	6	-	-	-	**6**
Loss allowance as at 31.12.2024	**(59)**	**-**	**-**	**-**	**(59)**

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 - Loans and advances to banks at amortized cost	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowance as at 31.12.2023	**(134)**	**-**	**-**	**-**	**(134)**
Changes in the loss allowance					
Changes due to modifications that did not result in derecognition	13	-	-	-	**13**
New financial assets originated/purchased or disbursed during the year	(230)	-	-	-	**(230)**
Financial assets that have been repaid during the year	107	-	-	-	**107**
Loss allowance as at 31.12.2024	**(244)**	**-**	**-**	**-**	**(244)**

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 banks at amortized cost	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowance as at 31.12.2023	**(68)**	**-**	**-**	**-**	**(68)**
Changes in the loss allowance					
New financial assets originated/purchased or disbursed during the year	(162)	-	-	-	**(162)**
Financial assets that have been repaid during the year	-	-	-	-	**-**
Loss allowance as at 31.12.2024	**(230)**	**-**	**-**	**-**	**(230)**

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 securities from customers at amortized cost	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowance as at 31.12.2023	**(815)**	**-**	**-**	**-**	**(815)**
Changes in the loss allowance					
Increases due to change in credit risk	(31)	-	-	-	**(31)**
New financial assets originated/purchased or disbursed during the year	(126)				**(126)**
Financial assets that have been repaid during the year	46	-	-	-	**46**
Loss allowance as at 31.12.2024	**(926)**	**-**	**-**	**-**	**(926)**

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 - Debt investment securities at FVTOCI	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowance as at 31.12.2023	**(968)**	**-**	**-**	**-**	**(968)**
Changes in the loss allowance					
Increases due to change in credit risk	(47)	-			**(47)**
Decreases due to change in credit risk	185	-	-	-	**185**
New financial assets originated/purchased or disbursed during the year	(492)	-	-	-	**(492)**
Financial assets that have been repaid during the year	324	-			**324**
Loss allowance as at 31.12.2024	**(998)**	**-**	**-**	**-**	**(998)**

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 - Loans and advances to customers	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowance as at 31.12.2023	**(64 105)**	**(211 784)**	**(405 526)**	**-**	**(681 415)**
Changes in the loss allowance					
Transfer to stage 1	(6 077)	6 064	13	-	**-**
Transfer to stage 2	122 671	(123 547)	876	-	**-**
Transfer to stage 3	15 186	61 783	(76 969)	-	**-**
Increases due to change in credit risk	(138 301)	(84 760)	(15 762)	-	**(238 823)**
Decreases due to change in credit risk	20 916	119 841	72 109	-	**212 866**
Write-offs	-	-	17 427	-	**17 427**
New financial assets originated/purchased or disbursed during the year	(22 388)	(44 963)	(7 845)	-	**(75 196)**
Financial assets that have been repaid during the year	5 457	35 110	21 838	-	**62 405**
Changes in models/risk parameters	-	-	-	-	**-**
Foreign exchange and other movements	-	-	(109)	-	**(109)**
Loss allowance as at 31.12.2024	**(66 641)**	**(242 256)**	**(393 948)**	**-**	**(702 845)**

In thousands of BGN

Loss allowance - Loans and advances to corporate customers	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowance as at 31.12.2023	**(57 366)**	**(131 511)**	**(318 384)**	**-**	**(507 261)**
Changes in the loss allowance					
Transfer to stage 1	(4 090)	4 082	8	-	**-**
Transfer to stage 2	103 032	(103 148)	116	-	**-**
Transfer to stage 3	10 263	43 935	(54 198)	-	**-**
Increases due to change in credit risk	(111 721)	(54 064)	(12 101)	-	**(177 886)**
Decreases due to change in credit risk	18 105	68 420	52 142	-	**138 667**
Write-offs	-	-	11 166	-	**11 166**
New financial assets originated/purchased or disbursed during the year	(15 188)	(11 108)	(5 625)	-	**(31 921)**
Financial assets that have been repaid during the year	4 803	24 855	13 358	-	**43 016**
Changes in models/risk parameters	(118)	(1 548)	-	-	**(1 666)**
Foreign exchange and other movements	-	-	(109)	-	**(109)**
Loss allowance as at 31.12.2024	**(52 280)**	**(160 087)**	**(313 627)**	**-**	**(525 994)**

In thousands of BGN

Loss allowance - Loans and advances to retail customers	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowance as at 31.12.2023	**(6 739)**	**(80 273)**	**(87 142)**	**-**	**(174 154)**
Changes in the loss allowance					
Transfer to stage 1	(1 987)	1 982	5	-	**-**
Transfer to stage 2	19 639	(20 399)	760	-	**-**
Transfer to stage 3	4 923	17 848	(22 771)	-	**-**
Increases due to change in credit risk	(26 580)	(30 696)	(3 661)	-	**(60 937)**
Decreases due to change in credit risk	2 811	51 421	19 967	-	**74 199**
Write-offs	-	-	6 261	-	**6 261**
New financial assets originated/purchased or disbursed during the year	(7 200)	(33 855)	(2 220)	-	**(43 275)**
Financial assets that have been repaid during the year	655	10 255	8 479	-	**19 389**
Changes in models/risk parameters	118	1 548	-	-	**1 666**
Foreign exchange and other movements	-	-	-	-	**-**
Loss allowance as at 31.12.2024	**(14 360)**	**(82 169)**	**(80 322)**	**-**	**(176 851)**

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**
Changes due to modifications that did not result in derecognition	-	-	-	-	**-**
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)**

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 31.12.2023	**(19 126)**	**(29 895)**	**(42 433)**	**-**	**(91 454)**
Changes in the loss allowance					
Transfer to stage 1	(1 860)	1 859	1	-	**-**
Transfer to stage 2	11 104	(11 164)	60	-	**-**
Transfer to stage 3	978	1 032	(2 010)	-	**-**
Increases due to change in credit risk	(15 438)	(2 968)	(2 164)	-	**(20 570)**
Decreases due to change in credit risk	7 077	13 414	7 136	-	**27 627**
Changes due to modifications that did not result in derecognition	-	-	-	-	**-**
New financial assets originated/purchased or disbursed during the year	(10 701)	(6 106)	(637)	-	**(17 444)**
Financial assets that have been repaid during the year	4 617	12 826	17 403	-	**34 846**
Loss allowance as at 31.12.2024	**(23 349)**	**(21 002)**	**(22 644)**	**-**	**(66 995)**

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 2024 as per IFRS 9 requirements:

In thousands of BGN

Balances with Central Bank	31.12.2024					31.12.2023				
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
Grades 1-3: Low to fair risk	5 273 168				**5 273 168**	5 606 478				**5 606 478**
Total gross carrying amount	**5 273 168**	**-**	**-**	**-**	**5 273 168**	**5 606 478**	**-**	**-**	**-**	**5 606 478**
Loss allowance	(59)				**(59)**	(60)				**(60)**
Carrying amount	**5 273 109**	**-**	**-**	**-**	**5 273 109**	**5 606 418**	**-**	**-**	**-**	**5 606 418**

In thousands of BGN

Loans and advances to banks at amortized cost	31.12.2024					31.12.2023				
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
Grades 1-3: Low to fair risk	2 064 282				**2 064 282**	2 373 788				**2 373 788**
Grades 4-6: Monitoring	137				**137**	194				**194**
Grades 7-8: Substandard	12				**12**	-				**-**
Total gross carrying amount	**2 064 431**	**-**	**-**	**-**	**2 064 431**	**2 373 982**	**-**	**-**	**-**	**2 373 982**
Loss allowance	(244)				**(244)**	(134)				**(134)**
Carrying amount	**2 064 187**	**-**	**-**	**-**	**2 064 187**	**2 373 848**	**-**	**-**	**-**	**2 373 848**

In thousands of BGN

Debt securities from banks at amortized cost	31.12.2024					31.12.2023				
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
Grades 1-3: Low to fair risk	414 585				**414 585**	413 833				**413 833**
Total gross carrying amount	**414 585**	**-**	**-**	**-**	**414 585**	**413 833**				**413 833**
Loss allowance	(230)				**(230)**	(68)				**(68)**
Carrying amount	**414 355**	**-**	**-**	**-**	**414 355**	**413 765**	**-**	**-**	**-**	**413 765**

In thousands of BGN

Debt securities from customers at amortized cost	31.12.2024					31.12.2023				
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
Grades 1-3: Low to fair risk	3 085 269	-	-	-	**3 085 269**	2 862 326				**2 862 326**
Grades 4-6: Monitoring	5 105	-	-	-	**5 105**	724				**724**
Total gross carrying amount	**3 090 374**	**-**	**-**	**-**	**3 090 374**	**2 863 050**	**-**	**-**	**-**	**2 863 050**
Loss allowance	(926)	-	-	-	**(926)**	(815)				**(815)**
Carrying amount	**3 089 448**	**-**	**-**	**-**	**3 089 448**	**2 862 235**	**-**	**-**	**-**	**2 862 235**

In thousands of BGN

Debt investment securities at FVTOCI	31.12.2024					31.12.2023				
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
Grades 1-3: Low to fair risk	2 334 828	-	-	-	**2 334 828**	2 163 626	-	-	-	**2 163 626**
Total gross carrying amount	2 334 828	-	-	-	**2 334 828**	2 163 626		-	-	**2 163 626**
Loss allowance	(998)	**-**	**-**	**-**	**(998)**	(968)				**(968)**
Carrying amount	**2 333 830**	**-**	**-**	**-**	2 333 830	**2 162 658**	**-**	**-**	**-**	**2 162 658**

In thousands of BGN

Loans and advances to customers	31.12.2024					31.12.2023				
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
Grades 1-3: Low to fair risk	7 169 731	77 803	-	-	**7 247 534**	5 719 010	278 393	-	-	**5 997 403**
Grades 4-6: Monitoring	10 335 747	2 077 391	-	-	**12 413 138**	8 489 980	2 465 821	-	-	**10 955 801**
Grades 7-8: Substandard	193 427	812 900	-	-	**1 006 327**	187 216	542 164	-	-	**729 380**
Grade 9: Doubtful	-	-	444 859	-	**444 859**	-	-	418 243	-	**418 243**
Grade 10: Impaired	-	-	106 915	-	**106 915**	-	-	116 149	-	**116 149**
Total gross carrying amount	**17 698 905**	**2 968 094**	**551 774**	**-**	**21 218 773**	**14 396 206**	**3 286 378**	**534 392**	**-**	**18 216 976**
Loss allowance	(66 640)	(242 256)	(393 949)		**(702 845)**	(64 105)	(211 784)	(405 526)		**(681 415)**
Carrying amount	**17 632 265**	**2 725 838**	**157 825**	**-**	**20 515 928**	**14 332 101**	**3 074 594**	**128 866**	**-**	**17 535 561**

In thousands of BGN

Loans and advances to corporate customers	31.12.2024					31.12.2023				
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
Grades 1-3: Low to fair risk	5 660 302	47 621	-	-	**5 707 923**	4 639 208	31 859	-	-	**4 671 067**
Grades 4-6: Monitoring	6 302 265	1 681 007	-	-	**7 983 272**	5 865 114	1 580 944	-	-	**7 446 058**
Grades 7-8: Substandard	117 809	585 941	-	-	**703 750**	128 777	355 545	-	-	**484 322**
Grade 9: Doubtful	-	-	398 645	-	**398 645**	-	-	369 530	-	**369 530**
Grade 10: Impaired	-	-	44 033	-	**44 033**	-	-	53 070	-	**53 070**
Total gross carrying amount	**12 080 376**	**2 314 569**	**442 678**	**-**	**14 837 623**	**10 633 099**	**1 968 348**	**422 600**	**-**	**13 024 047**
Loss allowance	(52 280)	(160 087)	(313 627)	-	**(525 994)**	(57 366)	(131 511)	(318 384)	-	**(507 261)**
Carrying amount	**12 028 096**	**2 154 482**	**129 051**	**-**	**14 311 629**	**10 575 733**	**1 836 837**	**104 216**	**-**	**12 516 786**

In thousands of BGN

Loans and advances to retail customers	31.12.2024 Stage 1	Stage 2	Stage 3	POCI	Total	31.12.2023 Stage 1	Stage 2	Stage 3	POCI	Total
Grades 1-3: Low to fair risk	1 509 429	30 182	-	-	**1 539 611**	1 079 802	246 534	-	-	**1 326 336**
Grades 4-6: Monitoring	4 033 482	396 384	-	-	**4 429 866**	2 624 866	884 877	-	-	**3 509 743**
Grades 7-8: Substandard	75 618	226 959	-	-	**302 577**	58 439	186 619	-	-	**245 058**
Grade 9: Doubtful	-	-	46 214	-	**46 214**	-	-	48 713	-	**48 713**
Grade 10: Impaired	-	-	62 882	-	**62 882**	-	-	63 079	-	**63 079**
Total gross carrying amount	**5 618 529**	**653 525**	**109 096**	**-**	**6 381 150**	**3 763 107**	**1 318 030**	**111 792**	**-**	**5 192 929**
Loss allowance	(14 360)	(82 169)	(80 322)	**-**	**(176 851)**	(6 739)	(80 273)	(87 142)	**-**	**(174 154)**
Carrying amount	**5 604 169**	**571 356**	**28 774**	**-**	**6 204 299**	**3 756 368**	**1 237 757**	**24 650**	**-**	**5 018 775**

In thousands of BGN

Loan commitments, Financial guarantee contracts and other commitments	31.12.2024 Stage 1	Stage 2	Stage 3	POCI	Total	31.12.2023 Stage 1	Stage 2	Stage 3	POCI	Total
Grades 1-3: Low to fair risk	4 780 197	65 286	-	-	**4 845 483**	4 120 483	241 310	-	-	**4 361 793**
Grades 4-6: Monitoring	5 007 845	676 939	-	-	**5 684 784**	4 215 100	1 044 687	-	-	**5 259 787**
Grades 7-8: Substandard	74 135	93 497	-	-	**167 632**	124 046	429 153	-	-	**553 199**
Grade 9: Doubtful	-	-	24 396	-	**24 396**	-	-	47 452	-	**47 452**
Grade 10: Impaired	-	-	440	-	**440**	-	-	2 565	-	**2 565**
Total nominal amount	**9 862 177**	**835 722**	**24 836**	**-**	**10 722 735**	**8 459 629**	**1 715 150**	**50 017**	**-**	**10 224 796**
Loss allowance	(23 349)	(21 002)	(22 644)	**-**	**(66 995)**	(19 126)	(29 895)	(42 433)	**-**	**(91 454)**
Carrying amount	**9 838 828**	**814 720**	**2 192**	**-**	**10 655 740**	**8 440 503**	**1 685 255**	**7 584**	**-**	**10 133 342**

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

Loans and advances to banks at amortized cost	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount as at 31.12.2023	**2 373 982**	**-**	**-**	**-**	**2 373 982**
Changes in the gross carrying amount					
Changes due to modifications that did not result in derecognition	(12 778)	-	-	-	**(12 778)**
New financial assets originated/purchased or disbursed during the year	1 750 270	-	-	-	**1 750 270**
Financial assets that have been repaid during the year	(2 047 043)	-	-	-	**(2 047 043)**
Gross carrying amount as at 31.12.2024	**2 064 431**	**-**	**-**	**-**	**2 064 431**

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 banks at amortized cost	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount as at 31.12.2023	**413 833**	**-**	**-**	**-**	**413 833**
Changes in the gross carrying amount					
New financial assets originated/purchased or disbursed during the year	752	-	-	-	**752**
Financial assets that have been repaid during the year	-	-	-	-	**-**
Gross carrying amount as at 31.12.2024	**414 585**	**-**	**-**	**-**	**414 585**

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 securities from customers at amortized cost	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount as at 31.12.2023	**2 863 050**	**-**	**-**	**-**	**2 863 050**
Changes in the gross carrying amount					
New financial assets originated/purchased or disbursed during the year	415 379	-	-	-	**415 379**
Financial assets that have been repaid during the year	(188 055)	-	-	-	**(188 055)**
Gross carrying amount as at 31.12.2024	**3 090 374**	**-**	**-**	**-**	**3 090 374**

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

Debt investment securities at FVTOCI	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount as at 31.12.2023	**2 163 626**	**-**	**-**	**-**	**2 163 626**
Changes in the gross carrying amount					
New financial assets originated/purchased or disbursed during the year	933 563	-	-	-	**933 563**
Financial assets that have been repaid during the year	(762 361)	-	-	-	**(762 361)**
Gross carrying amount as at 31.12.2024	**2 334 828**	**-**	**-**	**-**	**2 334 828**

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

Loans and advances to customers	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount as at 31.12.2023	**14 396 206**	**3 286 378**	**534 392**	**-**	**18 216 976**
Changes in the gross carrying amount					
Transfer to stage 1	1 538 316	(1 533 278)	(5 038)	-	**-**
Transfer to stage 2	(1 480 400)	1 521 850	(41 450)	-	**-**
Transfer to stage 3	(27 876)	(120 256)	148 132	-	**-**
New financial assets originated/purchased or disbursed during the year	6 448 137	552 676	24 844	-	**7 025 657**
Financial assets that have been repaid during the year	(3 175 478)	(739 276)	(91 679)	-	**(4 006 433)**
Write-offs	-	-	(17 427)	-	**(17 427)**
Gross carrying amount as at 31.12.2024	**17 698 905**	**2 968 094**	**551 774**	**-**	**21 218 773**

In thousands of BGN

Loans and advances to corporate customers	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount as at 31.12.2023	**10 633 099**	**1 968 348**	**422 600**	**-**	**13 024 047**
Changes in the gross carrying amount					
Transfer to stage 1	752 871	(752 011)	(860)	-	**-**
Transfer to stage 2	(1 277 275)	1 308 515	(31 240)	-	**-**
Transfer to stage 3	(20 055)	(89 775)	109 830	-	**-**
New financial assets originated/purchased or disbursed during the year	4 558 982	363 953	21 309	-	**4 944 244**
Financial assets that have been repaid during the year	(2 573 420)	(492 674)	(67 795)	-	**(3 133 889)**
Write-offs	-	-	(11 166)	-	**(11 166)**
Other changes	6 174	8 213	-	-	**14 387**
Gross carrying amount as at 31.12.2024	**12 080 376**	**2 314 569**	**442 678**	**-**	**14 837 623**

In thousands of BGN

Loans and advances to retail customers	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount as at 31.12.2023	**3 763 107**	**1 318 030**	**111 792**	**-**	**5 192 929**
Changes in the gross carrying amount					
Transfer to stage 1	785 445	(781 267)	(4 178)	-	**-**
Transfer to stage 2	(203 125)	213 335	(10 210)	-	**-**
Transfer to stage 3	(7 821)	(30 481)	38 302	-	**-**
New financial assets originated/purchased or disbursed during the year	1 889 155	188 723	3 535	-	**2 081 413**
Financial assets that have been repaid during the year	(602 058)	(246 602)	(23 884)	-	**(872 544)**
Write-offs	-	-	(6 261)	-	**(6 261)**
Other changes	(6 174)	(8 213)	-	-	**(14 387)**
Gross carrying amount as at 31.12.2024	**5 618 529**	**653 525**	**109 096**	**-**	**6 381 150**

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**

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 31.12.2023	**8 459 629**	**1 715 150**	**50 017**	**-**	**10 224 796**
Changes in the gross carrying amount					
Transfer to stage 1	623 460	(623 140)	(320)	-	**-**
Transfer to stage 2	(483 874)	487 566	(3 692)	-	**-**
Transfer to stage 3	(1 171)	(1 038)	2 209	-	**-**
New financial assets originated/purchased or disbursed during the year	5 076 113	312 864	4 132	-	**5 393 109**
Financial assets that have been repaid during the year	(3 811 980)	(1 055 680)	(27 509)	-	**(4 895 169)**
Gross carrying amount as at 31.12.2024	**9 862 177**	**835 722**	**24 837**	**-**	**10 722 736**

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

	2024	2023
Central banks	5 273 109	5 606 418
General governments	279 470	185 771
Credit institutions	2 040 464	2 333 258
Other financial corporations	3 085 581	39 564
Non-financial corporations	1 364 052	260 773
Of which: Small and Medium-sized Enterprises	388 377	119 121
Households	1 694 088	2 271 077
Total loans and advances at amortized cost	**13 736 764**	**10 696 861**

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	
	2024	2023
Defaulted exposures		
Cash collateral	1 191	4 081
Property	633 409	691 689
Debt securities	-	-
Other collateral	516 266	496 070
Performing exposures		
Cash collateral	115 529	125 871
Property	19 565 977	16 780 387
Debt securities	5 436	15 160
Other collateral	11 725 325	10 700 079
Total	**32 563 133**	**28 813 337**

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	2024	2023
Less than 50 %	741 722	624 225
51-70%	1 400 915	1 105 947
71-90%	2 651 293	2 080 498
91-100%	300 530	215 269
More than 100%	38 814	23 277
Total loans and advances at amortized cost	**5 133 274**	**4 049 216**

In thousands of BGN

Credit impaired - LTV ratio	31.12.2024	31.12.2023
Less than 50 %	11 879	15 647
51-70%	11 234	19 948
More than 70%	22 701	18 471
Total loans and advances at amortized cost	**45 814**	**54 066**

In thousands of BGN

Carrying amount and collateral value held against loans to corporate customers measured at amortized cost	2024		2023	
	Carrying amount	Collateral	Carrying amount	Collateral
Financial pledge	234 486	76 512	305 591	94 027
Guarantees received	1 681 926	1 303 320	1 914 573	1 462 907
Real Estate	5 855 813	4 534 658	5 123 083	3 995 472
Insurance	73 954	70 269	77 600	73 751

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, 2024 and December 31, 2023:

In thousands of BGN

	Loans and advances to customers		Loans and advances to banks		Investment securities	
	31.12.2024	**31.12.2023**	**31.12.2024**	**31.12.2023**	**31.12.2024**	**31.12.2023**
Concentration by sectors						
Sovereign	3 365 849	3 145 899	-	-	2 269 794	2 097 679
Manufacturing	3 412 915	2 960 485	-	-	44 559	43 427
Commerce	3 014 179	2 802 024	-	-	-	-
Construction and real estate	2 064 474	1 788 294	-	-	-	-
Agriculture and forestry	534 667	503 543	-	-	-	-
Transport and communication	724 515	681 615	-	-	346	334
Tourism	339 858	372 058	-	-	-	-
Services	582 259	481 540	-	-	655	655
Financial services	4 947 947	4 105 762	2 479 016	2 787 815	96 060	99 663
Retail (individuals)						
Housing loans	5 105 552	4 032 518	-	-	-	-
Consumer loans	129 771	136 378	-	-	-	-
Other	88 988	71 736	-	-	-	-
	24 310 974	**21 081 852**	**2 479 016**	**2 787 815**	**2 411 414**	**2 241 758**
Impairment allowances	(705 503)	(683 918)	(474)	(202)	-	-
Total	**23 605 471**	**20 397 934**	**2 478 542**	**2 787 613**	**2 411 414**	**2 241 758**
Concentration by geographic location						
Europe	24 245 524	21 013 508	2 387 245	2 709 281	2 408 503	2 236 846
North America	28 189	26 093	9 819	40 956	2 911	4 912
Asia	25 325	42 206	81 917	37 522	-	-
Africa	-	10	-	-	-	-
South America	7	7	-	-	-	-
Australia	11 929	28	35	56	-	-
	24 310 974	**21 081 852**	**2 479 016**	**2 787 815**	**2 411 414**	**2 241 758**
Impairment allowances and accumulated negative changes in fair value due to credit risk on non-performing exposures	(705 503)	(683 918)	(474)	(202)	-	-
Total	**23 605 471**	**20 397 934**	**2 478 542**	**2 787 613**	**2 411 414**	**2 241 758**

(iii) Significant increase in credit risk

- The Group Risk Management function of UniCredit S.p.A has set up a new approach for the implementation of the quantitative criteria for determining a transfer criterion between Stage 1 and Stage 2. The new Transfer Logic model consists in a set of Allocation reference value (ARF) thresholds differentiated according to transaction's residual maturity and rating class at inception per segment. The thresholds are applied to the ARF, which represents the deterioration observed in terms of Lifetime PD. The new Transfer logic is changing PD20 Trigger which states that a transaction is allocated in Stage 2 if Lifetime PD at Reporting for the first year is greater than 20%. The new Transfer logic is also changing the 3XPD Increase trigger which states that a transaction is allocated in Stage 2 if ARF is greater than 300%. Moreover for staging purposes, a new specific methodology has been introduced for the specific payments of Bullet/Balloon Financing product. As a final topic of the new Transfer Logic is the replacement of the 3 month Probation Period with Minimum Time Permanence in Stage 2;
- 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 2024 and 2023 of 1%. In addition, from 2019 a Countercyclical capital buffer has been introduced where the level as of end-of-year 2024 is 2%. The imposed buffer requirements accumulate a combined buffer requirement of 8.5% for 2024. 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, 2024 are 13%, 14.5%, 16.5%.

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, 2024 and December 31, 2023 are as follows:

In thousands of BGN

	31.12.24	31.12.23
Regulatory own funds		
Core Equity Tier 1 (CET 1)	3 199 271	2 865 674
Tier 1 capital	3 199 271	2 865 674
Tier 2 capital	359 254	54 460
Total regulatory own funds	**3 558 525**	**2 920 134**
Risk Weighted Assets (RWA)		
RWA for credit risk	15 272 176	13 424 314
RWA for market risk	169 626	5 913
RWA for operational risk	873 838	871 063
RWA for credit valuation adjustments	7 188	9 300
Total Risk Weighted Assets (RWA)	**16 322 828**	**14 310 590**
CET 1 ratio	**19.60%**	**20.02%**
Tier 1 ratio	**19.60%**	**20.02%**
Total capital adequacy ratio	**21.80%**	**20.41%**
Minimum CET 1 capital requirements (4.5%)	**734 527**	**643 977**
Minimum Tier 1 capital requirements (6%)	**979 370**	**858 635**
Minimum total capital requirements (8%)	**1 305 826**	**1 144 847**
Additional capital requirements for conservation buffer (2.5%)	408 071	357 765
Additional capital requirements for systemic risk buffer (3%)	468 431	397 588
Additional capital requirements for other systemic important institution (1%)	163 228	143 106
Additional capital requirements for countercyclical capital buffer (2%)	324 824	281 919
Combined buffers additional capital requirements (8.5%)	**1 364 554**	**1 180 378**
Adjusted minimum CET 1 capital requirements after buffers (13%)	2 099 081	1 824 354
Adjusted minimum Tier 1 capital requirements, including buffers (14.5%)	2 343 924	2 039 013
Adjusted minimum total capital requirements after buffers (16.5%)	2 670 380	2 325 225
Free equity, after buffers	**888 145**	**594 909**

Official application for Standardized (STD) approach has been submitted to ECB in April 2024 and is currently in process of finalisation. The application provisions revert to STD the local models and only counterparties rated with Group Models – banks and multinational companies will remain under foundation internal ratings-based approach (F-IRB). The official notification is expected to be received until the end of Q1 2025.

The bank will continue using the developed advanced risk models for Pillar 2 capital requirements and IFRS 9, as well as for decision making purposes (credit application and monitoring, which will be adapted to the most recent business and steering needs.

The expected impacts from the revert to STD approach considering also the introduction of Basel IV from January 2025, based on December 31st 2024 portfolio data is estimated as an increase of BGN 1 285.55 million.

Breakdown by Business segment excluding Sovereign, Other Assets, Subsidiaries and Equity exposures

BGN millions

SEGMENT	EXPOSURE	EAD IRB	EAD NEW APPROACH*	RWA IRB	RWA NEW APPROACH*	DELTA RWA
BANKS	2 376	1 121	1 086	304	263	(41)
LARGE	3 158	2 151	2 135	1 083	1 514	431
MID	6 251	4 322	3 941	3 204	3 179	(25)
SMALL	8 101	6 506	5 807	4 165	4 035	(130)
SME	1 491	1 307	1 172	563	605	42
RETAIL	5 638	5 414	5 268	747	1 756	1 009
Total	**27 015**	**20 821**	**19 409**	**10 066**	**11 352**	**1 286**

*RWA NEW APPROACH - banks and multinational companies will remain under foundation internal ratings-based approach (F-IRB) all other exposure are under STD approach

Breakdown by Regulatory asset classes (aggregated) excluding Subsidiaries

BGN millions

	ASSET CLASS	EXPOSURE	EAD	RWA
F-IRB	Corporate (MNC and Banks)	1 014	468	227
	Financial Institutions	2 202	1 079	260
	Total F-IRB	**3 216**	**1 547**	**487**
	Sovereigns & Multilateral	10 832	10 815	6
	Regional Government and PSE	152	107	22
	Financial Institutions	10	1	-
	Corporates	7 251	4 301	3 498
	Specialised Lending	1 026	828	674
	Retail	2 024	1 437	802
STD	SECURED by RRE	5 551	5 309	1 684
	SECURED by CRE	5 161	4 091	2 600
	IPRE	1 470	1 178	871
	ADC	581	452	575
	Exposures in default	574	159	139
	Equity	78	78	116
	Other Assets	906	906	425
	Total STD	**35 616**	**29 662**	**11 412**
	TOTAL	**38 832**	**31 209**	**11 899**

(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.

- Outstanding securitized amount (Reference Portfolio Notional Amount) BGN 284 366 036;
- RWA without securitization: BGN 221 049 614 (77.73% of the securitized portfolio);
- Expected Loss without securitization: BGN 3 815 253 (1.34% of the securitized portfolio);

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 2024 are the following:

- RWA after application of securitization framework: BGN 18 359 844 (6.46% of the securitized portfolio);
- Expected Loss after application of securitization framework: BGN 0;
- Weighted average PD of 2.64%;
- Weighted average LGD of 44.40%.

As of 31.12.2024							
Tranche	**BGN Nominal Amount**	**Thickness**	**Attach**	**Detach**	**Guaranteed**	**Retained %**	**Amortization Typology**
Senior	183 598 443	64.56%	35.44%	100%	0%	100%	Sequential
Junior (Commitment)	100 767 593	35.44%	0%	35.44%	100%	0%	Sequential

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. Starting from September 2023 the residual capital structure of the synthetic securitization is made up of only the Junior tranche fully covered by unfunded guarantee, which does not meet one of the criteria for securitization definition (i.e. risk tranching). For regulatory purposes the transaction is no longer included into the securitization framework. Summary of FLPG as of December 31, 2024 is presented in the table below:

NAME	EIF JEREMIE
Type of securitization:	First Loss Portfolio Guarantee
Originator/Issuer:	UniCredit Bulbank / European Investment Fund
Target transaction:	Capital Relief and risk transfer
Type of asset:	Highly diversified and granular pool of newly granted SME loans
Agreed maximum portfolio volume:	EUR 85,000 thousand
Nominal Value of reference portfolio:	BGN 132 107
Issued guarantees by third parties:	First loss cash coverage by EIF
Reference Position Junior Tranche as of December 31, 2024	BGN 132 107

(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.

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 2024 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);
- Implementing climate risk in the credit process for existing credit Corporate clients.

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.

In 2024 the Bank has started applying C&E considerations into two main credit processes:

- Origination/annual review for corporate credit clients:

UCB has started the implementation of C&E considerations within the origination/annual credit review process for all corporate clients, introduced through update of Internal rules for corporate clients lending and other relevant business/risk procedures approved by relevant approval bodies.

The new process steps complement the creditworthiness assessment with climate aspects and the entire C&E factors assessment is mainly driven by a calculated Transition risk score (other elements to be considered are Rep Risk evaluation, Net Zero perimeter and Physical Risk at counterparty level, if data available). This score will be defined either conducting the internal C&E risk assessment questionnaire or using available data base provided by external providers.

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 Multinational and corporate clients with large exposures;
- generation of a Climate & Environmental (C&E) Risk Scorecard summarizing the main KPIs and identifying the counterparty's positioning in one of the risk areas (green-low-medium, high, very high) of the Transition Assessment matrix;
- inclusion of the environmental scoring in the underwriting and decision-making process.

- Collateral Evaluation

UCB is focused on the enhancement of the methodology to assess vulnerable portfolios and mitigate related physical risks in particular the Real estate collateral portfolio.

Real Estate Collateral evaluation, applied on both Corporate and Retail clients, now also includes the relevant Transition and Physical Risk components.

- transition risk assessment of collaterals in the context of Energy efficiency of immovable properties.

Through the current collection process of issued Energy Performance Certificate (EPC) of buildings the Bank fulfils the regulatory requirement and stores core EPC data as Energy class label, Primary energy demand and CO2 emissions intensity, applicable for all new credit transactions collateralized by immovable properties in Retail and Corporate segments. Missing parameters are provided by proxy data of external third-party vendors.

- physical risk assessment

A new process for Physical Risk assessment through data collection related to severity evaluation on defined hazards for the new flow in real estate collateral portfolio has been developed too. The hazards are the following: River flood, Flash flood, Storm, Sea level rise, Wildfire.

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, Civil Nuclear, Oil & Gas, Rainforests, Tabacco 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 2024.The Group has set targets for the three most carbon intensive sectors within our portfolio, which include Oil & Gas, Power Generation, Steel 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 Y2025, Y2027, Y2030.

In 2025 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 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.

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 processes and 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 2024 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 Third Party Risk; Risk and Controls Self-Assessment(RCSA) and Group Operations RCSA validation, 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, Cyber Security Risk Assessment monitoring.

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.

Second level controls on ICT and Security processes were developed and regularly performed in 2024. 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.

The following new and existing processes have been created or enhanced aimed at implementing extending criteria in 2024:

- Risk and Controls Self-Assessment (RCSA) activity cycle was further developed, and the scope of the assessed processes has been enlarged toward payment and digital risk topics; the number of validation checks performed by NFR was also increased. During the first phase of the activity, 49 processes are subject to a Process Risk Gate assessment to identify risks which to be immediately addressed through the RCSA detailed assessment within the next phase of the RSCA activity. Within the second phase of the activity, 18 mandatory key end-to-end (E2E) processes have been assessed in detail;
- Participation of NFR in the annual group activity regarding the 2024 Group Operations RCSA. On a risk-based approach a sample of 4 payment processes was selected by the Holding for RCSA assessment, completed by Operations and validated by NFR;
- New Key Risk indicators (KRIs) were created:
  - 2 KRIs related to Internal Audit Management with: 1) aim to monitor the "critical" and "major" audit findings (Number of "high" and "medium-high" audit findings) and 2) aim at monitoring the number of overdue and postponed important findings (Number of delayed medium-low findings);
  - 1 KRI (Nr of clients sent to branch after unsuccessful digital onboarding) has been implemented to monitor the number of clients attempting digital onboarding without success and with subsequent redirection to complete the process in branch. The KRI is related to the Customer onboarding and development – Customer Management process;
  - 1 KRI (Compilation ratio of KYC (Know Your Client)) related to Compliance management has been implemented to replace a similar KRI which was monitored monthly. The new KRI was set on a quarterly basis.
- Second level control monitoring on Digital risk was enlarged. Three new controls on Cyber Security Processes were implemented: 1) Major Security Incidents; 2) Remediation plans for Red wave overdue vulnerabilities and 3) Red wave vulnerabilities in Take the risk status;
- The NFR activities regarding Digital Risk increased with new important process regarding Cyber Security Risk Assessment monitoring (Cyber SRA). The outcomes related to the overall ICT Asset Portfolio of the bank are analyzed, checked and challenged by NFR and the results are discussed with Digital Functions. NFR provides relevant reporting to Local NFR Committee for all Applications at risk (over tolerance level);
- The ICT project risk assessment process has been significantly developed in terms of the validation step executed by NFR. The aim is to strengthen traceability of project risks and the mitigations that reduce them, track the progress of mitigation implementation, and monitor additional evidence and documents of the project. New final step of the validation process is the formalization step;
- A new E2E process on Third Parties Management was released by the end of the year in order to be compliant with Digital Operational Resilience Act (DORA) requirements.

Local NFR Structure along with Group NFR performed test activities related to new calculations of Operational Risk RWA under Basel 4 and EBA RTS requirements.

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 (e.g. Internal losses, External data, Scenario analysis), the Assessment Measurement activities (e.g. KRI, RCSA, ICT Project Risk Assessment, Cyber SRA activity, etc.) and the Addressing – Mitigation activities (e.g. 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).

During the year main changes within the sensitive sector reputational risk policy were:

- Regarding the Oil&Gas customers - the Net Zero provisions embedded in the policy instead of PACTA for the customer classification in Class A-B;
- New policies in Water/Dams and Nuclear (Civil Nuclear) were implemented. These two policies proposed criteria for classification of customers in scope.

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 2024 and 2023 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.

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 2024, 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, 2024 and December 31, 2023 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, 2024 and December 31, 2023 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, 2024 and December 31, 2023.

In thousands of BGN

Instrument category	Level 1		Level 2		Level 3		Total	
	31.12.2024	31.12.2023	31.12.2024	31.12.2023	31.12.2024	31.12.2023	31.12.2024	31.12.2023
Cash and balances with Central Bank	-	-	-	-	5 755 504	6 069 757	**5 755 504**	**6 069 757**
Non-derivative financial assets held for trading	196	4 381	-	-	-	-	**196**	**4 381**
Derivatives held for trading	-	-	127 231	98 016	-	2 687	**127 231**	**100 703**
Derivatives held for hedging	-	-	39 332	77 165	-	-	**39 332**	**77 165**
Loans and advances to banks and debt securities at amortized cost	25 451	25 364	499 047	2 738 334	1 956 010	2 446	**2 480 508**	**2 766 144**
Loans and advances to customers and debt securities	625 632	950 902	1 127 391	805 844	18 814 808	16 229 924	**20 567 831**	**17 986 670**
Pledged debt securities at amortized cost	618 130	325 500	646 938	617 192	-	-	**1 265 068**	**942 692**
Investment securities	1 120 951	759 498	905 809	737 373	42 701	46 765	**2 069 461**	**1 543 636**
Pledged investment securities	289 474	577 860	-	67 783	-	-	**289 474**	**645 643**
Total	**2 679 834**	**2 643 505**	**3 345 748**	**5 141 707**	**26 569 023**	**22 351 579**	**32 594 605**	**30 136 791**
Financial liabilities held for trading	-	-	82 710	101 997	4 939	9 650	**87 649**	**111 647**
Derivatives held for hedging	-	-	118 926	128 856	-	-	**118 926**	**128 856**
Deposits from banks	-	-	-	-	2 098 341	1 589 047	**2 098 341**	**1 589 047**
Deposits from customers and other financial liabilities at amortized cost	-	-	-	-	26 418 435	24 858 506	**26 418 435**	**24 858 506**
Debt securities issued	-	-	-	-	1 786 004	1 392 666	**1 786 004**	**1 392 666**
Fair value changes of the hedged items in portfolio hedge of interest rate risk	-	-	-	-	8 624	4 203	**8 624**	**4 203**
Total	**-**	**-**	**201 636**	**230 853**	**30 316 343**	**27 854 072**	**30 517 979**	**28 084 925**

The movement in financial instruments belonging to Level 3 for the year ended December 31, 2024 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, 2024)	**2 687**	**138**	**25 213**	**21 552**	**139 433**
Increases	**-**	**-**	**3 348**	**19 476**	**15 088**
Purchase	-	-	-	19 557	
Profit recognized in income statement	-	-	2 936	-	-
Profit recognized in equity	-	-	12	(135)	12 279
Transfer from other levels	-	-	-	-	-
Other increases	-	-	400	54	2 809
Decreases	**(2 687)**	**(43)**	**(5 337)**	**(21 551)**	**(6 666)**
Sales	-	-	(2 877)	-	-
Redemption	-	-	-	(21 551)	-
Loses recognized in income statement	-	(43)	(2 460)		(3 390)
Loses recognized in equity	-	-	-	-	(1 794)
Transfer to other levels	(2 687)	-	-	-	-
Other decreases	-	-	-	-	(1 482)
Closing balance (December 31, 2024)	**-**	**95**	**23 224**	**19 477**	**147 855**

The table below analyses information about significant unobservable inputs used as at 31 December 2024 in measuring financial instruments categorized as level 3 in the fair value hierarchy.

Type of instrument	Fair value as at 31.12.2024	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	-	Discounted Cash flows	Relevant interest rate risk curve for in the respective currency used for discounting	Rates of 2.4% to 4.8% (average 3.7%) (2023 - 0% to 5.4 % (average 3.7%)	Significant increase in the relevant interest rate curve used for discounting would result in a lower fair value
Debt securities	19 477	Mark-to-model (Discounted Cash flows)	Relevant interest rate risk and credit spread curves for comparable instruments and comparable issuer in the respective currency	Rates of 2.4% to 4.8 % (average 3.7%) (2023 - 0% to 5.4 % (average 3.7%)) Credit spread of 0.4% to 1.8% (average 1.3%) (2023 - 0.5% to 2% (average 1.3%)), over the risk-free rate	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, 2024 and December 31, 2023.

In thousands of BGN

December 2024	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	-	-	-	-	5 755 504	**5 755 504**	**5 755 504**
Non-derivative financial assets held for trading	196	-	-	-	-	**196**	**196**
Derivatives held for trading	127 231	-	-	-	-	**127 231**	**127 231**
Derivatives held for hedging	-	-	-	39 332	-	**39 332**	**39 332**
Loans and advances to banks and debt securities at amortized cost	-	2 478 542	-	-	-	**2 478 542**	**2 480 508**
Loans and advances to customers and debt securities	-	22 301 885	-	-	-	**22 301 885**	**20 567 831**
Pledged debt securities at amortized cost		1 303 586	-	-	-	**1 303 586**	**1 265 068**
Investment securities	-	-	2 069 461	-	-	**2 069 461**	**2 069 461**
Pledged Investment securities	-	-	289 474	-	-	**289 474**	**289 474**
TOTAL ASSETS	**127 427**	**26 084 013**	**2 358 935**	**39 332**	**5 755 504**	**34 365 211**	**32 594 605**
LIABILITIES							
Financial liabilities held for trading	87 649	-	-	-	-	**87 649**	**87 649**
Derivatives held for hedging	-	-	-	118 926	-	**118 926**	**118 926**
Deposits from banks	-	-	-	-	2 088 730	**2 088 730**	**2 098 341**
Deposits from customers and other financial liabilities at amortized cost	-	-	-	-	26 418 924	**26 418 924**	**26 418 435**
Debt securities issued	-	-	-	-	1 743 506	**1 743 506**	**1 786 004**
Fair value changes of the hedged items in portfolio hedge of interest rate risk	-	-	-	-	8 624	**8 624**	**8 624**
TOTAL LIABILITIES	**87 649**	**-**	**-**	**118 926**	**30 259 784**	**30 466 359**	**30 517 979**

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**

(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, 2024 and December 31, 2023 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 and Funding Unit (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 and Private;
- Corporate Banking;
- ALM and other.

In thousands of BGN

December 2024	Retail and Private Banking	CB	ALM and other	Total
Net interest income	332 751	395 438	47 702	**775 891**
Dividend income	-	-	211 049	**211 049**
Net fee and commission income	211 698	104 431	(724)	**315 405**
Net gains on financial assets and liabilities held for trading and hedging derivatives, including FX revaluation	31 881	64 190	55 774	**151 845**
Net gains from financial assets mandatorily at fair value	-	-	1 232	**1 232**
Net losses from financial assets measured at FVTOCI	-	-	(24 983)	**(24 983)**
Other operating income	29 145	(126)	10 167	**39 186**
Other operating expenses	(38 871)	(3 505)	4 612	**(37 764)**
TOTAL OPERATING INCOME	**566 604**	**560 428**	**304 829**	**1 431 861**
Personnel expenses	(80 238)	(28 798)	(77 888)	**(186 924)**
General and administrative expenses	(13 310)	(4 368)	(103 409)	**(121 087)**
Amortization, depreciation and impairment losses on tangible and intangible fixed assets, investment properties and assets held for sale	-	-	(56 663)	**(56 663)**
Total direct expenses	**(93 548)**	**(33 166)**	**(237 960)**	**(364 674)**
Allocation of indirect and overhead expenses	(130 679)	(60 859)	191 538	**-**
TOTAL OPERATING EXPENSES	**(224 227)**	**(94 025)**	**(46 422)**	**(364 674)**
Provisions for risk and charges	-	-	16 797	**16 797**
Net impairment (loss)/ reversal on financial assets	(9 855)	(1 573)	2 175	**(9 253)**
Net income/(expense) related to property, plant and equipment	-	-	179	**179**
PROFIT BEFORE INCOME TAX	**332 522**	**464 830**	**277 558**	**1 074 910**
Income tax expense	(39 493)	(55 208)	(32 965)	**(127 666)**
PROFIT FOR THE YEAR	**293 029**	**409 622**	**244 593**	**947 244**
ASSETS	**6 560 937**	**10 155 992**	**18 179 925**	**34 896 854**
LIABILITIES	**17 295 301**	**9 162 286**	**4 288 586**	**30 746 173**

In thousands of BGN

December 2023	Retail and Private Banking	CB	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 from financial assets mandatorily at fair value	-	-	3 223	**3 223**
Net 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 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 2024	Retail and Private Banking	CB	ALM and other	Total
Fee and commission income				
Collection and payment services	111 701	93 217	(121)	**204 797**
Lending business	11 926	16 645	42	**28 613**
Account services	28 357	6 651	-	**35 008**
Management, brokerage and securities trading	15 875	6 647	131	**22 653**
Documentary business	691	22 951	11	**23 653**
Package accounts	39 261	2 163	-	**41 424**
Other	57 832	4 714	(72)	**62 474**
	265 643	**152 988**	**(9)**	**418 622**
Fee and commission expense				
Collection and payment services	(47 266)	(39 808)	149	**(86 925)**
Management, brokerage and securities trading	(1 173)	(927)	(738)	**(2 838)**
Lending business	(33)	(73)	(8)	**(114)**
Other	(5 475)	(7 748)	(117)	**(13 340)**
	(53 947)	**(48 556)**	**(714)**	**(103 217)**
Net fee and commission income	**211 696**	**104 432**	**(723)**	**315 405**

In thousands of BGN

December 2023	Retail and Private Banking	CB	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**

8. Net interest income

In thousands of BGN

	2024	2023
Interest income calculated using the effective interest method		
Loans and advances to banks and debt securities at amortized cost	146 385	159 538
Loans and advances to customers and debt securities	747 205	602 707
Investment securities	40 528	40 513
Interest income on liabilities	12	4
	934 130	**802 762**
Other interest income		
Non-derivative financial assets held for trading	26	46
	26	**46**
Interest expense		
Derivatives used for hedging	(4 665)	(1 352)
Deposits from banks	(40 777)	(31 728)
Deposits from customers	(17 688)	(8 180)
Debt securities issued	(95 121)	(53 207)
Interest expense on assets	(14)	(284)
	(158 265)	**(94 751)**
Net interest income	**775 891**	**708 057**

For the financial years ended December 31, 2024 and December 31, 2023 the interest income recognized on defaulted financial instruments (loans and advances to customers) is in the amount of BGN 23 643 thousand and BGN 20 841 thousand, respectively.

9. Net fee and commission income

In thousands of BGN

	2024	2023
Fee and commission income		
Collection and payment services	204 797	183 820
Lending business	28 613	25 105
Account services	35 008	31 425
Management, brokerage and securities trading	22 653	17 340
Documentary business	23 653	23 156
Package accounts	41 424	35 930
Other	62 474	51 366
	418 622	**368 142**
Fee and commission expense		
Collection and payment services	(86 925)	(70 514)
Management, brokerage and securities trading	(2 838)	(2 074)
Lending business	(114)	(31)
Other	(13 340)	(14 591)
	(103 217)	**(87 210)**
Net fee and commission income	**315 405**	**280 932**

The major part of the other fee and commission income consist of agent and insurance commissions received. Other fees and commission expenses mainly present securitization fees paid.

10. Dividend income

In thousands of BGN

	2024	2023
Dividend income from subsidiaries	210 150	109 323
Dividend income from other equity participations	899	838
Dividend income	**211 049**	**110 161**

11. Net gains on financial assets and liabilities held for trading and hedging derivatives, including FX revaluation

In thousands of BGN

	2024	2023
Realized and unrealized FX trading income, net	116 615	121 917
Net gain from debt instruments	1 074	1 359
Net loss from equity instruments	(171)	-
Net gain from derivative instruments	33 002	15 329
Net gain /(loss) from hedging derivative instruments	1 325	(1 494)
Net gains on financial assets and liabilities held for trading and hedging derivatives, including FX revaluation	**151 845**	**137 111**

The total CVA (net of DVA) for the years ended December 31, 2024 and December 31, 2023, included in position net gain from derivative instruments is in the amount of BGN (893) thousand and BGN 1 749 thousand, respectively.

12. Net gains from financial assets mandatorily at fair value

In thousands of BGN

	2024	2023
Equity securities	1 349	3 328
Loans and advances	(117)	(105)
Net gains from financial assets mandatorily at fair value	**1 232**	**3 223**

13. Net losses from financial assets measured at FVTOCI

Net 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, 2024 the bank had realized a net loss of BGN 24 983 thousand. For the year ended December 31, 2023 the bank had realized a net loss of BGN 4 621 thousand.

14. Other operating income and expenses

14.a Other operating income

In thousands of BGN

	2024	2023
Income from non-financial services	1 112	1 300
Rental income	346	210
Other income	37 728	9 243
Other operating income	**39 186**	**10 753**

The increase of other income is due to the performed during 2024 accelerated migration of issued by the Bank cards to MasterCard brand and amounts to BGN 28 million, presenting migration support.

14.b Other operating expenses

In thousands of BGN

	2024	2023
Deposit guarantee fund and RR fund annual contribution	(32 652)	(28 992)
Impairment of foreclosed properties	-	(21)
Losses on tangible assets measured at fair value	-	(205)
Other operating expenses	(5 112)	(448)
Other operating expenses	**(37 764)**	**(29 666)**

The increase of other operating expenses is due to the performed during 2024 accelerated migration of issued by the Bank cards to MasterCard brand and is related to termination of Visa cards issuing amounting at BGN 4.4 million.

15. Net income/(expense) related to property, plant and equipment

In thousands of BGN

	2024	2023
Net income/(expense) on disposal of property, plant and equipment	179	(1)
Net income/(expense) related to property, plant and equipment	**179**	**(1)**

16. Personnel expenses

In thousands of BGN

	2024	2023
Wages and salaries	(149 603)	(145 595)
Social security charges	(21 211)	(20 233)
Pension and similar expenses	(1 425)	(1 111)
Temporary staff expenses	(2 929)	(1 904)
Share-based payments	(1 303)	(1 501)
Other	(10 453)	(7 659)
Personnel expenses	**(186 924)**	**(178 003)**

As of December 31, 2024 the total number of employees, expressed in full time employee equivalent is 3 134 (December 31, 2023 - 3 234).

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.

The increase in 2024 of other personnel expenses is due mainly to increased value of employees' food vouchers and health insurance.

Description of payment agreements based on own equity instruments

Outstanding instruments

Group Medium & Long Term Incentive Plans for selected employees of Group subsidiaries include the following category - **Equity-Settled Share Based Payments** (Equity-Settled SBP), which provide for the delivery of shares.

The category, Equity-Settled SBP, includes the following grants of:

- Group Executive Incentive System (Bonus Pool) that offer to eligible Group executives and relevant employees identified following regulatory rules, a bonus structure composed by upfront (following the moment of performance evaluation) and deferred payments in cash and in UniCredit ordinary shares, to be paid over a period of ranging from 1 to 7 years. This payment structure will guarantee the alignment to shareholder interest and will be subjected to corporate malus conditions (which applies in case specific profitability, capital and liquidity thresholds are not met at both Group and country/ division level), individual malus and claw back conditions (as legally enforceable) according to the plan rules (both non-market vesting conditions);
- Long Term Incentive 2017-2019 that offers to eligible executives and key players of the Group an incentive 100% based on ordinary UniCredit shares, subject to 3-years deferral and to malus and claw-back conditions, as legally enforceable, according to the plan rules. The plan is structured on 3-years performance period, aligned

to the UniCredit strategic plan and provides for the allocation of an award based on gateway conditions on profitability, liquidity, capital and risk position and a set of performance conditions focused on Group targets, aligned with Transform 2019;

- Long Term Incentive 2020-2023 that provides for the allocation of incentives based on free ordinary shares, subject to the achievement of specific performance conditions to the Strategic Plan Team 23. The Plan is structured over a four-year performance period, consistent with UniCredit's Strategic Plan, and provides for the granting of the possible award in 2024. The award is subject to a 4-year deferral period, after the performance period, and to the respect during the performance period of the minimum conditions of profitability, capital requirements and liquidity as well as positive assessment of Risk Appetite Framework. According to Banca d'Italia and EBA requirements and to further strengthen the governance framework, the Plan includes rules of compliance breaches management, as well as their related impact on remuneration components, through the application of malus and claw-back clauses.
- It is also noted that, the equity-settled share based payments, represented by deferred payments in UniCredit ordinary shares not subject to vesting conditions, are used for the settlement of the so-called golden parachute (e.g. severance) for the relevant employees.

Measurement model

Group Executive Incentive System (Bonus Pool)

The economic value of performance shares, for the category Equity-Settled SBP, is measured considering the share market price at the grant date less the present value of the future dividends during the vesting period. Economic and net equity effects will be accrued on a basis of instruments' vesting period.

Group Executive Incentive System "Bonus Pool 2024" – Share

The new Group Incentive System 2024 is based on a bonus pool approach, aligned with regulatory requirements and market practices, which defines:

- Sustainability, through direct link with entity results and alignment with relevant risk categories, using specific indicators linked to risk-appetite framework;
- The definition of a bonus pool at Group level, with cascading at divisional level consistently with segment reporting disclosure, based on the actual divisional performance adjusted considering quality and risk indicators as well as cost of capital;
- Bonuses allocated to executives and other relevant employee, identified on a basis of regulatory provisions, embedded in CRD V and in Commission Delegated Regulation (EU) 923/2021 and to other specific roles identified according to local regulations;
- Payment structure has been defined in accordance with regulatory provisions qualified by Directive 2013/36/EU (CRD IV) and further updates and will be distributed in a period of maximum seven years by using a mix of shares and cash.

All profit and loss and net equity effects related to the plan will be booked during the vesting period.

The plan is divided into clusters, each of which can have three or six installments of share-based payments spread over a period defined according to plan rules.

Long Term Incentive Plan 2017-2019

The economic value of performance shares is measured considering the share market price at the grant date less the present value of the future dividends during the vesting period.

The plan is divided into clusters, based on the beneficiary position, each of which can have from one to four installments of share-based payments spread over a period defined according to plan rules.

Long Term Incentive Plan 2020-2023

The economic value of performance shares is measured considering the share market price at the grant date less the present value of the future dividends during the vesting period.

The plan is divided into clusters, based on the beneficiary position, each of which can have from one to five installments of share-based payments spread over a period defined according to plan rules.

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:

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

	2024	2023
Advertising, marketing and communication	(5 120)	(7 064)
Credit information and searches	(436)	(533)
Information, commmunication and technology expenses	(61 540)	(53 700)
Consulting, audit and other professional services	(2 059)	(2 027)
Real estate expenses	(13 230)	(14 247)
Rents	(3 817)	(3 959)
Travel expenses and car rentals	(2 869)	(3 241)
Insurance	(1 434)	(1 468)
Supply and miscellaneous services rendered by third parties	(15 419)	(17 068)
Other costs	(15 163)	(9 122)
General and administrative expenses	**(121 087)**	**(112 429)**

The amounts accrued in 2024 for the services provided by the registered auditors for statutory joint independent financial audit are as follows: for KPMG Audit OOD: BGN 303 thousand including VAT, for Baker Tilly Klitou and Partners EOOD: BGN 242 thousand including VAT. In 2024 the Bank was charged with amounts for other non-statutory audit services provided by KPMG Audit OOD at a total amount of BGN 501 thousand including VAT and by Baker Tilly Klitou and Partners EOOD: BGN 66 thousand including VAT.

For 2023 the accrued amount for the provided audit and non-audit services by the external auditors were BGN 926 thousand including VAT.

The increase of other costs compared to 2023 is due to the performed during 2024 accelerated migration of issued by the Bank cards to MasterCard brand.

18. Amortization, depreciation and impairment losses on tangible and intangible fixed assets, investment properties and assets held for sale

In thousands of BGN

	2024	2023
Depreciation charge	(56 663)	(53 411)
Impairment charge	-	(6 089)
Amortization, depreciation and impairment losses on tangible and intangible fixed assets, investment properties and assets held for sale	**(56 663)**	**(59 500)**

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

	2024	2023
Additions of provisions		
Restructuring provisions	-	(1 923)
Legal cases provisions	(1 338)	(1 567)
Other provisions	-	(200)
	(1 338)	**(3 690)**
Reversal of provisions		
Restructuring provisions	1 943	
Legal cases provisions	16 192	1 030
	18 135	**1 030**
Provisions for risk and charges	**16 797**	**(2 660)**

20. Net impairment (loss)/ reversal on financial assets

In thousands of BGN

	2024	2023
Net impairment (loss)/ reversal on loans and advances to customers	(33 410)	23 744
Net impairment loss on debt securities from customers at AC	(111)	(521)
Net impairment (loss)/ reversal on loans and advances to Banks	(107)	33
Net impairment loss on debt securities from banks at AC	(162)	(64)
Net impairment (loss)/ reversal on balances with Central Bank	1	(30)
Net impairment (loss)/ reversal on financial assets at fair value through OCI	(29)	6 341
Loss allowance of financial guarantee contracts and other commitments	24 565	(9 066)
Net impairment (loss)/ reversal on financial assets	**(9 253)**	**20 437**

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 2024.

Starting from fiscal year 2024, the UniCredit Group applies 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 Organisation of Economic Co-operation and Development (OECD) and then implemented in the European Union through the EU Council Directive 2022/2523 of 14 December 2022.

For EU countries, the Directive entered into force in FY2024 (in Bulgaria, the provisions of the Directive have been transposed into law with Part 5a of the Corporate Income Tax Act), with the only exceptions of Spain, Poland (Pillar Two regulation will enter into force in FY2025) and Latvia (transposition postponed to FY2030 as granted by the Directive to certain Member States).

Certain non-EU Member States in which the UniCredit Group operates have announced that they will implement the Pillar Two rules as of 2024 (e.g. United Kingdom) or that they are committed to implementing them starting from FY2025, 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 corporate income taxes paid in that jurisdiction and adjusted accounting results) 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:

- Revenue and profit before tax are below, respectively, EUR 10 million and EUR 1 million (the de minimis test);
- The Effective Tax Rate (i.e. ETR) equals or exceeds an agreed rate (the ETR test, 15% for FY 2024); or
- The profit before tax does not exceed an amount calculated as a percentage of tangible assets and payroll expense (the routine profits test).

The UniCredit Group has performed an assessment of its potential exposure for Pillar Two top-up taxes on the basis of the most recent information available regarding the financial performance of the constituent entities in the UniCredit Group (2023 Country by Country Reporting and 2024 financial statements data).

Based on the assessment performed, Bulgaria may not benefit from the TSH.

Therefore, the potential top-up tax exposure has been calculated based on the full Pillar Two regime. Based on the calculation, the ETR for Bulgaria is lower than the 15% minimum ETR, with top-up tax potentially due equal to BGN 48 mln (BGN 41.8 mln for Unicredit Bulbank AD).

The above analysis must be considered as an estimate which 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 has applied 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.

The breakdown of tax charges in the income statement of UniCredit Bulbank AD is as follows:

In thousands of BGN

	2024	2023
Current tax	(85 480)	(77 242)
Qualified Domestic Minimum Top-up Tax (Pillar II QDMTT)	(41 798)	-
Deferred tax income/(expense) related to origination and reversal of temporary differences	(51)	403
Overprovided prior year current tax	(337)	(260)
Income tax expense	**(127 666)**	**(77 099)**

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

	2024	2023
Accounting profit before tax	1 074 910	883 794
Corporate tax at applicable tax rate (10% for 2024 and 2023)	(107 491)	(88 379)
Qualified Domestic Minimum Top-up Tax (Pillar II QDMTT)	(41 798)	-
Tax effect of non-taxable revenue	21 098	10 992
Tax effect of non-deductible tax expenses	(516)	(518)
Overprovided prior year income tax	1 041	806
Income tax expense	**(127 666)**	**(77 099)**
Effective tax rate	**11.88%**	**8.72%**

22. Cash and balances with Central Bank

In thousands of BGN

	2024	2023
Cash in hand and in ATM	270 831	285 554
Cash in transit	211 564	177 785
Current account with Central Bank	5 273 109	5 606 418
Cash and balances with Central Bank	**5 755 504**	**6 069 757**

23. Non-derivative financial assets held for trading

In thousands of BGN

	2024	2023
Government bonds	196	4 381
Non-derivative financial assets held for trading	**196**	**4 381**

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

	2024	2023
Interest rate swaps	39 806	44 632
FX forward contracts	27 738	2 524
FX options	-	60
Other options	623	503
FX swaps	53 342	37 182
Commodity swaps	5 722	15 802
Derivatives held for trading	**127 231**	**100 703**

Derivatives consist of trading instruments that have positive market value as of December 31, 2024 and December 31, 2023. 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

	2024		2023	
Risk exposure	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Interest rate				
Designated in FV hedges	37 221	49 562	73 561	41 689
Designated in CF hedges	2 111	69 364	3 604	87 167
Total interest rate derivatives	**39 332**	**118 926**	**77 165**	**128 856**

Fair value hedge

In thousands of BGN

	Maturity 2024			Maturity 2023		
	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	44 104	352 296	564 257	95 875	350 242	608 273
Average fixed interest rate	0.46%	1.05%	2.27%	0.89%	0.71%	1.74%
Micro FV hedges of debt securities at AC						
Nominal amount	-	63 564	402 803	-	5 867	460 500
Average fixed interest rate	-	3.08%	3.07%	-	3.02%	3.07%
Macro FV hedges of deposits						
Nominal amount	-	281 151	501 155	-	381 387	364 643
Average fixed interest rate	-	3.12%	2.45%	-	3.33%	2.46%

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 31.12.2024	960 657	18 735	12 101	Derivatives assets(liabilities) held for hedging	8 932	1 021	Net gains on financial assets and liabilities held for trading and hedging derivatives, including FX revaluation
Micro FV hedges of FVOCI as of 31.12.2023	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 debt securities at AC as of 31.12.2024	466 367	-	32 700	Derivatives assets(liabilities) held for hedging	(25 044)	147	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
Macro FV hedges of deposits as of 31.12.2024	782 306	18 486	4 761	Derivatives assets(liabilities) held for hedging	9 329	157	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

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 31.12.2024	1 063 473	-	(3 080)	-	Investment securities	(9 406)	-
Debt securities FVOCI as of 31.12.2023	1 040 750	-	(685)	-	Investment securities	(46 951)	-
Debt securities at AC as of 31.12.2024	501 164	-	25 019	-	Loans and advances to customers and debt securities	25 019	-
Debt securities at AC as of 31.12.2023	493 844	-	22 126	-	Loans and advances to customers and debt securities	22 126	-
Deposits as of 31.12.2024	-	782 306	-	8 624	Deposits from customers and other financial liabilities at amortized cost	(8 624)	-
Deposits as of 31.12.2023	-	746 030	-	4 203	Deposits from customers and other financial liabilities at amortized cost	(4 203)	-

Cash flow hedge

In thousands of BGN

	Maturity 2024			Maturity 2023		
	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	-	589 683	165 268	20 536	180 914	574 036
Average fixed interest rate of Macro CFH hedges of deposits	-	2.23%	2.66%	3.15%	1.97%	2.53%
Nominal amount of Macro CFH hedges of loans	97 141	388 563	194 281	97 141	388 563	291 422
Average fixed interest rate of Macro CFH hedges of loans	-0.25%	0.16%	0.03%	-0.27%	0.34%	-0.02%

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 31.12.2024	754 950	2 111	15 707	Derivatives assets (liabilities) held for hedging	-	(6 964)	-	Net gains on financial assets and liabilities held for trading and hedging derivatives, including FX revaluation	-	Other interest income (expense)
Deposits as of 31.12.2023	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)
Loans as of 31.12.2024	679 985	-	53 657	Derivatives assets (liabilities) held for hedging	-	22 089	-	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)

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 31.12.2024	-	(8 329)	-	Deposits from customers and other financial liabilities at amortized cost
As of 31.12.2023	-	(2 062)	-	Deposits from customers and other financial liabilities at amortized cost
EUR loans to customers				
As of 31.12.2024	-	(45 356)	-	Loans and advances to customers and debt securities
As of 31.12.2023	-	(65 236)	-	Loans and advances to customers and debt securities

26. Loans and advances to banks and debt securities at amortized cost

In thousands of BGN

	2024	2023
Loans and advances to banks at amortized cost:		
Loans and advances to banks	1 956 010	2 247 564
Current accounts with banks	108 421	126 418
Debt securities	414 585	413 833
Loans and advances to banks and debt securities at amortized cost	**2 479 016**	**2 787 815**
Less impairment allowances of loans and advances	(244)	(134)
Less impairment allowances of bonds	(230)	(68)
Less impairment allowances of loans and advances and debt securities at amortized cost	**(474)**	**(202)**
Loans and advances to banks and debt securities at amortized cost	**2 478 542**	**2 787 613**

27. Loans and advances to customers and debt securities

In thousands of BGN

	2024	2023
Loans and advances to customers at amortized cost:		
Companies	15 613 882	13 693 495
Individuals		
Housing loans	5 105 552	4 032 518
Consumer loans	129 771	136 378
Other loans	88 988	71 736
Central and local governments	280 580	282 849
Government bonds classified at amortized cost:		
Non-pledged government bonds	1 781 306	1 789 676
Pledged government bonds	1 303 963	1 073 374
Non pledged government bonds	5 105	-
	24 309 147	**21 080 026**
Less impairment allowances of loans and advances	(702 845)	(681 415)
Less impairment allowances of securities at amortized cost	(926)	(815)
Less impairment allowances	**(703 771)**	**(682 230)**
Financial assets to customers at amortized cost	**23 605 376**	**20 397 796**
Loans and advances to customers mandatory at fair value	**95**	**138**
thereof: Accumulated negative changes in fair value due to credit risk on non-performing exposures	(1 732)	(1 688)
Loans and advances to customers and debt securities	**23 605 471**	**20 397 934**

28. Investment securities

In thousands of BGN

	2024		2023	
	Non-Pledged Investment securities	Pledged Investment securities	Non-Pledged Investment securities	Pledged Investment securities
Securities measured at FVTOCI				
Government bonds	1 980 320	289 474	1 452 036	645 643
Bonds of banks and other financial institutions	-	-	21 552	-
Corporate bonds	64 036	-	43 427	-
Equities	20 313	-	20 301	-
Securities mandatory measured at FV				
Equities	4 792	-	6 320	-
Investment securities	**2 069 461**	**289 474**	**1 543 636**	**645 643**

Government and corporate bonds classified and measured at FVTOCI as of December 31, 2024 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 31.12.2024 is BGN 1 016 783 thousand and as of 31.12.2023 is BGN 1 056 346 thousand.

As of December 31, 2024 and as of December 31, 2023 there are pledged investments amounting to BGN 289 474 thousand and BGN 645 643 thousand respectively (see also Note 44).

29. Investments in subsidiaries and associates

Company	Activity	Share in capital December 2024	Share in capital December 2023	Carrying value in thousands of BGN Dec 2024	Carrying value in thousands of BGN Dec 2023
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 31 2024, 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, right 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, 2023	**11 784**	**237 408**	**78 621**	**11 171**	**85 994**	**55 788**	**480 766**
Additions		3 660	3 253	366	9 781	6 452	**23 512**
Transfers	(464)	(1 017)	-	14	-	(14)	**(1 481)**
Write offs		(962)	(3 547)	(231)	(1 204)	(4 301)	**(10 245)**
Disposals	-	-	-	-	(2 663)	(1 940)	**(4 603)**
As of December 31, 2024 before revaluation	**11 320**	**239 089**	**78 327**	**11 320**	**91 908**	**55 985**	**487 949**
Increase in value via revaluation reserve upon new revaluation	677	11 603	-	-	-	-	**12 280**
Decrease in value via revaluation reserve upon new revaluation	(125)	(1 670)	-	-	-	-	**(1 795)**
Decrease in value in profit or loss upon new revaluation	-	-	-	-	-	-	**-**
Revaluation adjustment	**552**	**9 933**	**-**	**-**	**-**	**-**	**10 485**
As of December 31, 2024 after revaluation	**11 872**	**249 022**	**78 327**	**11 320**	**91 908**	**55 985**	**498 434**
Depreciation							
As of December 31, 2023	**-**	**104 206**	**35 395**	**8 947**	**61 250**	**36 542**	**246 340**
Depreciation charge	-	5 711	10 404	645	8 881	5 375	**31 016**
Write offs	-	(962)	(3 547)	(231)	(1 204)	(4 301)	**(10 245)**
On disposals	-	-	-	-	(2 662)	(1 880)	**(4 542)**
Transfers	-	-	583	-	-	-	**583**
As of December 31, 2024	**-**	**108 955**	**42 835**	**9 361**	**66 265**	**35 736**	**263 152**
Net book value as of December 31, 2024	**11 872**	**140 067**	**35 492**	**1 959**	**25 643**	**20 249**	**235 282**
Net book value as of December 31, 2023	**11 784**	**133 202**	**43 226**	**2 224**	**24 744**	**19 246**	**234 426**

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

	Investment property
Net book value as of December 31, 2023	**-**
Additions	-
Transfers	-
Write offs	-
Disposals	-
Increase in fair value	-
Net book value as of December 31, 2024	**-**

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 31.12.2024**	**Significant unobservable input**	**Range (BGN) (weighted average) 2024 in BGN**	**Range (BGN) (weighted average) 2023 in BGN**
Land	11 872	price per m^2	399.29-875.09 (548.80)	176.25-461.55 (282.32)
Buildings	135 219	rent per m^2	4.87 - 15.53 (12.36)	9.45 - 14.35 (11.49)
Buildings	764	price per m^2	11486-25572.90 (17531.57)	792 - 1161 (964.94)
Property measured at FV	**147 855**			

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 31,2023	**216 729**
Additions	19 852
Write offs	(3 039)
As of December 31,2024	**233 542**
-	
Depreciation	
As of December 31,2023	**122 126**
Depreciation charge	**25 647**
Write offs	(3 039)
As of December 31,2024	**144 734**
Net book value as of December 31, 2024	**88 808**
Net book value as of December 31, 2023	**94 603**

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**

32. Current tax 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, 2024 current tax liabilities amount to BGN 47 736 thousand and BGN 17 034 thousand as of December 31, 2023 respectively.

33. Deferred tax liabilities

The origination breakdown of the deferred tax liabilities as of December 31, 2024 and December 31, 2023 is as outlined below:

In thousands of BGN

	2024	2023
Property, plant, equipment, investment properties and intangible assets	15 170	15 718
Provisions	(2 181)	(4 037)
Actuarial losses	(878)	(581)
Other liabilities/Other assets	(2 715)	(2 508)
Deferred tax (assets)/liabilities	**9 396**	**8 592**

The movements of deferred tax liabilities on net basis throughout 2024 are as outlined below:

	Balance 31.12.2023	Recognized in P&L	Recognized in equity	Balance 31.12.2024
Property, plant, equipment, investment properties and intangible assets	15 718	(1 598)	1 050	15 170
Provisions	(4 037)	1 856	-	(2 181)
Actuarial losses	(581)	-	(297)	(878)
Other liabilities	(2 508)	(207)	-	(2 715)
Deferred tax (assets)/ liabilities	**8 592**	**51**	**753**	**9 396**

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

	2024	2023
Land	-	-
Buildings	-	1 130
Non-current assets and disposal groups, classified as held for sale	**-**	**1 130**

35. Other assets

In thousands of BGN

	2024	2023
Receivables and prepayments	133 750	92 026
Receivables from the State Budget	-	76
Materials, spare parts and consumables	1 647	1 528
Other assets	7 375	8 599
Foreclosed properties	12 302	12 800
Other assets	**155 074**	**115 029**

36. Financial liabilities held for trading

In thousands of BGN

	2024	2023
Interest rate swaps	34 902	46 514
FX forward contracts	5 717	13 663
Other options	553	541
FX options	0	58
FX swaps	40 772	35 241
Commodity swaps	5 705	15 630
Financial liabilities held for trading	**87 649**	**111 647**

37. Deposits from banks

In thousands of BGN

	2024	2023
Current accounts and overnight deposits		
Local banks	589 811	381 120
Foreign banks	970 472	1 013 920
	1 560 283	**1 395 040**
Deposits		
Local banks	439 063	153 727
Foreign banks	29 416	12 310
	468 479	**166 037**
Other	**59 968**	**22 235**
Deposits from banks	**2 088 730**	**1 583 312**

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, 2024 and December 31, 2023 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

	2024	2023
Current accounts		
Individuals	9 268 482	8 062 937
Corporate	10 189 977	10 399 524
Budget and State companies	397 172	617 875
	19 855 631	**19 080 336**
Term deposits		
Individuals	3 462 842	3 350 319
Corporate	1 237 248	387 849
Budget and State companies	28 210	19 474
	4 728 300	**3 757 642**
Saving accounts	**1 709 539**	**1 712 388**
Lease liabilities	**37 875**	**45 735**
Factoring related liabilities	**32 220**	**45 995**
Transfers in execution process	**55 359**	**221 569**
Deposits from customers and other financial liabilities at amortized cost	**26 418 924**	**24 863 665**

The following table represent liabilities under lease contracts as of December 31, 2024, while existing right of use assets are presented in Note **30**:

In thousands of BGN

Lease liabilities	
As of January 01, 2024	**45 735**
Additions	3 253
Repayments	(11 113)
Interest accrued	575
Interest paid	(575)
As of December 31, 2024	**37 875**
Up to one year	10 062
From beyond 1 year to 2 years	7 453
From beyond 2 years to 3 years	6 725
From beyond 3 years to 4 years	5 564
From beyond 4 years to 5 years	4 344
Beyond five years	5 170
Total lease payments to be made for finance leases	**39 318**
Unearned finance expenses (Discounting effect)	(1 443)
Net book value as of December 31, 2024	**37 875**
Net book value as of December 31, 2023	**45 735**

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**

39. Debt securities issued

As part of UniCredit Group, whose resolution strategy is of the type "Single Point of Entry", UniCredit Bulbank 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 7th of July 2024, 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 as of the date of the decision at 18.62% (previously 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 a result of the strong business growth, the corresponding increase in risk-weighted assets as well as the increase in the risk weights of exposures to the government sector denominated in EUR (25% for the period from January to June 2024, compared to 10% in 2023), in April 2024, the Bank issued for the second time an iMREL/Tier 2 bond, with the aim of classification as Tier 2 Capital. The parameters of the bond are as follows: nominal value of EUR 50 million, floating interest rate based on 3-month Euribor plus 2.28 per cent, 10-year maturity and a call option that can be exercised on the 5th year. The call option is for the issuer, which can redeem the bonds in full. The redemption can also be made on tax or regulatory grounds. According to Art. 33"d", para. 1 of Regulation No. 2 of 22 December 2006 on the licenses, approvals and permits issued by the Bulgarian National Bank under the Credit Institutions Act, the inclusion of a capital instrument in Tier 2 capital is subject to approval by the BNB. As of the end of 2024 the bond issue has already been officially recognized as Tier 2 Capital (the banks has been informed by BNB with a letter dated 30th of August 2024). Similarly, in the beginning of December 2024, the Bank issued iMREL bond, aiming to further qualify as Tier 2 Capital. Parameters of the issue are as follows: nominal amount of EUR 125 Mio, floating interest rate, linked to 3Mo Euribor plus 2.14 per cent, 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. The respective application with regards to above mentioned notes, for the approval of their inclusion in Tier 2 capital, has been sent to the Central Bank in December 2024. As the procedure was on-going, as of 31 December 2024 the instrument is not included in Tier 2 capital for regulatory purposes.

Thus, the total nominal amount of debt meeting the iMREL requirements reached EUR 885 million (where EUR 610 million is senior non-preferred debt and EUR 275 million is Tier 2 Capital, of which EUR 125 million is awaiting approval by the BNB for recognition in own funds).

40. Provisions

The movement in provisions for the years ended December 31, 2024 and December 31, 2023 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, 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 gains 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**
Allocations	41 156	1 338	1 425	-	-	-	**43 919**
Releases	(65 721)	(16 192)	-	-	-	(1 943)	**(83 856)**
Additions due to FX revaluation	926	2 157	-	-	-	-	**3 083**
Releases due to FX revaluation	(820)	(1 797)	-	-	-	-	**(2 617)**
Actuarial losses recognized in OCI	-	-	2 966	-	-	-	**2 966**
Utilization	-	(831)	(646)	(118)	(144)	(1 811)	**(3 550)**
Balance as of December 31, 2024	**66 995**	**17 767**	**16 702**	**184**	**54**	**-**	**101 702**

(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, 2024 accumulated provisions are in the amount of BGN 66 995 thousand (as at December 31, 2023 - BGN 91 454 thousand). The release is mainly due to improved credit quality of the portfolio and increased volumes in Stage 1.

(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, 2024 Bank has assessed its position in legal cases against it, and provision in the amount of BGN 17 767 thousand has been recognized (BGN 33 092 thousand as of December 31, 2023). After reassessment of the probability to settle obligation provisions for two old legal cases were released in 2024 for the amount of BGN 15 969 thousand.

(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 2024 defined benefit obligation are as follows:

- Discount rate – 3.60%;
- Salary increase – 6.00% p.a.

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 Bank:

- 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, 2024 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, 2023	**12 957**
Current service costs for 2024	828
Interest cost for 2024	597
Past Service Cost	-
Actuarial losses recognized in OCI	2 966
Benefits paid	(646)
Recognized defined benefit obligation as of December 31, 2024	**16 702**
Interest rate beginning of the year	4.90%
Interest rate end of the year	3.60%
Future increase of salaries	6.00%
Expected 2024 service costs	1 108
Expected 2024 interest costs	563
Expected 2024 benefit payments	(2 130)

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

	2024	2023
Sensitivity - Discount rate +/- %	0.25%	0.25%
DBO Discount rate -	17 028	13 186
DBO Discount rate +	16 388	12 736
Sensitivity - Salary increase rate +/- %	0.25%	0.25%
DBO Salary increase rate -	16 394	12 735
DBO Salary increase rate +	17 020	13 185

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. Considering also the ESG requirements, the balances as of December 31, 2024 are reassessed at the amount of BGN 184 thousand and represent unutilized provision with regards to energy efficiency of owned buildings.

(e) Other provision

Other provisions in the amount of BGN 54 thousand as of December 31, 2024 (BGN 198 thousand as of December 31, 2023) 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.

In 2024 the approved restructuring plan has expired and as of December 31st 2024 the Bank has no allocated restructuring provisions.

41. Other liabilities

In thousands of BGN

	2024	2023
Liabilities to the State budget	3 030	2 503
Liabilities to personnel	21 717	20 728
Liabilities for unused paid leave	8 068	7 802
Dividends	1 713	1 436
Incentive plan liabilities	3 546	3 188
Other liabilities	82 906	166 361
Total other liabilities	**120 980**	**202 018**

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 2024 and 2023 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 are mainly due to undesired customers' funds (clients which relationship with the Bank is ceased due to compliance reasons), deferred income and year end accruals for upcoming payments.

42. Equity

a) Share capital

As of December 31, 2024 and December 31, 2023 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, actuarial gains/losses on remeasurement of defined benefit obligation in accordance with IAS 19 “Employee Benefits” as well as revaluation reserve on PPE in accordance with IAS 16 “Property, Plant and Equipment”.

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, 2024 and December 31, 2023 only reserves related to FVTOCI investments have been recycled to profit or loss following their derecognition. For 2024 there is loss of BGN 24 983 thousand and for 2023 - BGN 4 621 thousand respectively.

43. Contingent liabilities

In thousands of BGN

	31.12.2024	31.12.2023	31.12.2024	31.12.2023	31.12.2024	31.12.2023	31.12.2024	31.12.2023
	Stage 1		Stage 2		Stage 3		Total	
Letters of credit and letters of guarantee	2 348 966	1 920 228	153 383	346 987	9 922	16 302	**2 512 271**	**2 283 517**
Credit commitments	7 444 974	6 471 048	682 339	1 368 163	14 914	33 715	**8 142 227**	**7 872 926**
Other commitments	68 237	68 353	-	-	-	-	**68 237**	**68 353**
Contingent liabilities	**9 862 177**	**8 459 629**	**835 722**	**1 715 150**	**24 836**	**50 017**	**10 722 735**	**10 224 796**

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, 2024 and December 31, 2023 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, 2024 are in 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, 2024 and December 31, 2023 the Bank presents unutilized credit facilities as part of its off-balance sheet positions.

44. Assets pledged as collateral

In thousands of BGN

	2024	2023
Securities pledged for budget holders' account service	430 645	723 841
Securities pledged on REPO deals	1 142 809	975 188
Securities pledged on other deals	19 606	19 677
Loans pledged for budget holders' account service	98 041	98 041
Loans pledged on other deals	1 978	10 369
Total assets and collaterals received encumbered	**1 693 079**	**1 827 116**
Pledged assets include:		
Securities at amortized cost	1 303 586	1 073 063
Investment securities	289 474	645 643
Loans and advances	100 019	108 410
	1 693 079	**1 827 116**

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, 2024 and December 31, 2023 and Income statement items for the years ended then are as follows:

In thousands of BGN

As of December 31, 2024	Parent company	Subsidiaries	Other related parties	Total
ASSETS				
Derivatives held for trading	21 256	-	40 795	**62 051**
Derivatives held for hedging	39 332	-	-	**39 332**
Current accounts and deposits placed	1 281 602	-	12 144	**1 293 746**
Debt securities	-	-	414 355	**414 355**
Extended loans	-	4 526 794	1 467	**4 528 261**
Other assets	972	30 139	1 723	**32 834**
LIABILITIES				
Financial liabilities held for trading	13 889	-	34 376	**48 265**
Derivatives used for hedging	118 926	-	-	**118 926**
Current accounts and deposits taken	892 257	62 384	14 599	**969 240**
Debt securities issued	1 743 506	-	-	**1 743 506**
Other liabilities	5 501	17	1 366	**6 884**
Guarantees received by the Group	**61 752**	**-**	**165 852**	227 604

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, 2024	Parent company	Subsidiaries	Associates	Other related parties	Total Income (Expense)
Interest incomes	88 023	48 202	-	19 095	**155 320**
Interest expenses	(95 757)	-	-	(7 112)	**(102 869)**
Dividend income		210 150	-	-	**210 150**
Fee and commissions income	1 306	30 474	-	2 178	**33 958**
Fee and commissions expenses	(4)	-	-	(336)	**(340)**
Net gains on financial assets and liabilities held for trading	15 542	-	-	34 418	**49 960**
Other operating income	110	752	-	28	**890**
Administrative and personnel expenses	(6 545)	(1 852)	(1 218)	(21 570)	**(31 185)**
Total	**2 675**	**287 726**	**(1 218)**	**26 701**	**315 884**

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 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**

Compensation paid to key management personnel is as follows:

In thousands of BGN

Paid benefits	2024	2023
Short-term employee benefits	3 186	2 969
Other long-term benefits	81	48
Non-monetary benefits	349	421
Other	1 073	254
Total benefits paid	**4 689**	**3 692**

46. Cash and cash equivalents

In thousands of BGN

	2024	2023
Cash in hand and in ATM	270 831	285 554
Cash in transit	211 564	177 785
Current account with the Central Bank	5 273 109	5 606 418
Current accounts with banks	108 421	126 418
Placements with banks with original maturity less than 3 months	1 270 388	695 304
Cash and cash equivalents	**7 134 313**	**6 891 479**

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 1, 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, 2024 and December 31, 2023 are presented in the tables below:

In thousands of BGN

Residual maturity	**Total future minimum lease payment**	
	2024	**2023**
Up to one year	10	14
Total	**10**	**14**

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 license for performing commercial banking activities. For the years ended December 31, 2024 and December 31, 2023 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

	2024	2023	Reference to other notes and reports
Total operating income	1 431 861	1 215 950	Separate Income Statement and details in Notes 8,9,10,11,12,13 and 14
Profit before income tax	1 074 910	883 794	Separate Income Statement
Income tax expense	(127 666)	(77 099)	Separate Income Statement and details in Note 21
Return on average assets (%)	2.8%	2.6%	2024 Annual Report on Activity
Annual Turnover	1 469 625	1 245 616	Separate Income Statement
Full time equivalent number of personnel as EoY	3 134	3 234	Note 16

UniCredit Bulbank AD has never requested or been provided any state grants or subsidies.

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, 2024.

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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 103, which comprise the consolidated statement of financial position as at 31 December 2024 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 2024, 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 and Assurance of Sustainability Reporting Act (IFAASRA) 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 IFAASRA 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 2024, the consolidated financial statements include:

- Gross loans and advances to customers at amortised cost and finance leases of BGN 21,540,608 thousand (31 December 2023: BGN 18,609,302 thousand) and related impairment allowance of BGN 874,211 thousand (31 December 2023: BGN 818,456 thousand), as disclosed in notes 26 and 26a to the consolidated financial statements.
- Net Impairment loss on loans and advances to customers at amortised cost and finance leases recognized in the consolidated income statement of BGN 107,838 thousand (2023: BGN 18,882 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

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volatility caused by geopolitical uncertainties and weak economic growth, measurement of the collective impairment allowance was associated with additional complexities and an increased estimation uncertainty. 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 2024. 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 by benchmarking with external data and performing sensitivity analysis; — Recalculating the expected credit losses as of 31 December 2024 based on the Group's ECL model for a sample of the Group's portfolios. For ECLs estimated on an individual basis: — For loans classified as Stage 3, we challenged key assumptions in the Management Board's estimates of future cash flows used in the impairment calculation. This included evaluating the estimated time to sell and the realizable value of collateral by referencing underlying collateral agreements and appraisals. To independently assess their relevance and reliability, we compared the appraised values against market data on a sample basis. 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 and the corporate governance declaration prepared by management in accordance with Chapter Seven of the Accountancy Act, but does not include the consolidated financial statements and our auditors' report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Additional Matters to be Reported under the Accountancy Act

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

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

Based on the procedures performed, our opinion is that:

- The information included in the consolidated annual report for the financial year for which the consolidated financial statements have been prepared is consistent with those consolidated financial statements.
- The consolidated annual report has been prepared in accordance with the requirements of Chapter Seven of the Accountancy Act.
- The corporate governance 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.

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 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;
- Plan and perform the audit of the Group to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units 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.

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We are jointly and severally responsible for performing our audit and for our audit opinion as per the requirements of the Independent Financial Audit and Assurance of Sustainability Reporting 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 and Assurance of Sustainability Reporting Act

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

- KPMG Audit OOD and Baker Tilly Klitou and Partners EOOD were appointed as statutory auditors of the consolidated financial statements of the Group for the year ended 31 December 2024 by the general meeting of shareholders of the Bank held on 11 April 2024 for a period of one year. The audit engagement was accepted by signing the Joint Audit Engagement Letter on 11 November 2024.
- The audit of the consolidated financial statements of the Group for the year ended 31 December 2024 represents third total uninterrupted statutory audit engagement of the consolidated financial statements of the Group carried out by KPMG Audit OOD and eighth 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 and Assurance of Sustainability Reporting Act.
- We hereby confirm that we have not provided the prohibited non-audit services referred to in Art. 64 of the Independent Financial Audit and Assurance of Sustainability Reporting Act.
- We hereby confirm that in conducting the audit we have remained independent of the Group.

Sofia, 10 March 2025

For KPMG Audit OOD:

Registered under No 045 in the Register of the registered auditors

Sevdalina Dimova

Authorised representative and registered auditor, responsible for the audit

45/A Bulgaria Boulevard
Sofia 1404, Bulgaria

For Baker Tilly Klitou and Partners EOOD:

Registered under No 129 in the Register of the registered auditors

Galina Lokmadjieva

Authorised representative and registered auditor, responsible for the audit

5 Stara Planina Str., 5th floor
Sofia 1000, Bulgaria

Consolidate Income Statement

	Notes	2024	2023
Interest income calculated using the effective interest method		1 155 028	988 685
Other interest income		26	46
Interest expense		(161 889)	(97 927)
Net interest income	8	**993 165**	**890 804**
Dividend income		**899**	**838**
Fee and commission income		428 094	375 646
Fee and commission expense		(106 439)	(89 741)
Net fee and commission income	9	**321 655**	**285 905**
Net gains on financial assets and liabilities held for trading and hedging derivatives, including FX revaluation	10	151 844	137 111
Net gains from financial assets mandatorily at fair value	11	1 232	3 223
Net losses from financial assets measured at FVTOCI	12	(24 277)	(4 169)
Other operating income	13a	73 290	42 083
Other operating expenses	13b	(41 078)	(47 194)
TOTAL OPERATING INCOME		**1 476 730**	**1 308 601**
Net income related to property, plant and equipment	14	156	22
Personnel expenses	15	(211 154)	(201 299)
General and administrative expenses	16	(131 231)	(120 687)
Amortization, depreciation and impairment losses on tangible and intangible fixed assets, investment properties and assets held for sale	17	(85 280)	(85 661)
Provisions for risk and charges	18	18 771	(1 071)
Net impairment loss on financial assets	19	(84 260)	(22 243)
PROFIT BEFORE INCOME TAX		**983 732**	**877 662**
Income tax expense	20	(146 210)	(87 778)
PROFIT FOR THE YEAR		**837 522**	**789 884**

These consolidated financial statements have been approved by the Management Board of UniCredit Bulbank AD on March 5, 2025

Tsvetanka Mintcheva
Chairperson of the Management Board and Chief Executive Officer

Ivaylo Glavchovski
Member of the Management Board and Executive Officer

Nevena Nikse
Member of the Management Board and Chief Financial Officer

In accordance with an Independent Auditors' Report
KPMG Audit OOD
Registered under No 045 in the Register of the registered auditors

Baker Tilly Klitou and Partners EOOD
Registered under No 129 in the Register of the registered auditors

Sevdalina Dimova
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

The accompanying notes 1 to 48 are an integral part of these consolidated financial statements.

Consolidate Statement of Comprehensive Income

In thousands of BGN

	Notes	2024	2023
Profit for the year		**837 522**	**789 884**
Other comprehensive income - items that will not be reclassified subsequently to profit or loss			
Actuarial losses	39	(3 067)	(4 470)
Revaluation reserve on tangible assets	29	10 485	8 920
Revaluation reserve on equity Investments recycled at equity		12	8 870
Income tax relating to items of other comprehensive income that will not be reclassified subsequently to profit or loss		(743)	(1 333)
		6 687	**11 987**
Other comprehensive income - items that may be reclassified subsequently to profit or loss			
Investment securities		50 422	58 965
Cash flow hedge		15 125	4 879
Income tax relating to items of other comprehensive income that may be reclassified subsequently to profit or loss		(6 552)	(7 019)
		58 995	**56 825**
Total other comprehensive income net of tax for the year		**65 682**	**68 812**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**903 204**	**858 696**

These consolidated financial statements have been approved by the Management Board of UniCredit Bulbank AD on March 5, 2025.

Tsvetanka Mintcheva
Chairperson of the Management Board and Chief Executive Officer

Ivaylo Glavchovski
Member of the Management Board and Executive Officer

Nevena Nikse
Member of the Management Board and Chief Financial Officer

In accordance with an Independent Auditors' Report:
KPMG Audit OOD
Registered under No 045 in the Register of the registered auditors

Sevdalina Dimova
Registered auditor, Responsible for the audit and Authorized representative
KPMG Audit OOD

Baker Tilly Klitou and Partners EOOD
Registered under No 129 in the Register of the registered auditors

Galina Lokmadjieva
Registered auditor, Responsible for the audit and Authorized representative
Baker Tilly Klitou and Partners EOOD

The accompanying notes 1 to 48 are an integral part of these consolidated financial statements.

Consolidate Statement of Financial Position

	Notes	31.12.2024	31.12.2023
ASSETS			
Cash and balances with Central Bank	21	5 755 504	6 069 757
Non-derivative financial assets held for trading	22	196	4 381
Derivatives held for trading	23	127 231	100 703
Derivatives held for hedging	24	39 332	77 165
Loans and advances to banks and debt securities at amortized cost	25	2 478 542	2 787 613
Loans and advances to customers and debt securities	26	21 180 338	18 440 431
Pledged debt securities at amortized cost	26	1 303 586	1 073 063
Finance leases	26a	1 272 016	1 139 725
Investment securities	27	2 069 461	1 543 636
Pledged investment securities	27	289 474	645 643
Investments in associates	28	5 008	4 303
Property, plant, equipment, right of use assets and investment properties	29	355 284	349 994
Intangible assets	30	92 920	98 502
Deferred tax assets	32	5 221	4 506
Non-current assets and disposal groups classified as held for sale	33	-	1 130
Other assets	34	160 482	119 460
TOTAL ASSETS		**35 134 595**	**32 460 012**
LIABILITIES			
Financial liabilities held for trading	35	87 649	111 647
Derivatives held for hedging	24	118 926	128 856
Deposits from banks	36	2 096 038	1 595 495
Deposits from customers and other financial liabilities at amortized cost	37	26 399 550	24 827 068
Debt securities issued	38	1 743 506	1 401 400
Fair value changes of the hedged items in portfolio hedge of interest rate risk	24	8 624	4 203
Provisions	39	109 626	150 933
Current tax liabilities	31	54 870	18 439
Deferred tax liabilities	32	10 625	9 681
Other liabilities	40	156 911	242 873
TOTAL LIABILITIES		**30 786 325**	**28 490 595**
EQUITY			
Share capital		285 777	285 777
Revaluation and other reserves		(17 834)	(80 152)
Retained earnings		3 242 805	2 973 908
Profit for the year		837 522	789 884
TOTAL EQUITY	41	**4 348 270**	**3 969 417**
TOTAL LIABILITIES AND EQUITY		**35 134 595**	**32 460 012**

These consolidated financial statements have been approved by the Management Board of UniCredit Bulbank AD on March 5, 2025.

Tsvetanka Mintcheva
Chairperson of the Management Board and Chief Executive Officer

Ivaylo Glavchovski
Member of the Management Board and Executive Officer

Nevena Nikse
Member of the Management Board and Chief Financial Officer

In accordance with an Independent Auditors' Report:
KPMG Audit OOD
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Baker Tilly Klitou and Partners EOOD
Registered under No 129 in the Register of the registered auditors

Galina Lokmadjieva
Registered auditor, Responsible for the audit and Authorized representative
Baker Tilly Klitou and Partners EOOD

The accompanying notes 1 to 48 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, 2023	285 777	342 378	3 098 408	(138 174)	(71 689)	(1 641)	64 547	3 579 606
Profit for the year	-	-	789 684	-	-	-	-	789 684
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	-	-	791 691	59 982	4 391	(4 025)	6 457	858 496
Dividends paid	-	-	(468 685)	-	-	-	-	(468 685)
Balance as of December 31, 2023	285 777	342 378	3 421 414	(78 192)	(67 298)	(5 666)	71 004	3 969 417

	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, 2024	285 777	342 378	3 421 414	(78 192)	(67 298)	(5 666)	71 004	3 969 417
Profit for the year	-	-	837 522	-	-	-	-	837 522
Actuarial losses	-	-	-	-	-	(3 067)	-	(3 067)
Change of revaluation reserve on investment securities	-	-	-	50 434	-	-	-	50 434
Change of revaluation reserve on cash flow hedges	-	-	-	-	15 125	-	-	15 125
Change of revaluation reserve on tangible assets	-	-	-	-	-	-	10 485	10 485
Transfers of revaluation reserve of tangible assets to other net equity items	-	-	3 739	-	-	-	(3 739)	-
Transfers of revaluation reserve to other net equity items from sale of equities at Fair Value through OCI	-	-	-	-	-	-	-	-
Income tax related to components of other comprehensive income	-	-	(375)	(5 040)	(1 512)	307	(675)	(7 295)
Total other comprehensive income for the year net of tax	-	-	3 364	45 394	13 613	(2 760)	6 071	65 682
Total comprehensive income for the year net of tax	-	-	840 886	45 394	13 613	(2 760)	6 071	903 204
Dividends paid	-	-	(524 351)	-	-	-	-	(524 351)
Balance as of December 31, 2024	285 777	342 378	3 737 949	(32 798)	(53 685)	(8 426)	77 075	4 348 270

These consolidated financial statements have been approved by the Management Board of UniCredit Bulbank AD on March 5, 2025.

Tsvetanka Mintcheva
Chairperson of the Management Board and Chief Executive Officer

Ivaylo Glavchovski
Member of the Management Board and Executive Officer

Nevena Nikse
Member of the Management Board and Chief Financial Officer

In accordance with an Independent Auditors' Report:
KPMG Audit OOD
Registered under No 045 in the Register of the registered auditors

Baker Tilly Klitou and Partners EOOD
Registered under No 129 in the Register of the registered auditors

Sevdalina Dimova
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

The accompanying notes 1 to 48 are an integral part of these consolidated financial statements.

Consolidate Statement of Cash Flows

In thousands of BGN

	Notes	2024	2023
Net profit		**837 522**	**789 884**
Current and deferred tax, recognized in income statement	20	146 210	87 778
Adjustments for non-cash items			
Amortization, depreciation and impairment losses on tangible and intangible fixed assets, investment properties and assets held for sale	17	85 280	85 661
Impairment of financial assets	19	108 249	13 112
Impairment of foreclosed properties	13	-	21
Provisions, net	39	(41 277)	11 363
Unrealized fair value gain through profit or loss, net		(3 663)	(9 705)
Unrealized fair value loss/(gain) on FX revaluation		31 775	(60 704)
Net gain for associates under equity method		(705)	(418)
Net gain from sale of PPE and foreclosed properties		(451)	(7 411)
Net interest income	8	(993 165)	(890 804)
Dividend income		(899)	(838)
Increase in other accruals		14 475	27 812
Cash flows from profits before changes in operating assets and liabilities		**183 351**	**45 751**
Operating activities			
Change in operating assets			
(Increase)/decrease in loans and advances to banks		870 491	(1 655 429)
Increase in loans and advances to customers		(3 220 429)	(3 051 831)
Decrease in financial instruments held for trading and hedging derivatives		37 257	57 592
Decrease in non-current assets held for sale		1 130	-
Increase in other assets		(40 182)	(2 291)
Increase in non-current assets from operating lease		(24 565)	(28 359)
Change in operating liabilities			
Increase/(decrease) in deposits from banks		492 184	(10 778)
Increase in deposits from customers		1 478 315	1 647 251
Provisions utilization		(3 563)	(4 566)
Increase/(decrease) in other liabilities		(67 055)	90 215
Interest received		1 166 894	940 432
Interest paid		(168 022)	(81 635)
Dividends received		899	838
Taxes paid		(98 204)	(77 764)
Net cash flow from/(used in) operating activities		**607 501**	**(2 130 574)**

Consolidate Statement of Cash Flows (continued)

In thousands of BGN

	Notes	2024	2023
Cash flow from investing activities			
Cash payments to acquire PPE		(38 351)	(35 554)
Cash receipt from sale of PPE		451	7 411
Cash payments to acquire intangible assets	30	(21 161)	(30 876)
Cash receipt from sale of FVOCI assets		725 945	663 340
Cash payments to acquire FVOCI assets		(841 842)	(257 830)
Net cash flow from/(used in) investing activities		**(174 958)**	**346 491**
Cash flow from financial activities			
Dividends paid		(523 944)	(465 885)
Cash payments related to lease liabilities		(12 083)	(10 535)
Increase in debt securities issued		342 270	1 075 707
Net cash flows from/(used in) financial activities		**(193 757)**	**599 287**
Effect of exchange rate changes on cash and cash equivalents		**4 047**	**3 602**
Impairment of cash equivalents	19	**1**	**(30)**
Net increase/(decrease) in cash and cash equivalents		**242 834**	**(1 181 224)**
Cash and cash equivalents at the beginning of period	45	**6 891 479**	**8 072 703**
Cash and cash equivalents at the end of period	45	**7 134 313**	**6 891 479**

These consolidated financial statements have been approved by the Management Board of UniCredit Bulbank AD on March 5, 2025

Tsvetanka Mintcheva
Chairperson of the Management Board and Chief Executive Officer

Ivaylo Glavchovski
Member of the Management Board and Executive Officer

Nevena Nikse
Member of the Management Board and Chief Financial Officer

In accordance with an Independent Auditors' Report:

KPMG Audit OOD
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The accompanying notes 1 to 48 are an integral part of these consolidated financial statements.

Notes to the Consolidated 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, 2024 the Bank operates through its network comprising of 125 branches.

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 March 5, 2025.

(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, except when otherwise stated. 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 principle, 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, 2024 and December 31, 2023.

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, 2024 and December 31, 2023 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, 2024 covers the following entities:

Company	Participation in equity as of 31.12.2024	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 “Net gains from 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;
- Apply 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 Management Board (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, 2024 and December 31, 2023 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, 2024 and December 31, 2023 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, 2024 and December 31, 2023 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 2024 and 2023.

(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, 2024 and December 31, 2023 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.

The Group has determined that the global minimum top-up tax - which it is required to pay under Pillar Two legislation - is an income tax in the scope of IAS 12. The Group has applied a temporary mandatory relief from deferred tax accounting for the impacts of the top-up tax and accounts for it as a current tax when it is incurred.

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, 2024 and December 31, 2023 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 1 January 2024, 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

Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability (issued on 15 August 2023, effective from 1 January 2025)

Under IAS 21 The Effects of Changes in Foreign Exchange Rates, a company uses a spot exchange rate when translating a foreign currency transaction. In some jurisdictions, no spot rate is available because a currency cannot be exchanged into another currency.

IAS 21 was amended to clarify:

- When a currency is exchangeable into another currency; and
- How a company estimates a spot rate when a currency lacks exchangeability.

The amendments also include additional disclosure requirements to help users to assess the impact of using an estimated exchange rate on the financial statements.

The Group expects that the amendments, when initially applied, would not have a material impact on its consolidated financial statements.

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.

IFRS 18 Presentation and Disclosure in Financial Statements (issued on 9 April 2024, effective from 1 January 2027)

IFRS 18 replaces IAS 1 Presentation of Financial Statements. The major changes in the requirements are summarised below.

A more structured statement of profit or loss

IFRS 18 introduces newly defined ‘operating profit’ and ‘profit or loss before financing and income tax’ subtotals and a requirement for all income and expenses to be allocated between three new distinct categories based on a company’s main business activities: operating, investing and financing.

Under IFRS 18, companies are no longer permitted to disclose operating expenses only in the notes. A company presents operating expenses in a way that provides the ‘most useful structured summary’ of its expenses by either:

- Nature;
- Function; or
- Using a mixed presentation.

If any operating expenses are presented by function, then new disclosures apply.

MPMs – Disclosed and subject to audit

IFRS 18 also requires some ‘non-GAAP’ measures to be reported in the financial statements. It introduces a narrow definition for Management Performance Measures (“MPMs”), requiring them to be:

- A subtotal of income and expenses;
- Used in public communications outside the financial

statements; and

- Reflective of management's view of financial performance.

For each MPM presented, companies need to explain in a single note to the financial statements why the measure provides useful information, how it is calculated and reconcile it to an amount determined under IFRS Accounting Standards.

Greater disaggregation of information

The new standard includes enhanced guidance on how companies group information in the financial statements. This includes guidance on whether information is included in the primary financial statements or is further disaggregated in the notes.

Companies are discouraged from labelling items as 'other' and are required to disclose more information if they continue to do so.

Other changes applicable to the primary financial statements

IFRS 18 sets operating profit as a starting point for the indirect method of presenting cash flows from operating activities and eliminates the option for classifying interest and dividend cash flows as operating activities in the cash flow statement (this differs for companies with specified main business activities). It also requires goodwill to be presented as a new line item on the face of the balance sheet.

Transition

In its annual financial statements prepared for the period in which the new standard is first applied, an entity shall disclose, for the comparative period immediately preceding that period, a reconciliation for each line item in the statement of profit or loss between the restated amounts presented applying IFRS 18 and the amounts previously presented applying IAS 1.

The following amendments and improvements to standards are not expected to have a material impact on the consolidated financial statements of the Group.

- *IFRS 19 Subsidiaries without Public Accountability: Disclosures (issued on 9 May 2024, effective from 1 January 2027);*
- *Contracts Referencing Nature-dependent Electricity – Amendments to IFRS 9 and IFRS 7 (issued on 18 December 2024, effective from 1 January 2026);*
- *Annual Improvements Volume 11 (issued on 18 July 2024, effective from 1 January 2026);*
- *Amendments to the Classification and Measurement of Financial Instruments - Amendments to IFRS 9 and IFRS 7 (issued on 30 May 2024, effective from 1 January 2026).*

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 Modelling. Market risk 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 VaR model results, 60-day profitability data (Loss Warning Level) from market risk activities are also calculated 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 2024, VaR of FVOCI positions (measured with one day holding period, confidence interval of 99%) of UniCredit Bulbank AD moved in a range between BGN 1.89 million and BGN 4.92 million, averaging BGN 2.83 million, with credit spreads and interest rate curves' movements being main drivers. VaR of FVPL positions fluctuated in a range between BGN 0.08 million and BGN 0.53 million, averaging BGN 0.2 million.

VaR of UniCredit Bulbank AD by portfolio in BGN for 2024 on consolidated basis is as follows:

Portfolio	Minimum	Maximum	Average	Year-end
FVtPL	84 013	526 175	202 616	**170 090**
FVtOCI	1 893 808	4 921 169	2 826 403	**3 769 095**

In terms of different risk factors contributing to the overall VaR of both FVPL and FVOCI portfolios, the spit by end-2024 is as follows:

31.12.2024 (BGN)	FVOCI	FVPL
Total	(3 769 095)	(169 944)
o/w SP marginal VaR	(6 521 326)	56
o/w IR marginal VaR	2 779 145	(175 854)
o/w FX marginal VaR	-	6 064
o/w EQ marginal VaR	-	145
o/w Vega marginal VaR	-	(1)

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, 2024 (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	(20 591)	10 326	15 703	114 959	4 963	**125 360**
BGN	(15 835)	(174 675)	(60 541)	174 057	108 289	**31 295**
USD	(8 702)	(2 803)	591	(2 342)	(8 637)	**(21 893)**
CHF	(1 174)	438	(3)	(3)	-	**(742)**
GBP	(638)	533	72	-	-	**(33)**
Other	3	-	-	-	-	**3**
Total	**(46 937)**	**(166 181)**	**(44 178)**	**286 671**	**104 615**	**133 990**

IR Basis point shift, Trading book (BGN)

Currency	0-3M	3M-1Y	1Y-3Y	3Y-10Y	10Y-	SUM
EUR	17 589	26 907	(1 461)	(692)	(17)	**42 326**
BGN	(12 653)	(12 613)	-	-	-	**(25 266)**
USD	(9 677)	(8 577)	-	-	-	**(18 254)**
CHF	(1 310)	-	-	-	-	**(1 310)**
GBP	(835)	-	-	-	-	**(835)**
Other	3	-	-	-	-	**3**
Total	**(6 883)**	**5 717**	**(1 461)**	**(692)**	**(17)**	**(3 336)**

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 2024 is the following:

BP01 (BGN)	FVOCI	FVPL
BP01, total ccy	(498 055)	(3 352)
BP01 EUR	(259 981)	75 304
BP01 BGN	(226 753)	(58 261)
BP01 USD	(11 321)	(18 254)
Other	-	(2 141)

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 December 31, 2024 are:

SOT SCENARIOS	200*	-200*	Flattening	Parallel down	Parallel up	Short rates down	Short rates up	Steepening
Economic Value (BGN)	(78 515 712)	(103 630 359)	(16 173 865)	24 714 190	(75 236 071)	42 718 320	(78 515 712)	(103 630 359)
As percentage of Tier 1	**-2.26%**	**-2.98%**	**-0.47%**	**0.71%**	**-2.17%**	**1.23%**	**-2.26%**	**-2.98%**

**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 31.12.2024 is as follows:

SOT SCENARIOS	Parallel down	Parallel up
Net interest Income (BGN)	(74 356 432)	20 222 840
As percentage of Tier 1	-2.14%	0.58%

Measured by total absolute basis-point value, the credit spread sensitivity metric for UniCredit Bulbank AD as of December 31, 2024 amounted to BGN 2 262 615. 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	(1 014)	(57 400)	(243 678)	(1 773 576)	(175 201)	(2 250 869)
Financials	-	-	(1 378)	-	-	(1 378)
Corporates	-	(2 173)	-	(8 195)	-	(10 368)
Total Absolute	**1 014**	**59 573**	**245 056**	**1 781 771**	**175 201**	**2 262 615**

New rules for managing, measuring and controlling the credit spread risk of the banking book were applied in 2024 ensuring implementation of the EBA Guidelines "on the management of interest rate risk and credit spread risk arising from non-trading book activities" - EBA/GL/2022/14.

The Group 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, 2024 is as follows:

CCY	FX delta, BGN eq.
BGN	61 940 791
EUR	(62 592 926)
USD	872 222
CZK	(450 836)
JPY	150 450
RON	140 177
Other	(59 878)

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 In compliance with the respective EBA guidelines, in 2024 new climate risk stress scenarios were introduced within the Bank's ICAAP 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 improve and enhance the Non-maturity deposits and Term Deposit roll-over behavioral models, under rigorous validation process. The Bank broadened its practices for capturing the interest rate risk profile of statistically based lending indices, covering all indices used in the Bank's credit activities and taking into account the sensitivities of each index's component. Modelling plays a key role in the risk management of Financial risk with a complete integration in the regular stress testing activities in the fields of liquidity and interest rate risk.

As of December 31, 2024 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	5 738 977	16 527	**5 755 504**
Non-derivative financial assets held for trading	196	-	**196**
Derivatives held for trading	121 539	5 692	**127 231**
Derivatives held for hedging	39 332	-	**39 332**
Loans and advances to banks and debt securities at amortized cost	2 286 045	192 497	**2 478 542**
Loans and advances to customers and debt securities	21 049 611	130 727	**21 180 338**
Pledged debt securities at amortized cost	1 303 586	-	**1 303 586**
Finance leases	1 272 016		**1 272 016**
Investment securities	2 054 004	15 457	**2 069 461**
Pledged investment securities	289 474	-	**289 474**
Investments in associates	5 008	-	**5 008**
Property, plant, equipment, right of use assets and investment properties	355 284	-	**355 284**
Intangible assets	92 920	-	**92 920**
Deferred tax assets	5 221	-	**5 221**
Other assets	160 002	480	**160 482**
TOTAL ASSETS	**34 773 215**	**361 380**	**35 134 595**
LIABILITIES			
Financial liabilities held for trading	81 355	6 294	**87 649**
Derivatives held for hedging	118 926	-	**118 926**
Deposits from banks	1 889 118	206 920	**2 096 038**
Deposits from customers and other financial liabilities at amortized cost	24 813 848	1 585 702	**26 399 550**
Debt securities issued	1 743 506	-	**1 743 506**
Fair value changes of the hedged items in portfolio hedge of interest rate risk	8 624	-	**8 624**
Provisions	108 010	1 616	**109 626**
Current tax liabilities	54 870	-	**54 870**
Deferred tax liabilities	10 625	-	**10 625**
Other liabilities	151 393	5 518	**156 911**
TOTAL LIABILITIES	**28 980 275**	**1 806 050**	**30 786 325**
EQUITY	**4 348 270**	**-**	**4 348 270**
Net off-balance sheet spot and forward position	**(1 464 668)**	**1 452 737**	**(11 931)**
Net position	**(19 998)**	**8 067**	**(11 931)**

As of December 31, 2023 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	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)**

(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 2024, 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 2024	Up to 1 year	Over 1 year	Total
ASSETS			
Cash and balances with Central Bank	5 755 504	-	**5 755 504**
Non-derivative financial assets held for trading	196	-	**196**
Loans and advances to banks and debt securities at amortized cost	1 867 938	610 604	**2 478 542**
Loans and advances to customers, debt securities and finance leases	7 531 787	14 920 567	**22 452 354**
Pledged debt securities at amortized cost	140 777	1 162 809	**1 303 586**
Investment securities	290 012	1 779 449	**2 069 461**
Pledged investment securities	-	289 474	**289 474**
Other assets	148 180	12 302	**160 482**
TOTAL FINANCIAL ASSETS	**15 734 394**	**18 775 205**	**34 509 599**

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 2024	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	**2 096 038**	**(2 097 202)**	(2 088 991)	(868)	(2 920)	(4 423)
Deposits from customers and other financial liabilities at amortized cost	**26 399 550**	**(26 411 976)**	(24 071 911)	(780 331)	(1 429 923)	(129 811)
Debt securities issued	**1 743 506**	**(2 509 639)**	(216 987)	(17 447)	(73 595)	(2 201 610)
Unutilized credit lines and financial guarantees	**-**	**(9 270 950)**	(7 259 265)	(996 875)	(929 743)	(85 067)
Total non-derivative instruments	**30 239 094**	**(40 289 767)**	**(33 637 154)**	**(1 795 521)**	**(2 436 181)**	**(2 420 911)**
Derivatives held for trading, net	**39 582**					
Outflow		**(8 567 024)**	(5 003 280)	(1 076 020)	(1 338 671)	(1 149 053)
Inflow		**8 604 296**	5 022 816	1 078 577	1 349 851	1 153 052
Derivatives held for hedging, net	**(79 594)**					
Outflow		**(489 449)**	(7 518)	(7 166)	(66 336)	(408 429)
Inflow		**403 169**	2 063	15 642	55 410	330 054
Total derivatives	**(40 012)**	**(49 008)**	**14 081**	**11 033**	**254**	**(74 376)**
Total financial liabilities	**30 199 082**	**(40 338 775)**	**(33 623 073)**	**(1 784 488)**	**(2 435 927)**	**(2 495 287)**

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)**

(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, 2024 and December 31, 2023 is as shown in the next table:

In thousands of BGN

	31.12.2024	31.12.2023
Government bonds		
Rated BBB-	196	4 381
Equities		
Unrated	-	-
Derivatives (net)		
Banks and financial institution counterparties	(47 995)	(8 117)
Corporate counterparties	7 983	(54 518)
Total trading assets and liabilities	**(39 816)**	**(58 254)**

Government bonds presented as of December 31, 2024 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 (BGN 0.5 million for UniCredit Leasing AD).

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.

The bank has initiated a more sophisticated process towards periodically review of the collateral value for residential real estate properties in order to ensure a regular update. One-off impact on collateral value update (BGN 12.4 mln ECL uplift), mainly over loans originated before 2021 where the market value of the collaterals haven't been reviewed since the loan inception.

According to Group methodological standards for IFRS 9 ECL modeling the Bank has to assure inclusion of overdue amounts in the EAD (Overdue factor) for LLP estimation purposes. In the first year-half modeling team has performed simulation according Group methodology and the overall estimated impact on additional LLP's in the amount of BGN 5.3 mln is booked as post model adjustment.

In fourth quarter of 2024 the Group has introduced Climate & Environmental risks. The impact on the Expected Credit Loss related to these risks is respectively BGN 15.5 mln for Transitional risk and BGN 6.3 mln for Physical risk. The part related to Transitional risk is in production and the part related to Physical risk is booked as post model adjustment.

Maintenance of LGD management overlay in Private individuals mortgage portfolio with regards to forthcoming LGD model implementation due in 2025 in the amount of BGN 26.6 mln as of year-end.

Other methodological change performed in 2024 was related to 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.

In the course of the year a review on Stage 2 has been undertaken to ensure no impact on the asset quality is expected, the triggers have been reviewed for relevance, Gas Spill Over impacted customer showed resilience over the period of the conflict have been also removed from the watch lists, thus the Banks Stage 2 share contracted by 474 bps from 22.5% to 17.8%, no impact on Leasing and UCFIN portfolio from the Gas Spill Over review.

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 (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). 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.

With regards to the modeling 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 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, 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	December 22	December 23	December 24
Baseline	60%	60%	60%
Positive	0%	0%	5%
Negative	40%	40%	35%

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 24Q4 (60%)			Adverse IFRS 24Q4 (35%)			Positive IFRS 24Q4 (5%)		
Macroeconomic scenario	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2025**	**2026**	**2027**	**2025**	**2026**	**2027**
Real GDP, yoy % change	3.4	1.8	2.5	2.9	2.9	2.8	1.3	0.1	1.9	3.6	4.1	3.4
Inflation (CPI) yoy, eop	16.9	4.7	2.3	3.3	2.9	2.8	3.0	2.3	2.7	3.9	2.9	2.9
Inflation (CPI) yoy, average	15.3	9.6	2.6	2.8	3	3	2.7	2.6	2.7	3.1	3.3	3.1
Monthly Wage, nominal EUR	900.2	1 028.8	1 176.4	1 278.7	1 374.1	1 473.9	1 189.5	1 233.5	1 303.1	1 283.4	1 406.4	1 513.3
Unemployment rate, %	4.3	4.3	4.4	4	3.6	3.5	4.5	5.0	4.8	3.8	3.2	3.0
Exchange rate /€, eop	2	2	2	2	2	2	2	2	2	2	2	2
Exchange rate /€, average	2	2	2	2	2	2	2	2	2	2	2	2
Short term rate, eop	2.1	3.8	3.2	2.2	2.0	2.0	1.4	1.0	1.0	2.2	2.0	2.0
Short term rate,average	0.3	3.1	3.7	2.7	2.0	2.0	2.3	1.2	1.0	2.7	2.0	2.0
Long-term interest rates 10y (%)	3.4	4	3.7	3.6	3.5	3.5	3.7	3.8	3.7	4.1	4.1	3.9
House Price Index, yoy % change	13.8	9.9	14.7	8.1	6.0	5.4	7.1	3.5	5.1	8.3	6.5	5.8

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 2024

The analysis below shows that based on Negative scenario, for 1 point GDP drop (cumulated over 3 years) the ECL is estimated to increase by about +0.44% or BGN 1 668 thousands. Based on Positive scenario for 1 point GDP increase (cumulated over 3 years) the ECL is estimated to decrease by about -0.24% or BGN 914 thousands:

In thousands of BGN

Scenario	Weight	Macroeconomic variable	2025	2026	2027	3yr cum	Unweighted ECL	Weighted ECL
Positive	5%	GDP growth %	3.62	4.1	3.4	11.53	373 874	
Baseline	60%	GDP growth %	2.9	2.9	2.8	8.85	376 329	379 417
Negative	35%	GDP growth %	1.25	0.15	1.92	3.35	385 502	

Delta Baseline vs Negative scenario	**-5.50**	**9 173**
Delta Baseline vs Postive scenario	**2.69**	**-2 455**
Absolute ECL Sensitivity vs 3-yr GDP in Negative scenario		**1 668**
Absolute ECL Sensitivity vs 3-yr GDP in Positive scenario		**-914**
% ECL Sensitivity vs 3-year cum GDP in Negative scenario		**0.44%**
% ECL Sensitivity vs 3-year cum GDP in Positive scenario		**-0.24%**

The table below contains the local figures under each scenario as at December 2024:

ECL amount (In thousands of BGN)

	Baseline			Negative			Positive			Final[1]		
Portfolio	**Stage 1**	**Stage 2**	**Total**	**Stage 1**	**Stage 2**	**Total**	**Stage 1**	**Stage 2**	**Total**	**Stage 1**	**Stage 2**	**Total**
Corporate	74 122	121 302	195 424	**75 680**	123 900	199 581	73 654	**121 132**	194 786	75 079	122 869	**197 948**
Small Business	19 995	38 905	58 901	**20 557**	40 306	60 863	19 776	**38 658**	58 434	20 335	39 565	**59 900**
Retail - Mortgages	6 592	33 015	39 607	**6 723**	33 516	40 239	6 576	**32 711**	39 287	6 661	33 364	**40 026**
Retail - Others	20 144	55 287	75 431	**20 678**	57 175	77 853	19 942	**54 459**	74 401	20 332	55 808	**76 140**
GW segments	6 471	495	6 966	**6 471**	495	6 966	6 471	**495**	6 966	6 927	533	**7 460**

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 2024 (GWOFs are provided on Holding level):

Rating system[2]	Overlay Factors as of Dec 2024
CRP	1.0129
FI	1.0195
IND Mortgage	1.0106
IND Other	1.0094
MNC	1.0777
PFR	1.0129
SME	1.0170
SOV	1.2181

1 Final ECL is representing Baseline ECL multiplied by the Overlay factor
2 (CRP – Corporates, FI – Financial Institutions, IND – Individuals, MNC – Multinationals, SME – Small and Medium Enterprises, PFR – Project Financing Rating Model, SOV – Sovereigns)

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 2024 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 on-going conflicts in Ukraine and Middle East, trade tensions between major economies and potential evolution of inflation. This is also reflected in the UniCredit adverse economic scenario which foresees worsening of some indicators such as GDPs growth compared to the projections available in 2Q24 – mainly due to US election-related impacts – Global trade and economic growth impact from US tariff, US foreign policy also in relation to US military and economic support to Ukraine, FX fluctuations depending on the evolution of inflation, rates and economic growth across countries, Market forward rates volatility impacted by US elections results; as well as commodity prices and developments in the Middle East and disruption to trade flow.

Given the situation depicted above, the Group decided to keep the Geo-political management overlay already accumulated in 2022 and CREF (Commercial Real Estate Financing) in 2023, related to the most affected industry sectors, and to re-scale it with regards to the loan portfolio growth in 2024. As of 31 December 2024 the Geo-political overlay amounts of 149.7 MBGN, and the CREF overlay amounts to 10.8 MBGN.

Specifically, the overlays have been created in end-2022 (geo-political) and end-2023 (CREF) with a quantification approach that was based on the inference of flow to NPE under a forward-looking adverse scenario. Within UniCredit framework, the macro-economic scenario forecast (as also conveyed into IFRS9 core model) covers a 3-years forecasting period. Under this vein, the initial creation of the LLP amount resulting from the overlay quantification was supposed to cope with a risk on specific sub-perimeters deemed potentially vulnerable in case of negative evolution of the scenarios over this triannual period. On top of that, also the overlay ordinary maintenance envisages analysis of the impact coming from update of adverse scenario since first-time adoption of the overlays over a three-year period.

In addition to this, the overlays have been introduced considering that the current IFRS9 core model framework does not specialize the forward-looking information by industry sectors in a context where the novel risks arisen within 2022-2023 in terms of geo-political context and real estate market should have produced expected asymmetric effects across different sectors.

As of 31 December 2024, two years have passed from Geo-Political overlays adoption and 1 year from CREF one, thus staying currently still within the 3-year horizon of initial projection falling on 2025 for Geo-Political Overlays and 2026 for CREF overlays. In addition to this, the Group is under the assessment phase of possible evolution of the IFRS9 core model framework, specializing the forward-looking component by industry sectors, relying on sector-based scenarios. Such methodological evolution, in 2024-end adopted specifically for Climate & Environmental Risks thus including only climate-based scenarios, could not be possible before 2025-2026 thus supporting the maintenance of the overlays in 2024 to recognize a sector-based specialization into the ultimate LLP quantification.

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.

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.

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, 2024 and December 31, 2023:

In thousands of BGN

	Credit risk exposure before risk transfer		Credit risk exposure after risk transfer		% of own funds	
	2024	**2023**	**2024**	**2023**	**2024**	**2023**
Biggest credit risk exposure to customers' group	332 164	329 523	187 578	8 306	5.4%	0.3%
Credit risk exposure to top five biggest customers' groups	1 238 836	1 325 093	821 997	692 095	23.6%	21.8%

The table below analyses the breakdown of loss allowances as of December 31, 2024 and December 31, 2023 on different classes:

In thousands of BGN

Loss allowance by classes	**2024**	**2023**
Balances with Central Bank	59	60
Loans and advances to banks at amortized cost	244	134
Debt securities from banks at amortized cost	230	68
Loans and advances to customers	832 746	776 450
Finance leases	41 465	42 006
Debt securities from customers at amortized cost	926	815
Debt investment securities at FVTOCI	998	968
Loan commitments, Financial guarantee contracts and other commitments	68 316	92 199
Total Loss allowance by classes	**944 984**	**912 700**

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 31.12.2022	**(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 - Balances with Central Bank	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Loss allowance as at 31.12.2023	(60)	-	-	-	**(60)**
Changes in the loss allowance					
New financial assets originated/purchased or disbursed during the year	(5)	-	-	-	**(5)**
Financial assets that have been repaid during the year	6	-	-	-	**6**
Loss allowance as at 31.12.2024	**(59)**	**-**	**-**	**-**	**(59)**

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 - Loans and advances to banks at amortized cost	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowance as at 31.12.2023	**(134)**	**-**	**-**	**-**	**(134)**
Changes in the loss allowance					
Changes due to modifications that did not result in derecognition	13				**13**
New financial assets originated/purchased or disbursed during the year	(230)	-	-	-	**(230)**
Financial assets that have been repaid during the year	107	-	-	-	**107**
Loss allowance as at 31.12.2024	**(244)**	**-**	**-**	**-**	**(244)**

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 banks at amortized cost	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowance as at 31.12.2023	**(68)**	**-**	**-**	**-**	**(68)**
Changes in the loss allowance					
New financial assets originated/purchased or disbursed during the year	(162)	-	-	-	**(162)**
Financial assets that have been repaid during the year	-	-	-	-	**-**
Loss allowance as at 31.12.2024	**(230)**	**-**	**-**	**-**	**(230)**

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 securities from customers at amortized cost	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowance as at 31.12.2023	**(815)**	**-**	**-**	**-**	**(815)**
Changes in the loss allowance					
Increases due to change in credit risk	(31)				**(31)**
New financial assets originated/purchased or disbursed during the year	(126)	-	-	-	**(126)**
Financial assets that have been repaid during the year	46	-	-	-	**46**
Loss allowance as at 31.12.2024	**(926)**	**-**	**-**	**-**	**(926)**

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 - Debt investment securities at FVTOCI	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowance as at 31.12.2023	**(968)**	**-**	**-**	**-**	**(968)**
Changes in the loss allowance					
Increases due to change in credit risk	(47)	-			**(47)**
Decreases due to change in credit risk	185	-	-	-	**185**
New financial assets originated/purchased or disbursed during the year	(492)	-	-	-	**(492)**
Financial assets that have been repaid during the year	324	-			**324**
Loss allowance as at 31.12.2024	**(998)**	**-**	**-**	**-**	**(998)**

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 - Loans and advances to customers	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowance as at 31.12.2023	**(76 492)**	**(245 663)**	**(454 295)**	**-**	**(776 450)**
Changes in the loss allowance					
Transfer to stage 1	(48 681)	42 193	6 488	-	**-**
Transfer to stage 2	145 625	(152 327)	6 702	-	**-**
Transfer to stage 3	15 287	85 625	(100 912)	-	**-**
Increases due to change in credit risk	(161 027)	(205 781)	(65 635)	-	**(432 443)**
Decreases due to change in credit risk	93 500	187 611	84 571	-	**365 682**
Write-offs	-	29	55 575	-	**55 604**
New financial assets originated/purchased or disbursed during the year	(62 550)	(45 577)	(18 513)	-	**(126 640)**
Financial assets that have been repaid during the year	10 977	44 413	26 220	-	**81 610**
Changes in models/risk parameters	-	-	-	-	**-**
Foreign exchange and other movements	-	-	(109)	-	**(109)**
Loss allowance as at 31.12.2024	**(83 361)**	**(289 477)**	**(459 908)**	**-**	**(832 746)**

In thousands of BGN

Loss allowance - Loans and advances to corporate customers	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowance as at 31.12.2023	**(51 126)**	**(132 719)**	**(319 183)**	**-**	**(503 028)**
Changes in the loss allowance					
Transfer to stage 1	(4 508)	4 498	10	-	**-**
Transfer to stage 2	103 120	(103 237)	117	-	**-**
Transfer to stage 3	10 263	43 935	(54 198)	-	**-**
Increases due to change in credit risk	(111 943)	(54 491)	(12 158)	-	**(178 592)**
Decreases due to change in credit risk	18 508	68 654	52 182	-	**139 344**
Write-offs	-	-	11 207	-	**11 207**
New financial assets originated/purchased or disbursed during the year	(16 100)	(11 701)	(5 999)	-	**(33 800)**
Financial assets that have been repaid during the year	2 879	24 891	14 039	-	**41 809**
Changes in models/risk parameters	(118)	(1 548)	-	-	**(1 666)**
Foreign exchange and other movements	-	-	(109)	-	**(109)**
Loss allowance as at 31.12.2024	**(49 025)**	**(161 718)**	**(314 092)**	**-**	**(524 835)**

In thousands of BGN

Loss allowance - Loans and advances to retail customers	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowance as at 31.12.2023	**(25 366)**	**(112 944)**	**(135 112)**	**-**	**(273 422)**
Changes in the loss allowance					
Transfer to stage 1	(44 173)	37 695	6 478	-	**-**
Transfer to stage 2	42 505	(49 090)	6 585	-	**-**
Transfer to stage 3	5 024	41 690	(46 714)	-	**-**
Increases due to change in credit risk	(49 084)	(151 290)	(53 477)	-	**(253 851)**
Decreases due to change in credit risk	74 992	118 957	32 389	-	**226 338**
Write-offs	-	29	44 368	-	**44 397**
New financial assets originated/purchased or disbursed during the year	(46 450)	(33 876)	(12 514)	-	**(92 840)**
Financial assets that have been repaid during the year	8 098	19 522	12 181	-	**39 801**
Changes in models/risk parameters	118	1 548	-	-	**1 666**
Foreign exchange and other movements	-	-	-	-	**-**
Loss allowance as at 31.12.2024	**(34 336)**	**(127 759)**	**(145 816)**	**-**	**(307 911)**

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 – Finance leases	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowance as at 31.12.2023	**(3 318)**	**(17 746)**	**(20 942)**	**-**	**(42 006)**
Changes in the loss allowance					
Transfer to stage 1	(9 116)	5 852	3 264	-	**-**
Transfer to stage 2	983	(2 969)	1 986	-	**-**
Transfer to stage 3	14	781	(795)	-	**-**
Increases due to change in credit risk	(979)	(5 036)	(7 774)	-	**(13 789)**
Decreases due to change in credit risk	6 484	6 775	2 747	-	**16 006**
Write-offs	-	-	2 245	-	**2 245**
New financial assets originated/purchased or disbursed during the year	(3 588)	(2 400)	(966)	-	**(6 954)**
Financial assets that have been repaid during the year	2 525	411	97	-	**3 033**
Loss allowance as at 31.12.2024	**(6 995)**	**(14 332)**	**(20 138)**	**-**	**(41 465)**

In thousands of BGN

Loss allowance – Finance leases to corporate customers	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowance as at 31.12.2023	**(2 286)**	**(11 846)**	**(9 346)**	**-**	**(23 478)**
Changes in the loss allowance					
Transfer to stage 1	(5 312)	3 643	1 669	-	**-**
Transfer to stage 2	698	(2 072)	1 374	-	**-**
Transfer to stage 3	6	564	(570)	-	**-**
Increases due to change in credit risk	(594)	(2 652)	(3 388)	-	**(6 634)**
Decreases due to change in credit risk	4 181	5 128	1 937	-	**11 246**
Write-offs	-	-	487	-	**487**
New financial assets originated/purchased or disbursed during the year	(2 053)	(2 337)	(881)	-	**(5 271)**
Financial assets that have been repaid during the year	1 498	182	86	-	**1 766**
Loss allowance as at 31.12.2024	**(3 862)**	**(9 390)**	**(8 632)**	**-**	**(21 884)**

In thousands of BGN

Loss allowance – Finance leases to retail customers	Stage 1	Stage 2	Stage 3	POCI	Total
Loss allowance as at 31.12.2023	**(1 032)**	**(5 900)**	**(11 596)**	**-**	**(18 528)**
Changes in the loss allowance					
Transfer to stage 1	(3 804)	2 209	1 595	-	**-**
Transfer to stage 2	285	(897)	612	-	**-**
Transfer to stage 3	8	217	(225)	-	**-**
Increases due to change in credit risk	(385)	(2 384)	(4 386)	-	**(7 155)**
Decreases due to change in credit risk	2 303	1 647	810	-	**4 760**
Write-offs	-	-	1 758	-	**1 758**
New financial assets originated/purchased or disbursed during the year	(1 535)	(63)	(85)	-	**(1 683)**
Financial assets that have been repaid during the year	1 027	229	11	-	**1 267**
Loss allowance as at 31.12.2024	**(3 133)**	**(4 942)**	**(11 506)**	**-**	**(19 581)**

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)**

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 31.12.2023	**(19 892)**	**(30 281)**	**(42 026)**	**-**	**(92 199)**
Changes in the loss allowance					
Transfer to stage 1	(2 397)	2 318	79	-	**-**
Transfer to stage 2	11 661	(11 770)	109	-	**-**
Transfer to stage 3	980	1 103	(2 083)	-	**-**
Increases due to change in credit risk	(16 124)	(4 268)	(2 421)	-	**(22 813)**
Decreases due to change in credit risk	8 614	14 508	7 253	-	**30 375**
New financial assets originated/purchased or disbursed during the year	(12 010)	(6 106)	(672)	-	**(18 788)**
Financial assets that have been repaid during the year	4 984	13 155	16 970	-	**35 109**
Loss allowance as at 31.12.2024	**(24 184)**	**(21 341)**	**(22 791)**	**-**	**(68 316)**

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 as per IFRS 9 requirements:

In thousands of BGN

Balances with Central Bank	31.12.2024					31.12.2023				
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
Grades 1-3: Low to fair risk	5 273 168	-	-	-	5 273 168	5 606 478	-	-	-	**5 606 478**
Total gross carrying amount	**5 273 168**	**-**	**-**	**-**	**5 273 168**	**5 606 478**	**-**	**-**	**-**	**5 606 478**
Loss allowance	**(59)**	**-**	**-**	**-**	**(59)**	**(60)**	-	-	-	**60)**
Carrying amount	**5 273 109**	**-**	**-**	**-**	**5 273 109**	**5 606 418**	**-**	**-**	**-**	**5 606 418**

In thousands of BGN

Loans and advances to banks at amortized cost	31.12.2024					31.12.2023				
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
Grades 1-3: Low to fair risk	2 064 282	-	-	-	2 064 282	2 373 788	-	-	-	**2 373 788**
Grades 4-6: Monitoring	137	-	-	-	137	194	-	-	-	**194**
Grades 7-8: Substandard	12	-	-	-	12	-	-	-	-	**-**
Total gross carrying amount	**2 064 431**	**-**	**-**	**-**	**2 064 431**	**2 373 982**	**-**	**-**	**-**	**2 373 982**
Loss allowance	**(244)**	**-**	**-**	**-**	**(244)**	**(134)**	-	-	-	**(134)**
Carrying amount	**2 064 187**	**-**	**-**	**-**	**2 064 187**	**2 373 848**	**-**	**-**	**-**	**2 373 848**

In thousands of BGN

Debt securities from banks at amortized cost	31.12.2024					31.12.2023				
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
Grades 1-3: Low to fair risk	414 585	-	-	-	414 585	413 833	-	-	-	**413 833**
Total gross carrying amount	**414 585**	**-**	**-**	**-**	**414 585**	**413 833**	**-**	**-**	**-**	**413 833**
Loss allowance	**(230)**	**-**	**-**	**-**	**(230)**	**(68)**	-	-	-	**(68)**
Carrying amount	**414 355**	**-**	**-**	**-**	**414 355**	**413 765**	**-**	**-**	**-**	**413 765**

In thousands of BGN

Debt securities from customers at amortized cost	31.12.2024					31.12.2023				
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
Grades 1-3: Low to fair risk	3 085 269	-	-	-	3 085 269	2 862 326	-	-	-	**2 862 326**
Grades 4-6: Monitoring	5 105	-	-	-	5 105	724	-	-	-	**724**
Total gross carrying amount	**3 090 374**	**-**	**-**	**-**	**3 090 374**	**2 863 050**	**-**	**-**	**-**	**2 863 050**
Loss allowance	(926)	-	-	-	(926)	(815)	-	-	-	**(815)**
Carrying amount	**3 089 448**	**-**	**-**	**-**	**3 089 448**	**2 862 235**	**-**	**-**	**-**	**2 862 235**

In thousands of BGN

Debt investment securities at FVTOCI	31.12.2024					31.12.2023				
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
Grades 1-3: Low to fair risk	2 334 828	-	-	-	2 334 828	2 163 626	-	-	-	**2 163 626**
Total gross carrying amount	2 334 828	-	-	-	2 334 828	2 163 626	-	-	-	**2 163 626**
Loss allowance	**(998)**	**-**	**-**	**-**	**(998)**	**(968)**	**-**	**-**	**-**	**(968)**
Carrying amount	**2 333 830**	**-**	**-**	**-**	**2 333 830**	**2 162 658**	**-**	**-**	**-**	**2 162 658**

In thousands of BGN

Loans and advances to customers	31.12.2024 Stage 1	Stage 2	Stage 3	POCI	Total	31.12.2023 Stage 1	Stage 2	Stage 3	POCI	Total
Grades 1-3: Low to fair risk	3 125 217	93 833	-	-	3 219 050	4 296 616	662 991	-	-	**4 959 607**
Grades 4-6: Monitoring	12 710 464	2 310 107	-	-	15 020 571	8 599 522	2 524 741	-	-	**11 124 263**
Grades 7-8: Substandard	301 215	1 028 555	-	-	1 329 770	187 221	546 197	41 902	-	**775 320**
Grade 9: Doubtful	-	-	532 035	-	532 035	-	-	451 171	-	**451 171**
Grade 10: Impaired	-	-	125 701	-	125 701	-	-	117 210	-	**117 210**
Total gross carrying amount	**16 136 896**	**3 432 495**	**657 736**	**-**	**20 227 127**	**13 083 359**	**3 733 929**	**610 283**	**-**	**17 427 571**
Loss allowance	**(83 361)**	**(289 477)**	**(459 908)**	**-**	**(832 746)**	**(76 492)**	**(245 663)**	**(454 295)**	**-**	**(776 450)**
Carrying amount	**16 053 535**	**3 143 018**	**197 828**	**-**	**19 394 381**	**13 006 867**	**3 488 266**	**155 988**	**-**	**16 651 121**

In thousands of BGN

Loans and advances to corporate customers	31.12.2024 Stage 1	Stage 2	Stage 3	POCI	Total	31.12.2023 Stage 1	Stage 2	Stage 3	POCI	Total
Grades 1-3: Low to fair risk	1 133 390	47 637	-	-	1 181 027	918 896	46 010	-	-	**964 906**
Grades 4-6: Monitoring	6 425 266	1 714 196	-	-	8 139 462	5 949 051	1 607 206	-	-	**7 556 257**
Grades 7-8: Substandard	118 407	606 707	-	-	725 114	128 779	357 487	-	-	**486 266**
Grade 9: Doubtful	-	-	399 511	-	399 511	-	-	369 575	-	**369 575**
Grade 10: Impaired	-	-	44 125	-	44 125	-	-	53 476	-	**53 476**
Total gross carrying amount	**7 677 063**	**2 368 540**	**443 636**	**-**	**10 489 239**	**6 996 726**	**2 010 703**	**423 051**	**-**	**9 430 480**
Loss allowance	**(49 025)**	**(161 718)**	**(314 092)**	**-**	**(524 835)**	**(51 126)**	**(132 719)**	**(319 183)**	**-**	**(503 028)**
Carrying amount	**7 628 038**	**2 206 822**	**129 544**	**-**	**9 964 404**	**6 945 600**	**1 877 984**	**103 868**	**-**	**8 927 452**

In thousands of BGN

Loans and advances to retail customers	31.12.2024 Stage 1	Stage 2	Stage 3	POCI	Total	31.12.2023 Stage 1	Stage 2	Stage 3	POCI	Total
Grades 1-3: Low to fair risk	1 991 827	46 196	-	-	2 038 023	3 377 720	616 981	-	-	**3 994 701**
Grades 4-6: Monitoring	6 285 198	595 911	-	-	6 881 109	2 650 471	917 535	-	-	**3 568 006**
Grades 7-8: Substandard	182 808	421 848	-	-	604 656	58 442	188 710	41 902	-	**289 054**
Grade 9: Doubtful	-	-	132 524	-	132 524	-	-	81 596	-	**81 596**
Grade 10: Impaired	-	-	81 576	-	81 576	-	-	63 734	-	**63 734**
Total gross carrying amount	**8 459 833**	**1 063 955**	**214 100**	**-**	**9 737 888**	**6 086 633**	**1 723 226**	**187 232**	**-**	**7 997 091**
Loss allowance	**(34 336)**	**(127 759)**	**(145 816)**	**-**	**(307 911)**	**(25 366)**	**(112 944)**	**(135 112)**	**-**	**(273 422)**
Carrying amount	**8 425 497**	**936 196**	**68 284**	**-**	**9 429 977**	**6 061 267**	**1 610 282**	**52 120**	**-**	**7 723 669**

In thousands of BGN

	31.12.2024					31.12.2023				
Finance leases	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Grades 1-3: Low to fair risk	73 269	8 160	-	-	81 429	66 174	12 913	-	-	**79 087**
Grades 4-6: Monitoring	771 837	269 767	-	-	1 041 604	632 990	288 772	-	-	**921 762**
Grades 7-8: Substandard	39 795	116 507	-	-	156 302	2 383	148 146	-	-	**150 529**
Grade 9: Doubtful	-	-	14 813	-	14 813	-	-	7 741	-	**7 741**
Grade 10: Impaired	-	-	19 333	-	19 333	-	-	22 612	-	**22 612**
Total gross carrying amount	**884 901**	**394 434**	**34 146**	**-**	**1 313 481**	**701 547**	**449 831**	**30 353**	**-**	**1 181 731**
Loss allowance	**(6 995)**	**(14 332)**	**(20 138)**	**-**	**(41 465)**	**(3 318)**	**(17 746)**	**(20 942)**	**-**	**(42 006)**
Carrying amount	**877 906**	**380 102**	**14 008**	**-**	**1 272 016**	**698 229**	**432 085**	**9 411**	**-**	**1 139 725**

In thousands of BGN

	31.12.2024					31.12.2023				
Finance leases to corporate customers	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Grades 1-3: Low to fair risk	43 380	5 879	-	-	49 259	51 034	12 330	-	-	**63 364**
Grades 4-6: Monitoring	431 240	186 763	-	-	618 003	386 891	202 455	-	-	**589 346**
Grades 7-8: Substandard	9 905	68 171	-	-	78 076	418	60 517	-	-	**60 935**
Grade 9: Doubtful	-	-	7 507	-	7 507	-	-	4 522	-	**4 522**
Grade 10: Impaired	-	-	8 883	-	8 883	-	-	9 205	-	**9 205**
Total gross carrying amount	**484 525**	**260 813**	**16 390**	**-**	**761 728**	**438 343**	**275 302**	**13 727**	**-**	**727 372**
Loss allowance	**(3 862)**	**(9 390)**	**(8 632)**		**(21 884)**	**(2 286)**	**(11 846)**	**(9 346)**	**-**	**(23 478)**
Carrying amount	**480 663**	**251 423**	**7 758**	**-**	**739 844**	**436 057**	**263 456**	**4 381**	**-**	**703 894**

In thousands of BGN

	31.12.2024					31.12.2023				
Finance leases to retail customers	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Grades 1-3: Low to fair risk	29 889	2 281	-	-	32 170	15 140	583	-	-	**15 723**
Grades 4-6: Monitoring	340 597	83 004	-	-	423 601	246 099	86 317	-	-	**332 416**
Grades 7-8: Substandard	29 890	48 336	-	-	78 226	1 965	87 629	-	-	**89 594**
Grade 9: Doubtful	-	-	7 306	-	7 306	-	-	3 219	-	**3 219**
Grade 10: Impaired	-	-	10 450	-	10 450	-	-	13 407	-	**13 407**
Total nominal amount	**400 376**	**133 621**	**17 756**	**-**	**551 753**	**263 204**	**174 529**	**16 626**	**-**	**454 359**
Loss allowance	**(3 133)**	**(4 942)**	**(11 506)**		**(19 581)**	**(1 032)**	**(5 900)**	**(11 596)**	**-**	**(18 528)**
Carrying amount	**397 243**	**128 679**	**6 250**	**-**	**532 172**	**262 172**	**168 629**	**5 030**	**-**	**435 831**

In thousands of BGN

Loan commitments, Financial guarantee contracts and other commitments	31.12.2024					31.12.2023				
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
Grades 1-3: Low to fair risk	3 473 425	70 673	-	-	3 544 098	3 027 532	255 756	-	-	**3 283 288**
Grades 4-6: Monitoring	5 072 060	704 733	-	-	5 776 793	4 234 200	1 045 444	-	-	**5 279 644**
Grades 7-8: Substandard	75 157	95 242	-	-	170 399	124 046	429 153	91	-	**553 290**
Grade 9: Doubtful	-	-	24 704	-	24 704	-	-	47 060	-	**47 060**
Grade 10: Impaired	-	-	460	-	460	-	-	2 565	-	**2 565**
Total nominal amount	**8 620 642**	**870 648**	**25 164**	**-**	**9 516 454**	**7 385 778**	**1 730 353**	**49 716**	**-**	**9 165 847**
Loss allowance	**(24 184)**	**(21 341)**	**(22 791)**		**(68 316)**	**(19 891)**	**(30 282)**	**(42 026)**		**(92 199)**
Carrying amount	**8 596 458**	**849 307**	**2 373**	**-**	**9 448 138**	**7 365 887**	**1 700 071**	**7 690**	**-**	**9 073 648**

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

Loans and advances to banks at amortized cost	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount as at 31.12.2023	**2 373 982**	**-**	**-**	**-**	**2 373 982**
Changes in the gross carrying amount					
Changes due to modifications that did not result in derecognition	(12 778)	-	-	-	**(12 778)**
New financial assets originated/purchased or disbursed during the year	1 750 270	-	-	-	**1 750 270**
Financial assets that have been repaid during the year	(2 047 043)	-	-	-	**(2 047 043)**
Gross carrying amount as at 31.12.2024	**2 064 431**	**-**	**-**		**2 064 431**

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 banks at amortized cost	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount as at 31.12.2023	**413 833**	**-**	**-**	**-**	**413 833**
Changes in the gross carrying amount					
New financial assets originated/purchased or disbursed during the year	752				**752**
Financial assets that have been repaid during the year	-	-	-	-	**-**
Gross carrying amount as at 31.12.2024	**414 585**	**-**	**-**	**-**	**414 585**

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 securities from customers at amortized cost	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount as at 31.12.2023	**2 863 050**	**-**	**-**	**-**	**2 863 050**
Changes in the gross carrying amount					
New financial assets originated/purchased or disbursed during the year	415 379	-	-	-	**415 379**
Financial assets that have been repaid during the year	(188 055)	-	-	-	**(188 055)**
Gross carrying amount as at 31.12.2024	**3 090 374**	**-**	**-**	**-**	**3 090 374**

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

Debt investment securities at FVTOCI	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount as at 31.12.2023	**2 163 626**	**-**	**-**	**-**	**2 163 626**
Changes in the gross carrying amount					
New financial assets originated/purchased or disbursed during the year	933 563	-	-	-	**933 563**
Financial assets that have been repaid during the year	(762 361)	-	-	-	**(762 361)**
Gross carrying amount as at 31.12.2024	**2 334 828**	**-**	**-**	**-**	**2 334 828**

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

Loans and advances to customers	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount as at 31.12.2023	**13 083 359**	**3 733 929**	**610 283**	**-**	**17 427 571**
Changes in the gross carrying amount					
Transfer to stage 1	2 416 523	(2 397 546)	(18 977)	-	**-**
Transfer to stage 2	(2 676 916)	2 731 296	(54 380)	-	**-**
Transfer to stage 3	(37 917)	(225 645)	263 562	-	**-**
New financial assets originated/purchased or disbursed during the year	7 976 279	582 643	27 085	-	**8 586 007**
Financial assets that have been repaid during the year	(4 624 432)	(992 028)	(100 671)	-	**(5 717 131)**
Write-offs	-	(154)	(69 166)	-	**(69 320)**
Gross carrying amount as at 31.12.2024	**16 136 896**	**3 432 495**	**657 736**	**-**	**20 227 127**

In thousands of BGN

Loans and advances to corporate customers	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount as at 31.12.2023	**6 996 726**	**2 010 703**	**423 051**	**-**	**9 430 480**
Changes in the gross carrying amount					
Transfer to stage 1	778 514	(777 652)	(862)	-	**-**
Transfer to stage 2	(1 292 883)	1 324 124	(31 241)	-	**-**
Transfer to stage 3	(20 059)	(89 781)	109 840	-	**-**
New financial assets originated/purchased or disbursed during the year	3 817 339	397 704	22 223	-	**4 237 266**
Financial assets that have been repaid during the year	(2 608 748)	(504 771)	(68 168)	-	**(3 181 687)**
Write-offs	-	-	(11 207)	-	**(11 207)**
Other changes	6 174	8 213	-	-	**14 387**
Gross carrying amount as at 31.12.2024	**7 677 063**	**2 368 540**	**443 636**	**-**	**10 489 239**

In thousands of BGN

Loans and advances to retail customers	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount as at 31.12.2023	**6 086 633**	**1 723 226**	**187 232**	**-**	**7 997 091**
Changes in the gross carrying amount					
Transfer to stage 1	1 638 009	(1 619 894)	(18 115)	-	**-**
Transfer to stage 2	(1 384 033)	1 407 172	(23 139)	-	**-**
Transfer to stage 3	(17 858)	(135 864)	153 722	-	**-**
New financial assets originated/purchased or disbursed during the year	4 158 940	184 939	4 862	-	**4 348 741**
Financial assets that have been repaid during the year	(2 015 684)	(487 257)	(32 503)	-	**(2 535 444)**
Write-offs	-	(154)	(57 959)	-	**(58 113)**
Other changes	(6 174)	(8 213)	-	-	**(14 387)**
Gross carrying amount as at 31.12.2024	**8 459 833**	**1 063 955**	**214 100**	**-**	**9 737 888**

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

Finance leases	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount as at 31.12.2023	**701 547**	**449 831**	**30 353**	**-**	**1 181 731**
Changes in the gross carrying amount					
Transfer to stage 1	207 827	(202 588)	(5 239)	-	**-**
Transfer to stage 2	(144 252)	146 980	(2 728)	-	**-**
Transfer to stage 3	(3 470)	(14 413)	17 883	-	**-**
New financial assets originated/purchased or disbursed during the year	416 335	132 311	4 066	-	**552 712**
Financial assets that have been repaid during the year	(293 086)	(117 687)	(7 944)	-	**(418 717)**
Write-offs	-	-	(2 245)	-	**(2 245)**
Gross carrying amount as at 31.12.2024	**884 901**	**394 434**	**34 146**	**-**	**1 313 481**

In thousands of BGN

Finance leases to corporate customers	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount as at 31.12.2023	**438 343**	**275 302**	**13 727**	**-**	**727 372**
Changes in the gross carrying amount					
Transfer to stage 1	109 989	(107 235)	(2 754)	-	**-**
Transfer to stage 2	(122 697)	124 246	(1 549)	-	**-**
Transfer to stage 3	(1 147)	(7 824)	8 971	-	**-**
New financial assets originated/purchased or disbursed during the year	235 268	59 228	2 514	-	**297 010**
Financial assets that have been repaid during the year	(175 231)	(82 904)	(4 032)	-	**(262 167)**
Write-offs	-	-	(487)	-	**(487)**
Gross carrying amount as at 31.12.2024	**484 525**	**260 813**	**16 390**	**-**	**761 728**

In thousands of BGN

Finance leases to retail customers	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount as at 31.12.2023	**263 204**	**174 529**	**16 626**	**-**	**454 359**
Changes in the gross carrying amount					
Transfer to stage 1	97 838	(95 353)	(2 485)	-	**-**
Transfer to stage 2	(21 555)	22 734	(1 179)	-	**-**
Transfer to stage 3	(2 323)	(6 589)	8 912	-	**-**
New financial assets originated/purchased or disbursed during the year	181 067	73 083	1 552	-	**255 702**
Financial assets that have been repaid during the year	(117 855)	(34 783)	(3 912)	-	**(156 550)**
Write-offs	-	-	(1 758)	-	**(1 758)**
Gross carrying amount as at 31.12.2024	**400 376**	**133 621**	**17 756**	**-**	**551 753**

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**

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 31.12.2023	**7 385 778**	**1 730 353**	**49 716**	**-**	**9 165 847**
Changes in the gross carrying amount					
Transfer to stage 1	657 884	(657 388)	(496)	-	**-**
Transfer to stage 2	(552 150)	555 949	(3 799)	-	**-**
Transfer to stage 3	(1 369)	(1 419)	2 788	-	**-**
New financial assets originated/purchased or disbursed during the year	4 991 124	313 061	4 212	-	**5 308 397**
Financial assets that have been repaid during the year	(3 860 625)	(1 069 908)	(27 257)	-	**(4 957 790)**
Gross carrying amount as at 31.12.2024	**8 620 642**	**870 648**	**25 164**	**-**	**9 516 454**

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

	2024	2023
Central banks	5 273 109	5 606 418
General governments	279 470	185 771
Credit institutions	2 040 464	2 333 258
Other financial corporations	73 966	39 564
Non-financial corporations	1 409 712	261 080
Of which: Small and Medium-sized Enterprises	417 599	119 121
Households	1 702 090	2 273 453
Total loans and advances to customers at amortized cost and finance leases	**10 778 811**	**10 699 544**

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	
	2024	2023
Defaulted exposures		
Cash collateral	1 191	4 081
Property	633 409	691 689
Debt securities	-	-
Other collateral	547 948	525 153
Performing exposures		
Cash collateral	115 529	125 871
Property	19 565 977	16 780 387
Debt securities	5 436	15 160
Other collateral	12 784 090	11 681 748
Total	**33 653 580**	**29 824 089**

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	2024	2023
Less than 50 %	741 722	624 225
51-70%	1 400 915	1 105 947
71-90%	2 651 293	2 080 498
91-100%	300 530	215 269
More than 100%	38 814	23 277
Total loans and advances at amortized cost	**5 133 274**	**4 049 216**

In thousands of BGN

Credit impaired - LTV ratio	2024	2023
Less than 50 %	11 879	15 647
51-70%	11 234	19 948
More than 70%	22 701	18 471
Total loans and advances at amortized cost	**45 814**	**54 066**

In thousands of BGN

Carrying amount and collateral value held against loans to corporate customers measured at amortized cost	2024		2023	
	Carrying amount	Collateral	Carrying amount	Collateral
Financial pledge	234 486	76 512	305 591	94 027
Guarantees received	1 681 926	1 303 320	1 914 573	1 462 907
Real Estate	5 855 813	4 534 658	5 123 083	3 995 472
Insurance	73 954	70 269	77 600	73 751

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, 2024 and December 31, 2023:

In thousands of BGN

	Loans and advances to customers and finance leases		Loans and advances to banks		Investment securities	
	31.12.2024	**31.12.2023**	**31.12.2024**	**31.12.2023**	**31.12.2024**	**31.12.2023**
Concentration by sectors						
Sovereign	3 365 849	3 145 899	-	-	2 269 794	2 097 679
Manufacturing	3 648 671	3 185 874	-	-	44 559	43 427
Commerce	3 350 469	3 107 749	-	-	-	-
Construction and real estate	2 190 023	1 880 192	-	-	-	-
Agriculture and forestry	731 874	720 923	-	-	-	-
Transport and communication	1 001 742	910 919	-	-	346	334
Tourism	351 050	380 780	-	-	-	-
Services	668 609	535 838	-	-	-	-
Financial services	422 552	387 927	2 479 016	2 787 815	49 244	52 142
Retail (individuals)	-	-	-	-	-	-
Housing loans	5 105 552	4 032 518	-	-	-	-
Consumer loans	3 446 211	2 900 412	-	-	-	-
Other loans	350 207	285 147	-	-	-	-
	24 632 809	**21 474 178**	**2 479 016**	**2 787 815**	**2 363 943**	**2 193 582**
Impairment allowances	(875 137)	(819 271)	(474)	(202)	-	-
Total	**23 757 672**	**20 654 907**	**2 478 542**	**2 787 613**	**2 363 943**	**2 193 582**
Concentration by geographic location						
Europe	24 567 362	21 405 834	2 387 245	2 709 281	2 361 032	2 188 670
North America	28 189	26 093	9 819	40 956	2 911	4 912
Asia	25 325	42 206	81 917	37 522	-	-
Africa	-	10	-	-	-	-
South America	7	7	-	-	-	-
Australia	11 926	28	35	56	-	-
	24 632 809	**21 474 178**	**2 479 016**	**2 787 815**	**2 363 943**	**2 193 582**
Impairment allowances	(875 137)	(819 271)	(474)	(202)	-	-
Total	**23 757 672**	**20 654 907**	**2 478 542**	**2 787 613**	**2 363 943**	**2 193 582**

(iii) Significant increase in credit risk

- The Group Risk Management function of UniCredit S.p.A has set up a new approach for the implementation of the quantitative criteria for determining a transfer criterion between Stage 1 and Stage 2. The new Transfer Logic model consists in a set of Allocation reference value (ARF) thresholds differentiated according to transaction's residual maturity and rating class at inception per segment. The thresholds are applied to the ARF, which represents the deterioration observed in terms of Lifetime PD. The new Transfer logic is changing PD20 Trigger which states that a transaction is allocated in Stage 2 if Lifetime PD at Reporting for the first year is greater than 20%. The new Transfer logic is also changing the 3XPD Increase trigger which states that a transaction is allocated in Stage 2 if ARF is greater than 300%. Moreover for staging purposes, a new specific methodology has been introduced for the specific payments of Bullet/Balloon Financing product. As a final topic of the new Transfer Logic is the replacement of the 3 month Probation Period with Minimum Time Permanence in Stage 2;
- 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 2024 and 2023 of 1%. In addition, from 2019 a Countercyclical capital buffer has been introduced where the level as of end-of-year 2024 is 2%. The imposed buffer requirements accumulate a combined buffer requirement of 8.5% for 2024. 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, 2024 are 13%, 14.5%, 16.5%.

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, 2024 and December 31, 2023 are as follows:

In thousands of BGN

	31.12.2024	31.12.2023
Regulatory own funds		
Core Equity Tier 1 (CET 1)	3 481 118	3 170 326
Tier 1 capital	3 481 118	3 170 326
Tier 2 capital	358 934	54 103
Total regulatory own funds	**3 840 052**	**3 224 429**
Risk Weighted Assets (RWA)		
RWA for credit risk	14 560 600	12 917 490
RWA for market risk	169 625	5 913
RWA for operational risk	1 190 638	1 168 538
RWA for credit valuation adjustments	7 188	9 300
Total Risk Weighted Assets (RWA)	**15 928 051**	**14 101 241**
CET 1 ratio	**21.86%**	**22.48%**
Tier 1 ratio	**21.86%**	**22.48%**
Total capital adequacy ratio	**24.11%**	**22.87%**
Minimum CET 1 capital requirements (4.5%)	**716 762**	**634 556**
Minimum Tier 1 capital requirements (6%)	**955 683**	**846 074**
Minimum total capital requirements (8%)	**1 274 244**	**1 128 099**
Additional capital requirements for conservation buffer (2.5%)	398 201	352 531
Additional capital requirements for systemic risk buffer (3%)	456 189	390 963
Additional capital requirements for other systemic important institution (1%)	159 281	141 012
Additional capital requirements for countercyclical capital buffer (2%)	316 968	277 794
Combined buffers additional capital requirements (8.5%)	**1 330 639**	**1 162 300**
Adjusted minimum CET 1 capital requirements after buffers (13%)	2 047 401	1 796 856
Adjusted minimum Tier 1 capital requirements, including buffers (14.5%)	2 286 322	2 008 374
Adjusted minimum total capital requirements after buffers (16.5%)	2 604 883	2 290 399
Additional Pillar 2 buffers:		
P2R (P2 Recommendation) (1.65%)	262 813	232 670
P2G (Pillar 2 Guidance) (1.25%)	199 101	176 266
Free equity, after buffers	**773 255**	**525 094**

Official application for Standardized (STD) approach has been submitted to ECB in April 2024 and is currently in process of finalisation. The application provisions revert to STD the local models and only counterparties rated with Group Models – banks and multinational companies will remain under foundation internal ratings-based approach (F-IRB). The official notification is expected to be received until the end of Q1 2025.

The bank will continue using the developed advanced risk models for Pillar 2 capital requirements and IFRS 9, as well as for decision making purposes (credit application and monitoring, which will be adapted to the most recent business and steering needs.

The expected impacts from the revert to STD approach considering also the introduction of Basel IV from January 2025, based on December 31st 2024 portfolio data is estimated as an increase of BGN 1 285.55 million.

Breakdown by Business segment excluding Sovereign, Other Assets, Subsidiaries and Equity exposures

BGN millions

SEGMENT	EXPOSURE	EAD IRB	EAD NEW APPROACH*	RWA IRB	RWA NEW APPROACH*	DELTA RWA
BANKS	2 376	1 121	1 086	304	263	(41)
LARGE	3 158	2 151	2 135	1 083	1 514	431
MID	6 251	4 322	3 941	3 204	3 179	(25)
SMALL	8 101	6 506	5 807	4 165	4 035	(130)
SME	1 491	1 307	1 172	563	605	42
RETAIL	5 638	5 414	5 268	747	1 756	1 009
Total	**27 015**	**20 821**	**19 409**	**10 066**	**11 352**	**1 286**

*RWA NEW APPROACH - banks and multinational companies will remain under foundation internal ratings-based approach (F-IRB) all other exposure are under STD approach

Breakdown by Regulatory asset classes (aggregated) excluding Subsidiaries

BGN millions

	ASSET CLASS	EXPOSURE	EAD	RWA
F-IRB	Corporate (MNC and Banks)	1 014	468	227
	Financial Institutions	2 202	1 079	260
	Total F-IRB	**3 216**	**1 547**	**487**
	Sovereigns & Multilateral	10 832	10 815	6
	Regional Government and PSE	152	107	22
	Financial Institutions	10	1	-
	Corporates	7 251	4 301	3 498
	Specialised Lending	1 026	828	674
	Retail	2 024	1 437	802
STD	SECURED by RRE	5 551	5 309	1 684
	SECURED by CRE	5 161	4 091	2 600
	IPRE	1 470	1 178	871
	ADC	581	452	575
	Exposures in default	574	159	139
	Equity	78	78	116
	Other Assets	906	906	425
	Total STD	**35 616**	**29 662**	**11 412**
	TOTAL	**38 832**	**31 209**	**11 899**

For UniCredit Consumer Financing the effect is estimated as a RWA decrease amounting at BGN 34.2 million, mainly due to CCF application.

(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 2024 are the following:

- Outstanding securitized amount (Reference Portfolio Notional Amount) BGN 284 366 036;
- RWA without securitization: BGN 221 049 614 (77.73% of the securitized portfolio);
- Expected Loss without securitization: BGN 3 815 253 (1.34% of the securitized portfolio);
- RWA after application of securitization framework: BGN 18 359 844 (6.46% of the securitized portfolio);
- Expected Loss after application of securitization framework: BGN 0;
- Weighted average PD of 2.64%;
- Weighted average LGD of 44.40%.

As of 31.12.2024							
Tranche	**BGN Nominal Amount**	**Thickness**	**Attach**	**Detach**	**Guaranteed**	**Retained %**	**Amortization Typology**
Senior	183 598 443	64.56%	35.44%	100%	0%	100%	Sequential
Junior (Commitment)	100 767 593	35.44%	0%	35.44%	100%	0%	Sequential

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. Starting from September 2023 the residual capital structure of the synthetic securitization is made up of only the Junior tranche fully covered by unfunded guarantee, which does not meet one of the criteria for securitization definition (i.e. risk tranching). For regulatory purposes the transaction is no longer included into the securitization framework. Summary of FLPG as of December 31, 2024 is presented in the table below:

NAME	EIF JEREMIE
Type of securitization:	First Loss Portfolio Guarantee
Originator/Issuer:	UniCredit Bulbank / European Investment Fund
Target transaction:	Capital Relief and risk transfer
Type of asset:	Highly diversified and granular pool of newly granted SME loans
Agreed maximum portfolio volume:	EUR 85,000 thousand
Nominal Value of reference portfolio:	BGN 132 107
Issued guarantees by third parties:	First loss cash coverage by EIF
Reference Position Junior Tranche as of December 31, 2024	BGN 132 107

(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.

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 2024 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);
- Implementing climate risk in the credit process for existing credit Corporate clients.

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.

In 2024 the Bank has started applying C&E considerations into two main credit processes:

- Origination/annual review for corporate credit clients:

UCB has started the implementation of C&E considerations within the origination/annual credit review process for all corporate clients, introduced through update of Internal rules for corporate clients lending and other relevant business/risk procedures approved by relevant approval bodies.

The new process steps complement the creditworthiness assessment with climate aspects and the entire C&E factors assessment is mainly driven by a calculated Transition risk score (other elements to be considered are Rep Risk evaluation, Net Zero perimeter and Physical Risk at counterparty level, if data available). This score will be defined either conducting the internal C&E risk assessment questionnaire or using available data base provided by external providers.

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 Multinational and corporate clients with large exposures;
- Generation of a Climate & Environmental (C&E) Risk Scorecard summarizing the main KPIs and identifying the counterparty's positioning in one of the risk areas (green-low-medium, high, very high) of the Transition Assessment matrix;
- Inclusion of the environmental scoring in the underwriting and decision-making process.

- Collateral Evaluation

UCB is focused on the enhancement of the methodology to assess vulnerable portfolios and mitigate related physical risks in particular the Real estate collateral portfolio.

Real Estate Collateral evaluation, applied on both Corporate and Retail clients, now also includes the relevant Transition and Physical Risk components.

- Transition risk assessment of collaterals in the context of Energy efficiency of immovable properties.

Through the current collection process of issued Energy Performance Certificate (EPC) of buildings the Bank fulfils the regulatory requirement and stores core EPC data as Energy class label, Primary energy demand and CO2 emissions intensity, applicable for all new credit transactions collateralized by immovable properties in Retail and Corporate segments. Missing parameters are provided by proxy data of external third-party vendors.

- Physical risk assessment

A new process for Physical Risk assessment through data collection related to severity evaluation on defined hazards for the new flow in real estate collateral portfolio has been developed too. The hazards are the following: River flood, Flash flood, Storm, Sea level rise, Wildfire.

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, Civil Nuclear, Oil & Gas, Rainforests, Tabacco 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 2024.The Group has set targets for the three most carbon intensive sectors within our portfolio, which include Oil & Gas, Power Generation, Steel 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 Y2025, Y2027, Y2030.

In 2025 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 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.

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 processes and 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 2024 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 Third Party Risk; Risk and Controls Self-Assessment(RCSA) and Group Operations RCSA validation, 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, Cyber Security Risk Assessment monitoring.

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.

Second level controls on ICT and Security processes were developed and regularly performed in 2024. 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.

The following new and existing processes have been created or enhanced aimed at implementing extending criteria in 2024:

- Risk and Controls Self-Assessment (RCSA) activity cycle was further developed, and the scope of the assessed processes has been enlarged toward payment and digital risk topics; the number of validation checks performed by NFR was also increased. During the first phase of the activity, 49 processes are subject to a Process Risk Gate assessment to identify risks which to be immediately addressed through the RCSA detailed assessment within the next phase of the RSCA activity. Within the second phase of the activity, 18 mandatory key end-to-end (E2E) processes have been assessed in detail;
- Participation of NFR in the annual group activity regarding the 2024 Group Operations RCSA. On a risk-based approach a sample of 4 payment processes was selected by the Holding for RCSA assessment, completed by Operations and validated by NFR;
- New Key Risk indicators (KRIs) were created:
  - 2 KRIs related to Internal Audit Management with: 1) aim to monitor the "critical" and "major" audit findings (Number of "high" and "medium-high" audit findings) and 2) aim at monitoring the number of overdue and postponed important findings (Number of delayed medium-low findings);
  - 1 KRI (Nr of clients sent to branch after unsuccessful digital onboarding) has been implemented to monitor the number of clients attempting digital onboarding without success and with subsequent redirection to complete the process in branch. The KRI is related to the Customer onboarding and development – Customer Management process;
  - 1 KRI (Compilation ratio of KYC (Know Your Client)) related to Compliance management has been implemented to replace a similar KRI which was monitored monthly. The new KRI was set on a quarterly basis.
- Second level control monitoring on Digital risk was enlarged. Three new controls on Cyber Security Processes

were implemented: 1) Major Security Incidents; 2) Remediation plans for Red wave overdue vulnerabilities and 3) Red wave vulnerabilities in Take the risk status;

- The NFR activities regarding Digital Risk increased with new important process regarding Cyber Security Risk Assessment monitoring (Cyber SRA). The outcomes related to the overall ICT Asset Portfolio of the bank are analyzed, checked and challenged by NFR and the results are discussed with Digital Functions. NFR provides relevant reporting to Local NFR Committee for all Applications at risk (over tolerance level);
- The ICT project risk assessment process has been significantly developed in terms of the validation step executed by NFR. The aim is to strengthen traceability of project risks and the mitigations that reduce them, track the progress of mitigation implementation, and monitor additional evidence and documents of the project. New final step of the validation process is the formalization step;
- A new E2E process on Third Parties Management was released by the end of the year in order to be compliant with Digital Operational Resilience Act (DORA) requirements.

Local NFR Structure along with Group NFR performed test activities related to new calculations of Operational Risk RWA under Basel 4 and EBA RTS requirements.

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 (e.g. Internal losses, External data, Scenario analysis), the Assessment Measurement activities (e.g. KRI, RCSA, ICT Project Risk Assessment, Cyber SRA activity, etc.) and the Addressing – Mitigation activities (e.g. 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).

During the year main changes within the sensitive sector reputational risk policy were:

- Regarding the Oil&Gas customers - the Net Zero provisions embedded in the policy instead of PACTA for the customer classification in Class A-B;
- New policies in Water/Dams and Nuclear (Civil Nuclear) were implemented. These two policies proposed criteria for classification of customers in scope.

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 2024 and 2023 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.

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 2024, 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, 2024 and December 31, 2023 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, 2024 and December 31, 2023 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, 2024 and December 31, 2023.

In thousands of BGN

Instrument category	Level 1		Level 2		Level 3		Total	
	31.12.2024	31.12.2023	31.12.2024	31.12.2023	31.12.2024	31.12.2023	31.12.2024	31.12.2023
Cash and balances with Central Bank	-	-	-	-	5 755 504	6 069 757	**5 755 504**	**6 069 757**
Non-derivative financial assets held for trading	196	4 381	-	-	-	-	**196**	**4 381**
Derivatives held for trading	-	-	127 231	98 016	-	2 687	**127 231**	**100 703**
Derivatives held for hedging	-	-	39 332	77 165	-	-	**39 332**	**77 165**
Loans and advances to banks and debt securities at amortized cost	25 451	25 364	499 047	2 738 334	1 956 010	2 446	**2 480 508**	**2 766 144**
Loans and advances to customers, debt securities and finance leases	625 632	950 902	1,127,391	805 844	19 005 513	16 515 406	**20,758,536**	**18 272 152**
Pledged debt securities at amortized cost	618 130	325 500	646,938	617 192	-	-	**1,265,068**	**942 692**
Investment securities	1 120 951	759 498	905 809	737 373	42 701	46 765	**2 069 461**	**1 543 636**
Pledged investment securities	289 474	577 860	-	67 783	-	-	**289 474**	**645 643**
Total	**2 679 834**	**2 643 505**	**3 345 748**	**5 141 707**	**26 759 728**	**22 637 061**	**32 785 310**	**30 422 273**
Financial liabilities held for trading	-	-	82 710	101 997	4 939	9 650	**87 649**	**111 647**
Derivatives held for hedging	-	-	118 926	128 856	-	-	**118 926**	**128 856**
Deposits from banks	-	-	-	-	2 105 690	1 606 926	**2 105 690**	**1 606 926**
Deposits from customers and other financial liabilities at amortized cost	-	-	-	-	26 399 612	24 821 910	**26 399 612**	**24 821 910**
Debt securities issued	-	-	-	-	1 786 004	1 392 666	**1 786 004**	**1 392 666**
Fair value changes of the hedged items in portfolio hedge of interest rate risk	-	-	-	-	8 624	4 203	**8 624**	**4 203**
Total	**-**	**-**	**201 636**	**230 853**	**30 304 869**	**27 835 355**	**30 506 505**	**28 066 208**

The movement in financial instruments belonging to Level 3 for the year ended December 31, 2024 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, 2024)	**2 687**	**138**	**25 213**	**21 552**	**139 433**
Increases	**-**	**-**	**3 348**	**19 476**	**15 088**
Purchase	-	-	-	19 557	-
Profit recognized in income statement	-	-	2 936	-	-
Profit recognized in equity	-	-	12	(135)	12 279
Transfer from other levels	-	-	-	-	-
Other increases	-	-	400	54	2 809
Decreases	**(2 687)**	**(43)**	**(5 337)**	**(21 551)**	**(6 666)**
Sales	-	-	(2 877)	-	-
Redemption	-	-	-	(21 551)	-
Loses recognized in income statement	-	(43)	(2 460)	-	(3 390)
Loses recognized in equity	-	-	-	-	(1 794)
Transfer to other levels	(2 687)	-	-	-	-
Other decreases	-	-	-	-	(1 482)
Closing balance (December 31, 2024)	**-**	**95**	**23 224**	**19 477**	**147 855**

The table below analyses information about significant unobservable inputs used as at 31 December 2024 in measuring financial instruments categorized as Level 3 in the fair value hierarchy.

Type of instrument	Fair value as at 31.12.2024	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	-	Discounted Cash flows	Relevant interest rate risk curve for in the respective currency used for discounting	Rates of 2.4% to 4.8% (average 3.7%) (2023 - 0% to 5.4 % (average 3.7%)	Significant increase in the relevant interest rate curve used for discounting would result in a lower fair value
Debt securities	19 477	Mark-to-model (Discounted Cash flows)	Relevant interest rate risk and credit spread curves for comparable instruments and comparable issuer in the respective currency	Rates of 2.4% to 4.8 % (average 3.7%) (2023 - 0% to 5.4 % (average 3.7%)) Credit spread of 0.4% to 1.8% (average 1.3%) (2023 - 0.5% to 2% (average 1.3%)), over the risk-free rate	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, 2024 and December 31, 2023.

In thousands of BGN

December 2024	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	-	-	-	-	5 755 504	**5 755 504**	**5 755 504**
Non-derivative financial assets held for trading	196	-	-	-	-	**196**	**196**
Derivatives held for trading	127 231	-	-	-	-	**127 231**	**127 231**
Derivatives held for hedging	-	-	-	39 332	-	**39 332**	**39 332**
Loans and advances to banks and debt securities at amortized cost	-	2 478 542	-	-	-	**2 478 542**	**2 480 508**
Loans and advances to customers, debt securities and finance leases	-	22 452 354	-	-	-	**22 452 354**	**20,758,536**
Pledged debt securities at amortized cost	-	1 303 586	-	-	-	**1 303 586**	**1,265,068**
Investment securities	-	-	2 069 461	-	-	**2 069 461**	**2 069 461**
Pledged investment securities	-	-	289 474	-	-	**289 474**	**289 474**
TOTAL ASSETS	**127 427**	**26 234 482**	**2 358 935**	**39 332**	**5 755 504**	**34 515 680**	**32 785 310**
LIABILITIES							
Financial liabilities held for trading	87 649	-	-	-	-	**87 649**	**87 649**
Derivatives held for hedging	-	-	-	118 926	-	**118 926**	**118 926**
Deposits from banks	-	-	-	-	2 096 038	**2 096 038**	**2 105 690**
Deposits from customers and other financial liabilities at amortized cost	-	-	-	-	26 399 550	**26 399 550**	**26 399 612**
Debt securities issued	-	-	-	-	1 743 506	**1 743 506**	**1 786 004**
Fair value changes of the hedged items in portfolio hedge of interest rate risk	-	-	-	-	8 624	**8 624**	**8 624**
TOTAL LIABILITIES	**87 649**	**-**	**-**	**118 926**	**30 247 718**	**30 454 293**	**30 506 505**

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**

(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, 2024 and December 31, 2023 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 and Funding Unit (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 and Private;
- Corporate Banking;
- ALM and other.

In thousands of BGN

December 2024	Retail and Private Banking	CB	ALM and other	Total
Net interest income	539 880	437 877	15 408	**993 165**
Dividend income	-	-	899	**899**
Net fee and commission income	204 587	117 712	(644)	**321 655**
Net gains on financial assets and liabilities held for trading and hedging derivatives, including FX revaluation	31 880	64 190	55 774	**151 844**
Net gains from financial assets mandatorily at fair value	-	-	1 232	**1 232**
Net losses from financial assets measured at FVTOCI	-	-	(24 277)	**(24 277)**
Other operating income	24 110	10 425	38 755	**73 290**
Other operating expenses	(38 943)	(6 860)	4 725	**(41 078)**
TOTAL OPERATING INCOME	**761 514**	**623 344**	**91 872**	**1 476 730**
Personnel expenses	(95 149)	(38 116)	(77 889)	**(211 154)**
General and administrative expenses	(20 430)	(9 065)	(101 736)	**(131 231)**
Amortization, depreciation and impairment losses on tangible and intangible fixed assets, investment properties and assets held for sale	(1 395)	(27 107)	(56 778)	**(85 280)**
Total direct expenses	**(116 974)**	**(74 288)**	**(236 403)**	**(427 665)**
Allocation of indirect and overhead expenses	(153,854)	(60,859)	214,713	**-**
TOTAL OPERATING EXPENSES	**(270,828)**	**(135,147)**	**(21,690)**	**(427 665)**
Provisions for risk and charges	-	212	18 559	**18 771**
Net impairment loss on financial assets	(78 715)	(5 759)	214	**(84 260)**
Net income related to property, plant and equipment	-	-	156	**156**
PROFIT BEFORE INCOME TAX	**411 971**	**482 650**	**89 111**	**983 732**
Income tax expense	(97 426)	(90 250)	41 466	**(146 210)**
PROFIT FOR THE YEAR	**314 545**	**392 400**	**130 577**	**837 522**
ASSETS	**9 748 156**	**11 566 293**	**13 820 146**	**35 134 595**
LIABILITIES	**17 295 301**	**8 628 255**	**4 862 769**	**30 786 325**

In thousands of BGN

December 2023	Retail and Private Banking	CB	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 from financial assets mandatorily at fair value	-	-	3 223	**3 223**
Net 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 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 2024	Retail and Private Banking	CB	ALM and other	Total
Fee and commission income				
Collection and payment services	111 701	93 217	(121)	**204 797**
Lending business	38 001	30 335	223	**68 559**
Account services	28 357	6 651	-	**35 008**
Management, brokerage and securities trading	15 875	6 647	131	**22 653**
Documentary business	691	22 951	11	**23 653**
Package accounts	39 261	2 163	-	**41 424**
Other	27 538	4 429	33	**32 000**
	261 424	**166 393**	**277**	**428 094**
Fee and commission expense				
Collection and payment services	(50 158)	(39 931)	(58)	**(90 147)**
Management, brokerage and securities trading	(1 173)	(927)	(738)	**(2 838)**
Lending business	(33)	(73)	(8)	**(114)**
Other	(5 475)	(7 748)	(117)	**(13 340)**
	(56 839)	**(48 679)**	**(921)**	**(106 439)**
Net fee and commission income	**204 585**	**117 714**	**(644)**	**321 655**

In thousands of BGN

December 2023	Retail and Private Banking	CB	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**

8. Net interest income

In thousands of BGN

	2024	2023
Interest income calculated using the effective interest method		
Loans and advances to banks and debt securities at amortized cost	146 385	159 502
Loans and advances to customers and debt securities	968 103	788 666
Investment securities	40 528	40 513
Interest income on liabilities	12	4
	1 155 028	**988 685**
Other interest income		
Non-derivative financial assets held for trading	26	46
	26	**46**
Interest expense		
Derivatives held for hedging	(4 665)	(1 352)
Deposits from banks	(41 617)	(33 317)
Deposits from customers	(20 472)	(9 767)
Debt securities issued	(95 121)	(53 207)
Interest expense on assets	**(14)**	**(284)**
	(161 889)	**(97 927)**
Net interest income	**993 165**	**890 804**

For the financial years ended December 31, 2024 and December 31, 2023 the interest income recognized on defaulted financial instruments (loans and advances to customers) is in the amount of BGN 32 159 thousand and BGN 28 378 thousand, respectively.

9. Net fee and commission income

In thousands of BGN

	2024	2023
Fee and commission income		
Collection and payment services	204 797	183 820
Lending business	68 559	58 859
Account services	35 008	31 425
Management, brokerage and securities trading	22 653	17 340
Documentary business	23 653	23 156
Package accounts	41 424	35 930
Other	32 000	25 116
	428 094	**375 646**
Fee and commission expense		
Collection and payment services	(90 147)	(73 045)
Management, brokerage and securities trading	(2 838)	(2 074)
Lending business	(114)	(31)
Other	(13 340)	(14 591)
	(106 439)	**(89 741)**
Net fee and commission income	**321 655**	**285 905**

The major part of the other fee and commission income consist of insurance commissions received. Other fees and commission expenses mainly present securitization fees paid.

10. Net gains on financial assets and liabilities held for trading and hedging derivatives, including FX revaluation

In thousands of BGN

	2024	2023
Realized and unrealized FX trading income, net	116 614	121 917
Net gain from debt instruments	1 074	1 359
Net loss from equity instruments	(171)	-
Net gain from derivative instruments	33 002	15 329
Net gain /(loss) from hedging derivative instruments	1 325	(1 494)
Net gains on financial assets and liabilities held for trading and hedging derivatives, including FX revaluation	**151 844**	**137 111**

The total CVA (net of DVA) for the years ended December 31, 2024 and December 31, 2023, included in position net gain from derivative instruments is in the amount of BGN (893) thousand and BGN 1 749 thousand, respectively.

11. Net gains from financial assets mandatorily at fair value

In thousands of BGN

	2024	2023
Equity securities	1 349	3 328
Loans and advances	(117)	(105)
Net gains from financial assets mandatorily at fair value	**1 232**	**3 223**

12. Net losses from financial assets measured at FVTOCI

In thousands of BGN

	2024	2023
Realized gains on disposal of debt securities	(24 983)	(4 621)
Other	706	452
Net losses from financial assets measured at FVTOCI	**(24 277)**	**(4 169)**

13. Other operating income and expenses

13.a Other operating income

In thousands of BGN

	2024	2023
Income from non-financial services	10 554	9 807
Rental income	24 511	22 509
Other income	38 225	9 767
Other operating income	**73 290**	**42 083**

The increase of other income is due to the performed during 2024 accelerated migration of issued by the Bank cards to MasterCard brand and amounts to BGN 28 million, presenting migration support.

13.b Other operating expenses

In thousands of BGN

	2024	2023
Deposit guarantee fund and RR fund annual contribution	(32 652)	(28 992)
Impairment of foreclosed properties	-	(21)
Losses on tangible assets measured at fair value	-	(205)
Other operating expenses	(8 426)	(17 976)
Other operating expenses	**(41 078)**	**(47 194)**

14. Net income related to property, plant and equipment

In thousands of BGN

	2024	2023
Net income on disposal of property, plant and equipment	156	22
Net income related to property, plant and equipment	**156**	**22**

15. Personnel expenses

In thousands of BGN

	2024	2023
Wages and salaries	(169 243)	(165 182)
Social security charges	(24 020)	(23 037)
Pension and similar expenses	(1 483)	(1 161)
Temporary staff expenses	(2 071)	(569)
Share-based payments	(1 347)	(1 632)
Other	(12 990)	(9 718)
Personnel expenses	**(211 154)**	**(201 299)**

As of December 31, 2024 the total number of employees, expressed in full time employee equivalent is 3 582 (December 31, 2023: 3 692).

As described in note 3 (p) (iii) the ultimate parent company UniCredit S.p.A has granted stock options and performance shares to top and senior managers of UniCredit Bulbank AD.

The increase in 2024 of other personnel expenses is due mainly to increased value of employees' food vouchers and health insurance.

Description of payment agreements based on own equity instruments

Outstanding instruments

Group Medium & Long Term Incentive Plans for selected employees of Group subsidiaries include the following category - **Equity-Settled Share Based Payments** (Equity-Settled SBP), which provide for the delivery of shares.

The category, Equity-Settled SBP, includes the following grants of:

- Group Executive Incentive System (Bonus Pool) that offer to eligible Group executives and relevant employees identified following regulatory rules, a bonus structure composed by upfront (following the moment of performance evaluation) and deferred payments in cash and in UniCredit ordinary shares, to be paid over a period of ranging from 1 to 7 years. This payment structure will guarantee the alignment to shareholder interest and will be subjected to corporate malus conditions (which applies in case specific profitability, capital and liquidity thresholds are not met at both Group and country/division level), individual malus and claw back conditions (as legally enforceable) according to the plan rules (both non-market vesting conditions);
- Long Term Incentive 2017-2019 that offers to eligible executives and key players of the Group an incentive 100% based on ordinary UniCredit shares, subject to 3-years deferral and to malus and claw-back conditions, as legally enforceable, according to the plan rules. The plan is structured on 3-years performance period, aligned to the UniCredit strategic plan and provides for the allocation of an award based on gateway conditions on profitability, liquidity, capital and risk position and a set of performance conditions focused on Group targets, aligned with Transform 2019;
- Long Term Incentive 2020-2023 that provides for the allocation of incentives based on free ordinary shares, subject to the achievement of specific performance conditions to the Strategic Plan Team 23. The Plan is structured over a four-year performance period, consistent with UniCredit's Strategic Plan, and provides for the granting of the possible award in 2024. The award is subject to a 4-year deferral period, after the performance period, and to the respect during the performance period of the minimum conditions of profitability, capital requirements and liquidity as well as positive assessment of Risk Appetite Framework. According to Banca d'Italia and EBA requirements and to further strengthen the governance framework, the Plan includes rules of compliance breaches management, as well as their related impact on remuneration components, through the application of malus and claw-back clauses.
- It is also noted that, the equity-settled share based payments, represented by deferred payments in UniCredit ordinary shares not subject to vesting conditions, are used for the settlement of the so-called golden parachute (e.g. severance) for the relevant employees.

Measurement model

Group Executive Incentive System (Bonus Pool)

The economic value of performance shares, for the category Equity-Settled SBP, is measured considering the share market price at the grant date less the present value of the future dividends during the vesting period. Economic and net equity effects will be accrued on a basis of instruments' vesting period.

Group Executive Incentive System "Bonus Pool 2024" – Share

The new Group Incentive System 2024 is based on a bonus pool approach, aligned with regulatory requirements and market practices, which defines:

- Sustainability, through direct link with entity results and alignment with relevant risk categories, using specific indicators linked to risk-appetite framework;

- The definition of a bonus pool at Group level, with cascading at divisional level consistently with segment reporting disclosure, based on the actual divisional performance adjusted considering quality and risk indicators as well as cost of capital;
- Bonuses allocated to executives and other relevant employee, identified on a basis of regulatory provisions, embedded in CRD V and in Commission Delegated Regulation (EU) 923/2021 and to other specific roles identified according to local regulations;
- Payment structure has been defined in accordance with regulatory provisions qualified by Directive 2013/36/EU (CRD IV) and further updates and will be distributed in a period of maximum seven years by using a mix of shares and cash.

All profit and loss and net equity effects related to the plan will be booked during the vesting period.

The plan is divided into clusters, each of which can have three or six installments of share-based payments spread over a period defined according to plan rules.

Long Term Incentive Plan 2017-2019

The economic value of performance shares is measured considering the share market price at the grant date less the present value of the future dividends during the vesting period.

The plan is divided into clusters, based on the beneficiary position, each of which can have from one to four installments of share-based payments spread over a period defined according to plan rules.

Long Term Incentive Plan 2020-2023

The economic value of performance shares is measured considering the share market price at the grant date less the present value of the future dividends during the vesting period.

The plan is divided into clusters, based on the beneficiary position, each of which can have from one to five installments of share-based payments spread over a period defined according to plan rules.

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:

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 **39**

16. General and administrative expenses

In thousands of BGN

	2024	2023
Advertising, marketing and communication	(7 103)	(8 772)
Credit information and searches	(500)	(1 002)
Information, communication and technology expenses	(64 762)	(56 152)
Consulting, audit and other professional services	(2 718)	(2 315)
Real estate expenses	(13 611)	(14 519)
Rents	(3 919)	(4 069)
Travel expenses and car rentals	(1 921)	(4 060)
Insurance	(1 824)	(1 814)
Supply and miscellaneous services rendered by third parties	(15 419)	(17 068)
Other costs	(19 454)	(10 916)
General and administrative expenses	**(131 231)**	**(120 687)**

The amounts accrued in 2024 for the services provided by the registered auditors for statutory independent financial audit are as follows: for KPMG Audit OOD: BGN 536 thousand including VAT, for Baker Tilly Klitou and Partners EOOD: BGN 242 thousand including VAT. In 2024 the Group was charged with amounts for other non-statutory audit services provided by KPMG Audit OOD at a total amount of BGN 501 thousand including VAT and by Baker Tilly Klitou and Partners EOOD: BGN 66 thousand including VAT.

For 2023 the accrued amount for the provided audit and non-audit services by the external auditors were BGN 1 147 thousand including VAT.

The increase of other costs compared to 2023 is due to the performed during 2024 accelerated migration of issued by the Bank cards to MasterCard brand.

17. Amortization, depreciation and impairment losses on tangible and intangible fixed assets, investment properties and assets held for sale

In thousands of BGN

	2024	2023
Depreciation charge	(85 280)	(79 572)
Impairment charge	-	(6 089)
Amortization, depreciation and impairment losses on tangible and intangible fixed assets, investment properties and assets held for sale	**(85 280)**	**(85 661)**

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

	2024	2023
Additions of provisions		
Restructuring provisions	-	(1 923)
Legal cases provisions	(1 455)	(2 356)
Other provisions	-	(200)
	(1 455)	**(4 479)**
Reversal of provisions		
Restructuring provisions	1 943	-
Legal cases provisions	16 404	1 030
Other provisions	1 879	2 378
	20 226	**3 408**
Provisions for risk and charges	**18 771**	**(1 071)**

19. Net Impairment loss on financial assets

In thousands of BGN

	2024	2023
Net impairment loss on loans and advances to customers	(107 838)	(18 882)
Net impairment loss on debt securities from customers at AC	(111)	(521)
Net impairment (loss)/ reversal on Loans and advances to Banks	(110)	44
Net impairment loss on debt securities from banks at AC	(162)	(64)
Net impairment (loss)/ reversal on Balances with Central Bank	1	(30)
Net impairment (loss)/ reversal on Financial assets at fair value through OCI	(29)	6 341
Loss allowance of financial guarantee contracts and other commitments	23 989	(9 131)
Net impairment loss on financial assets	**(84 260)**	**(22 243)**

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 2024.

Starting from fiscal year 2024, the UniCredit Group applies 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 Organisation of Economic Co-operation and Development (OECD) and then implemented in the European Union through the EU Council Directive 2022/2523 of 14 December 2022.

For EU countries, the Directive entered into force in FY2024 (in Bulgaria, the provisions of the Directive have been transposed into law with Part 5a of the Corporate Income Tax Act), with the only exceptions of Spain, Poland (Pillar Two regulation will enter into force in FY2025) and Latvia (transposition postponed to FY2030 as granted by the Directive to certain Member States).

Certain non-EU Member States in which the UniCredit Group operates have announced that they will implement the Pillar Two rules as of 2024 (e.g. United Kingdom) or that they are committed to implementing them starting from FY2025, 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 corporate income taxes paid in that jurisdiction and adjusted accounting results) 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:

- revenue and profit before tax are below, respectively, EUR 10 million and EUR 1 million (the de minimis test);
- the Effective Tax Rate (i.e. ETR) equals or exceeds an agreed rate (the ETR test, 15% for FY 2024); or
- the profit before tax does not exceed an amount calculated as a percentage of tangible assets and payroll expense (the routine profits test).

The UniCredit Group has performed an assessment of its potential exposure for Pillar Two top-up taxes on the basis of the most recent information available regarding the financial performance of the constituent entities in the UniCredit Group (2023 Country by Country Reporting and 2024 financial statements data).

Based on the assessment performed, Bulgaria may not benefit from the TSH.

Therefore, the potential top-up tax exposure has been calculated based on the full Pillar Two regime. Based on the calculation, the ETR for Bulgaria is lower than the 15% minimum ETR, with top-up tax potentially due equal to BGN 48 mln (BGN 41.8 mln for Unicredit Bulbank AD).

The breakdown of tax charges in the income statement is as follows:

In thousands of BGN

	2024	2023
Current tax	(98 347)	(88 571)
Qualified Domestic Minimum Top-up Tax (Pillar II QDMTT)	(48 040)	-
Deferred tax income (expense) related to origination and reversal of temporary differences	514	1 053
Underprovided prior year current tax	(337)	(260)
Income tax expense	**(146 210)**	**(87 778)**

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

	2024	2023
Accounting profit before tax	983 732	877 662
Corporate tax at applicable tax rate (10% for 2024 and 2023)	(98 373)	(87 766)
Qualified Domestic Minimum Top-up Tax (Pillar II QDMTT)	(48 040)	-
Tax effect of non-taxable revenue	948	783
Tax effect of non-deductible tax expenses	(702)	(746)
Underprovided prior year income tax	(43)	(49)
Income tax expense	**(146 210)**	**(87 778)**
Effective tax rate	**14.86%**	**10.00%**

21. Cash and balances with Central Bank

In thousands of BGN

	2024	2023
Cash in hand and in ATM	270 831	285 554
Cash in transit	211 564	177 785
Current account with Central Bank	5 273 109	5 606 418
Cash and balances with Central Bank	**5 755 504**	**6 069 757**

22. Non-derivative financial assets held for trading

In thousands of BGN

	2024	2023
Government bonds	196	4 381
Non-derivative financial assets held for trading	**196**	**4 381**

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

	2024	2023
Interest rate swaps	39 806	44 632
FX forward contracts	27 738	2 524
FX options	-	60
Other options	623	503
FX swaps	53 342	37 182
Commodity swaps	5 722	15 802
Derivatives held for trading	**127 231**	**100 703**

Derivatives consist of trading instruments that have positive market value as of December 31, 2024 and December 31, 2023. 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 (k)** 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

	2024		2023	
Risk exposure	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Interest rate				
Designated in FV hedges	37 221	49 562	73 561	41 689
Designated in CF hedges	2 111	69 364	3 604	87 167
Total interest rate derivatives	**39 332**	**118 926**	**77 165**	**128 856**

Fair value hedge

In thousands of BGN

	Maturity 2024			Maturity 2023		
	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	44 104	352 296	564 257	95 875	350 242	608 273
Average fixed interest rate	0.46%	1.05%	2.27%	0.89%	0.71%	1.74%
Micro FV hedges of debt securities at AC						
Nominal amount	-	63 564	402 803	-	5 867	460 500
Average fixed interest rate	-	3.08%	3.07%	-	3.02%	3.07%
Macro FV hedges of deposits						
Nominal amount	-	281 151	501 155	-	381 387	364 643
Average fixed interest rate	-	3.12%	2.45%	-	3.33%	2.46%

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 31.12.2024	960 657	18 735	12 101	Derivatives assets(liabilities) held for hedging	8 932	1 021	Net gains on financial assets and liabilities held for trading and hedging derivatives, including FX revaluation
Micro FV hedges of FVOCI as of 31.12.2023	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 debt securities at AC as of 31.12.2024	466 367	-	32 700	Derivatives assets(liabilities) held for hedging	(25 044)	147	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
Macro FV hedges of deposits as of 31.12.2024	782 306	18 486	4 761	Derivatives assets(liabilities) held for hedging	9 329	157	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

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 31.12.2024	1 063 473	-	(3 080)	-	Investment securities	(9 406)	-
Debt securities FVOCI as of 31.12.2023	1 040 750	-	(685)	-	Investment securities	(46 951)	-
Debt securities at AC as of 31.12.2024	501 164	-	25 019	-	Loans and advances to customers and debt securities	25 019	-
Debt securities at AC as of 31.12.2023	493 844	-	22 126	-	Loans and advances to customers and debt securities	22 126	-
Deposits as of 31.12.2024	-	782 306	-	8 624	Deposits from customers and other financial liabilities at amortized cost	(8 624)	-
Deposits as of 31.12.2023	-	746 030	-	4 203	Deposits from customers and other financial liabilities at amortized cost	(4 203)	-

Cash flow hedge

In thousands of BGN

	Maturity 2024			Maturity 2023		
	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	-	589 683	165 268	20 536	180 914	574 036
Average fixed interest rate of Macro CFH hedges of deposits	-	2.23%	2.66%	3.15%	1.97%	2.53%
Nominal amount of Macro CFH hedges of loans	97 141	388 563	194 281	97 141	388 563	291 422
Average fixed interest rate of Macro CFH hedges of loans	-0.25%	0.16%	0.03%	-0.27%	0.34%	-0.02%

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 31.12.2024	754 950	2 111	15 707	Derivatives assets (liabilities) held for hedging	-	(6 964)	-	Net gains on financial assets and liabilities held for trading and hedging derivatives, including FX revaluation	-	Other interest income (expense)
Deposits as of 31.12.2023	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)
Loans as of 31.12.2024	679 985	-	53 657	Derivatives assets (liabilities) held for hedging	-	22 089	-	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)

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 31.12.2024	-	(8 329)	-	Deposits from customers and other financial liabilities at amortized cost
As of 31.12.2023	-	(2 062)	-	Deposits from customers and other financial liabilities at amortized cost
EUR loans to customers				
As of 31.12.2024	-	(45 356)	-	Loans and advances to customers and debt securities
As of 31.12.2023	-	(65 236)	-	Loans and advances to customers and debt securities

25. Loans and advances to banks and debt securities at amortized cost

In thousands of BGN

	2024	2023
Loans and advances to banks at amortized cost:		
Loans and advances to banks	1 956 010	2 247 564
Current accounts with banks	108 421	126 418
Debt securities	414 585	413 833
Loans and advances to banks and debt securities at amortized cost	**2 479 016**	**2 787 815**
Less impairment allowances of loans and advances	(244)	(134)
Less impairment allowances of bonds	(230)	(68)
Less impairment allowances of loans and advances and debt securities at amortized cost	**(474)**	**(202)**
Loans and advances to banks and debt securities at amortized cost	**2 478 542**	**2 787 613**

26. Loans and advances to customers and debt securities

In thousands of BGN

	2024	2023
Loans and advances to customers at amortized cost:		
Companies	11 265 502	10 099 927
Individuals		
Housing loans	5 105 552	4 032 518
Consumer loans	3 446 211	2 900 412
Other loans	129 282	111 865
Central and local governments	280 580	282 849
Government bonds classified at amortized cost:		
Non-pledged government bonds	1 781 306	1 789 676
Pledged government bonds	1 303 963	1 073 374
Non-pledged corporate bonds	5 105	-
	23 317 501	**20 290 621**
Less impairment allowances of loans and advances	(832 746)	(776 450)
Less impairment allowances of securities at amortized cost	(926)	(815)
Less impairment allowances	**(833 672)**	**(777 265)**
Financial assets to customers at amortized cost	**22 483 829**	**19 513 356**
Loans and advances to customers mandatory at fair value	**95**	**138**
thereof: Accumulated negative changes in fair value due to credit risk on non-performing exposures	(1 732)	(1 688)
Loans and advances to customers and debt securities	**22 483 924**	**19 513 494**

26.a Finance leases

In thousands of BGN

	2024	2023
Finance leases:		
Companies	1 097 902	1 019 098
Individuals	215 579	162 633
	1 313 481	1 181 731
Less impairment allowances	**(41 465)**	**(42 006)**
Finance leases	**1 272 016**	**1 139 725**

27. Investment securities

In thousands of BGN

	31.12.2024		31.12.2023	
	Non-Pledged Investment securities	Pledged Investment securities	Non-Pledged Investment securities	Pledged Investment securities
Securities measured at FVTOCI				
Government bonds	1 980 320	289 474	1 452 036	645 643
Bonds of banks and other financial institutions	-	-	21 552	-
Corporate bonds	64 036	-	43 427	-
Equities	20 313	-	20 301	-
Securities mandatory measured at FV				
Equities	4 792	-	6 320	-
Investment securities	**2 069 461**	**289 474**	**1 543 636**	**645 643**

Government and corporate bonds classified and measured at FVTOCI as of December 31, 2024 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 31.12.2024 is BGN 1 016 783 thousand and as of 31.12.2023 is BGN 1 056 346 thousand.

As of December 31, 2024 and as of December 31, 2023 there are pledged investments amounting to BGN 289 474 thousand and BGN 645 643 thousand respectively (see also Note **43**).

28. Investments in associates

As of December 31, 2024 and December 31, 2023 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, 2024 and December 31, 2023 are as follows:

Company	Activity	Share in capital	Carrying value in thousands of BGN Dec 2024	Carrying value in thousands of BGN Dec 2023
Cash Service Company AD	Accepting, processing, safekeeping and delivering of valuable consignments with banknotes and coins to the banks	25%	5 008	4 303
		Total	**5 008**	**4 303**

	2024	2023
Cash Service Company AD		
Total assets	27 210	22 153
Total liabilities	6 578	4 342
Revenue	17 674	17 674
Net profit for the year	2 825	1 788

29. Property, plant, equipment, right 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, 2023	**11 784**	**237 298**	**88 261**	**12 333**	**88 599**	**214 279**	**2 064**	**654 618**
Additions	-	3 660	3 132	368	9 813	49 075	-	66 048
Transfers	(464)	(1 017)	-	27	27	(54)	-	(1 481)
Write offs	-	(962)	(3 548)	(263)	(1 411)	(36 990)	(169)	(43 343)
Disposals	-	-	-	-	(2 663)	(1 940)	-	(4 603)
As of December 31, 2024 before revaluation	**11 320**	**238 979**	**87 845**	**12 465**	**94 365**	**224 370**	**1 895**	**671 239**
Increase in revaluation reserve upon new revaluation	677	11 603	-	-	-	-	-	12 280
Decrease in revaluation reserve upon new revaluation	(125)	(1 670)	-	-	-	-	-	(1 795)
Decrease in value in profit or loss upon new revaluation	-	-	-	-	-	-	-	-
Revaluation adjustment	**552**	**9 933**	**-**	**-**	**-**	**-**	**-**	**10 485**
As of December 31, 2024 after revaluation	**11 872**	**248 912**	**87 845**	**12 465**	**94 365**	**224 370**	**1 895**	**681 724**
Depreciation								
As of December 31, 2023	**-**	**104 109**	**39 206**	**10 013**	**63 201**	**87 603**	**492**	**304 624**
Depreciation charge	**-**	**5 711**	**11 279**	**687**	**9 223**	**31 359**	**278**	**58 537**
Impairment	-	-	-	-	-	-	-	-
Write offs	-	(962)	(3 548)	(263)	(1 411)	(36 990)	(169)	(43 343)
On disposals	-	-	-	-	(2 662)	(1 880)	-	(4 542)
Transfers	-	-	584	-	-	10 520	60	11 164
As of December 31, 2024	**-**	**108 858**	**47 521**	**10 437**	**68 351**	**90 612**	**661**	**326 440**
Net book value as of December 31, 2024	**11 872**	**140 054**	**40 324**	**2 028**	**26 014**	**133 758**	**1 234**	**355 284**
Net book value as of December 31, 2023	**11 784**	**133 189**	**49 055**	**2 320**	**25 398**	**126 676**	**1 572**	**349 994**

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

	Investment property
Net book value as of December 31, 2023	**-**
Additions	-
Transfers	-
Write offs	**-**
Disposals	-
Increase in fair value	-
Net book value as of December 31, 2024	**-**

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 of instrument	Fair value as of 31.12.2024	Significant unobservable input	Range (BGN) (weighted average) 2024 in BGN	Range (BGN) (weighted average) 2023 in BGN
Land	11 872	price per m²	399.29-875.09 (548.80)	176.25-461.55 (282.32)
Buildings	135 219	rent per m²	4.87 - 15.53 (12.36)	9.45 - 14.35 (11.49)
Buildings	764	price per m²	11486-25572.90 (17531.57)	792 - 1161 (964.94)
Property measured at FV	**147 855**			

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, 2023	**227 569**
Additions	21 161
Write offs	(3 340)
As of December 31,2024	**245 390**
Depreciation	
As of December 31, 2023	**129 067**
Depreciation charge	26 743
Impairment due to obsolescence	-
Write offs	(3 340)
Transfers	-
As of December 31,2024	**152 470**
Net book value as of December 31, 2024	**92 920**
Net book value as of December 31, 2023	**98 502**

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**

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, 2024 there are no current tax assets, while current tax liabilities represent net payable current tax position for the years 2024 (BGN 54 870 thousand) and 2023 (BGN 18 439 thousand).

32. Deferred tax assets/liabilities

The origination breakdown of the deferred tax assets and liabilities as of December 31, 2024 and December 31, 2023 is as outlined below:

In thousands of BGN

	2024	2023
Property, plant, equipment, investment property and intangible assets	17 508	17 979
Provisions	(3 269)	(5 189)
Actuarial losses	(931)	(624)
Other liabilities	(7 904)	(6 991)
Net tax liabilities	**5 404**	**5 175**

The movements of deferred tax liabilities on net basis throughout 2024 are as outlined below:

In thousands of BGN

	Balance 31.12.2023	Recognized in P&L	Recognized in equity	Balance 31.12.2024
Property, plant, equipment, investment property and intangible assets	17 979	(1 521)	1 050	17 508
Provisions	(5 189)	1 920	-	(3 269)
Actuarial (losses)	(624)	-	(307)	(931)
Other liabilities	(6 991)	(913)	-	(7 904)
Net tax liabilities	**5 175**	**(514)**	**743**	**5 404**

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

	2024	2023
Land	-	-
Buildings	-	1 130
Non-current assets and disposal groups classified as held for sale	**-**	**1 130**

34. Other assets

In thousands of BGN

	2024	2023
Receivables and prepayments	124 266	85 673
Receivables from the State Budget	8 002	2 339
Materials, spare parts and consumables	7 646	7 883
Other assets	8 266	10 765
Foreclosed properties	12 302	12 800
Other assets	**160 482**	**119 460**

35. Financial liabilities held for trading

In thousands of BGN

	2024	2023
Interest rate swaps	34 902	46 514
FX forward contracts	5 717	13 663
Other options	553	541
FX options	-	58
FX swaps	40 772	35 241
Commodity swaps	5 705	15 630
Financial liabilities held for trading	**87 649**	**111 647**

36. Deposits from banks

In thousands of BGN

	2024	2023
Current accounts and overnight deposits		
Local banks	589 811	381 120
Foreign banks	970 472	1 013 920
	1 560 283	**1 395 040**
Deposits		
Local banks	439 063	153 727
Foreign banks	36 724	24 493
	475 787	**178 220**
Other	**59 968**	**22 235**
Deposits from banks	**2 096 038**	**1 595 495**

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, 2024 and December 31, 2023 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

	2024	2023
Current accounts		
Individuals	9 268 482	8 062 937
Corporate	10 127 698	10 325 843
Budget and State companies	397 172	617 875
	19 793 352	**19 006 655**
Term deposits		
Individuals	3 462 842	3 350 319
Corporate	1 237 248	387 849
Budget and State companies	28 210	19 474
	4 728 300	**3 757 642**
Saving accounts	**1 709 539**	**1 712 388**
Lease liabilities	**43 122**	**51 951**
Factoring related liabilities	**32 220**	**45 995**
Transfers in execution process	**55 359**	**221 569**
Other	**37 658**	**30 868**
Deposits from customers and other financial liabilities at amortized cost	**26 399 550**	**24 827 068**

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	**2024**	**2023**
As of January 1st	**51 951**	**56 333**
Additions	3 132	6 153
Repayments	(12 083)	(10 535)
Accrued interest	697	729
Interest paid	(575)	(729)
As of December 31st	**43 122**	**51 951**
Up to one year	10 987	11 670
From beyond 1 year to 2 years	8 388	10 468
From beyond 2 years to 3 years	7 665	7 908
From beyond 3 years to 4 years	6 504	7 165
From beyond 4 years to 5 years	5 244	5 985
Beyond five years	6 110	11 034
Total lease payments to be made for finance leases	**44 898**	**54 230**
Unearned finance expenses (Discounting effect)	(1 776)	(2 279)
Net book value as of December 31st	**43 122**	**51 951**

38. Debt securities issued

As part of UniCredit Group, whose resolution strategy is of the type "Single Point of Entry", UniCredit Bulbank 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 7th of July 2024, 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 as of the date of the decision at 18.62% (previously 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 a result of the strong business growth, the corresponding increase in risk-weighted assets as well as the increase in the risk weights of exposures to the government sector denominated in EUR (25% for the period from January to June 2024, compared to 10% in 2023), in April 2024, the Bank issued for the second time an iMREL/Tier 2 bond, with the aim of classification as Tier 2 Capital. The parameters of the bond are as follows: nominal value of EUR 50 million, floating interest rate based on 3-month Euribor plus 2.28 per cent, 10-year maturity and a call option that can be exercised on the 5th year. The call option is for the issuer, which can redeem the bonds in full. The redemption can also be made on tax or regulatory grounds. According to Art. 33"d", para. 1 of Regulation No. 2 of 22 December 2006 on the licenses, approvals and permits issued by the Bulgarian National Bank under the Credit Institutions Act, the inclusion of a capital instrument in Tier 2 capital is subject to approval by the BNB. As of the end of 2024 the bond issue has already been officially recognized as Tier 2 Capital (the banks has been informed by BNB with a letter dated 30th of August 2024). Similarly, in the beginning of December 2024, the Bank issued iMREL bond, aiming to further qualify as Tier 2 Capital. Parameters of the issue are as follows: nominal amount of EUR 125 Mio, floating interest rate, linked to 3Mo Euribor plus 2.14 per cent, 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. The respective application with regards to above mentioned notes, for the approval of their inclusion in Tier 2 capital, has been sent to the Central Bank in December 2024. As the procedure was on-going, as of 31 December 2024 the instrument is not included in Tier 2 capital for regulatory purposes.

Thus, the total nominal amount of debt meeting the iMREL requirements reached EUR 885 million (where EUR 610 million is senior non-preferred debt and EUR 275 million is Tier 2 Capital, of which EUR 125 million is awaiting approval by the BNB for recognition in own funds).

39. Provisions

The movement in provisions for the years ended December 31, 2024 and December 31, 2023 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, 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**
Allocations	41 883	1 455	1 483	-	-	-	**44 821**
Releases	(65 872)	(16 404)	-	-	(1 879)	(1 943)	**(86 098)**
Additions due to FX revaluation	926	2 157	-	-	-	-	**3 083**
Releases due to FX revaluation	(820)	(1 797)	-	-	-	-	**(2 617)**
Actuarial losses recognized in OCI	-	-	3 067	-	-	-	**3 067**
Utilization	-	(831)	(647)	(118)	(156)	(1 811)	**(3 563)**
Balance as of December 31, 2024	**68 316**	**19 881**	**17 322**	**184**	**3 923**	**-**	**109 626**

(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, 2024 accumulated provisions are in the amount of BGN 68 316 thousand (as of December 31, 2023: BGN 92 199 thousand). The release is mainly due to improved credit quality of the portfolio and increased volumes in Stage 1.

(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, 2024 Group has assessed its position in legal cases against it, and provision in the amount of BGN 19 881 thousand has been recognized (BGN 35 301 thousand as of December 31, 2023). After reassessment of the probability to settle obligation provisions for two old legal cases were released in 2024 for the amount of BGN 15 969 thousand.

(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 2024 defined benefit obligation are as follows:

- Discount rate – 3.60%;
- Salary increase – 6.00% p.a.

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 Group:

- 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, 2024 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, 2023	**13 419**
Current service costs for 2024	864
Interest cost for 2024	619
Past Service Cost	-
Actuarial losses recognized in OCI in 2024	3 067
Benefits paid	(647)
Recognized defined benefit obligation as of December 31, 2024	**17 322**
Interest rate beginning of the year	4.90%
Interest rate end of the year	3.60%
Future increase of salaries	6.00%
Expected 2025 service costs	1 108
Expected 2025 interest costs	563
Expected 2025 benefit payments	(2 130)

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

	2024	2023
Sensitivity - Discount rate +/- %	0.25%	0.25%
DBO Discount rate -	17 028	13 186
DBO Discount rate +	16 388	12 736
Sensitivity - Salary increase rate +/- %	0.25%	0.25%
DBO Salary increase rate -	16 394	12 735
DBO Salary increase rate +	17 020	13 185

In the course of regular business, the Group 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. Considering also the ESG requirements, the balances as of December 31, 2024 are reassessed at the amount of BGN 184 thousand and represent unutilized provision with regards to energy efficiency of owned buildings.

(e) Other provisions

Other provisions in the amount of BGN 3 923 thousand as of December 31, 2024 (BGN 5 958 thousand as of December 31, 2023) 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.

In 2024 the approved restructuring plan has expired and as of December 31st 2024 the Bank has no allocated restructuring provisions.

40. Other liabilities

In thousands of BGN

	2024	2023
Liabilities to the State budget	3 206	2 522
Liabilities to personnel	25 170	23 930
Liabilities for unused paid leave	8 633	8 245
Dividends	1 713	1 436
Incentive plan liabilities	3 784	3 413
Other liabilities	114 405	203 327
Other liabilities	**156 911**	**242 873**

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 2024 and 2023 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 are mainly due to undesired customers' funds (clients which relationship with the Bank is ceased due to compliance reasons), deferred income and year end accruals for upcoming payments.

41. Equity

a) Share capital

As of December 31, 2024 and December 31, 2023 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" as well as revaluation reserve on PPE in accordance with IAS 16 "Property, Plant and Equipment".

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, 2024 and December 31, 2023 only reserves related to FVTOCI investments have been recycled to profit or loss following their derecognition. For 2024 there is loss of BGN 24 983 thousand and for 2023 - BGN 4 621 thousand respectively.

42. Contingent liabilities

In thousands of BGN

	31.12.2024	31.12.2023	31.12.2024	31.12.2023	31.12.2024	31.12.2023	31.12.2024	31.12.2023
	Stage 1		Stage 2		Stage 3		Total	
Letters of credit and letters of guarantee	2 348 946	1 920 208	153 383	346 987	9 922	15 810	**2 512 251**	**2 283 005**
Credit commitments	6 203 459	5 397 217	717 265	1 383 366	15 242	33 906	**6 935 966**	**6 814 489**
Other commitments	68 237	68 353	-	-	-	-	**68 237**	**68 353**
Total contingent liabilities	**8 620 642**	**7 385 778**	**870 648**	**1 730 353**	**25 164**	**49 716**	**9 516 454**	**9 165 847**

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, 2024 and December 31, 2023 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, 2024 are in the amount of BGN 19 881 thousand (BGN 35 301 thousand as of December 31, 2023), (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, 2024 and December 31, 2023 the Group presents unutilized credit facilities as part of its off-balance sheet positions.

43. Assets pledged as collateral

In thousands of BGN

	2024	2023
Securities pledged for budget holders' account service	430 645	723 841
Securities pledged on REPO deals	1 142 809	975 188
Securities pledged on other deals	19 606	19 677
Loans pledged for budget holders' account service	98 041	98 041
Loans pledged on other deals	1 978	10 369
Total assets and collaterals received encumbered	**1 693 079**	**1 827 116**
Pledged assets include:		
Securities at amortized cost	1 303 586	1 073 063
Investment securities	289 474	645 643
Loans and advances	100 019	108 410
	1 693 079	**1 827 116**

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, 2024 and December 31, 2023 and Income statement items for the years then ended are as follows:

In thousands of BGN

As of December 31, 2024	Parent company	Other related parties	Total
ASSETS			
Derivatives held for trading	21 256	40 795	**62 051**
Derivatives held for hedging	39 332	-	**39 332**
Current accounts and deposits placed	1 281 602	12 144	**1 293 746**
Debt securities	-	414 355	**414 355**
Extended loans	-	2 526	**2 526**
Other assets	1 061	2 726	**3 787**
LIABILITIES			
Financial liabilities held for trading	13 889	34 376	**48 265**
Derivatives held for hedging	118 926	-	**118 926**
Current accounts and deposits taken	892 257	23 396	**915 653**
Debt securities issued	1 743 506	-	**1 743 506**
Other liabilities	5 871	1 432	**7 303**
Guarantees received by the Group	**61 752**	**165 852**	**227 604**

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

Year ended December 31, 2024	Parent company	Associates	Other related parties	Total
Interest incomes	88 023	-	19 102	**107 125**
Interest expenses	(95 757)	-	(7 902)	**(103 659)**
Dividends		-		**-**
Fee and commissions income	1 306	-	2 184	**3 490**
Fee and commissions expenses	(4)	-	(339)	**(343)**
Net gains (losses) on financial assets and liabilities held for trading	15 542	-	34 418	**49 960**
Other operating income	110	-	28	**138**
Administrative and personnel expenses	(6 927)	(1 218)	(23 751)	**(31 896)**
Total	**2 293**	**(1 218)**	**23 740**	**24 815**

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**

Compensation paid to key management personnel is as follows:

In thousands of BGN

Paid benefits	2024	2023
Short-term employee benefits	4 906	4 278
Other long-term benefits	164	98
Share-based payments	147	91
Non-monetary benefits	349	421
Other	1 073	254
Total benefits paid	**6 639**	**5 142**

45. Cash and cash equivalents

In thousands of BGN

	2024	2023
Cash in hand and in ATM	270 831	285 554
Cash in transit	211 564	177 785
Current account with the Central Bank	5 273 109	5 606 418
Current accounts with banks	108 421	126 418
Placements with banks with original maturity less than 3 months	1 270 388	695 304
Cash and cash equivalents	**7 134 313**	**6 891 479**

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	
	31.12.2024	**31.12.2023**	**31.12.2024**	**31.12.2023**
Up to one year	460 891	475 090	416,327	368 345
Between one and five years	806 744	675 580	733 065	677 988
Beyond five years	117 542	89 037	122 624	93 391
Total	**1 385 177**	**1 239 707**	**1 272 016**	**1 139 724**

(b) Operating lease contracts where the Group acts as a lessor

In thousands of BGN

Residual maturity	Total future minimum lease payment	
	2024	**2023**
Up to one year	23 087	20 466
Between one and five years	53 796	50 900
Total	**76 883**	**71 366**

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, 2024 and December 31, 2023 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

	2024	2023	Reference to other notes and reports
Total operating income	1 476 730	1 308 601	Consolidated Income Statement and details in Notes 8,9,10,11,12 and 13
Profit before income tax	983 732	877 662	Consolidated Income Statement
Income tax expense	(146 210)	(87 778)	Consolidated Income Statement and details in Notes 20
Return on average assets (%)	2.5%	2.6%	2024 Annual Report on Activity
Annual Turnover	1 476 730	1 308 601	Consolidated Income Statement
Full time equivalent number of personnel as EoY	3 582	3 692	Note 15

UniCredit Bulbank AD has never requested or been provided any state grants or subsidies.

48. Events after the reporting period

There are no significant events after the reporting period with effect on the financial statements as of December 31, 2024.

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
18, St. Kiril and Metodius blvd.
22, Ivan Shishman str.
5, St. Dimitur Solunski str.

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.

Cherven bryag
4, Otets Paisii str.i

Chirpan
2, Yavorov str.

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.

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, Ivan Asen IInd str.
2A, Lomsko shosse str.
265, Okolovrusten put str.
22, Ierusalim str., MLADOST, Sofia
22, Zlaten rog, str.
3, Filip Avramov str.
5-7, Krasno selo blvd.
6, Ak. Boris Stefanov str.
38, Liubliana 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.
Business park Sofia, 2nd building
Hotel Trivia, Botunec
Lyulin 4, block 417
Lyulin center, block 752A
Sofia, 2 Pozitano Sq., Perform Business Center.
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.

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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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