BULGARIAN DEVELOPMENT BANK GROUP

CONSOLIDATED ANNUAL MANAGEMENT REPORT

INDEPENDENT AUDITORS' REPORT AND

CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

31 DECEMBER 2024

Unofficial translation from Bulgarian

BULGARIAN DEVELOPMENT BANK GROUP

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1 GENERAL INFORMATION

1.1 BULGARIAN DEVELOPMENT BANK EAD

The shareholding structure as of 31 December 2024: the state through the Minister of Innovation and Growth – 100%

Shareholding structure as of the date of approval of the consolidated financial statements: the state through the Minister of Finance – 100%.

Head office and registered address as of 31 December 2024:

1000 Sofia, Sredets area, 1 Dyakon Ignatij Str.

UIC: 121856059

Supervisory Board (SB) as of 31 December 2024 and as of the date of approval of the consolidated financial statements:

SB as of 31 December 2024:	SB as of the date of approval the financial statements:
- Rosen Andreev Karadimov – Chairman of the SB[1] - Delyana Valerieva Ivanova – Deputy chairman of the SB - Stamen Stamenov Yanev – Member of the SB - Dimitar Ivanov Mitev – Member of the SB	- Delyana Valerieva Ivanova – Chairman of the SB - Dimitar Ivanov Mitev – Deputy chairman of SB - Goritsa Nikolova Gruncharova- Kozhareva[2] – member of the SB - Luchezar Dimitrov Borisov – member of the SB[2]

Management Board (MB) as of 31 December 2024 and as of the date of approval of the consolidated financial statements:

MB as of 31 December 2024:	MB as of the date of approval of the financial statements:
- Ivaylo Angelov Moskovski – Member of the MB and Executive Director - Iliya Zapryanov Karanikolov - Member of the MB and Executive Director - Tsanko Rumenov Arabadzhiev – Member of the MB and Executive Director - Teodora Petrova Pesheva – Member of the MB	- Ivaylo Angelov Moskovski – Member of the MB and Executive Director - Tsanko Rumenov Arabadzhiev – Member of the MB and Executive Director - Teodora Petrova Pesheva – Member of the MB

[1] In connection with Decree No 101 of the President of the Republic of Bulgaria for the appointment of a caretaker government (promulgated in State Gazette No. 32 of 9 April 2024) and Decree No 222 of the President of the Republic of Bulgaria for the appointment of a caretaker government (promulgated in State Gazette No 73 of 27 August 2024) Mr. Rosen Karadimov stopped temporarily and did not exercise his powers as Chairman and member of the Supervisory Board of Bulgarian Development Bank EAD for the period in which he was appointed caretaker Minister of Innovation and Growth.

[2] By decision under Protocol No ПР-85 of 17 June 2025 the Minister of Finance exercising the rights of the sole owner of Bulgarian Development Bank EAD, as members of the Supervisory Board were appointed Mrs. Goritsa Nikolova Gruncharova-Kozhareva and Luchezar Dimitrov Borisov. These circumstances were entered in the Commercial Register and the Register of Non-Profit Legal Entities on 24 June 2025.

Joint auditors of Bulgarian Development Bank EAD:

Deloitte Audit OOD	Grant Thornton OOD
CPA Rositsa Boteva	CPA Silvia Dinova
4, Mihail Tenev Street	26, Cherni Vrah Blvd.
Sofia 1784	1421 Sofia
Bulgaria	Bulgaria
cebgreceptionteam@deloittece.com	office@bg.gt.com

Auditor of National Guarantee Fund EAD and BDB Leasing EAD:

Deloitte Audit OOD, registration number 033

CPA Rositsa Boteva

4, Mihail Tenev Street, Sofia 1784, Bulgaria

cebgreceptionteam@deloittece.com

Auditor of BDB Microfinancing EAD and Capital Investments Fund AD:

Grant Thornton OOD, registration number 032

CPA Silvia Dinova

26, Cherni Vrah Blvd., Sofia 1421, Bulgaria

office@bg.gt.com

Auditor of Trade Center Maritsa EOOD:

AUDIT CORRECT-2010 OOD

CPA Margarita Koshutanska

Sofia, 5, Pirotska Str., 3rd floor, office 5

Auditor of Roadway Construction AD and Putostroyengineering AD:

SMART AUDIT AND CONSULTING EOOD,

CPA Diana Yordanova Deyanova – Rangelova

Bankya, Izgrev region, 98, Sofia Street

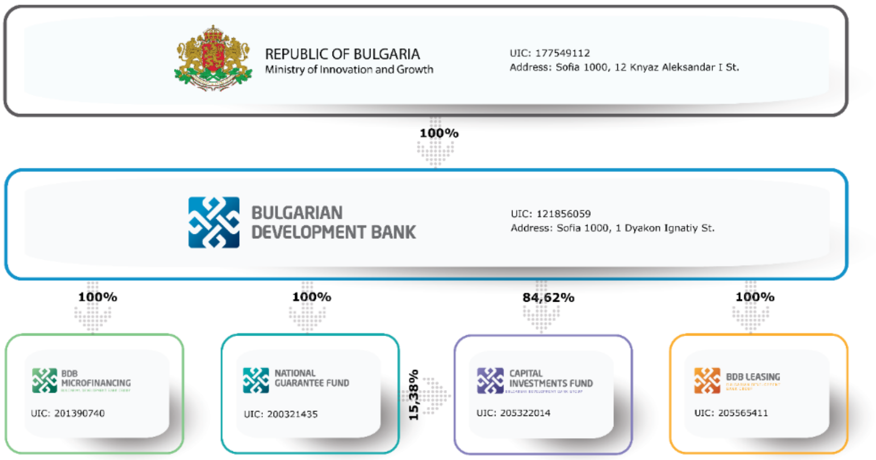
d.rangelova@abv.bg

2 INFORMATION ABOUT THE GROUP

2.1 BDB GROUP

As of the end of 2024 the Financial Group Bulgarian Development Bank ("the Group", "BDB Group" or "Financial Group") includes Bulgarian Development Bank EAD ("BDB", "the Bank") and its subsidiaries – National Guarantee Fund EAD ("NGF"), BDB Microfinancing EAD, Capital Investments Fund AD ("CIF") and BDB Leasing EAD ("BDB Leasing")[3].

The Group has the following structure of ownership as of 31 December 2024:



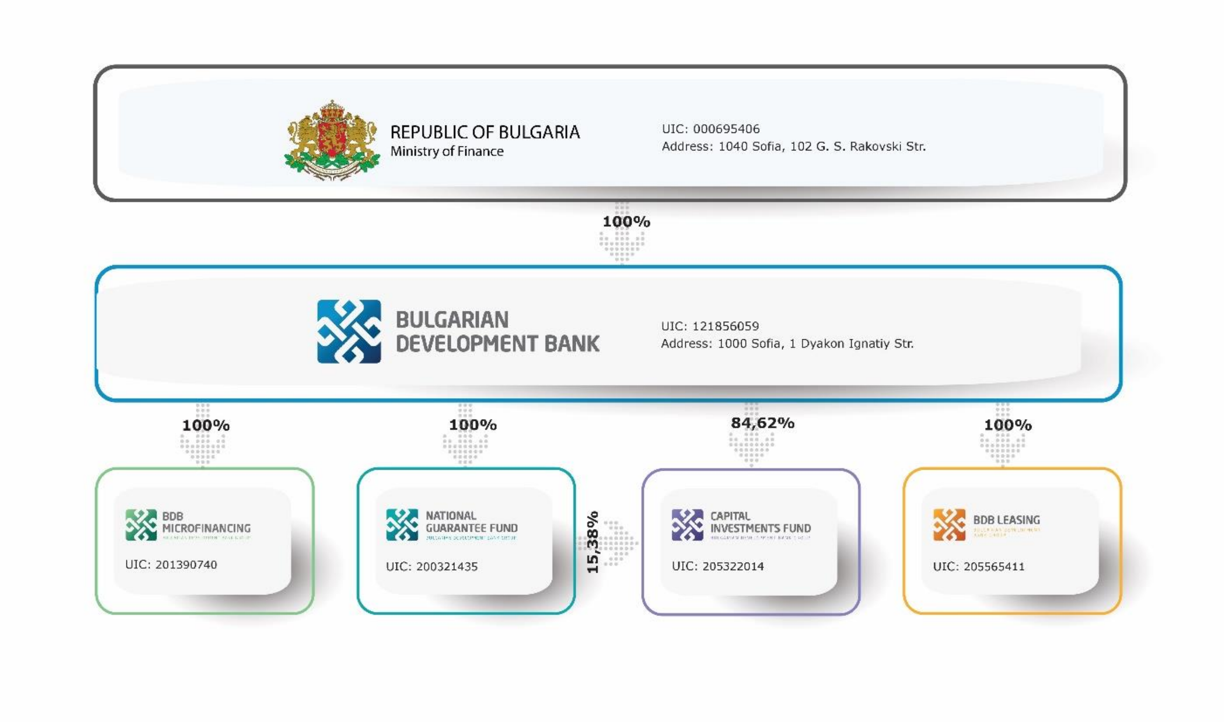
The structure of ownership as of the date of this report is as follows:

[3] As of 31 December 2024, the Bank is sole owner of the capital of TC "Maritsa" EOOD (TCM) and the company is not part of the strategic business model of the BDB Financial Group.

As of 31 December 2024, the Bank exercises control over Roadway Construction AD, by virtue of exercised rights under the pledge of a commercial enterprise. Roadway Construction exercises control over Patstroyengineering AD. Both companies are not part of the strategic business model of the BDB Financial Group. The Bank has taken action toward selling Patstroyengineering AD and the sale is expected to be finalized. The criteria for classification under IFRS 5 are not met as of 31 December 2024.

As of 31 December 2024, the Bank exercises control over Cohoferm OOD by virtue of exercised rights under the pledge of a commercial enterprise. The company is not part of the strategic business model of the BDB Financial Group.

As of 31 December 2024, BDB exercises control over Ponstroyengineering AD (in bankruptcy), by virtue of exercised rights under the pledge of a commercial enterprise. The company is not part of the strategic business model of the BDB Financial Group.



The number of employees as of 31 December 2024 in BDB Group is 248 (as of 31 December 2023 – 276 employees).

BDB Group complies with the applicable Bulgarian and European environmental protection legislation. The Group conducts an environmental impact analysis of all projects for which such an analysis is required under the applicable legal framework. In the project implementation process, the BDB Group requires the submission of the necessary permits and documents and strictly monitors the precise implementation of the projects.

In cases of stricter environmental requirements set out in the loan agreements with external creditors, the Group requires compliance with these higher standards by its clients and monitors their performance.

A key factor in the realization of the new strategy and business objectives of the BDB Group is human capital.

There is no specialized unit for research and development activity in the Bank Group, and no research and development has been carried out during the reporting period.

As of 31 December 2024, there are no pending judicial, administrative or arbitration proceedings in the BDB Group regarding liabilities or receivables of the BDB Group in the amount of 10 percent or more of the equity.

At the end of 2024, the BDB Group has no obligations under existing or new securities issues.

2.2 Bulgarian Development Bank EAD

Bulgarian Development Bank EAD, was established on 11 March 1999 as a joint-stock company under the name of Encouragement Bank AD.

The Bulgarian Development Bank Act was adopted on 23 April 2008. It regulates the scope of Bank's activities and of its subsidiaries planned for establishment.

In carrying out its activities, the Bank is guided by the principles of transparency, neutrality, profitability, efficiency, market compatibility and good banking practice. BDB creates conditions for compliance with the requirements for ensuring confidentiality, prevention and disclosure of conflicts of interest by all its employees. The Bank does not have as its main goal the achievement of maximum profit.

Bulgarian Development Bank EAD is a credit institution that holds license No B25/1999 for carrying out banking activities by the Bulgarian National Bank with the last update of the license under Order No RD22-2272/ 16.11.2009 of the Governor of the BNB.

The Bank fulfils the requirements of the BNB for the minimum required share capital for the exercise of banking activity. From its establishment until August 2017, the state participation in BDB was under the control of the Minister of Finance. With an amendment to the Bulgarian Development Bank Act in 2017, the management of state participation passed under the control of the Minister of Economy.

On 4 June 2021, Bulgarian Development Bank was registered in the Commercial Register and the register of non-profit legal entities as sole – owned joint stock company.

With a change in the Bulgarian Development Bank Act, effective as of 31 March 2025, the rights of the state as a sole owner of the capital of the Bank are exercised by the Minister of Finance.

As of the date of approval of this report, 100% of the shares are owned by the Republic of Bulgaria, with the rights of the state as the sole owner of the capital being exercised by the Minister of Finance.

As of 31 December 2024, the Bank's capital is in the amount of BGN 1,135,500,000 and consists of 11,355,000 ordinary registered voting shares, with a nominal value of BGN 100 each. BDB shares are not traded on a regulated market.

By decision of 21 July 2022, the Minister of Innovation and Growth, as the sole owner of the capital of Bulgarian Development Bank EAD, decided to reduce the Bank's capital from BGN 1,441,773,500 to BGN 1,135,500,000 through acquisition and invalidation of 3,062,735 own ordinary registered dematerialized voting shares with a nominal value of BGN 100 each, as well as to amend the Bank's Statute in connection with the capital decrease.

By decision of 18 May 2023 Bulgarian National Bank approved the capital decrease of Bulgarian Development Bank EAD and the changes in its Statute based on decision of the Minister of Innovation and Growth of 21 July 2022. The decisions for capital decrease and change of Bank’s Statute were entered into the Commercial Register and the register of non-profit legal entities on 30 May 2023. The change does not affect neither the value of Group’s net assets as of 31 December 2023 or as of subsequent periods nor the amount of regulatory equity.

The Bulgarian Development Bank Act stipulates that no less than 51% of the shares in the Bank's capital are owned by the state and are non-transferable. Share rights cannot be subject to transfer transactions.

By virtue of Art. 6 para. 4 of the Bulgarian Development Bank Act, the shares of the Bank’s capital, apart from the Bulgarian state, may be acquired and held by the Development Bank of the Council of Europe, the European Investment Bank and the European Investment Fund, by development banks from EU member states. In these cases, Art. 31 of the Credit Institutions Act is not applied.

BDB is governed in accordance with Article 5 of BDBA, according to which the Bank has a two-tier management system.

No shares of the Bank were acquired, owned or transferred by the members of the management bodies during the year.

According to Art. 6, para. 4 of the BDBA, the members of the management and control bodies, procurators and senior management cannot own shares, and they cannot be granted options on BDB securities, and in subsequent reporting periods, no arrangements can arise as a result of which in a future period may change in the relative share of shares owned by current shareholders.

The objectives of Bulgarian Development Bank EAD as set out in the Statute are:

- Improving, stimulating and developing the overall economic, export and technological potential of small and medium-sized enterprises by facilitating their access to finance;
- Attracting and managing medium- and long-term local and foreign resources necessary for the realization of the economic development of the country;
- Implementation of schemes and instruments to finance public investment and projects that are a priority for the country's economy;
- Raising funds and managing projects from international financial and other institutions;
- Raising funds and providing funding in order to reduce regional imbalances in the country;
- Financing projects of local companies creating export, innovation, high employment and/or added value;
- Financing of priority sectors of the economy, according to the adopted government policy for economic development
- Financing of companies operating in priority sectors of the economy, in accordance with the adopted government economic development policy, as well as such implementing strategic projects and/or projects of national and/or regional importance.

<u>According to the Statute of BDB (enforced on 12 July 2024), the Bank's activity is oriented towards:</u>

- pre-export and export lending to small and medium enterprises;
- lending through intermediary banks or directly to other types of activities of small and medium-sized enterprises;
- refinancing of banks lending to small and medium enterprises;
- financing of investments outside the country of small and medium-sized enterprises;
- participation in public and public-private projects or partnerships of strategic, national and/or regional importance;
- implementation of public policies for the economic development and growth of the country;
- implementation of instruments for financing public investments and projects that are a priority for the country's economy;

- attracting funds and providing financing in order to reduce regional imbalances in the country.

The Bank also provides other types of loans in order, such as exposure to one customer or a group of related clients, other than credit institutions, central governments and central banks, subject to compliance with the requirements and restrictions of Regulation 575/2013/EU, after taking into account the effect of reducing the credit risk in accordance with the procedure determined by the Bank's Management Board.

The Bank cannot form exposures on an individual and consolidated basis to one client or a group of related clients, the total amount of which exceeds the amount of BGN 5,000,000 and to financial institutions under Art. 3a of the Law on Credit Institutions for the purpose of indirect financing of small and medium-sized enterprises - BGN 15,000,000. The limitation under the previous sentence does not apply to exposures to subsidiaries of the Bank, other credit institutions, the Development Bank of the Council of Europe, the European Investment Bank and the European Investment Fund, by development banks from member states of the European Union, in the cases, in which the Bank carries out financial transactions, within the scope of its activity, under programs specifically commissioned by the Government of the Republic of Bulgaria, as well as in certain cases with existing exposures.

1. The Bank may not form exposures on an individual and consolidated basis to one client or group of related clients, the total amount of which exceeds the amount of BGN 5,000,000. In 2024 and 2025 the following changes were made to the Statute, introducing exceptions to this rule: In case of financing to end customers in whole or in part with funds received or managed by the Bank from the EU, the European Investment Bank, the European Investment Fund, another EU instrument, the Development Bank of the Council of Europe, other development banks, when the single exposure limit follows the limitations of the financing agreement of BDB with the relevant institution;
2. When financing public enterprises, as well as commercial companies in which the state/municipality owns not less than 50 per cent of the capital, established on the basis of an act of a state body in the Republic of Bulgaria, for the implementation of regional or international projects, and in which another state or its administrative-territorial unit participates;
3. In case of financing beneficiaries under national or EU programs up to the amount of their approved grant. Funding outside the framework of the programs under the previous sentence or above the grant under national or EU programs shall be in the maximum amount under para. 5;
4. In the case of fully or partially secured exposures in cash and/or government securities and/or government guarantees, bank guarantees issued by first-class banks or significant credit institutions (as determined by the European Central Bank), the part of the exposure covered by other types of collateral may not exceed the limit referred to in paragraph 5;
5. In co-financing/guaranteeing with development banks, first-class banks and significant credit institutions (designated by the European Central Bank), EXIM institutions;
6. When financing customers for the implementation of projects assigned by budget penders/budget organizations or from public enterprises to the amount of the assigned activities;

7. When financing pre-export and export activities for products produced by exporting enterprises registered in Bulgaria. The financing is carried out according to a program approved by the Bank;
8. Financing of manufacturing enterprises registered in Bulgaria from the military-industrial complex. The financing is carried out in accordance with a program approved by the Bank;
9. When issuing bank guarantees for payment in order to guarantee (secure) the fulfilment of obligations under grant contracts under the Investment Promotion Act and the Regulations for its implementation. The restriction of BGN 5 million shall not apply to exposures to subsidiaries of the Bank, other credit institutions, the Council of Europe Development Bank, the European Investment Bank and the European Investment Fund and development banks from Member States of the European Union, in cases where the Bank carries out financial transactions within its scope of activity, programmes specifically assigned by the Government of the Republic of Bulgaria, as well as in certain cases in existing exposures.

The Bank does not grant loans for:

- activities which are in non-compliance with national legislation, including environmental protection;
- companies with unknown ultimate controlling owner;
- political parties and persons related with them. Individuals related to political parties are: youth, women's and other organizations, which by law parties can establish, as well as entities established by political parties for the implementation of only the business activity permitted by law - publishing, copyright and use of intellectual property, as well as from the sale and distribution of print, audio and audio-visual materials with party - propaganda content;
- non-profit companies and organisations;
- activities related to the provision of media services;
- activities related to sport and sports events;
- activities prohibited by law.

The Bank provides loans directly or through commercial intermediary banks. The terms and conditions for granting loans shall be determined by the Management Board.

As of 31 December 2024, and 31 December 2023, there is no client or group of related client exposure greater than 25% of the Bank's share capital.

The exposure to a single client or group of related clients other than credit institutions, central governments and central banks shall follow the requirements and limits of Regulation (EU) No 575/2013, taking into account the effect of credit risk mitigation in accordance with a procedure determined by the Management Board.

In view of its specific function for conducting a state promotion policy, BDB prioritizes in its activities programs and products for the promotion of SMEs, on-lending programs, export financing and financing under assigned mandates.

Bulgarian Development Bank EAD has a license under which it can provide investment services and perform investment activities under art. 6, para. 2 of the Markets in Financial Instruments Act (MFIA), as well as additional services under art. 6, para. 3 of the MFIA according to a license issued by the BNB. The Bank does not provide investment services and activities under art. 6, para. 2, items 8 and 9 of the MFIA – organization of a multilateral trading facility and an organized trading facility.

The number of employees of the Bank at the end of 2024 is 213 (as of 31 December 2023: 201).

As of 31 December 2024, the Bulgarian Development Bank EAD has no branches.

The head office and registered address of Bulgarian Development Bank EAD is at 1, Dyakon Ignatij Str., Sredets district, 1000 Sofia City.

There is no specialised Research and Development unit in the Bank and no such activity has been carried out during the reporting period.

BDB complies with the applicable Bulgarian and European environmental protection legislation. The Bank conducts an environmental impact analysis of all projects for which such an analysis is required under the applicable legal framework. In the project implementation process, BDB requires the submission of the necessary permits and documents and strictly monitors the precise implementation of the projects. In case there are stricter environmental requirements set out in the loan agreements with external creditors, the Bank requires compliance with these higher standards by its clients and monitors their performance.

As of 31 December 2024, there are no pending court, administrative or arbitration proceedings concerning liabilities or receivables of the BDB amounting to 10% or more of the equity.

At the end of 2024, BDB had no obligations on existing or new issues of securities.

2.2.1 Amendments to the BDBA

The Law on the State Budget of the Republic of Bulgaria for 2025 was promulgated in issue 26 of the State Gazette of 27 March 2025. The law amended the Bulgarian Development Bank Act, according to which the rights of the state in the general meeting of the Bank's shareholders are exercised by the Minister of Finance. The amendment is effective as of 31 March 2025.

2.2.2 Amendments to the Statute and the capital of the Bank

By decisions of the Minister of Innovation and Growth of 7 June 2024 and 18 June 2024, amendments to the Statute of the Bulgarian Development Bank EAD have been adopted, which have been approved by the Bulgarian National Bank and have been entered in the Commercial Register and the Register of Non-Profit Legal Entities, which have been in force since 12 July 2024.

By decision under Protocol No. RD-02-17-1 of 14 January 2025 of the Minister of Innovation and Growth, in the capacity of exercising the rights of the state as the sole owner of the capital of BDB, amendments and supplements to the Statute of Bulgarian Development Bank EAD have been adopted, which have been approved by the Bulgarian National Bank, and have been entered in the Commercial Register and the Register of Non-Profit Legal Entities, which have been in force since 19 February 2025.

The amendments to the Statute are in accordance with the Strategy for the Activities of Bulgarian Development Bank EAD for the period 2024 – 2026, approved by the Council of Ministers.

2.2.3 Significant changes in the management bodies and structure of the Bank during 2024 and until the date of approval of the consolidated management report:

In 2024 and 2025, the following changes were made to the management and structure of the Bank

2.2.3.1 Management Board of the Bank

By decision of the Supervisory Board under Protocol No. 11 of 19 March 2024, Teodora Petrova Pesheva was elected as a new member of the Management Board of BDB. This circumstance was entered in the Commercial Register and Register of Non-Profit Legal Entities on 25 March 2024.

By decision of the Supervisory Board under Protocol No. 22 of 28 May 2024, Ivan Valentinov Cerovski was dismissed as a member of the Management Board of Bulgarian Development Bank EAD and Executive Director. The decision was entered in the Commercial Register and the Register of Non-Profit Legal Entities on 10 June 2024.

By decision of the Supervisory Board under Protocol No. 41 of 29 October 2024, Ivaylo Angelov Moskovski was elected as a new member of the Management Board of BDB. This circumstance was entered in the Commercial Register and Register of Non-Profit Legal Entities on 5 November 2024.By a decision of the Management Board under Protocol No. 73 of 29 October 2024, approved by a decision of the Supervisory Board under Protocol No. 42 of 29 October 2024, Mr. Ivaylo Angelov Moskovski is authorized to represent and manage the Bank as Executive Director. This circumstance was entered in the Commercial Register and the Register of Non-Profit Legal Entities on 5 November 2024.

By decision of the Management Board under Protocol No 8 of 14 February 2025, approved by the Supervisory Board by decision under Protocol No 6 of 14 February 2025, Mr. Ivaylo Moskovski was elected as chairman of the Management Board of Bulgarian Development Bank EAD.

As of 31 December 2024, the Management Board is composed of:

- Ivaylo Angelov Moskovski – Member of the MB and Executive Director;
- Iliya Zapryanov Karanikolov - Member of the MB and Executive Director;
- Tsanko Rumenov Arabadzhiev – Member of the MB and Executive Director;
- Teodora Petrova Pesheva – Member of the MB.

By decision of the Supervisory Board under Protocol No. 8 of 20 February 2025, Iliya Zapryanov Karanikolov was dismissed as a member of the Management Board of Bulgarian Development Bank EAD and Executive Director. The decision was entered in the Commercial Register and the Register of Non-Profit Legal Entities on 27 February 2025.

As of the date of approval of this report, the Management Board is composed of:

- Ivaylo Angelov Moskovski – Chairman of the MB and Executive Director;
- Tsanko Rumenov Arabadzhiev – Member of the MB and Executive Director;
- Teodora Petrova Pesheva – Member of the MB.

2.2.3.2 Supervisory Board of the Bank

In connection with Decree No 101 of the President of the Republic of Bulgaria for the appointment of a caretaker government (promulgated in State Gazette No. 32 of 9 April

2024) and Decree No 222 of the President of the Republic of Bulgaria for the appointment of a caretaker government (promulgated in State Gazette No 73 of 27 August 2024) Mr. Rosen Karadimov stopped temporarily and did not exercise his powers as Chairman and member of the Supervisory Board of Bulgarian Development Bank EAD for the period in which he was appointed caretaker Minister of Innovation and Growth.

By decision under Protocol No. RD-02-17-17 of 31 October 2024 of the Minister of Innovation and Growth in his capacity of sole owner of BDB's capital, Dimitar Ivanov Mitev was elected as a member of the Supervisory Board of the Bank. This circumstance was entered in the Commercial Register and the Register of Non-Profit Legal Entities on 7 November 2024.

As of 31 December 2024, the Supervisory Board is composed of:

- Rosen Andreev Karadimov – Chairman of the SB
- Delyana Valerieva Ivanova – Deputy chairman of the SB
- Stamen Stamenov Yanev – Member of the SB
- Dimitar Ivanov Mitev – Member of the SB

By decision under Protocol No 25 of 23 May 2025 of the Supervisory Board of the BDB, Mrs. Delyana Valerieva Ivanova was elected as Chairman of the Supervisory Board of the Bank.

By decision under Protocol No 26 of 23 May 2025 of the Supervisory Board of the BDB, Mr. Dimitar Ivanov Mitev was elected as Deputy chairman of the Supervisory Board of the Bank.

By decision under Protocol No ПР-77 of 30 May 2025 of the Minister of Finance in its capacity of sole owner of the capital of the BDB, Mr. Stamen Stamenov Yanev was dismissed as member of the Supervisory Board of the Bank. This circumstance was entered in the Commercial Register and the Register of Non-Profit Legal Entities on 6 June 2025.

By Decision of the 51st National Assembly of 23 May 2025 on the election of the Chairman of the Commission for Protection of Competition (Promulgated, State Gazette, issue 44 of 2025), Mr. Rosen Karadimov was elected Chairman of the Commission for Protection of Competition. By decision under Protocol No ПР-84 of 17 June 2025 of the Minister of Finance in its capacity of sole owner of the capital of the BDB, Mr. Rosen Andreev Karadimov was dismissed as member of the Supervisory Board of the Bank. This circumstance was entered in the Commercial Register and the Register of Non-Profit Legal Entities on 24 June 2025.

By decision under Protocol No ПР-85 of 17 June 2025 of the Minister of Finance in its capacity of sole owner of the capital of the BDB, Goritsa Nikolova Gruncharova-Kozhareva and Luchezar Dimitrov Borisov were elected as members of the Supervisory Board of the Bank. These circumstances were entered in the Commercial Register and the Register of Non-Profit Legal Entities on 24 June 2025.

As of the date of approval of this report, the Supervisory Board is composed of:

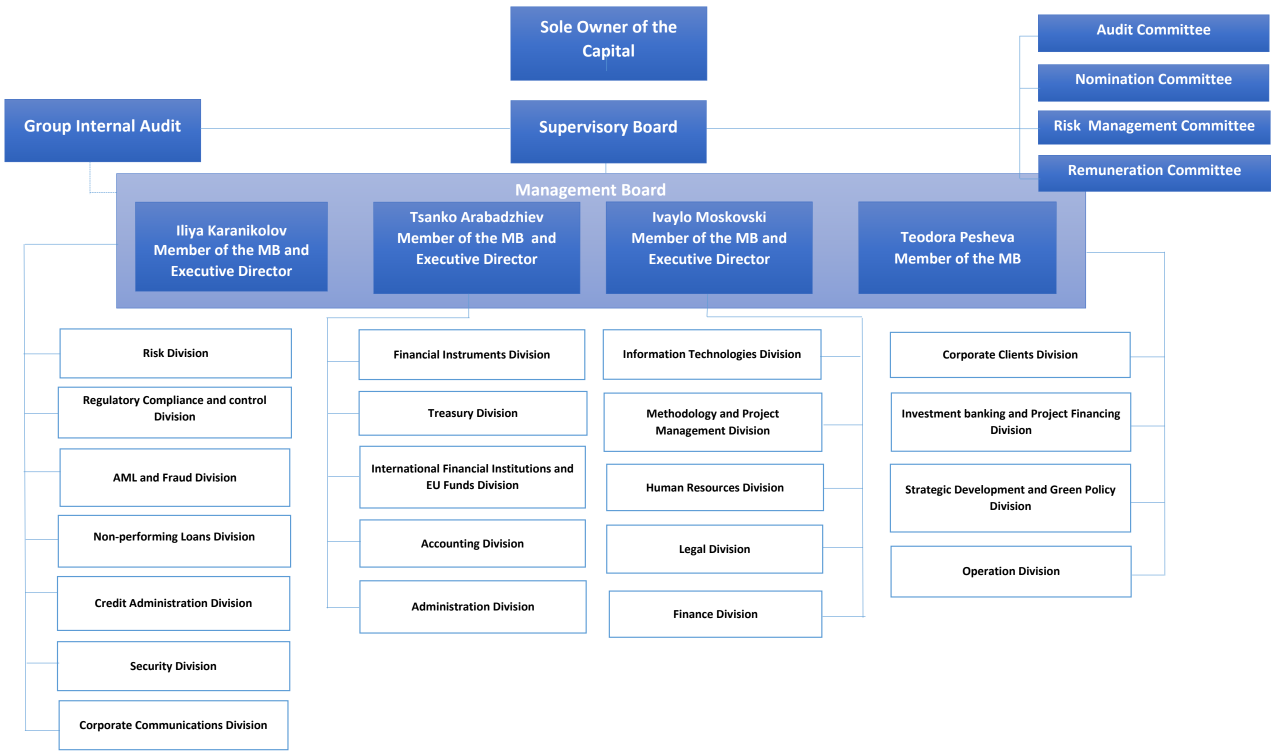
- Delyana Valerieva Ivanova – Chairman of the SB
- Dimitar Ivanov Mitev – Deputy chairman of the SB
- Goritsa Nikolova Gruncharova-Kozhareva – Member of the SB
- Luchezar Dimitrov Borisov – Member of the SB

2.2.3.3 Audit Committee of the Bank

As of 31 December 2024, and as of the date of issuance of this consolidated management report, the Audit Committee of the Bulgarian Development Bank EAD consists of – Svetlana Hristova Kurteva, Svetlodara Encheva Petrova and Delyana Valerieva Ivanova.

2.2.4 Changes in the structure of the Bank

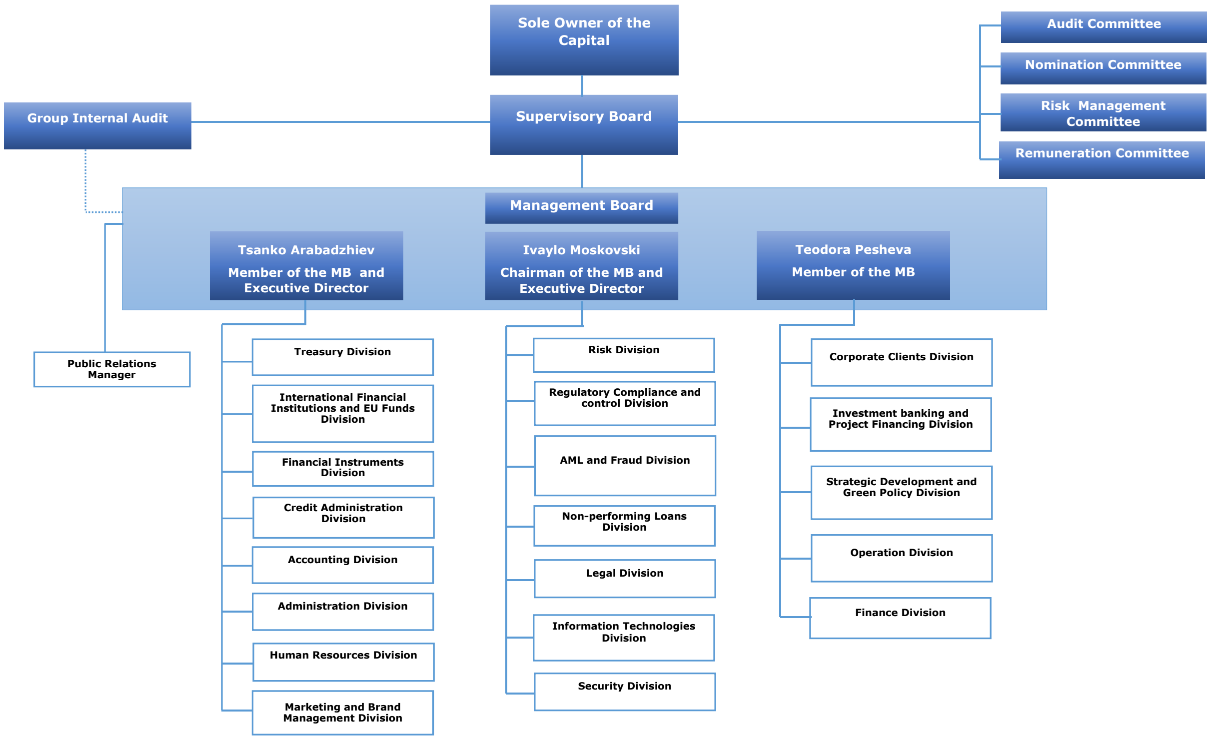
The organizational structure, which is effective as of 31 December 2024, is as follows:



- Management Board supporting committees – ALCO, Classified Credit Committee and Impairment, Provisions Committee, Operational Risk Committee, Change Management Committee and Sustainability Committee
- BDB subsidiaries – National Guarantee Fund, BDB Microfinancing, Capital Investment Fund, and BDB Leasing

The chart of the BDB’s current organizational structure is as follows (effective as of 9 July 2025):

This document is a translation of the original Bulgarian text, in case of divergence the Bulgarian text shall prevail.



- Management Board supporting committees – ALCO, Classified Credit Committee and Impairment, Provisions Committee, Operational Risk Committee, Change Management Committee and Sustainability Committee
- BDB subsidiaries – National Guarantee Fund, BDB Microfinancing, Capital Investment Fund, and BDB Leasing

Internal Audit of the Group - the internal audit function of the Group is independent and in direct communication with the Supervisory Board/Management Board.

In 2024 and until the date of issuance of this Report, the following changes have occurred in the allocation of sectors between the members of the MB:

- By decision of the Supervisory Board under Protocol No 11 of 19 March 2024 Mrs. Teodora Petrova Pesheva was elected as new member of the Management Board of the BDB. This circumstance was entered in the Commercial Register and the Register of Non-Profit Legal Entities on 25 March 2024.
- By decision of the Management Board under protocol No 18/27 March 2024, approved by the Supervisory Board by decision under protocol No 14/29 March 2024 a reallocation of the sectors of the MB was carried out, in connection with the increase of the composition of the board with a new member – Mrs. Teodora Pesheva.

The allocation of the sectors between the members of the MB as of 29 March 2024 is as follows:

Iliya Karanikolov – Member of the MB and Executive Director

- Information Technologies Division
- Non-performing Loans Division
- Security Division
- Credit Administration Division
- Regulatory Compliance and Control Division
- Corporate Communications Division
- AML and Fraud Division

- Methodology and Project Management Division

Ivan Cerovski - Member of the MB and Executive Director

- Human Resources Division
- Administration Division
- Finance Division
- Legal Division
- Risk Division

Tsanko Arabadzhiev – Member of the MB and Executive Director

- Financial Instruments Division
- Treasury Division
- Accounting Division
- International Financial Institutions and EU Funds Division
- Operations Division

Teodora Pesheva – Member of the MB

- Corporate Clients Division
- Investment Banking and Project Financing Division
- Strategic Development and Green Policies Division

By decision of the Management Board under protocol No 34/30 May 2024 approved by the Supervisory Board by decision under protocol No 23/3 June 2024 a new reallocation of sectors of the MB was carried out in connection with the dismissal of Mr. Ivan Cerovski as member of the Management Board.

The allocation of the divisions between the members of the Management Board as of 3 June 2024 is as follows:

Iliya Karanikolov – Member of the MB and Executive Director

- Information Technologies Division
- Non-performing Loans Division
- Security Division
- Credit Administration Division
- Regulatory Compliance and Control Division
- Corporate Communications Division
- AML and Fraud Division
- Methodology and Project Management Division
- Risk Division

Tsanko Arabadzhiev – Member of the MB and Executive Director

- Financial Instruments Division
- Treasury Division
- Accounting Division
- International Financial Institutions and EU Funds Division
- Human Resources Division

- Legal Division
- Administration Division

Teodora Pesheva – Member of the MB

- Corporate Clients Division
- Investment Banking and Project Financing Division
- Strategic Development and Green Policies Division
- Finance Division
- Operations Division

By decision of the Management Board under Protocol No. 77/18 November 2024, approved by decision of the Supervisory Board under Protocol No. 49/20 November 2024, a new reallocation of the responsibilities of the Management Board was carried out, in connection with the election of Mr. Ivaylo Moskovski as a new member of the Management Board, which is as follows:

Iliya Karanikolov – Member of the MB and Executive Director

- Non-performing Loans Division
- Security Division
- Credit Administration Division
- Regulatory Compliance and Control Division
- Corporate Communications Division
- AML and Fraud Division
- Risk Division

Tsanko Arabadzhiev – Member of the MB and Executive Director

- Financial Instruments Division
- Treasury Division
- Accounting Division
- International Financial Institutions and EU Funds Division
- Administration Division

Ivaylo Moskovski – Member of the MB and Executive Director

- Information Technologies Division
- Methodology and Project Management Division
- Human Resources Division
- Legal Division
- Finance Division

Teodora Pesheva – Member of the MB

- Corporate Clients Division
- Investment Banking and Project Financing Division
- Strategic Development and Green Policies Division
- Operations Division

By decision of the Management Board under Protocol No. 6/4 February 2025, due to the need to strengthen the Bank's marketing activities, the "Public Relations" function was separated from the "Corporate Communications" Division, and the position of Public Relations Manager was created, directly subordinate to the Management Board, and the name of the "Corporate Communications" Division was changed to "Marketing and Brand Management".

By decision of the Management Board under Protocol No. 7/11 February 2025, approved by decision of the Supervisory Board under Protocol No. 5/11 February 2025, in connection with the dismissal of Mr. Iliya Karanikolov and in order to ensure continuity, the divisions headed by him were transferred to the other members of the Management Board, as follows:

Ivaylo Moskovski – Member of MB and Executive Director

- Risk Division
- Regulatory Compliance and Control Division
- AML and Fraud Division
- Non-Performing Loans Division
- Information Technologies Division
- Methodology and Project Management Division
- Legal Division
- Security Division

Tsanko Arabadzhiev – Member of the MB and Executive Director

- Financial Instruments Division
- Treasury Division
- Accounting Division
- International Financial Institutions and EU Funds Division
- Administration Division
- Credit Administration Division
- Human Resources Division
- Marketing and Brand Management Division

Teodora Pesheva – Member of the MB

- Corporate Clients Division
- Investment Banking and Project Financing Division
- Strategic Development and Green Policies Division
- Operations Division
- Finance Division

Iliya Karanikolov – Member of the MB and Executive Director – No divisions are under his direct subordination.

The position of Public Relations Manager is directly subordinate to the Management Board.

By decisions of the Management Board under Protocol No. 8/14 February 2025, approved by decisions of the Supervisory Board under Protocol No. 6/14 February 2025, Mr. Ivaylo Moskovski was elected Chairman of the Management Board of the Bank, and the decision is also reflected in the organizational structure.

By decision of the Management Board under protocol No 15/18 March 2025, approved by the Supervisory Board by decision under protocol No 12/20 March 2025 and in connection with the reduced composition of the Management Board after the dismissal of Iliya Karanikolov, the organizational structure of the Bank was updated and the allocation of responsibilities for sectors between the members of the Management Board as of 20 March 2025, is as follows:

Ivaylo Moskovski – Member of MB and Executive Director

- Risk Division
- Regulatory Compliance and Control Division
- AML and Fraud Division
- Non-performing Loans Division
- Information Technologies Division
- Methodology and Project Management Division
- Legal Division
- Security Division

Tsanko Arabadzhiev – Member of the MB and Executive Director

- Financial Instruments Division
- Treasury Division
- Accounting Division
- International Financial Institutions and EU Funds Division
- Administration Division
- Credit Administration Division
- Human Resources Division
- Marketing and Brand Management Division

Teodora Pesheva – Member of the MB

- Corporate Clients Division
- Investment Banking and Project Financing Division
- Strategic Development and Green Policies Division
- Operations Division
- Finance Division

Internal Audit Department of the Group, in view of its implementation of independent and objective assurance and consulting activities is in direct communication with the Supervisory Board/Management Board.

A change in the internal structure of the divisions in the Bank was carried out in the Operations Division (decision of MB under protocol No 22/17 April 2024), by which the Document Operations Department was renamed to Payments and Document Operations Department and takes over part of the operations of "Back Office and Operations". By decision of the Management Board under protocol No 17/23 March 2025, departments in the Security Division were closed and the employees were transferred to the direct subordination of the head of the division.

By decision of the Management Board under protocol No 39/09.07.2025 and decision of the Supervisory Board No 34/09.07.2025 a change in the internal structure of the divisions in the Bank was carried out. The Methodology and Project Management Division was made redundant.

2.3 National Guarantee fund EAD (NGF)

National Guarantee Fund EAD, UIC: 200321435, is a company founded on 12 August 2008 based on the Bulgarian Development Bank Act and was registered in the Commercial Register on 22 August 2008. According to the Credit Institutions Act (CIA), the National Guarantee Fund EAD is a financial institution entered in 2009 into the Register by BNB under Art. 3, Par. 2 of the CIA. In compliance with the Statute of the company the principal activities include:

- Issuance of guarantees to supplement the collateral on loans to small and medium-sized enterprises;
- Offering other products to small and medium-sized enterprises, i.e.: guarantee for participation in a tender, performance guarantee, advance payment guarantee, guarantee for payment of a loan of an exporter, etc.;
- Issuing guarantees for supplementing collateral under loans to small and medium-sized enterprises, carrying out research and development and for implementing these products and scientific developments into the industry;
- Guarantees issued by NGF on its own risk may cover up to 50 per cent of the liability. With the amendments to the BDB Act promulgated in State Gazette No. 102 of 21 December 2012, the guarantees issued by the NGF with regard to guarantee schemes under the Rural Development Program 2007 - 2013 and Operational Program for Development of the Fisheries Sector 2007 - 2013 may cover up to 80 per cent of the liability;
- Other activities, not particularly prohibited by law.

The scope of activity of NGF EAD is stipulated in section X of the Bulgarian Development Bank Act (SG 43/29.04.2008).

The registered capital of the Company as of 31 December 2024 amounted to BGN 80,000,000 divided into 800,000 shares with nominal value of BGN 100 each. The shares are ordinary, materialised, registered and indivisible, and each share gives the right to one vote. The sole owner of the capital is BDB EAD. The capital of NGF is fully paid in.

The seat and registered address of the NGF is 1000 Sofia, 1, Dyakon Ignatii Str.

The number of employees of NGF as of 31 December 2024 is 11.

As of 31 December 2024, NGF had no branches.

2.4 BDB Microfinancing EAD (BDB Microfianacing)

BDB Microfinancing EAD was registered into the Commercial Register on 14 January 2011. The sole owner of the company's capital is Bulgarian Development Bank EAD.

BDB Microfinancing EAD is a financial institution. The scope of activity is microfinance, including granting microloans, acquisition by third parties and leasing of industrial equipment, cars and other vehicles, as well as other items (financial leasing), purchase and sale and import of such items, consulting services, commercial representation and mediation of local and foreign individuals and legal entities operating in the country, as well as any other activity not prohibited by law.

As of 31 December 2024, the registered capital of BDB Microfinancing is BGN 14,035,000, divided into 140,350 shares with a nominal value of BGN 100 each. The shares are ordinary, materialized, registered and indivisible, each share giving the right to one vote. The capital of the company is fully paid.

With Protocol No. 88 of 21 December 2023, appended by Protocol No. 7 of 1 February 2024 and Protocol No. 14 of 12 March 2024, the Board of Directors of BDB, exercising the Bank's rights as the sole owner of the capital of BDB Microfinancing EAD decided to reduce the company's capital to BGN 14,035,000 (fourteen million and thirty-five thousand) by cancelling shares, as well as changes in the company's Statute related to the reduction of capital. The decisions to reduce the capital and changes in the Statute were entered in the Commercial Register and the Register of Non-Profit Legal Entities on 12 April 2024.

By decision of the Management Board of Bulgarian Development Bank EAD under protocol No 15 of 18 March 2025, in its capacity of sole owner of capital of BDB Microfinancing EAD, a decision was taken to increase the capital of BDB Microfinancing EAD by the amount of BGN 15,000,000 by issuing new shares as well as changes to the Statute of the company related to the capital increase. These circumstances were entered into the Commercial Register and the Register of Non-Profit Legal Entities on 8 April 2025.

As of the date of approval of this report, the registered capital of BDB Microfinancing EAD is BGN 29,035,000 and is divided into 290,350 shares with a nominal value of BGN 100 each. The shares are ordinary, materialized, registered and indivisible, each share giving the right to one vote. The capital of the company is fully paid.

The number of employees of BDB Microfinancing EAD as of 31 December 2024 is 18.

As of 31 December 2024, BDB Microfinancing EAD had no branches.

2.5 BDB Leasing EAD (BDB Leasing)

BDB Leasing EAD, was established on 06 March 2019 and registered into the Commercial Register on 12 March 2019. Bulgarian Development Bank EAD is the sole owner of the capital of the company.

BDB Leasing EAD is a financial institution. The scope of activity includes: financial leasing, lending with funds not raised through public attraction of deposits or other repayable funds and all additional and servicing leasing and lending activities.

The sole owner of the capital of BDB Leasing EAD is Bulgarian Development Bank EAD.

The capital of the company, paid in at the incorporation, amounts to BGN 2,000,000, distributed to 20,000 ordinary registered shares with a par value of BGN 100.

As of 31 December 2024, the registered capital of BDB Leasing is BGN 18,630,000, divided into 186,300 shares with a nominal value of BGN 100 each. The shares are ordinary, materialized, registered and indivisible, each share giving the right to one vote. The capital of the company is fully paid.

The seat and registered address of BDB Leasing EAD is Sofia, 1 Dyakon Ignatij Str. The company uses rented office in Sofia, 10, Stefan Karadzha Str., floor 2.

The number of employees of BDB Leasing as of 31 December 2024 is 16.

2.6 CAPITAL INVESTMENTS FUND AD (CIF)

Capital Investments Fund AD was incorporated on 24 August 2018 and registered on 4 October 2018 as a joint-stock company, in which shareholders are Bulgarian Development Bank EAD with 84.62% participation in the capital and National Guarantee Fund with 15.38% participation in capital.

Capital Investments Fund AD is a financial institution.

The scope of activity of CIF includes:

- Participation in the capital of small and medium-sized enterprises;
- Provision of consulting services regarding the capital structure of small and medium-sized enterprises, consultancy and services relating to business transformation under Article 261 of the Commercial Act;
- Investment consultancy;
- Consulting services on the management of pools of securities of small and medium-sized enterprises;
- Other activities, not specifically prohibited by law.

A key priority is to ensure capital for the growth of small and medium-sized enterprises with established business model and opportunities for accelerated expansion on the internal and international markets.

The capital of the company paid in at the time of establishment is BGN 65,000,000, divided into 650,000 ordinary, materialized, registered and indivisible shares with a nominal value of BGN 100.

As of 31.12.2024, the registered and paid share capital amounts to BGN 57,814,000, divided into 578,140 shares with a nominal value of BGN 100 each. The shares are ordinary, materialized, registered and indivisible, with each share giving the right to one vote. The capital of the company is fully paid.

The seat and registered address of the Capital Investments Fund AD is 1000 Sofia, 1 Dyakon Ignatij Str.

The number of employees of CIF as of 31 December 2024 is 7.

As of 31 December 2024, CIF had no branches.

2.7 SIGNIFICANT CHANGES IN THE MANAGEMENT BODIES AND STATUTES OF THE SUBSIDIARIES FROM THE BEGINNING OF 2024 UNTIL THE DATE OF APPROVAL OF THIS REPORT

2.7.1 National Guarantee Fund EAD

National Guarantee Fund EAD has a one-tier management system - a Board of Directors consisting of three to five members, with the following composition as of 31 December 2024:

- Iliya Zapryanov Karanikolov – Chairman of the Board of Directors from 10 June 2024 until 27 February 2025;

- Todor Lyudmilov Todorov – Executive Director and Deputy Chairman of the Board of Directors;
- Zaharina Damyanova Todorova – Member of the Board of Directors;
- Deyan Petrov Kalupchiev - Member of the Board of Directors from 27 September 2021 until 7 May 2025.

By decision under Protocol No 32 of 28 May 2024 of the Management Board of the Bulgarian Development Bank EAD, in its capacity of sole owner of the capital, Mr. Ivan Valentinov Cerovski was dismissed as member of the Board of Directors of the National Guarantee Fund EAD. This circumstance was entered into the Commercial Register and the Register of Non-Profit Legal Entities on 10 June 2024.

By decision under Protocol No 34 of 30 May 2024 of the Management Board of the Bulgarian Development Bank EAD, in its capacity of sole owner of the capital of the National Guarantee Fund EAD, Mr. Iliya Zapryanov Karanikolov was elected as member of the Board of Directors of the company. This circumstance was entered into the Commercial Register and the Register of Non-Profit Legal Entities on 10 June 2024. Mr. Iliya Zapryanov Karanikolov was elected as Chairman of the Board of Directors of the company.

As of the 31 December 2024, the composition of the Board of Directors of the NGF is as follows:

- Iliya Zapryanov Karanikolov - Chairman of the Board of Directors and Executive Director from 20 January 2023 until 27 February 2025;
- Todor Lyudmilov Todorov – Executive Director and Deputy Chairman of the Board of Directors;
- Zaharina Damyanova Todorova – Member of the Board of Directors;
- Deyan Petrov Kalupchiev – Member of the Board of Directors.

By decision of the Management Board of the Bulgarian Development Bank EAD, in its capacity of sole owner of the capital, under Protocol No 9 of 18 February 2025, Mr. Iliya Zapryanov Karanikolov was dismissed as member of the Board of Directors of the National guarantee Fund EAD. This circumstance was entered into the Commercial Register and the Register of Non-Profit Legal Entities on 27 February 2025.

By decision under Protocol No 13 of 6 March 2025 of the Management Board of the BDB, in its capacity of sole owner of the capital of the National Guarantee Fund EAD, Mrs. Teodora Petrova Pesheva was elected as member of the Board of Directors of the company. This circumstance was entered into the Commercial Register and the Register of Non-Profit Legal Entities on 24 March 2025. Mrs. Teodora Petrova Pesheva was elected as chairman of the Board of Directors.

By decision under Protocol No 26 of 23 April 2025 of the Management Board of the Bulgarian Development Bank EAD, in its capacity of sole owner of the capital of the National Guarantee Fund EAD, Deyan Petrov Kalupchiev was dismissed as member of the Board of Directors of the National Guarantee Fund EAD. This circumstance was entered into the Commercial Register and the Register of Non-Profit Legal Entities on 7 May 2025.

As of the date of approval of this report, the composition of the Board of Directors of the NGF is as follows:

- Teodora Petrova Pesheva – Chairman of the Board of Directors;
- Todor Lyudmilov Todorov – Deputy chairman of the Board of Directors and Executive Director;

- Zaharina Damyanova Todorova – member of the Board of Directors.

2.7.2 BDB Microfinancing EAD

BDB Microfinancing EAD has a one-tier management system - a Board of Directors consisting of three to five members. As of 31 December 2024, the composition of the Board of Directors is as follows:

- Tsanko Rumenov Arabadzhiev – Chairman of the Board of Directors
- Iliya Radkov Komitov - Member of the Board of Directors from 28 August 2020 until 3 June 2025;
- Boyan Stefanov Byanov – Member of the Board of Directors from 30 August 2021 until 3 June 2025;

Ivana Borisova Tzaneva – Executive Director and Deputy Chairman of the Board of Directors.

By decision under Protocol No 31 of 20 May 2025 of the Management Board of the Bulgarian Development Bank EAD, in its capacity of sole owner of the capital of BDB Microfinancing EAD, Iliya Radkov Komitov and Boyan Stefanov Byanov were dismissed as members of the Board of Directors of BDB Microfinancing EAD. These circumstances were entered into the Commercial Register and the Register of Non-Profit Legal Entities on 3 June 2025.

By decision under Protocol No 31 of 20 May 2025 of the Management Board of the Bulgarian Development Bank EAD, in its capacity of sole owner of the capital of BDB Microfinancing EAD, Mr. Ivan Vasilev Hinchovski was elected as member of the Board of Directors of the company. This circumstance was entered into the Commercial Register and the Register of Non-Profit Legal Entities on 3 June 2025.

As of the date of approval of this report, the composition of the Board of Directors of BDB Microfinancing is as follows:

Tsanko Rumenov Arabadzhiev – Chairman of the Board of Directors

Ivana Borisova Tzaneva – Executive Director and Deputy Chairman of the Board of Directors.

Ivan Vasilev Hinchovski – member of the Board of Directors from 3 June 2025, procurator from 7 July 2025.

2.7.3 BDB Leasing EAD

BDB Leasing EAD has a one-tier management system - a Board of Directors consisting of three to five members, with the following composition as of 31 December 2024:

- Teodora Petrova Pesheva – Chairman of the Board of Directors from 28 May 2024.

- Emil Valkanov Valkanov – Executive Director and Deputy Chairman of the Board of Directors.

- Antonia Hristoforova Dobreva – Member of the Board of Directors.

By decision under Protocol No 32 dated 28 May 2024 of the Management Board of the Bulgarian Development Bank EAD, in its capacity of sole owner of the capital, Mr. Ivan Valentinov Cerovski was dismissed as member of the Board of Directors of BDB Leasing EAD. This circumstance was entered into the Commercial Register and the Register of Non-Profit Legal Entities on 10 June 2024.

By decision under Protocol No 34 of 30 May 2024 of the Management Board of BDB as a sole owner of the capital of BDB Leasing EAD, Mrs. Teodora Petrova Pesheva was elected as member of the Board of Directors of the company. This circumstance was entered into the Commercial Register and the Register of Non-Profit Legal Entities on 10 June 2024. Mrs. Teodora Petrova Pesheva was elected as a Chairman of the Board of Directors of the company.

By decision under Protocol No 4 of 21 January 2025 of the Management Board of the Bulgarian Development Bank EAD, in its capacity of sole owner of the capital of BDB Leasing EAD, Mr. Aleksander Simeonov Aleksandrov was elected as member of the Board of Directors of the company. This circumstance was entered into the Commercial Register and the Register of Non-Profit Legal Entities on 4 February 2025.

As of the date of approval of this report, the composition of the Board of Directors of BDB Leasing is as follows:

- Teodora Petrova Pesheva – Chairman of the Board of Directors from 10 June 2024;
- Emil Valkanov Valkanov – Executive Director and Deputy Chairman of the Board of Directors.
- Antonia Hristoforova Dobreva – Member of the Board of Directors.
- Aleksander Simeonov Aleksandrov – Member of the Board of Directors from 4 February 2025.

The company has an authorized procurator from 01 June 2020 – Ivaylo Kirilov Popov.

2.7.4 Capital Investments Fund AD

The Board of Directors members as of 31 December 2024 and the date of approval of this report are:

- Tsanko Rumenov Arabadzhiev – Chairman of the Board of Directors;
- Stefan Stefanov Tamnev – Executive Director and Deputy Chairman of the Board of Directors;
- Rusalin Stanchev Dinev – Member of the Board of Directors.

There are no changes in the capital, articles of association and composition of the board of directors of the company in 2024 and until the date of approval of this report.

3 HIGHLIGHTS, ACTIVITIES AND PROJECTS IN 2024

3.1 KEY EVENTS AND PROCESSES

3.1.1 Regulatory changes

In 2024, as the most significant changes in the regulatory framework of the BDB, the following can be mentioned:

- Guidance on the comparative analysis of diversity practices, including diversity policies and the gender pay gap under Directive 2013/36/EU and Directive (EU) 2019/2034 (EBA/GL/2023/08);
- EBA Guidelines amending Guideline EBA/GL/2020/14 on Systemically Important Indicators Specifications and Disclosure (EBA/GL/2023/10) issued by the European Banking Authority;

- Regulation (EU) 2022/2554 of the European Parliament and of the Council of 14 December 2022 on digital operational resilience in the financial sector and amending Regulations (EC) No 1060/2009, (EU) No 648/2012, (EU) No 600/2014, (EU) No 909/2014 and (EU) 2016/1011 – Digital Operational Resilience Act (DORA).

The main changes in the national legal framework were:

- Ordinance No. 10 of the BNB of 2019 on the organization, management and internal control in banks;
- Ordinance No. 20 of the BNB of 2019 on the requirements for the members of the management and supervisory body of a credit institution, as well as for the assessment of their suitability, and of persons occupying key positions;
- Ordinance No. 22 of 16.07.2009 on the Central Credit Register;
- Ordinance No. 12 of 2016 on the Register of Bank Accounts and Safe Deposit Boxes;
- Ordinance No. 3 of the BNB of 18 April 2018 on the terms and conditions for opening payment accounts, executing payment transactions and using payment instruments;
- Law on the introduction of the euro in the Republic of Bulgaria;
- Ordinance No. 44 on the terms and conditions for the selection of independent appraisers under Art. 55a of the Recovery and Resolution of Credit Institutions and Investment Intermediaries Act;
- Independent Financial Audit and Assurance of Sustainability Reporting Act, etc.

3.1.2 Rating

In July 2024, the international rating agency Fitch Ratings confirmed the outlook for the Bank's long-term credit rating - BBB, with a positive outlook. This is the highest credit rating for a Bulgarian financial institution, and for BDB it is limited to the rating of the sovereign – the Bulgarian state. This rating was confirmed by the rating report, issued on 12 December 2024. As of the date of preparation this report, the international rating agency Fitch Ratings "increased the long-term credit rating of Bulgarian Development Bank from BBB to BBB+ with stable outlook. This level corresponds to the agency's rating for the Republic of Bulgaria following the decision to admit it to the eurozone, which demonstrates confidence in both the financial stability of the country and the state bank.

Rating effective as of:	**Date of preparation of the rating/ Confirmation of rating:**	**Long - term IDR, SRF Rating**	**Outlook**
As of 31 December 2024	29 July 2024 and 12 December 2024	„BBB"	Positive
As of the date of approval of the annual financial statements	15 July 2025	„BBB+"	Stable

The Bank's rating is equal to the rating of the sovereign – the Bulgarian state and it is practically the highest possible credit rating for BDB. The assessment reflects BDB's good capital position, return to profit and the fact that the Bank is 100% owned by the Bulgarian state, which can support it if necessary. Its financing is stable, with a significant part coming from the public sector or guaranteed by the state, and the rest from international development institutions.

The sound capital base contributes significantly to high capital adequacy. BDB is the institution with the highest level of capitalization in the banking system in Bulgaria, significantly above the regulatory minimum.

3.2 BUSINESS HIGHLIGHTS

In 2024, the development of the Bank's product and loan portfolio continued, direct and indirect support with a focus on small and medium-sized businesses, as well as the diversification of funding sources.

In 2024, BDB's on-lending partners under active indirect financing programs concluded a total of 170 sub-transactions with 124 final recipients. The total amount of financing provided through commercial banks and non-bank financial institutions is BGN 15,840 thousand.

The most important highlights of BDB's contribution in 2024 to the overall implementation of the "National Strategy for Small and Medium-sized Enterprises" 2021-2027, implemented through indirect support to small and medium-sized businesses, are:

3.2.1 COSME+" and FORWARD Programmes

As of the end of 2024, BDB continues to manage the active portfolios formed under the agreements concluded with two commercial banks and six non-bank financial institutions under the "Bulgarian Development Bank Programme for Indirect Financing of SMEs with Guarantee Facility and Counter-Guarantee under the EIF COSME Programme, with the support of the European Fund for Strategic Investments (COSME+ PROGRAMME)). The programme is implemented with the support of the European Fund for Strategic Investments for indirect financing of small and medium-sized enterprises with guarantee facility and counter-guarantee. The Programme, implemented by the EIF, builds on the Entrepreneurship and Innovation Programme (EEA), established in the period 2007-2013. The total budget is EUR 2.3 billion for the period 2014-2020.Its scope includes four areas of support – improving access to finance for SMEs in the form of equity and debt instruments; improving market access for SMEs worldwide; improving the framework conditions for the competitiveness of enterprises and promoting entrepreneurship. Within the framework of the Cosme+ Programme, BDB provided funds in the total amount of BGN 46,253,181 for subsequent financing of SMEs through financial intermediaries. According to aggregate data of the Programme, 245 enterprises have been supported, and the funds they received amount to BGN 47,746,156.

One request for payment received in 2024 under a guarantee commitment made by BDB, amounting to EUR 6,591.27, for which BDB has received a corresponding payment under the counter-guarantee given by the EIF under the COSME+ Programme, has been approved.

In 2024, the last full year of the implementation of the "BDB Partnership Programme for Indirect Financing of Micro, Small and Medium-Sized Businesses FORWARD" has expired. The four partner banks under this Programme have supported a total of 490 small and medium-sized enterprises, providing sub-loans amounting to BGN 113,677 thousand.

As of 31 December 2024, the active sub-loans in the portfolio under the Programme are 86, with an original amount of BGN 14,806 thousand. One request for payment received in 2024 under a guarantee commitment made by BDB, amounting to BGN 230 thousand, has been approved.

3.2.2 Leasing Line Programme

In 2024, the implementation of the "Bulgarian Development Bank Programme for Small and Medium-sized Enterprises – Lessees" ("Leasing Line Programme"), which is aimed at financing SMEs in the form of financial lease by providing long-term targeted credit lines to non-bank financial institutions – lessors, entered in the register of the BNB under Art. 3a of the CIA. The programme is designed to provide loans to lease companies in order to facilitate the access of funds for the purchase and lease of assets used in the economic activities of small and medium-sized enterprises.

The aggregated data under this Programme as of 31 December 2024 show 871 supported SMEs – lessees and lease sub-transactions with a total amount of BGN 91,417 thousand, with credit lines provided by BDB for on-lending financing in the amount of BGN 60,729 thousand.

3.2.3 BROD Programme

The implementation of the latest product for indirect financing of small and medium-sized enterprises "BROD Programme" continues. The budget of the Programme is EUR 20 million. In 2024, 2 new agreements were concluded with non-bank financial institutions entered in the BDB Register under Art. 3a of the Credit Institutions Act, amounting to BGN 4.2 million. The total amount of on-lending financing provided by the Bank as of 31 December 2024 is BGN 26,339 thousand.

3.2.4 Anti- Covid -19 Guarantee Programmes

In 2020, the Bank, on the basis of decisions of the Council of Ministers of the Republic of Bulgaria, became a guarantor to a group of Bulgarian commercial banks for loans to individuals and legal entities in order to overcome the consequences of the COVID-19 pandemic.

The total amount which BDB may guarantee is BGN 700 million as this amount is fully covered against Bank's capital increase with the same amount in 2020.

As of 31 December 2024, BDB has issued guarantees in the total amount of BGN 286,226 thousand[4], and it has guaranteed exposures under the programmes in the total amount of BGN 377,823 thousand (31.12.2023: BGN 554,763 thousand).

For these programmes, BDB adopted a special provisioning methodology in view of the specifics of the programmes, the customer profile and the structure of product-related inflow and cash outflow commitments. The methodology is described in detail in the Bank's annual consolidated financial statements for 2024.

[4] For the programme for individuals, 100% of the exposure of the principal of the partner bank to the client is guaranteed. For the programme for micro, small and medium-sized enterprises, BDB guarantees 80% of the principals of the loans, at 50 % limit of the guaranteed payments on portfolio basis.

At the end of 2024 the provisions under the Anti-Covid programmes amount to BGN 90,289 thousand (31.12.2023: BGN 111,845 thousand), which according to the Bank is also the maximum potential cumulative negative effect on the liquidity and capital of BDB in medium-term plan resulting from these programmes.

3.2.4.1 Programme for companies – The Recovery Programme

By Decision No 310 of 7 May 2020, the Council of Ministers approved the Portfolio Guarantee Programme to support the liquidity of enterprises affected by the emergency state and the COVID-19 epidemic proposed by BDB, with a budget of BGN 500 million. The programme will be secured with the increase of the Bank's capital according to Decision No 215 of the Council of Ministers from 2020.

The guarantee programme, which is part of the government's anti-crisis measures, has a budget of up to BGN 500 million (the budget was decreased to BGN 400 million subsequently due to redirection of funds to anti COVID measures for individuals and the maximum amount of the loans to one and the same entity was increased from BGN 300 000 to BGN 1 million for SMEs and BGN 2 million for large entities) and by subsequent decision – up to BGN 3 mln., and micro, small and medium-sized companies, and the so-called "small mid-cap companies" with up to 499 employees from all sectors of the economy could benefit from the programme. Companies from all sectors are included in the programme. The companies from the most affected areas – trade, services, transport and logistics, tourism, hospitality, and restaurant business, benefited mostly from the programme.

Companies that have encountered difficulties or have fallen into difficulty after 31 December 2019 due to the outbreak of the COVID-19 epidemic benefited from funding and guarantee.

The term for repayment of the loans is up to 7 years with the possibility of up to 36 months grace period.

The measure was approved by European Commission Decision No. C (2020) 2342 of 8 April 2020 on State aid SA.56933 (2020/N) — Bulgaria COVID-19, amended by EC Decision No. C (2020) 8384 of 24.11.2020 and EC Decision C (2021) 7260 of 1 October 2021, on the basis of the EC Temporary Framework for State aid measures to support the economy in the current COVID-19 outbreak (the Temporary Framework).

In connection with the sixth amendment to the Temporary Framework and extension its validity period, the deadline for applying for funding under the SME Programme was extended until 22 June 2022.

The formation of portfolios under the Programme ended on 30 June 2022, and according to final data from the commercial partner banks under the scheme, 2,892 loans with an original loan amount of BGN 620 million have been guaranteed, for which a guarantee of BDB has been provided in the amount of 80%.

The status of the portfolio is updated on a quarterly basis. As of 31 December 2024, 1,677 loans with a total amount of BGN 281,189 thousand were guaranteed and the decrease is due to the loans that have been cancelled, including due to voluntary repayment, the loans excluded by decision of the Board of Directors of BDB, as well as the loans for which guaranteed amounts claimed by commercial banks have been paid by BDB. The approved requests for payment of guaranteed amounts under the Programme amount to BGN 11,347 thousand, and the amounts refunded to BDB by the end of 2024 amount to BGN 1,061 thousand.

3.2.4.2 Programme for individuals and households

By Decision No 257 of 14 April 2020, the Council of Ministers approved the Interest-free loan guarantee programme to protect people deprived of the opportunity to work due to the COVID-19 pandemic, with a budget of BGN 200 million, proposed by the BDB. The programme was secured with the increase of the Bank's capital according to Decision No 215 of the Council of Ministers from 2020.

The Interest-free loan guarantee programme aimed to support employees on unpaid leave and self-insured individuals who are temporarily unable to work in an emergency state.

The programme parameters were further amended in order to increase the benefits for individuals affected by the pandemic by Decision 408/2020 of the Council of Ministers, Decision 910/10.12.2020 of the Council of Ministers and Decision 194/05.03.2021 of the Council of Ministers. Eligible borrowers had the opportunity to receive interest-free loans of up to BGN 6,900 (the initially allowed maximum amount was BGN 4,500), which are granted in full or in instalments. The maximum repayment period is 5 years, with a minimum of 6 months and a maximum of 24 months grace period. No interest, fees, commissions, charges or penalties are payable on the loans.

In July 2021, by Decision of the Council of Ministers No 506/2021, the deadline for applying under the Programme for individuals is extended until 31 August 2021 or until the guarantee limits of the commercial partner banks under the Programme are exhausted, which comes first.

The deadline for applying for the measure expired on 31 August 2021 and the deadline for granting and utilization of the loans - on 30 September 2021.

Decision 448/2022 of the Council of Ministers adopted changes that are a prerequisite for easing loan conditions: the deadline for repayment is extended by another two years (from 5 to 7 years) and the grace period of 24 months can be used in parts.

The achieved aggregate result under the Programme includes 52,915 loans guaranteed by BDB, totalling BGN 254,609 thousand.

As of 31 December 2024, BDB has guaranteed 36,347 loans amounting to BGN 58,057 thousand. The guarantees paid to commercial banks and the costs of establishing and collecting the loans amount to BGN 12,616 thousand and as of the same date BGN 625 thousand have been reimbursed to BDB.

3.2.5 Programme of the Bulgarian Development Bank EAD to support households by financing investments in renewable energy resources in implementation of the National Recovery and Resilience Plan of the Republic of Bulgaria (Framework conditions)

By decision of the Management Board of BDB EAD under Protocol No 57 of 13 July 2023, a portfolio guarantee was approved with a loss ceiling to partially cover the credit risk of bridge financing, provided by commercial banks for investments in renewable energy, in support of households under the "National Scheme for Support of Households in the Field of Renewable Energy" of the Ministry of Energy (the Scheme). The Programme's start-up budget is BGN 56 million.

The aim is to facilitate and improve the access to bridge financing for investments in RES under the Scheme and to reach the optimal number of potential candidates under the Scheme - clients of commercial banks from all over the country. The term of the guarantee is up to 5 years, but not longer than the term of the individual guaranteed credit.

Limit of guarantee payments (Loss ceiling)

The maximum amount of covered losses under the Portfolio Guarantee under the Programme is BGN 16,800 thousand. In any case, the Guarantee Payment Limit is the maximum amount to which BDB's obligation is limited to pay to each commercial bank, calculated on a portfolio basis, by applying the percentage of the Guarantee Payment Limit to Guaranteed Portfolio multiplied by 70%.

Conditions for eligibility of Borrowers and financing under the Programme

Eligible borrowers:

Applicants approved for funding under the Scheme who have signed a contract under the Scheme with the Monitoring and Reporting Structure (MRS). The borrower under the Programme is allowed to be different from the grant recipient under the Scheme if due to objective circumstances for the financing bank (e.g. old age, reduced working capacity, significant indebtedness, weaker creditworthiness, or other), the Applicant would not receive a bridging loan for financing the investment in RES under the Scheme.

In such cases, the applicant approved for financing under the Scheme is jointly and severally liable with the Borrower for the repayment of the loan, and the grant is paid to the recipient's account in the financing bank and should provide collateral for the loan as if the Applicant were the recipient of the loan. Commercial banks should indicate to the BDB the objective circumstances that prevent the provision of credit under the Programme in favor of the Applicant.

Type and purpose of financing:

Provision of bridge loans for realization of investments in RES, for which a grant has been approved and a contract has been signed with the MRS for financing under the Scheme, namely: 1. Solar installation for domestic hot water supply (DHW installation) or 2. Photovoltaic system up to 10 kWp, which may include electrical energy storage systems (System). The purpose of the financing is stated in the loan agreement under the Programme, which specifically defines the costs eligible for financing. Credit amounts: up to BGN 3,000 for investments in DHW installations; up to BGN 22,000 for investments in systems, loan term - up to 5 years.

After the completion, in 2023, of the assessment process of the banks that applied for the Program, in 2024, guarantee agreements were concluded with four financial intermediaries, which were provided with a portfolio guarantee in the amount of BGN 9.8 million.

Commercial banks can use BDB's guarantee to provide bridge loans to individuals for investments in renewable energy sources before the disbursement of the grant.

BDB's guarantee provides lower collateral and co-payment requirements from borrowers.

By the end of the reporting period, there was no official information available on whether the Ministry of Energy had begun to conclude grant agreements with the approved grant recipients under the Scheme, who are also potential recipients of guaranteed loans under the Programme.

3.2.6 "Three Seas" Initiative

The Three Seas Initiative (Black, Adriatic, Baltic) aims to strengthen investment, ties and cooperation – politically and financially – between the member states in the region. It is a public-private financial instrument whose purpose is to complement funding from the Structural and Other Funds of the European Union. By Decision No 613 of 2 September 2020, the Council of Ministers of the Republic of Bulgaria approved BDB's participation in the Investment Fund to the Three Seas Initiative. At the end of 2020, a Subscription Agreement relating to Three Seas Initiative Investment Fund S.A. SICAV – RAIF was signed between BDB and the Fund, with which BDB officially became a Class A shareholder in the Fund.

As of 31 December 2024, the BDB has made share contributions in the amount of EUR 14,268 thousand.

3.2.7 "InvestEU" Programme

InvestEU Programme envisages a single European Investment Support Facility for the new programming period 2021-2027. The programme is based on the successful experience of the implementation of the EFSI and the current EC instruments. The InvestEU Programme will provide an EU budget guarantee to support financial products provided by partners implementing the Programme. The funds are spread over four components where the financial products will be developed: 1) sustainable infrastructure; 2) research, innovation and digitalization; 3) SMEs and small enterprises with medium market capitalization; 4) social investment and skills.

To be an implementing partner, BDB underwent a Pillar Assessment audited by an independent auditor, which was finally completed in 2023.

A Guarantee Agreement was signed with the EC for the Section "Member States" in November 2023. The Guarantee Agreement signed on 7 November 2023 covers only the contribution under the "Member States" Section of EUR 125 million, and it was agreed that the contribution of EUR 40 million from the EU Section to the guarantee under the SME Window will be supplemented by an annex, which was signed on 16 July 2024.

The market consultations started in early July 2024 and continued until 30 July 2024. In parallel, documentation was developed for the selection of financial intermediaries.

On 8 October 2024, the Call for Expression of Interest for the selection of financial intermediaries under the Guarantee Products InvestEU was published on BDB's website. Until the deadline – 29 October 2024 – applications were submitted by 7 banks, which are expected to form loan portfolios over EUR 1.4 billion.

All applicants have received a positive assessment for compliance with the formal criteria, including the absence of grounds for exclusion under the Financial Regulation and the Guarantee Agreement; circumstances subject to verification under the legislation on measures against money laundering and terrorist financing; whether the candidate is subject to restrictive measures and restrictive lists; whether the candidate operates in non-cooperative jurisdictions and high-risk third countries, etc.

According to the Rules for the Implementation of Financial Instruments of the BDB, the second stage of the evaluation began after the submission of proposals by the admitted candidates, with the deadline granted to the candidates for submitting initial proposals expiring on 20.02.2025.

The evaluation of the submitted proposals based on the selection criteria, including research and analysis (due diligence), began immediately after the expiration of the specified deadline.

According to the guarantee agreement with the EC under the InvestEU Programme, agreements with potential partner banks can be concluded after passing a compliance assessment by the European Commission (EC) and approval by the InvestEU Investment Committee.

In this regard, in parallel with the assessment process of financial intermediaries, a template documentation was prepared by the BDB, on the basis of which the EC will conduct a compliance check (Policy Check) in accordance with Article 23 of the InvestEU Regulation. The documentation includes 6 sets in total for 5 framework operations and one individual operation.

The completed forms according to the model for assessing compliance with Union law and policies of the specified 6 operations were submitted to the EC at the end of January 2025, and all six operations were approved by an EC decision of 18 February 2025.

The above-mentioned compliance checks are a condition for the consideration by the Investment Committee (IC) of the InvestEU Fund of proposals for financing and investment operations submitted by implementing partners for coverage under the EU guarantee. The Committee verifies the compliance of the proposals with the relevant regulatory framework and the relevant investment guidelines, as well as whether the financing and investment operations that will benefit from the support of the EU guarantee meet all relevant requirements. A total of 6 (six) operations under the Invest EU Programme have been approved by the Investment Committee as follows:

In March 2025, at a meeting of the Investment Committee of InvestEU, BDB made an initial presentation of the guarantee products it will implement and the operations for which it will submit a request for a guarantee. In the same month the BDB submitted for approval by the Investment Committee the first Framework Operation "Capped loss guarantee SME I", and at its 39th meeting on 3 April 2025 the Investment Committee (IC) approved the coverage by the EU Guarantee under the Framework Operation.

In May, the Investment Committee approved two framework operations: Framework Operation "Capped Loss Guarantee "Waste, Wastewater and Clean Air Management", and Framework Operation "Capped Loss Guarantee "Multimodal Transport". In June 2025, 3 operations were approved: Framework operations "Capped loss guarantee SME II" and " Guarantee without capped loss SME” and Individual operation “Guarantee without capped loss”.

Forthcoming are due diligence, assessment of proposed portfolios for the respective sub-product, negotiations, final ranking of banks and conclusion of guarantee agreements, under which the BDB will guarantee the credit portfolios formed by the financial intermediaries under the sub-product "Guarantee with a loss cap" and "Guarantee without loss cap" under the Guarantee Product for SMEs, as well as for sub-products "Guarantee with loss cap "Waste, wastewater and clean air management" and "Guarantee with loss cap "Multimodal transport" under the Guarantee Product "Sustainable investments".

3.2.8 BDB programme with a guarantee from InvestEU Fund

The InvestEU programme provides new financing for innovation and job creation in Europe in the period 2021-2027. The EIF is one of the Commission's major Implementing Partners under InvestEU and provides support to smaller companies in Europe.

The EIF products are guarantees and counter-guarantees, equity financing and capacity building investments. The guarantees and counter-guarantees are provided in several areas with specific conditions and eligibility criteria, including SME-Competitiveness, Sustainability, Innovation and Digitalisation, Creative and Cultural Sector, Microfinance, etc.

On 17 July 2023 BDB signed with EIF a Guarantee Agreement under the InvestEU Fund, in which BDB Leasing is a participating but not signing party. The Agreement allows BDB to provide direct financing to SMEs with an EIF guarantee with a payment limit in three areas: "SMEs - Competitiveness", "Innovation and Digitalisation" and "Sustainability". The EIF guarantee is payable.

Each of the areas has specific eligibility requirements, payment limits and maximum guaranteed portfolio for the included transactions. Final recipients must comply with certain conditions and requirements related to the InvestEU guarantee. In turn, BDB is committed to providing financial advantages:

- decrease of the interest rate on each of the guaranteed loans in the three areas – through a reduction of the risk premium component as a result of the used "AAA" EIF guarantee under InvestEU;
- only under the area "SME-Competitiveness" - reduction of the required collateral: for investment loans (up to 50% of the loan amount) and for working capital loans (0% collateral).

The maximum amount of the BDB's portfolio guaranteed under the three areas of InvestEU portfolio is EUR 45.50 million.

As of 31 December 2024:

- "SME-Competitiveness" – 59% reached guaranteed limit.
- "Innovation and Digitalisation" – 65% reached guaranteed limit.
- "Sustainability" 28% reached guaranteed limit.

The deadline for inclusion in the guaranteed transactions under InvestEU is 16 July 2025.

As of 31 December 2024, loans with an InvestEU guarantee were approved for BGN 28,695 thousand, and the total portfolio of utilized loans reached BGN 43,102 thousand.

3.2.9 Programme of the BDB with guarantee from the Pan-European Guarantee Fund (PEGF)

The Pan-European Guarantee Fund was established in the second half of 2020 with the participation of EU member states on a voluntary basis, incl. Bulgaria. For the formation of the Fund's budget, Member States shall contribute a contribution in proportion to their participation in the capital of the EIB. The products offered are in two directions 1) guarantees and counter-guarantees for small businesses, SMEs and healthcare and 2) private equity financing in private funds

On 17 September 2021, BDB signed with EIF a Guarantee Agreement under the Pan-European Guarantee Fund. The guarantee agreement allows BDB to provide direct financing with a guarantee from EIF (AAA-rated) without limit of payments for losses, with a coverage of 70% of the loss on guaranteed loan to SMEs. For its part, BDB undertakes to provide a financial advantage – a reduction in the risk margin with the coverage of the PEGF guarantee, which is reflected in a reduction in the interest rate on each of the guaranteed loans. The customers who are the final recipients must comply with certain conditions and requirements related to the guarantee of the PEGF and the state aid regime.

As of 31 December 2024, the portfolio guaranteed under the agreement amounts to EUR 18.5 million and includes 51 transactions of micro, small and medium-sized enterprises (as of 31 December 2023: EUR 18.5 million and 51 transactions). As of the same date, BDB has claimed payments under the guarantee for six transactions with a total amount of BGN 2.17 million.

3.2.10 Direct working capital financing programmes for construction companies.

BDB offers working capital financing for construction companies with a contract for the performance of construction and assembly works (C&A) with contractors, a party to a contract for receiving grant aid under national and European programmes. Its scope includes two areas:

- AREA 1 – projects under the National Recovery and Resilience Plan (NRRP) and the European Structural and Investment Funds (ESIF)
- AREA 2 – projects under Measure 7.6 "Study and investments related to the maintenance, restoration and improvement of the cultural and natural heritage of villages" of the European Agricultural Fund for Rural Development (EAFRD).

3.2.11 New products

BDB's lending activity is carried out both through direct lending and financing through lending programs (products) to commercial banks, which use the funds received to provide loans to SMEs and agricultural producers, or the so-called on-lending.

The Bank announced several target loan products to support SMEs, medical facilities and promote certain sectors, which at the end of 2024 are as follows:

- Programme for financing medical institutions for hospital care;
- ” Financing Green Energy” Programme (renewed);
- Programme for direct financing of SMEs with approved projects under European and national Programmes;
- Defense Industry Support Program;

3.2.11.1 Programme for financing medical facilities for hospital care

The programme aims to provide working capital and/or investment financing for the improvement of infrastructure and medical equipment in order to increase the volume and quality of medical services provided. The amount of loans is up to BGN 5 million. The maximum term is up to 10 years.

The target groups (regardless of form of ownership):

- Medical facilities for hospital care (hospitals for active treatment; for long-term treatment; for rehabilitation; for long-term treatment and rehabilitation);
- Multidisciplinary or specialized medical facilities

3.2.11.2 Green Energy Financing Programme

In 2024, BDB continued the initiative to finance the construction of photovoltaic facilities for the purpose of electricity production with a renewed programme for project financing of newly established micro, small and medium-sized enterprises for the construction of photovoltaic power plants for the purpose of selling the produced electricity. The programme is in line with the BDB's strategy for supporting green projects and in the context of the EU's goals for achieving carbon neutrality.

The loans range from BGN 400,000 to BGN 5 million, with a term of up to 15 years, a grace period of up to 18 months and a repayment plan aligned with the production schedule. Since the start of the initiative in 2021, BDB has supported, through financing, a total of 54 projects for the construction of photovoltaic installations.

3.2.11.3 Programme for direct financing of SMEs with approved projects under European and national programmes

The Bulgarian Development Bank supports companies with projects under the National Recovery and Resilience Plan (NRRP) and the European Structural and Investment Funds (ESIF). The new programme is in fulfilment of the Bank's strategic goals to support the implementation of government policies and to contribute to increasing investment activity among small and medium-sized businesses. It replaces the Energy Efficiency of SMEs Programme and the Technological Modernization of SMEs Programme and provides a tool for accelerated utilization of EU funds, as well as supporting the green transition of the Bulgarian economy.

This is the first loan program of the Bank, developed entirely in sync with the business. Through it, BDB provides access to resources for the implementation of projects under European and national programmes, making it easier for companies facing difficulties to start their activities due to lack of bridge or supplementary funding.

The Bank provides investment loans of up to BGN 5 million with a total term of up to 8 years including a grace period of up to 2 years for companies applying for grants under national and European programmes. Companies approved for financing over BGN 2 million can additionally benefit from an unsecured working capital loan of up to BGN 200 thousand in addition to the funds for investments. The terms of the two loans are preferential. BDB provides funding for the full cost of the projects (100%) to the already approved applicants, as well as up to 85% of the costs for those who have not yet signed their grant contracts.

3.2.12 Highlights of activities of subsidiaries, projects and important activities

3.2.12.1 National Guarantee Fund EAD

National Guarantee Fund EAD continues to work actively on its set goals, maintaining high levels of liquidity and capitalization. Developments over the past year confirmed the Company's expectations of a weakening influence of financial incentives through public resource programs, which had a positive impact on the implementation of the Fund's guarantee products for own risk.

In the current year, in support of its mission to stimulate the sustainable development of SMEs in the country by providing equal access to financial resources in its role as a "complementary" financial intermediary to the market, NGF continued the process of implementing the launched long-term initiatives as follows:

- Finalized the coordination procedures with partner banks under the leading guarantee program for own risk "NGF 2022", with the aim of effective implementation of the scheme by all partners included in the programme;
- Held consultations with the newly elected management of the Ministry of Agriculture and Food and negotiated an extension of the management period of a resource provided to support SMEs, in the amount of BGN 54.9 million until 30 June 2033;
- Completed the migration of the Company's main banking system to BrightOS;
- Completed the construction of a software solution for monitoring and managing guarantee instruments, which automates the process of issuing and managing guarantees. The decision will be implemented in the first quarter of this year.

3.2.12.2 BDB Microfinancing

BDB Microfinancing continued to develop its portfolio. In the period from 01.01.2024 to 31.12.2024, 103 new loan agreements were concluded for an authorized amount of BGN 13,926 thousand, of which 97 were utilized for BGN 10,900 thousand.

As of 31 December 2024, the active loan and lease portfolio of the company amounted to BGN 32,585 thousand, presented at amortized cost and consists of 537 loans and lease transactions.

By decision of the MB of BDB under Protocol No 63/18.09.2024 approved by decision of SB of BDB under Protocol No 36/24.09.2024, the ceiling of the single exposure of BDB Microfinancing was increased from BGN 400,000 to BGN 700,000, which aims to give an additional boost to the company.

3.2.12.3 BDB Leasing

As of 31 December 2024, the concluded financial lease contracts in the Company's portfolio are three hundred and fifty-three (353) with a total financed value of BGN 123,982 thousand (as of 31.12.2023 – BGN 123,096 thousand). Ten of the signed lease contracts amounting to BGN 3,567 thousand are not in the Company's active portfolio, because as of 31 December 2024 they are in the process of delivery of the leased assets.

The carrying amount of the contracts in the active portfolio as of 31 December 2024 is BGN 76,384 thousand (2023 BGN 75,407 thousand), with a growth of 1.3% compared to the previous year 2023. All contracts are concluded with a floating interest rate of 3-month EURIBOR and a margin.

In 2024, fifty (50) new lease transactions and limits of a total financed value of BGN 28,392 thousand were approved. During the period, 81 new lease contracts with SMEs from various sectors of the economy were activated with a total financed value of BGN 22,345 thousand.

As of December 31, 2024, the largest share in BDB Leasing's portfolio is machinery, facilities and industrial equipment. This niche also contains BBR Leasing's main competitive advantage - the financing of production machinery and equipment, where assets often have a more specific purpose and there is a market shortage. This is followed by the construction and trade sectors, which are common business for the leasing industry, as well as transportation vehicles in all sectors.

"BDB Leasing" EAD was one of the first financial institutions in Bulgaria, which in May 2021 signed a guarantee agreement with the European Investment Fund (EIF) under the program "Pan-European Guarantee Fund in Response to the Covid-19 Pandemic" for direct financing to small and medium-sized enterprises under reduced conditions with a guarantee from the EIF. The Pan-European Guarantee Fund program was created by the European Union in response to the economic crisis caused by the Covid-19 pandemic and provides guarantees to financial institutions from EU member countries in order to support the recovery of companies and sectors affected by the pandemic. Beneficiaries of the guarantee program are small and medium-sized enterprises that have access to lease financing under eased conditions - reduced requirements for self-participation (0% for vehicles and 5% for machinery and equipment), longer repayment terms (up to 96 months), as well as financing of companies with a shorter business history. According to the signed agreement, the guaranteed portfolio is in the amount of up to EUR 20 million, with the EIF covering up to 70% of the loss at the individual exposure level.

The deadline for utilization under the program expired on 31 December 2022, as BDB Leasing realized the full volume of the approved limit under the program.

Under the PEGF guarantee program, a total of 132 lease contracts were concluded with 54 lessees with a total financed value of BGN 39,076 thousand. As of 31 December 2024, there were 99 contracts in force with a financed value of BGN 30,012 thousand.

3.2.12.4 Capital Investments Fund AD

In 2024, "Capital Investments Fund" AD reviewed 59 potential transactions for investments in capital instruments of developing companies. Shareholder agreements were signed and funds for capital investments were used for two transactions.

3.3 FUNDING ATTRACTED

3.3.1 International Financial Institutions

BDB's policy is to attract mainly long-term resources to finance its lending activities and thus creates a natural balance between the maturity of the asset and the liability. Since its establishment, BDB has signed more than 38 credit agreements with 16 international institutions amounting to EUR 1,589 million.

By Decision of the Council of Ministers No. 554 of 29 July 2022, BDB EAD was approved as a recipient of loans with a state guarantee for EUR 350 million from the European Investment Bank (EIB) and the Council of Europe Development Bank (CEB). The decision is a consequence of the one provided for in art. 70, item 2 of the State Budget of the Republic of Bulgaria Act for 2022 possibility to issue state guarantees under new loan agreements of the Bulgarian Development Bank EAD in the amount of up to BGN 700 million or their currency equivalence in compliance with State aid legislation.

The loans were ratified on 27 July 2023 (EEIB) and on 12 September 2024 (CEB), respectively.

3.3.1.1 European Investment Bank (EIB)

On November 18, 2016, BDB signed a third Agreement with the European Investment Bank (EIB) in the amount of EUR 150,000 thousand for financing projects of small and medium-sized enterprises. The funds are provided with the support of the EU through a guarantee from the EFSI (European Fund for Strategic Investments), part of the Investment Plan for Europe - the "Juncker Plan". The funds are intended for lending to SMEs, including for innovative projects, to support areas with high unemployment, for youth employment or for start-ups, through partner banks, other financial intermediaries or directly. The loan is unsecured.

As of 31 December 2024, the principal amount due on the loan is EUR 14,637 thousand with a BGN equivalent of BGN 28,627 thousand (As of 31.12.2023: EUR 16,728 thousand with a BGN equivalent of BGN 32,717 thousand). The interest rate is floating, based on six-month EURIBOR plus a margin.

On 11 July 2023, BDB signed a financing agreement with the European Investment Bank in the amount of EUR 175,000 thousand with a state guarantee. The guarantee agreement was signed on 19 July 2023 and subsequently ratified by the National Assembly of the Republic of Bulgaria on 27 July 2023.

The purpose of the loan is to finance small and medium-sized enterprises, innovation, green projects as defined by the EIB, including climate and environmental sustainability. The financing can be provided directly or through intermediaries approved by the EIB.

As of 31 December 2024, the first tranche of the loan funds in the amount of EUR 52,500 thousand (BGN 102,681 thousand) has been utilized. As of 31 December 2023, no loan funds have been utilized.

The interest rate is floating, based on six-month EURIBOR plus a margin.

3.3.1.2 Council of Europe Development Bank (CEB)

On 13 July 2023, the Bulgarian Development Bank signed a financial agreement with the Council of Europe Development Bank in the amount of EUR 175,000 thousand with a state guarantee. The guarantee agreement was signed on 20 July 2023, and the ratification was adopted by the National Assembly on 12 September 2024.

The state-guaranteed financing provided by CEB for BDB has a number of advantages, such as a large volume, a long term and an attractive price. The first-class rating of CEB and Bulgaria's shareholding in it, as well as the alignment of BDB's risk with the risk of the state, allow for maximum optimization of the cost of the requested financing.

The received state guarantee for the loans from the EIB and CEB will allow BDB to fulfil its goals and policies to support SMEs at optimal price levels to end customers and in the transfer of benefits arising from the guarantee, including start-ups, innovative companies, customers with a lower level of collateralization and difficult access to commercial bank loans.

As of 31 December 2024, the first tranche of the loan funds in the amount of EUR 52,500 thousand (BGN 102,681 thousand) has been utilized. The interest rate is floating, based on six-month EURIBOR plus a margin.

3.3.1.3 Industrial and Commercial Bank of China (through its division in Austria and Poland)

On 13 March 2020 BDB signed a new financial agreement with the Industrial and Commercial Bank of China (ICBC) amounting to EUR 75,000 thousand. The funds are intended for general lending activities of BDB, direct financing as well as on-lending through Bulgarian financial institutions in support of investment projects and providing working capital. The financing is jointly provided by ICBC Austria and ICBC Europe - Poland. The loan is unsecured.

As of 31 December 2024, the debt on the loan amounts to EUR 45,000 thousand equivalent to BGN 88,012 thousand (as of 31.12.2023: EUR 52,500 thousand equivalent to BGN 102,681 thousand). The interest rate is floating, based on six-month EURIBOR plus a margin.

3.3.1.4 The Export-Import Bank of China

On 5 December 2023 the BDB signed a new agreement with Export – Import Bank of China for the amount of EUR 50,000 thousand. The funds can be used to finance the overall lending activity of BBD. The interest rate is floating, based on the three-month EURIBOR plus margin. As of 31 December 2024, the funds have been fully utilized on the loan.

As of 31 December 2024, the principal amount due on the loan is EUR 50,000 thousand equivalent to BGN 97,792 thousand.

3.3.1.5 China Development Bank

On 13 December 2018, BDB signed a new financing agreement with the China Development Bank amounting to EUR 300,000 thousand. The funds were granted as a first tranche under the framework agreement signed in July 2018 for EUR 1.5 billion. The funds may be used to finance projects within the Belt & Road initiative and/or projects in support of SMEs, energy, communications, transport, agriculture in Bulgaria or for other purposes agreed by BDB and CDB. The loan is unsecured.

As of 31 December 2024, the outstanding principal on the loan amounts to EUR 97,000 thousand equivalent to BGN 189,716 thousand (as of 31.12.2023: EUR 227,500 thousand equivalent to BGN 444,951 thousand). The interest rate is floating, based on six-month EURIBOR plus a margin.

3.4 HUMAN RESOURCES

At Bulgarian Development Bank EAD, we recognize that investing in the development of our employees is critical to the overall success of our organization. That is why we have implemented a number of initiatives aimed at increasing their skills and abilities.

Through a wide range of Bank-sponsored training programs, we provide our team members with opportunities to expand their knowledge and experience. These programs cover a variety of topics, including technical and specialized skills related to banking, as well as important soft skills such as communication, leadership, and providing feedback.

However, our efforts extend beyond providing training opportunities. We are dedicated to creating an inclusive and supportive work environment where every employee feels valued and has the opportunity to reach their full potential. This includes constantly evaluating and improving workplace culture, policies, and conditions to ensure they align with our vision of being the employer of choice.

3.5 INFORMATION TECHNOLOGIES

3.5.1 Main Highlights, activities and projects in 2024.

The IT infrastructure is supported by the updated version of the anti-virus software for the entire BDB group - ESET protect и Anti-malware platform. BDB EAD has implemented an updated solution for hardware and software monitoring of the entire environment - Axence Nvision and the configured Help Desk system through the same application continues to be active in 2024.

Over the past year, a number of business processes in the Bank have been automated and the following projects related to the development and updating of software applications were successfully completed:

- Implementation of additional functionalities in the AML module to the main BrightOS banking system, with which new reports and scenarios were parameterized, according to the requirements of the BNB
- Implementation of changes related to the migration of ISO 20022 XML-based messages used in SEPA schemes to version 2019 of the ISO 20022 standard. BDB was included in the mandatory national tests for the changes to the BISERA7 payment system and BDB was successfully certified on 31 January 2024;
- Implementation of a project for inclusion of BDB to STEP 2 through BNB, with which we reached full SEPA accessibility;
- Implementation of functionality for issuing and processing transfers from/to the budget in XML format and their inclusion in BULK package payments, according to the ISO 20022 XML standard;
- Development and technical implementation of functionality for implementing ReLIF requirements in the BrightOS banking information system;
- Development of a tool for generating mass translation files to automate the activities in the Accounting division.
- Digitalization of processes in the DocuWare document management system, optimization of Workflow processes, as well as implementation of new file cabinets in the DocuWare document management system for the "Legal" division;
- Implementation of the IFRS9 project in a real environment. Reconfiguration of the test environment and construction of an environment for working in real conditions;
- Implementation of changes, jointly with Borica AD, to refine functionalities in the PSD2 interface for BDB in XS2A Gateway, in accordance with mandatory requirements from the BNB under the regulation

In relation to the Bank's infrastructure, the following projects were initiated and activities were carried out:

- Purchase and installation of network devices for CISCO ISE;
- Preparation of solutions for replacing network devices;
- Installation of test servers for Bright OS;
- Migration of a file server;
- Server operating system updates;
- Exchange server updates;
- CISCO ESA updates;
- Disk replacement in a disk array;
- Integration of CISCO Duo with CISCO ISE;
- Preparation of a solution for replacing network devices in a data center;
- Optimization of the Help Desk system;
- Adding servers to Backup;
- Reconfiguring network addresses;

- Building a test virtualization environment.

The Bank has increased the level of security of the networks and information systems it uses, as well as brought its security management framework into full compliance with the new legislative requirements (DORA) concerning:

- monitoring the behavior of network and information systems;
- threat detection based on behavioral analysis of network traffic data;
- real-time threat detection on monitored networks;
- taking appropriate and proportionate measures to the threats;
- dynamic risk assessment of individual users in the organization's network based on their behavior over time;
- detecting threats and identifying potential malicious activities or compromises that have already taken place;
- automatic detection of events that may affect the security of network and information systems important for the organization's activities, by analyzing information flows, protocols and files passing through key devices, positioned so that they can analyze all flows exchanged between their own information and communication systems, as well as with the information and communication systems of third parties;
- storage and archiving of system records for application servers that support critical activities, servers of the system infrastructure, servers of the network infrastructure, security facilities, stations for engineering and maintenance of industrial systems, network equipment and workplaces of administrators are automatically logged all events that are related at least to user authentication, account management, access rights, changes in the rules for security and functioning of information and communication systems and stores them for a period of not less than twelve months.

In connection with the work and preparation for DORA, the following systems have been implemented:

- Security information event management system (SIEM) – Rapid7;
- Network Detection & Response (NDR) Threat Detection System – Vectra.

3.5.2 Management of ICT risks

BDB's ICT and security risk management framework includes certain procedures in accordance with the requirements of the EBA Guidelines, and the process of managing these risks includes a wide range of internal rules and procedures for its identification and management, taking into account the emerging changes in the software and hardware environment, as well as due to the risk arising from the daily operational activities of the Bank and the Group companies.

This single risk management framework is duly documented and updated with documented experience gained in the course of its implementation and monitoring, it consists of the following main policies, rules and procedures:

- Plan for business continuity and actions in case of disasters and accidents;
- Network and Information Security Policy of the Bulgarian Development Bank EAD;

- Rules and procedures for reporting incidents and weaknesses related to network and information security in the Bulgarian Development Bank EAD;
- Internal procedures of the Bulgarian Development Bank EAD for actions in emergency situations during work with BISERA;
- Internal procedures for dealing with emergencies at work TARGET2;
- Internal procedures for emergency actions while working with RINGS;
- Internal procedures for emergency actions while working with SWIFT;
- Methodology for analysis and assessment of risk in the field of ICT in the Group;
- Rules for management and control of accounts and access rights to the information systems in the BDB Group;
- Rules and procedures for operational risk management, incl. procedure for self-assessment of the operational risk and the control applied in the BDB Group and Procedure for managing the operational risk related to BDB’s activities as a payment service provider (PSP);
- Procedure for identification and assessment of material risks for the BDB Group;
- Policy for outsourcing activities in the group of Bulgarian Development Bank EAD;
- ICT mitigation procedure;

The Bank, as a payment service provider, is exposed to external risks and force majeure circumstances that may lead to situations of short-term or longer-term inability to carry out single or larger number of activities. These could be natural disasters, technical accidents, system failures, malicious human actions, etc. In this regard, the Bank has identified and evaluated all its business functions, key roles, support processes in relation to the provision of payment services in the “Business Continuity Plan and actions in case of disasters and accidents”, including the activities related to ensuring the security of the systems related to them and the corresponding access control. The business continuity plan is subject to annual review and update. In it, payment services, as well as activities and related processes, are classified as critical business processes and are treated as activities and processes with a defined maximum critical response time, respectively cancellation and subsequent recovery.

The occurrence of emergencies in the performance of daily activities related to the provision of payment services while working with TARGET2, RINGS, BISERA and SWIFT are ensured by relevant internal emergency procedures.

- In the BDB Group, all employees of the Information Technology Department manage the monitored risks related to ICT, and in cases related to the proper and continuous functioning of the operating ICT, they immediately apply and comply with the procedure for their elimination during the daily operation of the systems, by:
- backup files with data, programs, operating systems and accompanying documentation are stored outside the Bank's building in accordance with the application;
- a permanent mechanism of rules for access control and passwords has been introduced and maintained;
- procedures for protection against viruses are defined;

- a hardware module (IRONPORT) is used for antivirus and anti-spam protection of mail traffic;
- an order for use has been introduced and antivirus software products are automatically updated;
- virus protection is provided on all personal computers;
- log files are checked daily for events in the operation of all servers and applications;
- Identification names and passwords are administered when users leave the institution (or are absent for an extended period of time).

The employees of the Information Technology Division regularly participate in forums and presentations related to the management of information systems, banking information technologies, antivirus protection, protection against unauthorized access, organized by the leading IT companies.

Given the specifics of the ICT activity related to the provision of communication channels, the Bank has ensured the duplication of the main communication elements of the system.

Prior to concluding a contract for the assignment of activities, the Bank applies the "Policy for Outsourcing of Activities in the Group of Bulgarian Development Bank EAD".

3.6 MARKETING AND PUBLIC RELATIONS

In 2024, one of the key transformations of the Bulgarian Development Bank took place. In the middle of the year, the Council of Ministers adopted the new strategy for the Bank's activities (2024-2026), developed in close cooperation with the leading representatives of business, trade unions and local authorities. For the first time in the 25-year history of the financial institution, the process of creating its strategy was fully open, with the media and the general public being informed in detail about the short-term and long-term priorities set.

As a result, a complete repositioning of the Bank was carried out. It was included in the government program as a leading instrument for the implementation of state policies and was assigned a role that went beyond standard bank lending. In all public and media events, it was pointed out that BDB will intervene in key sectors such as healthcare, military-industrial complex, export promotion and innovation. The Bank's priorities for reducing regional imbalances through the construction of industrial parks and the financing of strategic infrastructure throughout the country were communicated.

The year 2024 was marked by a key event for the institution – its **25th anniversary**. The anniversary was marked with a conference entitled "Development Banks – A Tool for Better Use of Public Funds" and was attended by Executive Directors from the EC, EIB, EIF, Directors of promotional and export banks from 20 European countries, as well as Chief Executive Directors of leading Bulgarian banks.

The conference on the occasion of BDB's 25th anniversary was preceded by **hosting the high-level meeting of the Network of European Financial Institutions for SMEs (NEFI)** in Sofia. It was attended by representatives of funding institutions from Austria, Great Britain, Germany, Greece, Estonia, Ireland, Spain, Italy, Latvia, Lithuania, Luxembourg, Malta, Poland, Slovakia, Slovenia, Hungary, Finland, France, Croatia, as well as representatives of the European Association of Public Banks (EAPB) and European Long-term Investors Association (ELTI). Both events received a wide positive media response, and some of the foreign representatives made a series of media appearances in the national print and electronic media.

During the year, BDB participated in two **key exhibitions** - AGRA at the Plovdiv Fair, as well as the exhibition "Meatmania" at Inter Expo Center.

The Bank hosted meetings with companies from the military-industrial complex, as well as with state and municipal hospitals. The institution was represented during the global climate conference COP29, as well as at business forums in Singapore and Vietnam.

Representatives of BDB took **part in a series of events**, including: Green Transition, a round table dedicated to the Draghi Report, the forum "Attracting Investments and Financing for Municipalities", the accelerator program of the Bulgarian Stock Exchange BeamUp Lab, meetings of BCCI, the financial forum of the Capital newspaper, the forum "Banking Today", organized by Investor Media Group, the event "Building sustainability" of SEE Next, the conference "Sustainable and Efficient Energy System for a Stable and Secure Economy", organized by BICA, etc.

During the year, the Bank presented and promoted its new financial products: the program for working capital financing of builders renovating buildings with state and municipal institutions, the on-lending program for households investing in renewable energy sources, the financing of green energy, the programs for support of hospitals, groups and organizations of farmers, the program for financing export-oriented companies, the program of BDB Leasing in partnership with the NGF. Advertising materials were developed for the programs, digital campaigns were carried out and materials were published in print and electronic media. Success stories of companies supported by the banking group were presented.

The communication of BDB's partnership with the EC under the Invest EU programme continued in 2024. The Guarantee Agreement signed in Brussels with the EC was widely covered. The market consultations held were communicated, as well as the invitation to commercial banks for financing with a guarantee under the programme.

The practice of communicating the activities of the Capital Investment Fund (CIP) continued. During the year, a special project was implemented together with the Capital newspaper, dedicated to the investments and activities of the CIP. The Fund's new deals with the companies Quendoo and Fly the Earth were also subject to increased communication.

4 OVERVIEW OF THE ECONOMIC ENVIRONMENT AND THE BANKING SECTOR IN 2024

4.1 ECONOMIC ENVIRONMENT

In 2024, the global economy was marked by the shocks of the war in Ukraine and the subsequent energy and other economic problems in Europe. The slowdown in inflation has stabilised European economies, with interest rates expected to fall in 2025 and their stabilisation in the medium term after the 2024 increase, giving further impetus to economic growth on the continent. Access to natural and technological resources, as well as significant bureaucracy, are the main challenges faced by united Europe.

In 2024, the real growth of Bulgaria's gross domestic product was 2.8%, with an expected growth of 2.2% in the autumn forecast of the Ministry of Finance (MoF). According to the BNB, the expected GDP growth for 2024 amounts to 2.3%.

In 2024, there is a downward trend in the annual inflation rate according to the HICP, and at the end of the year it was 2.6%. The slowdown in inflationary processes in the country is largely due to the decline in international prices of energy commodities and other raw materials. The projected increase in labour costs and strong consumer demand are expected to exert inflationary pressures over the medium term. Other price increases were concentrated mainly in the services sector, fueled by second-round effects from higher food and energy prices, driven by steady wage increases amid tight labor markets and robust domestic demand, supported by strong credit and asset price growth. In June 2025, the Convergence Report of the European Commission and the European Central Bank was released, opening the door to Bulgaria's accession to the eurozone from 1 January 2026. The report states that Bulgaria has made good progress in economic convergence with the eurozone since 2024. Inflation is forecast at 3.6% for 2025, and a drop to 1.8% for 2026. The EC and ECB attribute the increased inflation in 2025 to "a combination of politically driven price increases and broader price increases in several consumption categories". In 2024, employment and unemployment rates were stable. For 2025, employment is expected to follow the growth of the Bulgarian economy and labour productivity.

In 2025, the BNB expects real GDP to grow by 2.5% and in 2026 - by 3%. This dynamic is mainly driven by the shift in investments and exports of goods and services from a decline in 2024 to growth in 2025 and 2026. Private consumption is expected to grow at a high rate in the period 2024-2026 and contribute to GDP growth to the greatest extent, which in turn is in line with the projected increase in employment and real disposable income of households.

4.2 Banking sector

In 2024, Banks in Bulgaria operated in conditions of ongoing geopolitical uncertainty in the external environment, which, combined with possible political changes in countries, may lead to changes in macro-financial conditions. The domestic environment is relatively favourable and is characterized by the contribution that private consumption, which remains at good levels, has to economic growth.

As of 31 December 2024, there are 23 banks operating in Bulgaria, six of which are branches of foreign banks, and at the end of the fourth quarter of 2024, the market share of the five largest banks in terms of assets reached 68.6%. In the fourth quarter of 2024, the assets of the banking system increased by BGN 9.2 billion (5%) and at the end of December amounted to BGN 191.6 billion.

As of 31 December 2024, the profit of the banking system amounted to BGN 3.7 billion, by BGN 277 million (8.1%) more than the realized profit as of 31 December 2023. In 2024, BGN 5.6 billion is the net interest income, which is BGN 723 million (14.9%) higher than that reported for 2023.

The equity in the balance sheet of the banking system at the end of the fourth quarter of 2024 amounted to BGN 21.0 billion, by BGN 91 million (0.4%) more than at the end of September.

At the end of December 2024, gross non-performing loans and advances amounted to BGN 3.8 billion (compared to BGN 3.5 billion at the end of September 2024), and their share in the total amount of gross loans and advances was 2.5% (compared to 2.9% at the end of September 2024).

When presenting the indicator in a broad range (including cash balances with central banks and other deposits at sight), the share of gross non-performing loans and advances was 1.3% at the end of the fourth quarter of 2024 (compared to 1.5% at the end of the third quarter). The net value of non-performing loans and advances (after deduction of their inherent impairment) at the end of December 2024 was BGN 1.9 billion (compared to BGN

1.67 billion at the end of September 2024), and its share in the total net value of loans and advances was 1.3 (compared to 1.5% at the end of September 2024).

In 2024, there is a gradual increase in average interest rates on newly contracted deposits. The average interest rate for newly contracted deposits with agreed maturity for non-financial corporations increased from 1.11% to 1.88% for deposits in BGN, and increased from 1.45% to 1.50% for deposits in EUR. The average interest rates on newly granted loans to non-financial entities decreased slightly – from 3.90% to 3.85% for those in BGN, and for those in EUR they decreased from 5.76% to 5.01%.

In 2024, the main challenge in terms of regulations in the banking sector in Bulgaria was the adoption by the Central Bank of restrictions on lending for the purchase of real estate. The activity of the banking system in 2025 is expected to be influenced by banks' preparation for the expected introduction of the euro from 1 January 2026.

4.3 LEASING SECTOR

As of 31.12.2024, the receivables of leasing companies under financial and operating leases totaled BGN 6,725 million compared to BGN 6,104 million as of 31 December 2023 – an increase of 10.2%. Receivables under financial lease contracts are BGN 5,770 million, which represents an increase of 16.9%.

The share of receivables under finance lease contracts is 94.5% at the end of 2023, which is higher compared to the previous period. Receivables under operating lease contracts are BGN 334 million, with the latter decreasing by 5.9% on an annual basis. The decrease is related to a decrease in operating leases of other assets, which decreased by nearly 30%.

By type of asset, at the end of 2024, the largest portfolio was the portfolio of receivables under car leasing contracts with a share of 52.3% of financial lease receivables compared to 46.5% as of 31.12.2023.

As of 31 December 2024, the net value of receivables under financial lease contracts for trucks and light commercial vehicles is 22.12%, which is a minimal decrease compared to a year earlier, when it was 25.08%. The portfolio of receivables under financial leasing contracts for machinery, facilities and industrial equipment as of 31 December 2024 is BGN 1.455 million, which is an increase of 2.97% compared to a year earlier. Machinery and industrial equipment form 22.3% of receivables under financial leasing contracts.

The main part of the clients of leasing companies are non-financial commercial companies - at the end of 2024, the volume of receivables under leasing contracts with commercial companies was BGN 4.907 million - 77.21% of all receivables under financial lease contracts (80% in the previous period).

The portfolio of receivables under leasing contracts with individuals registered a growth of 25%, which is an acceleration of growth compared to a year earlier, when the growth was 23.3%. Non-performing receivables in the portfolios of leasing companies are increasing as a percentage of total receivables under leasing contracts - from 1.41% to 2%. The data shows that the main driver of growth in the sector in 2024 is the leasing of cars. There is an acceleration in the purchases of leased assets by individuals. Expectations are for a moderate growth in the total amount of receivables under leasing contracts in the medium term.

5 OVERVIEW OF ACTIVITY AND SELECTED FINANCIAL INFORMATION

5.1 BDB GROUP PERFORMANCE

5.1.1 Comprehensive income

The Bulgarian Development Bank EAD Group continues to work actively on its goals, maintaining high levels of liquidity and capitalization.

Consolidated statement of comprehensive income for 2024 and 2023

	2024	2023	YoY change
Net interest income	76,225	73,668	3.5%
Net fee and commission income	6,362	4,927	29.1%
Net income on foreign exchange deals	268	257	4.3%
Net loss on financial assets at fair value through other comprehensive income	(85)	(11)	672.7%
General and administrative expenses incl. Depreciation and amortization expenses and Employee benefits	(38,417)	(35,394)	(8.5%)
Other income, net	15,509	7,093	118.7%
Operating profit before impairment and provisions	**59,862**	**50,540**	**18.4%**
Expenses for impairment and provisions of non-financial assets and financial instruments	(23,974)	(21,368)	(12.2%)
Gain before tax	**35,888**	**29,172**	**23.0%**
Income tax (expense)	(771)	(226)	(241.2%)
Net profit for the year	**35,117**	**28,946**	**21.3%**
Actuarial (loss) on defined benefits plans, net of taxes	(68)	(12)	(466.7%)
Net change in fair value of equity financial assets at fair value through other comprehensive income	37,743	24,449	54.4%
Net change in fair value of debt financial assets at fair value through other comprehensive income	12,392	14,313	(13.4%)
Total comprehensive income	**85,184**	**67,696**	**25.8%**

The interest income for the financial year 2024 amounted to BGN 130,234 thousand (for 2023: BGN 124,286 thousand), reporting a growth of 4.8%, mainly due to increased interest income due to higher market interest rates and the investment of temporarily free funds at higher yields.

In the past year 2024, the interest expenses in the Bank's financial statements increased by 6.7%, reaching BGN 54,009 thousand compared to BGN 50,618 thousand for the same period in 2023. This annual change is due to the increased cost of attracted resources, as a result of increased market interest rate levels.

As a result of the realized interest income and expenses in 2024, net interest income was reported 3.5% higher compared to 2023.

Fee and commission income for the twelve months of 2024 amounted to BGN 8,314 thousand and registered an increase of 6.1% compared to the same period of 2023. The net result from accrued fees and commissions for 2024 is positive and amounts to BGN 6,362 thousand or a growth of 29.1% compared to the same period of 2023.

The result was affected by increased revenues in connection with issued portfolio guarantees.

For the financial year 2024, a net loss was realized from financial assets measured at fair value through other comprehensive income in the amount of BGN 85 thousand, significantly above the BGN 11 thousand for the previous year.

In 2024, general and administrative expenses and depreciation/amortization and personnel expenses amounted to BGN 38,417 thousand compared to BGN 35,394 thousand in 2023, an increase of 8.5%. According to NSI data, the reported average annual inflation (HICP) as of 31 December 2024 is 2.6%. The increase is due mainly to the higher expenses of Roadway Group. Compared to the planned expenditure levels in the budget of the BDB Group for 2024, savings have also been reported.

In 2024, the Bank also reported a negative result of accrued impairments and provisions on loans, receivables and off-balance sheet commitments – a net expense of BGN 23,974 thousand. For comparison, for the same period of the previous year 2023, the Bank reported a net expense for impairments and provisions of loans, receivables and off-balance sheet commitments in the amount of BGN 21,368 thousand. The reported increased negative result for 2024 is due to both (1) updating of the models for accrual of provisions for off-balance sheet commitments – issued portfolio guarantees to commercial banks under the two guarantee programs – "Program for guaranteeing interest-free loans for the protection of people deprived of the opportunity to work due to the COVID-19 pandemic" and "Program to support the liquidity of enterprises, affected by the emergency situation and the COVID-19 epidemic", by which the Bank has been assigned with mandates by the Government of the Republic of Bulgaria to provide financial assistance to support the economy and to overcome the consequences of the pandemic, as well as from (2) the accrued impairment costs to cover expected credit losses in the Bank's portfolio.

The financial result of the Bulgarian Development Bank EAD for 2024 is an after-tax profit of BGN 35,117 thousand (2023: BGN 28,946 thousand).

5.1.2 Financial position

As of 31 December 2024, the assets of the BDB Group amounted to BGN 3,096,428 thousand, which is 11.7% more than the previous year. The main elements of the statement of financial position are presented in the table below.

Consolidated statement of financial position as of 31 December 2024 and 31 December 2023 of the BDB Group

	As of 31.12.2024	As of 31.12.2023	Yoy change
Assets			
Cash in hand and balances in current accounts with Central Banks	341,154	128,665	165.1%
Receivables from banks	848,803	513,980	65.1%
Financial assets at amortized cost, including:	976,887	1,359,465	(28.1%)
Loans and advances to customers	954,774	1,333,532	(28.4%)
Receivables from the State budget	10,786	14,262	(24.4%)
Securities	11,327	11,671	(2.9%)
Financial assets at fair value through other comprehensive income – Debt and Equity instruments	583,097	579,761	0.6%
Net investment in finance lease	76,350	75,360	1.3%
Non-current assets	44,135	50,152	(12.0%)
Goodwill	1,665	1,254	32.8%
Other assets	224,337	62,224	260.5%
Total assets	**3,096,428**	**2,770,861**	**11.7%**
Liabilities			
Borrowings from international institutions	611,158	581,931	(5.0%)
Deposits from customers other than credit institutions	736,428	539,591	(36.5%)
Deposits from credit institutions	246,582	209,904	(17.5%)
Other borrowings	83,477	83,022	(0.5%)
Lease liabilities	101	215	53.0%
Other liabilities	115,246	136,828	15.8%
Total liabilities	**1,792,992**	**1,551,491**	**(15.6%)**
Equity			
Share capital	1,135,500	1,135,500	-
(Accumulated loss)	(181,475)	(165,917)	9.4%
Revaluation reserve on financial assets at fair value through other comprehensive income	(18,710)	(68,631)	(72.7%)
Reserves	368,121	318,418	15.6%
Total equity	**1,303,436**	**1,219,370**	**6.9%**
Total liabilities and equity	**3,096,428**	**2,770,861**	**11.7%**

5.2 LENDING ACTIVITY

5.2.1 Direct lending

In 2024, the Group continued to develop its activities, supporting the Bulgarian business, while continuing to maintain the diversification of the sectoral structure of its loan portfolio. The Bank registered a significant decrease in volumes compared to 2023 - "Industry - production of machinery and equipment" (by 39%), "Trade" (by 41%) and "Transport" (by 17%) - as well as an increase in others - "Industry - production of food products" (by 28%), "Agriculture" (by 54%) and "Other industries" (by 20%).

BDB's lending activity is expressed both in the direct provision of borrowed funds and in financing through lending programs (products) to commercial banks, which with the funds received provide loans to SMEs and agricultural producers, or the so-called "on-lending". The high liquidity of commercial banks determines the reduced demand for financing through BDB's on-lending programs.

At the end of 2024, loans and advances after impairment (financial assets reported at amortised cost – receivables from customers) amounted to BGN 958,529 thousand and registered a decrease of 28% (as of 31.12.2023: BGN 1,333,532 thousand). The decline is due to the repayment of loans, which is not compensated by new exposures, as well as the taking possession of collateral against debt repayment.

5.3 ANTI-COVID 19 GUARANTEE PROGRAMMES

In 2020, the Bank, based on Decisions of the Council of Ministers of the Republic of Bulgaria, became a guarantor to a group of Bulgarian commercial banks for loans to individuals and legal entities, in order to overcome the consequences of the COVID-19 pandemic.

The total amount that BDB can guarantee is BGN 700 mln. They were fully secured by increasing the Bank's capital in 2020 by the same amount.

For these programs, BDB has adopted a special methodology for determining expected credit losses in view of the specifics of the programmes, the customer profile and the structure of the product-related commitments for inflowing and outflowing cash flows. The methodology is described in detail in the Bank's annual financial statements for 2024.

As of 31 December 2024 BDB issued guarantees at the total amount of BGN 286,226 thousand (31 December 2023: BGN 373,894 thousand), and guaranteed exposures under both programs at the total amount of BGN 339,246 thousand (31 December 2023: BGN 554,763 thousand), and set aside provisions at the amount of BGN 90,289 thousand (31 December 2023: BGN 111,845 thousand).

5.4 BORROWINGS FROM INTERNATIONAL INSTITUTIONS

The funds attracted from international institutions at the end of 2024 accounted for 34.1% of the liability structure and amounted to BGN 611,158 thousand compared to BGN 581,931 thousand at the end of 2023. The change for 2024 compared to the end of 2023 is due to agreed repayments under signed financial agreements, early partial repayment of a loan to the China Export–Import Bank and utilized new credit lines from the European Investment Bank and the Council of Europe Development Bank.

5.5 ACTIVITY OF THE GROUP IN RELATION TO GUARANTEE SCHEMES THROUGH NGF EAD

During the past year, the company guaranteed 2,616 loans in total amount of BGN 587 million to 2,277 micro, small and medium-sized enterprises. As of 31 December 2024, the total amount of the guaranteed portfolio is BGN 500 million, an increase of 54% compared to the previous year.

The company reports an improvement in all key indicators compared to the comparable period of 2023:

Indicator	**31.12.2024**	**31.12.2023**	**Performance**
Number of SMEs supported (new business)	2,277	2,180	4 %
Number of guarantees in force	5,147	3,388	52 %
Amount of the guaranteed portfolio (million BGN)	500	325	54 %
Coverage: Guarantee Fees / Administrative Costs	332%	216%	54 %

In addition, in the last quarter of 2023, negotiations were resumed with potential implementing partners under the company's joint instrument with the Black Sea Trade and Development Bank, which provides guarantee coverage of up to 80% of the amount of newly granted loans to SMEs.

5.5.1 Own risk guarantee schemes

The first guarantee scheme of the NGF - Guarantee Scheme 2009-2013, was launched in 2009, and loans could be included until February 2013. Under the first guarantee scheme, agreements were signed with 11 commercial banks. Under the scheme, the NGF issues guarantees on loans to SMEs in the amount of up to BGN 500 thousand on investment and working capital loans, as well as bank guarantees. The maximum term of the guarantees is up to 10 years and the NGF approves the inclusion of loans in the guaranteed portfolio on an individual basis.

During the period of inclusion of loans in the guaranteed portfolio, the NGF has approved guarantees in the amount of BGN 168,000 thousand on loans in the amount of BGN 391,000 thousand. The total number of enterprises supported under the scheme is 2,471.

As of 31 December 2024, the approved amount of guarantees included in the portfolios of partner banks is BGN 247 thousand BGN (2023: BGN 614 thousand), and the amount of the guaranteed debt is BGN 69 thousand (2023: BGN 189 thousand). Expiry date of guarantees – 16 November 2027.

In the beginning of 2019, NGF started a procedure for selection of partner banks under a new **Guarantee scheme 2019-2020**. Eligible for inclusion are only new loans granted for investments and working capital. Under the scheme the NGF guarantees up to 50% of the amount of the loan but not more than BGN 1.5 million on the level of related parties. The term of inclusion of loans in the guarantee portfolio was until 30 September 2020. The guarantee is on portfolio basis and for amounts over BGN 500 thousand a preliminary written approval by the NGF is required.

At the beginning of 2022, NGF EAD launched a procedure for the selection of partner banks under the new **Guarantee Scheme 2022-2024**. Only newly granted loans for investment and working capital needs are eligible for inclusion. Under the scheme, NGF EAD guarantees up to 50% of the loan amount, but not more than BGN 1.5 million at the level of related parties. The deadline for inclusion of loans in the guaranteed portfolio is June 30, 2025. The guarantee is on portfolio basis and as for amounts over BGN 500 thousand prior written consent from NGF EAD is also required. As of 31 December 2024, guarantee agreements have been signed with Allianz Bank Bulgaria AD, Bulgarian-American Credit Bank AD, DSK Bank AD, First Investment Bank AD, United Bulgarian Bank AD, Municipal Bank AD, ProCredit Bank (Bulgaria) EAD, Eurobank Bulgaria, UniCredit Bulbank AD. The maximum amount of the guaranteed portfolio is in the amount of BGN 946,000 thousand. As of 31 December 2024, 4,500 loans are guaranteed for the amount of BGN 1,011,621 thousand, the supported SMEs are 3,915.

As of 31 December 2024, the approved amount of the guarantees included in the portfolios of the partner banks is BGN 435,084 thousand (2023: BGN 213,192 thousand), and the amount of the guaranteed debt is BGN 396,222 thousand (2023: BGN 194,620 thousand). The expiry date of the guarantees – 30 June 2028.

Under the guarantee scheme, a maximum payment limit of up to 25% has been introduced for each guaranteed portfolio, and the NGF reserves the right to exclude loans from the guaranteed portfolio in case of non-compliance with the terms of the scheme. Banks pay a guarantee fee based on the volumes achieved, and borrowers are exempt from fees under the guarantees from the NGF. During the inclusion period, 1,486 loans were guaranteed for the amount of BGN 450 million, the supported SMEs were 1,350. As of 31 December 2023, agreements were signed with 6 banks with a maximum guaranteed portfolio amount of BGN 244,000 thousand.

Guarantee scheme under the COSME Programme of the European Commission – in December 2016, an agreement was signed between the European Investment Fund (EIF) and National Guarantee Fund EAD (NGF EAD), by virtue of which another EUR 40 million was ensured for financing Bulgarian small- and medium-sized enterprises under the COSME Programme of the European Commission. The funds have been provided with the support of the European Fund for Strategic Investment (EFSI), on which the Investment Plan for Europe (the "Juncker Plan") is based.

EIF ensures a guarantee line of EUR 20 million, by which NGF will support financing in the amount of EUR 40 million to SMEs in Bulgaria that experience difficulties in ensuring collateral required.

Under this scheme, portfolio guarantee agreements have been concluded with 5 commercial banks – Bulgarian-American Credit Bank AD, TBI Bank EAD, BDB Microfinance EAD, First Investment Bank AD, Eurobank Bulgaria AD. The maximum limit is BGN 43,338 thousand. During the inclusion period, 484 loans were guaranteed for the amount of BGN 87,249 thousand, the supported SMEs were 444.

As of 31 December 2024, 171 loans were guaranteed for a total amount of BGN 22,790 thousand (2023: BGN 31,160 thousand). The current guaranteed debt as of 31 December 2024 is BGN 11,395 thousand (2023: BGN 15,480 thousand).

The expiry date of the guarantees – 31.12.2032.

5.5.2 Guarantee schemes for third-party risk – risk free guarantees

The guarantee program in support of beneficiaries under Operational Programme Fisheries Sector Development 2007 – 2013 (DFSOP) is a financial engineering instrument and a process for the issuance of guarantees to supplement the collateral on loans extended by banks to borrowers for the purpose of implementing projects approved under the following DFSOP measures:

Measure 1.3: Investments on board of fishing vessels and selectivity

Measure 2.1: Manufacturing investments in aquaculture

Measure 2.5: Inland fishing

Measure 2.6: Investments in the processing and marketing of fishery products and aquaculture

Measure 3.3: Investments in reconstruction and modernisation of fishing ports, landing sites and boat shelters.

And also under Priority axis 4: Sustainable Development of Fisheries Areas of projects of some of the beneficiaries under the Priority axes One, Two and Three and all beneficiaries under the Priority axis Four of DFSOP.

With the support of the scheme, projects valued at BGN 46,000 thousand were implemented, of which projects worth BGN 33,000 thousand were under measure 2.1 (79% of the measure's budget); under measure 2.6, projects in the amount of BGN 12,000 thousand (77% of the measure's budget) were supported. Projects for BGN 500 thousand were supported under Measure 4.1. of Priority axis Four. The supported. SMEs were 25.

As of 31 December 2024, with the application of a maximum amount of guarantee coverage of 80%, NGF EAD has issued risk-free guarantees and counter-guarantees for the Company on loans issued to partner banks for financing approved projects under the Operational Program for the Development of the Fisheries Sector 2007–2013, in the amount of BGN 20,780 thousand with a total value of loans/bank guarantees – BGN 30,551 thousand (2023: guarantees BGN 20,780 thousand with a total value of loans/bank guarantees – BGN 30,551 thousand). The amount of the guaranteed debt at book value as of 31 December 2024 is BGN 19 thousand (2023: BGN 78 thousand).

The guarantee scheme in support of beneficiaries under Rural Development Programme 2007–2013 (RDP) is a financial engineering instrument approved by the Eighth Amendment to the RDP and a process for the issuance of guarantees to supplement the collateral on loans extended by banks to borrowers for the purpose of implementing projects approved under Measure 121 Modernisation of Agricultural Enterprises, Measure 122 Improvement of the Economic Value of Forests, and Measure 123 Adding Value to Agricultural and Forestry Products of RDP of the Republic of Bulgaria (2007–2013).

As of 31 December 2024, applying a maximum amount of the guarantee coverage of 80%, NGF EAD has issued risk-free guarantees for the company and counter-guarantees on loans issued by partner banks for financing approved projects under the Rural Development Programme of the Republic of Bulgaria 2007-2013, amounting to BGN 185,606 thousand (2023: BGN 185,606 thousand). The total amount of loans is BGN 238,112 thousand (2023: BGN 238,112 thousand). The book value of the guaranteed debt as of 31 December 2024 was BGN 171 thousand (2023: BGN 474 thousand).

The guarantee scheme in support of beneficiaries under Rural Development Programmes 2007-2013, 2014–2020, and enterprises operating in the sectors of Crop and Animal Production - Guarantee scheme - MAF 2016-2018, is a joint initiative with the MAF, which is implemented using funds released from the Guarantee Scheme under RDP 2007-2013 amounting to BGN 50 million. The issued guarantees by the NGF EAD under the programme are risk free for the company since the claims are paid at the expense of funds provided under the RDP. Under the guarantee scheme, agreements have been signed with 17 commercial banks and BDB Microfinancing EAD, a company within the BDB Group providing financing up to BGN 300 thousand.

In the first quarter of 2022 by decision of the Consultative committee of the programme the term for inclusion of loans in the guarantee portfolio, as well as the term of validity of the guarantees, has been extended. The deadline for inclusion of loans was changed to 30 June 2023 and the deadline for submitting payment requests by the partner banks is 28 February 2026.

As of 31 December 2024, when applying a maximum amount of guarantee coverage of 50%, NGF EAD has issued risk-free guarantees and counter-guarantees for the Company on loans issued to partner banks for financing approved projects under the Rural Development Program of the Republic of Bulgaria 2014-2020 in the amount of BGN 138,700 thousand. (2023: BGN 138,700 thousand) with a total value of loans – BGN 279,391 thousand (2023: BGN 279,200 thousand). A total of 456 SMEs were supported through the program. The total guarantee limit was BGN 50,000 thousand. The amount of the guaranteed debt at book value as of 31 December 2024 is BGN 25,712 thousand (2023: BGN 17,416 thousand).

Guarantee scheme 2022

At the beginning of 2022, NGF EAD launched a procedure for the selection of partner - banks under the new guarantee scheme NGF 2022. Only newly granted loans for investment and working capital needs are eligible for inclusion. Under the scheme, NGF EAD guarantees up to 50% of the loan amount, but not more than BGN 1.5 million at the level of related parties. The deadline for including loans in the guaranteed portfolio is 30 June 2025. The guarantee is portfolio based and for amounts over BGN 500 thousand prior written consent from NGF EAD is also required. The guarantee scheme also introduces a maximum limit of payments for each guaranteed portfolio of up to 25%, and NGF EAD reserves the right to exclude loans from the guaranteed portfolio in case of non-compliance with the terms of the scheme. Banks pay a guarantee fee based on the volumes achieved, and borrowers are exempt from fees under the guarantees of NGF EAD.

As of 31 December 2024, guarantee agreements have been signed with United Bulgarian Bank AD, Bulgarian-American Credit Bank AD, Allianz Bank Bulgaria AD, ProCredit Bank (Bulgaria) EAD, Municipal Bank AD, First Investment Bank AD, DSK Bank AD, Eurobank Bulgaria AD, UniCredit Bulbank AD.

From the beginning of the inclusion period until 31 December 2024, 4,500 loans to 3,915 SMEs were guaranteed with a total amount of BGN 1,011,621 thousand, guarantees in the amount of BGN 485,146 thousand. In 2024, 2,461 newly granted loans to 2,162 SMEs were guaranteed with a total amount of BGN 558,323 thousand, guarantees in the amount of BGN 272,445 thousand.

As of 31 December 2024, the guaranteed portfolio was formed by 3,871 loans with a current exposure of BGN 829,805 thousand, a portfolio at a book value of BGN 396,222 thousand.

The deadline for inclusion of new loans in the guaranteed portfolio – 30 June 2025. The deadline for validity of the guarantees – 30 June 2028.

Guarantee scheme 2022 – Leasing

At the beginning of 2022, NGF EAD launched a procedure for the selection of partner - banks under the new guarantee scheme NGF 2022 - Leasing. Only newly granted loans for investment and working capital needs are eligible for inclusion. The deadline for including loans in the guaranteed portfolio is 31 December 2023. Under the guarantee scheme, a maximum limit of payments for each guaranteed portfolio of up to 25% has been introduced and NGF EAD reserves the right to exclude loans from the guaranteed portfolio in case of non-compliance with the terms of the scheme.

Banks pay a guarantee fee based on the volumes achieved, and borrowers are exempt from fees under the guarantees of NGF EAD. Under this scheme, portfolio guarantee agreements are in force with Eurobank Bulgaria AD, OTP Leasing EOOD, UniCredit Leasing EAD and BDB Leasing EAD.

From the beginning of the inclusion period until 31 December 2024, 402 leasing transactions were guaranteed to 322 SMEs with a total amount of BGN 51,850 thousand, guarantees in the amount of BGN 22,100 thousand. In 2024, 139 new leasing transactions were guaranteed to 103 SMEs with a total amount of BGN 20,180 thousand, guarantees in the amount of BGN 9,059 thousand.

The deadline for inclusion of new leasing transactions in the guaranteed portfolio – 31 December 2025. The deadline for validity of the guarantees – 31 December 2030.

5.5.3 Financial result of NGF EAD

The financial result after taxes of the National Guarantee Fund for 2024 is profit in the amount of BGN 1,381 thousand.

Based on the results of the application of the risk assessment test on the guarantee portfolio as of the end of 2024, the management of the NGF EAD adopted that the coverage with the expected credit losses of the portfolio should be decreased from 2.25% for 2023 to 2.15% for 2024 in relation to the commitment assumed by the NGF EAD. On the basis of the risk assessment on the guarantee portfolio, the allocated provisions ensure adequate coverage of the expected future losses.

During the period, impairment of BGN 939 thousand on financial assets was reported and expected credit losses on guarantee portfolios amounting to BGN 3,401 thousand were recognized.

5.6 The Group's activity through BDB Microfinancing EAD

In the period from 1 January 2024 to 31 December 2024, 103 new loan agreements were concluded for an authorized total amount of BGN 13,926 thousand, of which 97 contracts were utilized for BGN 10,900 thousand.

As of 31 December 2024, the active loan and leasing portfolio of the Company amounted to BGN 32,585 thousand presented at amortised cost and consists of 620 loan and leasing transactions.

The amount of the Company's assets as of 31 December 2024 is 33,932 thousand.

The total revenue of the Company in 2024 are BGN 2,983 thousand, with interest income in the amount of BGN 2,325 thousand, which is approximately 78% of the total revenue.

5.7 The Group's activity through BDB Leasing EAD

As of 31 December 2024, the company's assets amounted to BGN 82,645 thousand. The main share consists of financial lease receivables presented at net amount after impairment – BGN 76,384 thousand, with an increase in total assets of BGN 3,154 thousand and in the lease portfolio of BGN 977 thousand compared to 2023.

As of 31 December 2024, four hundred and seventeen (417) financial leasing contracts have been concluded with a total financed amount of BGN 123,982 thousand (as of 31.12.2023 – BGN 123,096 thousand). Out of a total of 417 signed contracts, 353 contracts are in the active leasing portfolio. Ten lease contracts with a financed amount of BGN 3.6 million are in the process of delivery of the leased assets and as of 31 December 2024 are not included in the leasing portfolio. In 2024, 50 new leasing transactions were approved, with a total amount of BGN 28,392 thousand. In the same period, 81 new lease contracts were activated with a total financed amount of BGN 22,345 thousand.

The receivables on the book value of the lease contracts as of 31 December 2024 amounted to BGN 76,384 thousand including VAT compared to BGN 75,407 thousand for 2023 – an increase of 1.3% compared to the previous year 2023. The recorded payments for the delivery of leased assets amount to BGN 1,752 thousand excluding VAT (2023: BGN 2,451 thousand).

BDB Leasing EAD uses a revolving credit line in the amount of BGN 70 million from the Bulgarian Development Bank EAD to finance its core business.

The reported total revenue in 2024 amounted to BGN 6,475 thousand, with the main share being interest income under financial leasing contracts amounting to BGN 6,247 thousand (2023): BGN 5,436 thousand). The reported total expenses amount to 5,530 thousand.

The net financial result for the year ending December 31, 2024, is profit after taxes in the amount of BGN 840 thousand (for 2023): profit in the amount of BGN 1,004 thousand).

5.8 THE GROUP'S ACTIVITY THROUGH CAPITAL INVESTMENTS FUND AD

For 2024, the Company reports revenues from fees and commissions (fees for review) in the amount of BGN 59 thousand.

The Fund's expenses for 2024 are in the total amount of BGN 964 thousand, as follows:

- general and administrative expenses amounting to BGN 209 thousand - representing expenses for administrative services (legal, accounting, information services and audit services), costs for economic and legal opinions, current costs for bank commissions and expenses for notary fees);
- expenses for staff remuneration amounting to BGN 743 thousand;
- depreciation/amortization costs in the amount of BGN 12 thousand;
- tax expense BGN 29 thousand.

The total expenses of the Fund for the same period of 2023 amount to BGN 828 thousand, of which the expenses for staff remuneration are BGN 678 thousand.

In 2024, the Fund has not realized positive differences due to sale of owned shares in companies.

For 2024, the net financial result of the Fund's activities is a loss of BGN 256 thousand (for 2023: loss of BGN 305 thousand).

6 DEVELOPMENT STRATEGY OF THE GROUP AND BUSINESS GOALS OF THE BDB GROUP

BDB, together with its subsidiaries, form BDB Group. In preparing the strategy, the management of the Bank and the subsidiaries form common goals, as each company participates in its implementation according to its specialization. The strategy is prepared on a group basis and approved by the Council of Ministers.

BDB's activities aim to create a sustainable and full-fledged market of financial products and services for businesses and SMEs, complementing the activities of commercial banks through various financial programs and instruments: project financing, loans for micro and SMEs (working capital and for investments), individual guarantees and guarantees on commercial banks' portfolios of loans for SMEs, on-lending for commercial banks, operating lease, equity capital, etc.

BDB EAD's 2024-2026 Strategy was adopted by Decision 389/07.06.2024 of the Council of Ministers. The Strategy defines the business priorities and investment directions for the next three years and indicates the path for the Bank to participate in resolving key challenges faced by the state: how to increase the competitiveness of businesses and strengthen the economy by providing access to diverse financing, guarantee instruments and support for public policies. With its activities, the Bank aims to promote investments and economic growth to achieve energy efficiency and decarbonization and build a modern industrial infrastructure against the backdrop of increasing geopolitical and geoeconomic risks.

- Timely addition of new strategic objectives– for partnership with the public sector and for funding strategic sectors for the economy;
- Facilitating the access to business financing through co-financing of industries that receive resources under EU and national policies;
- Timely increasing the limit over BGN 5 million leva for priority areas and projects, as well as of the individual limit to financial institutions under Art. 3a of the CIA, for the

purpose of indirect financing of SMEs, which can reach BGN 15 million.

In its activities, BDB follows a business model that combines financing of investments in support of public policies, direct lending to SMEs and the public sector, provision of portfolio guarantees and on-lending financing in partnership with banks and non-bank financial institutions, including implementation of the instrument assigned to BDB under indirect management of the EC within the meaning of Art. 62 of Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council, namely the Invest EU Programme. The main features of the business model are achieving long-term financial stability of the Bank, integration of ESG (Environmental, Social and Governance) aspects and commitment to the goals for sustainable economic growth (the so-called Sustainable Development Goals)5.

In 2024, BDB launched a process to assess the impact of its activities by taking into account the non-financial results and effects of the funded projects and programs. The measured effects demonstrate the effectiveness, the market challenges addressed and the achievement of strategic objectives. The Impact Assessment Methodology is based on data collection from the Bank's Business Units, based on the Methodology for Reporting Impact and Impact Indicators of BDB EAD's Activities, approved by the Management Board in July 2024.

To support public control over its activities, BDB maintains a regular dialogue with nationally representative employers' organizations, leading trade unions and the National Association of Municipalities, advising on the process of creating new financial instruments and sharing knowledge and good practices to help businesses. The Bank maintains good relations with leading print and electronic media, non-governmental organizations in the field of entrepreneurship, as well as with the academic community.

When implementing the strategic goals, BDB analyses the economic environment and actively suggests the necessary target instruments, following the principles defined in the strategy, so as to contribute to:

- Sustainable economic development using countercyclical measures and instruments;
- More investment in the economy by ensuring the necessary co-financing of public policies and public investments and projects;
- Low-carbon economy by supporting business and the public sector in the transition to decarbonization;
- Territorial cohesion by (co)financing national and regional priority projects and those aimed at addressing regional imbalances.

The enhanced strategic direction and expanded lending opportunities are expected to lead to a more stable financial position as of 31 December 2024.

7 BUSINESS MODEL AND KEY INTANGIBLE ASSETS

The implementation of the strategy and the resulting business model depend primarily on the effective use of tangible and intangible assets. The organisational development focuses

[5] With the updated Strategy 2021-2023 BDB agrees to carry out its activities in the context of the UN Global Sustainable Development Goals (SDG). This activity has been continued with the new Strategy 2024-2026.

on the versatility of human resources, efficiency and flexibility of processes, effective development and implementation of new products and programs, and sustainable information and communication technologies to support the development of the activity and organisational development.

Since 2022, the BDB Group successfully integrates sustainable development and ESG principles into the main aspects of its activities, taking into account the importance of intangible assets as a key factor in creating value for the Bank. The main intangible assets include: excellent corporate culture and ethical standards, technological optimisation of processes, improvement of employee qualifications and engagement, as well as the established partnership and trust with clients and partners.

The Bank's business model will increasingly depend on its ability to effectively manage these intangible assets, turning them into a competitive advantage through digital solutions, speeding up processes, creating and implementing sustainable credit programs that address certain unserved market segments and the needs of BDB's target segment. In the past year (2024), significant investments were made in modern technologies, process automation and digital channels for customer service. They increase efficiency and customer satisfaction, while optimizing the use of natural resources.

A particular focus in lending activities are projects aimed at ecological and resource economy, including support for sustainable agriculture, renewable energy sources and resource efficiency. These activities strengthen BDB's position as a development bank, which creates a positive image to attract clients and makes a long-term effect and impact on the economy. The Bank develops the ESG competencies of its employees and promotes a culture of responsibility, implementation of the Green Code principle, which contributes to the sustainable activities of the Bank.

7.1 VERSATILITY OF HUMAN RESOURCES

The Group's organisational structure is as flat as possible, which facilitates direct communication both horizontally (between departments) and vertically (between employees, heads of departments and governing bodies). Polyvalence - the capacity of an employee to perform more than one function and to ensure replaceability and continuity - is key to the success of the business model. In this regard, the Group provides multiple trainings - in 2024, 72% of the Bank's employees and 20% of the employees of the subsidiaries underwent various types of individual and group trainings, specific to banking activities, which are directly related to employees' duties and responsibilities - in order to increase competence and the ability to undertake tasks and projects, building on and developing the scope of the Bank's activities, processes, and the competence of specific employees and the units they work for. As a result of the constantly changing regulatory framework, our employees participated in training programs to ensure compliance with the requirements and the implementation of established good practices in the banking sector.

The key training topics over the past year were: anti-money laundering and counter-terrorist financing measures, data privacy and cybersecurity, digital and operational resilience of the banking sector, ESG and sustainable financing, risk management, measurement of financial assets and financial institutions, collateral valuations, the plan for Bulgaria's accession to the eurozone, successful management of problematic receivables, credit analysis, structuring a loan proposal, etc. Recognising the role of soft skills in building strong, adaptable and customer-oriented teams, our employees also received training in effective communication, leadership, conflict resolution, adaptability and emotional intelligence, which are essential for fostering cooperation and teamwork. Investing in these skills not only enhances individual employee performance but also strengthens organisational culture.

The attestation model for employee evaluation and self-assessment encourages their appetite for independent goal setting and achieving results in additional tasks and goals set by themselves.

7.2 EFFICIENCY AND FLEXIBILITY OF PROCESSES

The Bank and the companies in the Group are constantly improving their internal processes and procedures in order to be able to respond more effectively to business, regulatory, social or environmental challenges that arise in the course of its activities.

The flat organisational structure, as well as the operating efficiency of the governing bodies, facilitate rapid adaptations of internal rules, procedures and processes, triggered both by the necessity to implement new business development activities, and by regulatory changes, social demands or activities related to environmental impact.

7.3 EFFECTIVE IMPLEMENTATION OF NEW PRODUCTS AND PROGRAMS

The implementation of the tasks defined in the Strategy requires the development of targeted products and programs to overcome the market challenges faced by some economic entities, to provide accessible financing for innovation and development, and to support the implementation of state policies through financial instruments. As a result, the Bank and its subsidiaries are speeding up the development and implementation of specific programs (see section 3.2) to meet to the emerging challenges faced by sectors or groups of entrepreneurs due to market or structural shocks or related external events.

7.4 SUSTAINABLE INFORMATION AND COMMUNICATION TECHNOLOGIES

The development of the Bank without a branch network leads to additional requirements regarding the sustainability and flexibility of the information and communication technologies used. By using target management in the development of the ICT infrastructure (see section 3.5), the Bank aims to optimise business and reporting processes, customer relations and effective management of ICT risks.

8 INTERNAL CONTROL

The internal control processes in the Bank are detailed in sections 9 and 10 of this report, as well as in the Corporate Governance Statement, Appendix No1 to this Report. These include the following components:

a) control environment analysis - a description of the control environment can be found in items Risk Management, Control Environment, and in the Corporate Governance Statement, Control Environment section;
b) risk assessment process - a description of the assessment of the risks of the Bank may be found in Corporate Governance Statement, Risk Management section;
c) information system, including the related business processes relevant to the financial reporting, and communication - description of the information system of the Bank may be found in the Risk Management and Control Environment sections;
d) control activities - a description of the control activities of the Bank may be found in the Risk Management section, part of Corporate Governance Statement

Structures for Risk Management and Committees to the Management Board sections;

e) ongoing monitoring of controls - a description of the ongoing monitoring and control of the Bank may be found in Corporate Governance Statement, Structure for Risk Management and Committees to the Management Board sections.

9 RISK MANAGEMENT

In managing its risk, BDB applies policies and procedures based on best practices and appropriate to the nature and complexity of its activity. In the course of the ordinary activity, BDB is exposed to various risks, the occurrence of which may lead to losses and to deterioration of the financial stability of the institution. These risks are identified, measured and limited to acceptable levels by means of limits and restrictions that reflect the BDB's willingness to take specific risks in order to achieve its strategic objectives.

The risk management process is important for the Bank's profitability and existence. The most significant risks, to which the Bank is exposed, are credit, market, liquidity and operational risks.

9.1 CREDIT RISK

The credit risk is the key risk to which the BDB Group is exposed, and therefore, its management is a key priority of its activity. The credit risk management is carried out in compliance with the BDB Act, and the effective statutory laws and regulations of the Republic of Bulgaria, regulating the credit activity, the established international norms and best banking practices. The BDB Group uses internal rating for the evaluation and management of the credit risk (incl. from counterparties) under the exposures. Units for monitoring, control, and assessment of the quality of the credit portfolio have been created and are functioning at the BDB Group. Procedures and mechanisms have been introduced for ongoing monitoring, recording and management of the credit portfolio, requiring periodic, and if necessary, extraordinary reports on the financial and legal status of each borrower and liable persons. When new circumstances are established, which may lead to a change in the risk profile of the borrowers, including increasing the risk of default of the credit exposure, adequate measures are undertaken, which take into account the risk profile of the debtor. When managing the credit risk, the BDB Group follows a system of internal Group limits by economic sectors, by instruments, as well as other credit limitations and thresholds for concentration, and the results from the monitoring of their compliance are reported to the competent units. The system of limits is reviewed and updated periodically

9.2 MARKET RISK

Market risks are associated with adverse changes in interest rates, currency exchange rates, credit spreads and other factors affecting the prices of securities and other financial assets. These movements may have an impact on the Bank's financial position and profitability.

In managing the currency risk, the BDB Group follows the principle of maintaining minimum open FX positions through the observing of established limits. The positions in various currencies, as well as the general FX position are monitored on a daily basis. The FX positions are not formed for speculative purposes, but are the consequence of the currency transactions, occurring in the course of the ordinary banking activities. In managing its assets and liabilities, due to the specifics of its financing, the BDB Group seeks to maintain these assets and liabilities in EUR or BGN. The open FX position takes into account the terms and possibilities for netting the EUR and BGN positions in accordance with the applicable regulatory framework.

In managing interest rate risk, the BDB Group follows the principle of maintaining a balanced structure of its interest-sensitive assets and liabilities, seeking to maintain consistency between the frequency of change in interest on assets and liabilities, as well as a correlation between the applicable reference interest rates on assets and on the liabilities of the BDB Group.

A system of limits on Interest Rate Risk in the Banking Book (IRRBB) for the maximum acceptable (quantitative) impact of various shock scenarios on the change in market interest rates on net interest income in a one-year horizon and the economic value of the Group's capital has been introduced.

The internal limit framework mitigates the potential risk on expected future returns and the economic value of capital, within acceptable levels corresponding to the risk tolerance of the BDB Group.

The interest rate risk assessment is carried out using a set of techniques including yield-based measurement, measurement of the economic value of capital, analysis of discrepancies, interest rate stress scenarios.

The assumption of risks when transacting on the money and capital markets is managed by a system of limits reflecting the risk profile of the investments. These limits are determined according to parameters of the portfolio, like financial position of the counterparty, type of financial instrument, maturity of the transaction, etc. The system of limits is periodically reviewed, while the compliance with the limits is subject to daily monitoring. The securities portfolio, created by the BDB Group in order to invest the available funds, is characterized by a relatively low interest rate risk and the investments are in government securities and securities issued by reliable institutions with high liquidity and credit quality. In 2024, the financial group did not maintain a trade portfolio and was not subject to capital requirements for market risk from trading activities, in accordance with regulatory provisions.

9.3 LIQUIDITY RISK

Liquidity risk management and control is carried out through day-to-day liquidity monitoring and management, maintaining an adequate liquidity buffer and access to sufficient liquidity to ensure the discrepancies between cash inflows and outflows at maturity intervals, both in a normal banking environment and in different liquidity-aggravated scenarios.

The liquidity of the BDB Group is managed by strictly monitoring the ratios, indicating the liquidity position by periods. The liquidity risk is measured by applying additional scenarios for the cash flows from operations. The liquid buffers are measured and monitored, as well as the additional sources of financing upon market and idiosyncratic shocks. The main focus of liquidity management is to maintain an adequate level of high-quality assets and stable sources of financing in accordance with the established limits and restrictions set according to the risk tolerance of the Group.

9.4 OPERATIONAL RISK

For operational risk management the BDB Group applies a systematic approach covering the collection of objective information, timely identification of operational risk, its measurement (qualitative and quantitative), the identification of dependencies with other types of risk and the application of measures to limit its impact on the financial performance and on the capital of the Group. The operational risk is managed by strictly monitoring and registering all operational events occurring in the activity of the various units as a result of the processes within the Group identifying and managing the full range of operational risks.

Operational events, which are more frequent, and the ones having great potential or real impact on the Group's financial result, are subject to strict investigation and monitoring. They serve as the basis for the analysis of the operational risk in various scenarios, including operational risk stress tests.

The operational risk is measurable and controllable, while a registry of the operational events is maintained and used as basis for analysis and improvement of the Group's working processes and for minimizing the conditions, which could potentially lead to operational events and loss for the Group. The necessary capital for operational risk is calculated by using the basis indicator approach pursuant to the applicable regulatory framework.

9.5 Recovery plan (Directive 59/15.05.2014/EU)

BDB has developed a Recovery Plan of the BDB Group ("the Plan"). Its latest update was adopted by a decision of the MB under Protocol No 72/29.10.2024 and by a decision of the SB under Protocol No 45/31.10.2024. The Plan complies with the requirements of the Law on the Recovery and Resolution of Credit Institutions and Investment Intermediaries, adopted in the middle of 2015, Guidelines on recovery plan indicators and Technical recommendations on the definition of critical functions and key business lines (Technical advice on critical functions and core business lines) of the European Banking Authority (EBA).

The Recovery Plan addresses the systemically important/critical functions of the BDB Group and sets out the recovery indicators - a system of indicators the Bank observes with the aim of early identification of potential situations which could jeopardize the financial performance of the institution.

The prerequisites for the implementation of the recovery measures set out in the Recovery Plan are described. Scenarios and recovery options are considered which, in the event of activation of the Recovery Plan, can be taken, as well as the internal communication and decision-making process. A communication action plan has been elaborated in case of activation of the Recovery Plan.

The Recovery Plan is updated once a year and proposed for validation by the MB and SB of BDB. Furthermore, the Recovery Plan is updated in the event of a change in the legal management structure or economic activity, or financial position of the Bank, which may have a significant impact on the plan or require a change thereto, and also by the request of the supervisory authority.

The approved and updated Recovery Plan is submitted to the Bulgarian National Bank (BNB).

The Bank observes a system of indicators in order to identify early potential situations that could threaten its financial position. Recovery indicators form a system by which the moment at which the institution begins to consider the implementation of recovery measures (options) is determined and determines which specific recovery option to implement in response to the actual situation that has arisen.

The calculation of the indicators is carried out on monthly for the indicators on an individual basis, and on quarterly for the indicators on a consolidated basis and is provided to the Management as part of the package of management information.

The units designated as responsible for the calculation and monitoring of individual indicators are the units that have the obligation to initiate an escalation in decision-making in the event of indications of a violation of the reference values.

10 CONTROL ENVIRONMENT

The BDB group follows a management philosophy and operational style subordinated to the principles of conservatism in the implementation of the Bank's strategic objectives assigned under the BDB Act.

The organizational model of the risk management and control functions is developed in accordance with a model with three lines of protection. The main roles of the three lines of defence include:

The first line of defence covers risk management by business and risk-taking units - divisions Corporate Clients, Investment Banking and Project Financing, Financial Instruments, Problem Receivables and Treasury. Their activities are supported by the divisions Legal, Loan Administration, Security, Finance, Operations and IFI and European Funds, as well as the respective business units of the subsidiaries that evaluate and analyse the implementation of internal and regulatory constraints and support the decision-making activity in taking and managing risks. At this level, risk management is carried out by setting appropriate controls and procedures.

The second line of defence provides independent risk assessment, control and management by units performing control functions independent of risk units – divisions Risk, Regulatory Compliance and Control and Prevention of money laundering and fraud perform activities related to identification, management, measurement, control and reporting of risks, stress tests, monitoring of limits and reporting their implementation in accordance with the approved escalation procedures. The Regulatory Compliance and Control Division is responsible for compliance with the regulatory framework, including the adaptation of the internal regulatory framework and the organization of the processes in the BDB Group to the changes that have occurred and/or are forthcoming. The Prevention of Money Laundering and Fraud Division controls the prevention of money laundering and terrorist financing and compliance with sanctions regimes. The second line of defence is organizationally independent of the first and exercises preventive and ongoing control.

The third line of defence is performed by the Internal Audit of the Group (IAG). It independently reviews all activities in the BDB Group, subject to independent evaluation, compared to the established system of internal rules and their adequacy, compared to the external regulatory environment, internal control mechanisms and risk management systems covering the activities of the Group.

The weaknesses and deficiencies identified by it supports the functions of other levels of protection in the process of developing of internal rules and procedures in order to improve the effectiveness of risk management. IAG provides assurance to senior management on the effectiveness of risk management, internal control and governance, and the way in which the first and second lines achieve the objectives of risk management and control. The Internal Audit of the Group Division provides overall assurance from the position of the highest level of independence in the organization, through direct subordination of the Supervisory Board.

Management assigns powers and responsibilities for the operating activity in line with a detailed internal normative set of documents, which are in conformity with the current national and European legislations, where in order to guarantee the relationships in accountancy and reporting, and various specialized committees, by hierarchy of authorities, were formed to the MB and SB of BDB.

The Group has developed an internal set of documents, which includes policy and communications focused on ensuring that all employees understand the goals of the Bank, knows how individual actions are interconnected and contribute towards these goals, and who and how is reporting and what is their responsibility.

The Group has established an information system, including business processes related to it, providing the necessary quality and control of the financial accountability and communication.

The Audit Committee of the Bank informs the Bank's governing bodies with management and control functions about the results of the statutory financial audit and explains how the statutory audit has contributed to the financial reporting reliability and, where applicable, the sustainability reporting, as well as the role of the Audit Committee in this process; monitors the financial reporting process and gives recommendations and suggestions to ensure the reliability of the prepared and issued financial statements; it monitors the efficiency of the internal control system, the risk management system and the internal audit activity in the Bank's Group with regard to financial reporting and, where applicable, with regard to sustainability reporting; it monitors the statutory audit of the annual financial statements and, where applicable, the statutory sustainability assurance engagement, taking into account the findings and conclusions of the Commission for Public Oversight of Statutory Auditors (CPOSA) on the application of Article 26, paragraph 6 of Regulation (EU) No 537/2014; it controls the establishment and changes to accounting policies by the Bank and the subsidiaries of the Group related to the audit of the Group's consolidated financial statements; it monitors the timely and reliable provision of financial information by subsidiaries for the preparation of the Bank's annual consolidated financial statements; it discusses and approves the annual report on the activities during the internal audit and, if necessary, reviews and makes statements on separate audit reports from audit engagements performed, as well as on all significant internal audit related issues. Also, the Audit Committee coordinates the strategic plan of the Bank's Group Internal Audit; it monitors the statutory audit of the annual financial statements (separate and consolidated), taking into account CPOSA's findings and conclusions on the application of Art. 26, paragraph 6 of Regulation (EU) No. 537/2014; it reviews the statutory audit's strategy and plan as well as the arguments in support of important decisions and choices made in the planning stage; it monitors the implementation of the audit plan, giving recommendations to the Bank's governing bodies and the auditors to eliminate any difficulties that may arise; it reviews the draft auditors' reports under Art. 59 and Art. 60 of the IFAASRA and the identified key audit matters, the findings made and the auditors' opinion; it discusses the additional auditor's report (prepared in accordance with Art. 11, item 2 of Regulation (EU) No. 537/2014), and gives recommendations to the Bank's governing bodies to eliminate the significant weaknesses and deficiencies identified in the report; it verifies and monitors the independence of registered auditors in accordance with the requirements of Chapters Six and Seven of the Independent Financial Audit and Assurance of Sustainability Reporting Act (IFAASRA), as well as with Article 6 of Regulation (EU) No. 537/2014, including the appropriateness of the provision of non-audit services under Article 5 of the same Regulation; it approves in advance the provision of non-audit services by an auditor of the Bank, and within 7 days from the date of the decision notifies CPOSA, as well as the

Management and Supervisory Boards of the Bank of any approval granted under Article 64, paragraph 3 and Article 66, paragraph 3 of the IFAASRA; it is responsible for the registered auditors' selection procedure and recommends their appointment, except in cases where the Bank has a committee for the selection procedure; where the Bank has a selection procedure committee, the Audit Committee monitors its work, and based on its results suggests assignment of an audit engagement in accordance with the requirements of Art. 16 of Regulation (EU) 537/2014 to the sole owner of the capital (SOC); it prepares an annual report on the activities and presents it to SOC once a year together with the annual financial statement. The Audit Committee (AC) informs SOC upon the establishment of circumstances of material importance for the Bank or its financial condition and reporting; AC prepares the annual report on the activities and its chairman presents it to CPOSA by 31 May. The report's form and content are prepared in accordance with the regulation adopted by the Commission.

11 BANK SUPERVISION AUTHORITIES PURSUANT TO BULGARIAN AND EUROPEAN LEGISLATION

In accordance with the requirements of the laws and regulations governing banking activities in the country, BDB should observe restrictions related to certain ratios in its separate and consolidated financial statements. As at 31 December 2024, BDB has complied with all regulatory requirements of the BNB and the Bulgarian legislation.

The Bank implements the guidelines, recommendations and other measures adopted by EBA which relate to it and which the BNB has announced that it complies with in accordance with Article 79a, para. 1, item 2 of the Credit Institutions Act (effective from 5 December 2017).

Effective 1 October 2020, pursuant to ECB Decision (EU) 2020/1015 of 24 June 2020 establishing close cooperation between the European Central Bank and the Bulgarian National Bank (ECB/2020/30), the Bank remained under direct supervision by the BNB in close cooperation with the ECB.

The ECB's monitoring includes control on the implementation of the Common Supervisory Standards of the Single Supervisory Mechanism (SSM). The main objectives of the SSM are to ensure the security and stability of the European banking system, to strengthen financial integration and stability, and to ensure consistent supervision.

In 2020, the Bulgarian lev joined the Exchange Rate Mechanism II (ERM II), which, together with the established close cooperation, is a condition for Bulgaria's future membership in the euro area.

As of October 1, 2020, Bulgaria joined the Single Resolution Mechanism and began close cooperation between the Bulgarian National Bank and the European Central Bank.

In this regard, the Single Resolution Board has taken over the monitoring of the resolution planning process with regard to the Bank. European banking supervision, together with the Single Resolution Mechanism, are the two pillars of the EU Banking Union.

BDB's reported capital adequacy on a consolidated basis as of 31 December 2024 is 48.28% (31 December 2023: 44.54%). The values of asset coverage with capital buffers exceed many times the statutory levels. Respectively, the aggregated data for the capital adequacy banking system are: 22.70% (as of 31 December 2024) and 21.65% (as of 31 December 2023). BDB continues to maintain a good level of liquidity. As of 31 December 2024, the liquidity coverage ratio (LCR according to the definition of Regulation 575 / 2013/EU) of the

BDB Group is 426.7% (compared to value of 410.5% as of the end of 2023). For the banking system, the aggregated liquidity coverage ratio was 241.1% (as of 31 December 2024) and 246.7% (as of 31 December 2023).

As part of the Basel III regulatory framework, effective as of 28 June 2021, a "net stable funding ratio" (NSFR) with a minimum regulatory requirement of 100% applies. The information about it is reported by all credit institutions in Bulgaria (excluding branches of foreign banks from EU member states) with quarterly frequency, on an individual and consolidated basis. As of 31 December 2024, the aggregate level of NSFR for the banking system was 165.2%, and for the BDB Group it was 135.4%.

12 INTERNATIONAL COOPERATION

BDB continues to develop successful partnerships with leading European and international financial institutions, including through participating in renowned associations. This cooperation enables the Bank to take advantage of the best banking practices, know-how, information on financial products, and also to participate in their development and implementation. BDB has direct access to general and specific information about the latest changes in the legislative framework at European level and its implementation in the area of the development banks and has the opportunity to participate in the process of discussing these amendments. The membership in international specialized associations allows BDB to take part in seminars and meetings with the European Commission and its Directorates.

BDB has been a shareholder in the European Investment Fund (EIF) since 2003. In August 2021, BDB purchased two new shares in the capital increase of EIF, bringing the total number of shares held to five shares.

BDB is an active member in a number of European an international associations: European Association of Public Banks (EABP), Network of European Financial Institutions (NEFI), European Association of Long-Term Investors (ELTI), International Network for Small and Medium-sized Enterprises (INSME), French-Bulgarian Chamber of Commerce and Industry (FBCI), Interbank Association of China and the countries of Central and Eastern Europe and Eastern European Chamber of Commerce and Industry (Singapore).

Since the beginning of 2024 the BDB is a member of Loan Market Association.

13 GOVERNANCE OF THE BDB GROUP

13.1 BANK GOVERNANCE

There were no charges in the main BDB corporate governance principles in 2024.

The Bulgarian Development Bank EAD has a two-tier corporate governance structure, which consists of Supervisory Board (SB) and Management Board (MB).

The changes in the Management Board, the Supervisory Board, Audit Committee and the Statute of the Bank, which have occurred in 2024 and until the date of approval of this report are described in section **Error! Reference source not found.**.

As of 31 December 2024, the BDB's management and supervisory boards have the following composition:

13.1.1 SUPERVISORY BOARD OF BDB IN 2024, AS OF 31.12.2024 AND AS OF THE DATE OF APPROVAL OF THIS REPORT:

In 2024 and until the date of approval of this report the Supervisory Board has the following members:

Rosen Andreev Karadimov – chairman of SB until 24 June 2025

Ass. Dr. Rosen Karadimov is a lecturer at the Law Faculty of Sofia University "St. Kliment Ohridski" since 1991. Chairman of the Management Board of the Institute for New Economic Progress. He was a Member of Parliament in the VII Grand National Assembly, participated in the adoption of the Constitution of the Republic of Bulgaria in 1991. As a member of the 36th National Assembly he participated in the adoption of the BNB Act (1991), the Banks and Credit Act (1992), the Commerce Act (1991). Rosen Karadimov was a legal consultant and legal representative of a number of credit institutions, including BDB.

In connection with Decree No. 101 of the President of the Republic of Bulgaria on the appointment of a caretaker government (promulgated in State Gazette No. 32 of April 9, 2024), Mr. Rosen Karadimov temporarily stopped and did not exercise his powers as Chairman and member of the Supervisory Board of Bulgarian Development Bank EAD for the period in which he was appointed caretaker Minister of Innovation and Growth.

In connection with Decree No. 222 of 27 August 2024 of the President of the Republic of Bulgaria on the appointment of a caretaker government (SG No. 73/2024), Mr. Rosen Karadimov temporarily stopped and did not exercise his powers as Chairman and member of the Supervisory Board of Bulgarian Development Bank EAD for the period in which he was appointed caretaker Minister of Innovation and Growth.

By decision of the 51st National Assembly of 16 January 2025 on the election of the Council of Ministers of the Republic of Bulgaria (Promulgated, SG No. 5 of 17.01.2025), the powers of the caretaker government appointed by Decree No. 222 of the President of the Republic of Bulgaria of August 27, 2024 (SG No. 73/2024) have been terminated. As of 17 January 2025, Mr. Rosen Karadimov continued to exercise his powers as Chairman and member of the Supervisory Board of Bulgarian Development Bank EAD.

By decision under Protocol No. PR-84 of 17 June 2025 of the Minister of Finance in his capacity as sole owner of the capital of BDB, Mr. Rosen Andreev Karadimov was dismissed as a member of the Supervisory Board of the Bank. This circumstance was entered in the Trade Register and Register of Non-Profit Entities on 24 June 2025.

Delyana Valeriava Ivanova – Deputy-Chairman and member of the SB, Chairwoman of the SB from 23 May 2025

By decision under Protocol No. 25 of 23 May 2025 of the Supervisory Board of BDB, Ms. Delyana Valerieva Ivanova was elected Chairwoman of the Supervisory Board of the Bank.

Delyana Ivanova is Deputy Minister of Regional Development in the period 2021-2022. Before entering the executive branch, she was a Member of Parliament in the 45th and 46th National Assembly and a member of the Budget and Finance Committee. Her professional expertise is in the field of banking and finance.

Dimitar Ivanov Mitev– member of the Supervisory Board from 7 November 2024

By decision under protocol No РД-02-17-17 of 31 October 2024 of the Minister of Innovation and Growth in its capacity of sole owner of the capital of BDB, Dimitar Ivanov Mitev was elected as member of the Supervisory Board of the Bank. This circumstance was entered in the Commercial Register and the register of non-profit legal entities on 7 November 2024.

By decision under Protocol No. 26 of 23 May 2025 of the Supervisory Board of BDB, Mr. Dimitar Ivanov Mitev was elected Deputy-Chairman of the Supervisory Board of the Bank.

Dimitar Mitev is a proven expert with 32 years of experience in the banking sector. He is Master of Finance from the University of National and World Economy, holding numerous additional qualifications. He holds a CFA degree - Certified Financial Analyst. He has been working at the Bulgarian Development Bank since 2011, successively leading the Planning, Analysis and Regulations, Compliance and Finance departments. He was also member of the Board of Directors of the National Guarantee Fund which part of the BDB Group. Dimitar Mitev's career includes HVB Bank Biochim (currently part of UniCredit Bulbank), SIBank, Eurobank Bulgaria (PostBank) and Deloitte Bulgaria.

Stamen Stamenov Yanev – member of the SB until 6 June 2025

By decision under Protocol No. PR-77 of 30 May 2025 of the Minister of Finance in his capacity as sole owner of the capital of BDB, Mr. Stamen Stamenov Yanev was dismissed as a member of the Supervisory Board of the Bank. This circumstance was entered in the Trade Register and Register of Non-Profit Entities on 6 June 2025.

Stamen Yanev holds a master's degree in Law from Sofia University "St. Kliment Ohridski". He specialized in European and English law at ASSER College Europe in the Netherlands, University of Cambridge, University College London, European University Institute (Italy). Yanev is a lawyer specialized in the field of mergers and acquisitions, as well as in the field of investments. His professional path passes through the major international consulting companies, including the Bulgarian divisions of some of the four largest audit firms in the world. Since 2015 he has been Executive Director of the Bulgarian Investment Agency. Deputy Minister of Economy from 2020 to 2021.

Goritsa Nikolova Grancharova-Kozhareva – member of the SB from 24 June 2025

By decision under Protocol No. PR-85 of 17 June 2025 of the Minister of Finance in his capacity as sole owner of the capital of BDB, Ms. Goritsa Nikolova Grancharova-Kozhareva was elected as a member of the Supervisory Board of the Bank. This circumstance was entered in the Trade Register and Register of Non-Profit Entities on 24 June 2025.

Goritsa Grancharova-Kozhareva holds a Master's degree in Accounting and Control from the D. A. Tsenov Academy of Economics, Svishtov. Her career started in 1989 at DZI - Razlog, progressed through positions at TS Bank, Bulgargas and CIBank, and from 2012 to 2014 she was a Branch Manager at UniCredit Bulbank. In 2005 she was elected a member of the Court of Auditors of the Republic of Bulgaria. In 2015, she became its deputy chairman, and since January 2023 she has been acting as the chairman of the audit institution.

Goritsa Kozhareva has led audits of public funds, including funds from the European Union, has been Chair of the Professional Ethics Committee of the Court of Auditors, as well as Coordinator of Relations with the Board of Auditors for NATO. Kozhareva has also participated in numerous international initiatives and has been the Bulgarian representative in INTOSAI, EUROSAI and the Contact Committee with the European Court of Auditors.

Lachezar Dimitrov Borisov – member of the SB from 24 June 2025

By decision under Protocol No. PR-85 of 17 June 2025 of the Minister of Finance in his capacity as sole owner of the capital of BDB, Mr. Lachezar Dimitrov Borisov was elected as a member of the Supervisory Board of the Bank. This circumstance was entered in the Trade Register and Register of Non-Profit Entities on 24 June 2025.

Lachezar Borisov is a lecturer in macroeconomics and business statistics at the Higher School of Economics and Finance (HSE). He holds a PhD in economics and finance from VUZF, as well as master's degrees in economics and macroeconomics from UNWE. His professional career at the Ministry of Economy began in 2002 as a senior expert at the Economic Development Directorate and progressed through the positions of Head of Restructuring and Capital Markets, Investment Projects, International Programs and Marketing, Strategic Markets and Forecasts, and Management and Restructuring of State Participation.

From 2017 to 2020 Dr. Lachezar Borisov is Deputy Minister and from July 2020 to May 2021 Minister of Economy. He has led key policies to support business and manage the economic impact of the COVID-19 pandemic. During this period, he was part of the Supervisory Board of the BDB, and also held senior positions in the NSSI and the NHIF. Since 2022 he has been Head of Department at the Capital Privatisation and Investment Agency.

13.1.2 MANAGEMENT BOARD OF BDB IN 2024, AS OF 31.12.2024 AND AS OF THE DATE OF APPROVAL OF THIS REPORT:

Bulgarian Development Bank EAD is represented jointly by two executive directors or at least one executive director and a procurator. As of the date of approval of this report the Bank does not have a procurator.

There were no charges in the main BDB corporate governance principles in 2024.

In 2024 and until the date of approval of this report the Management Board has the following members:

Ivaylo Angelov Moskovski – member of MB and Executive Director from 5 November 2024, Chairman of MB and Executive Director from 14 February 2025.

By decision of the Supervisory Board under protocol No 41 of 29 October 2024, Ivaylo Angelov Moskovski was elected as new member of the Management Board of BDB. This circumstance was entered into the Commercial Register and the register of non-profit legal entities on 5 November 2024. By decision of the Management Board under protocol No 73 of 29 October 2024, approved by decision of the Supervisory Board under protocol No 42 of 29 October 2024, Mr. Ivaylo Angelov Moskovski was authorized to represent and manage the Bank as executive director. This circumstance was entered into the Commercial Register and the register of non-profit legal entities on 5 November 2024.

By decision of the Management Board under Protocol No. 8/14.02.2025, approved by the Supervisory Board under Protocol No. 6/14.02.2025, Mr. Ivaylo Moskovski was elected Chairman of the Management Board of Bulgarian Development Bank EAD.

Ivaylo Moskovski holds a Master’s degree in Financial Management from the Dimitar A. Tsenov Academy of Economics and a Bachelor’s degree in Public Finance from the University of National and World Economy. In the period 2018-2022, he was Vice President of Operating Activities at Black Sea Trade and Development Bank focusing on risk management. Mr. Moskovski was Minister of Transport, Information Technology and Communications in three governments in the period 2011-2018, and Deputy Minister of Transport in the period 2009-

2011. Member of Parliament in the 42*nd* and 44*th* National Assembly, member of the Transport Committee and the Energy Committee.

Tsanko Rumenov Arabadzhiev – Member of the MB and Executive Director

Tsanko Arabadzhiev is a financial manager with 16 years of experience and an established presence in the banking, insurance and private sectors. His professional career began at UBB, where in the period 2005-2013 he underwent various levels of development in the field of retail banking, management of collective investment schemes and lending to small and medium-sized enterprises. In 2013 he joined the insurance company "UNIQA", where for 5 years he was Director of Investment Management.

His main responsibilities have been related to the overall management of the company's cash flows, the preparation and implementation of asset management strategies so as to achieve optimal returns within the investment mandate. In addition, he led various projects related to the introduction of new products, costs and processes optimization, etc. Mr. Arabadzhiev's career continued as Chief Financial Officer of Nord Holding, and since 2019 he has been part of the team of Pension Insurance Company Doverie, where he was responsible for the internal control of its investment activities and managed funds. Tsanko Arabadzhiev graduated International Economic Relations at the University of National and World Economy and holds a master's degree in Finance.

Teodora Petrova Pesheva – Member of the MB from 25 March 2024

By decision of the Supervisory Board under Protocol No. 11 of 19 March 2024, Ms. Teodora Petrova Pesheva was elected as a new member of the Management Board of BDB. This circumstance was entered in the Trade Register and Register of Non-Profit Entities on 25 March 2024.

Teodora Pesheva has 31-years of experience in the sphere of banking. She was head of corporate banking at UBB and at a commercial bank of Greece (Emporiki Bank Bulgaria). For 10 years she was also head of the Large corporate client's department at DSK Bank.

During her career she was also a financial consultant at Mazars Group – London. She prepared final analysis of the entire scope of credit activities of corporate commercial banking. She participated in the first asset quality reviews of the banking sector in Bulgaria in 2016.

Teodora Pesheva has also worked as auditor at Deloitte Bulgaria, where she participated in many audit engagements.

Before she was elected as member of the MB of BDB, Teodora Pesheva was head of the activity in the "Corporate Clients" segment. She actively participates in the bank's credit process and is responsible for achieving its budget goals.

Teodora Pesheva has a Master's degree in social and economic planning from the University of National and World Economy, Bulgaria.

Iliya Zapryanov Karanikolov – Chairman of the Management Board and Executive Director until 27 February 2025

By decision of the Supervisory Board under Protocol No. 8 of 20 February 2025, Mr. Iliya Zapryanov Karanikolov was dismissed as member of the Management Board of the Bulgarian Development Bank EAD and Executive Director. This circumstance was entered in the Trade Register and Register of Non-Profit Entities on 27 February 2025.

Iliya Karanikolov has over 20 years of banking and financial experience and knows BDB well, as he was a member of the Management Board and Executive Director in the period 2011-2013. From 2007 to 2011 he was part of the team of Eurobank Bulgaria (Postbank). His professional biography goes through the Ministry of Economy and Energy and the Ministry of Labour and Social Policy. He has extensive expertise in areas such as public administration, European integration, EU strategies and programmes. Lecturer on topics such as cost-benefit analysis of large infrastructure, municipal and private projects, control of structural funds, financial instruments, etc.

From 2016 to 2017 he was part of the management of the Fund of Funds, where he held the position of Deputy Chairman of the Management Board and Executive Director, and in 2021 he was Chairman of the Supervisory Board of the Fund. Since 2020 he has been Head of the Financial Instruments Division at BDB.

Iliya Karanikolov has a Master's degree in Business Management and Administration (MBA) from the University of National and World Economy in Sofia and has specializations in the field of artificial intelligence (University of Helsinki), management of financial instruments (London), credit risk (Prague), management of structural funds (Brussels, Maastricht, Dublin) and many others.

Ivan Valentinov Cerovski - Member of the MB and Executive Director until 10 June 2024

By decision of the Supervisory Board under Protocol No. 22 of 28 May 2024, Mr. Ivan Valentinov Cerovski was dismissed as member of the Management Board of the Bulgarian Development Bank EAD and Executive Director. This circumstance was entered in the Trade Register and Register of Non-Profit Entities on 10.06.2024.

Ivan Cerovski has 18 years of experience in the field of banking and private equity. His professional path goes through the German financial institutions Commerzbank, Deutsche Börse and Dresdner Bank. Ivan Cerovski holds a Master's degree in Management from Otto-von-Guericke University in Magdeburg, Germany, and a Bachelor in Macroeconomics from the University of National and World Economy.

Ivan Cerovski was an associate investor in the UK private equity fund Argus Capital, where he was responsible for the Bulgarian market, as well as vice president of the Bulgarian equity fund Delta Capital.

From 2011 to 2021 he was part of the team of the European Bank for Reconstruction and Development (EBRD), where he was Head of the EBRD's Local Entrepreneurship Programme, responsible for the development of the SME sector in Bulgaria.

13.1.3 CONTRACTS WITH RELATED PARTIES, INVOLVED IN THE MANAGEMENT AND PARTICIPATION OF MEMBERS OF THE MB AND SB OF THE BANK IN OTHER COMPANIES

There are no contracts concluded within the meaning of Art. 240b of the Commerce Act between the members of the SB, the MB, or persons related to them, on the one hand, and the Bank, on the other, which go beyond the usual activity or significantly deviate from the market conditions.

In 2024, BDB and related parties have no transactions or proposals for concluding such transactions that are outside the usual activity or significantly deviate from the market conditions to which BDB or its subsidiary is a party.

There are no material contracts that are effective, amended or terminated due to a change in control of or over the Bank, or as a result of a mandatory tender offer. To the extent that there is a legal restriction on the shareholder structure of BDB, no such contracts are expected to arise.

There is no practice of concluding agreements between the companies of the BDB Group and their management bodies and/or employees for the payment of compensation in case of leaving or dismissal without legal grounds, or in case of termination of employment relations for reasons related to tendering.

Participation within the meaning of Art. 247, para. 2, item 4 of the Commerce Act of members of the SB and the MB in commercial companies as unlimited partners, ownership of more than 25% of the capital of another company, as well as participation in the management of other commercial companies or cooperatives as procurators, managers or members of boards is as follows (as of 31 December 2024 and as of the date of approval of this report):

Members of the Management and Supervisory Body of Bulgarian Development Bank EAD:

I. With regard to members of the SB of the Bank who participated in its composition in 2024 and as of the date of approval of this report:

Rosen Andreev Karadimov, Chairman of the Supervisory Board of the Bulgarian Development Bank EAD until 24 June 2025

Participation in the management of other commercial companies: none.

Participation of more than 25 per cent in the capital of commercial companies or cooperatives, including - as an unlimited partner: none.

Delyana Valerieva Ivanova, Deputy Chairman and Member of the Supervisory Board of Bulgarian Development Bank EAD, Chairman of the Supervisory Board since 23 May 2025

Participation in the management of other commercial companies: none.

Participation in the capital of commercial companies or cooperatives, including – as an unlimited partner: none.

Dimitar Ivanov Mitev – Member of the Supervisory Board of Bulgarian Development Bank EAD since 7 November 2024

Participation in the management of other companies: none

Participation in the capital of commercial companies or cooperatives, including as an unlimited partner: none.

Goritsa Nikolova Gruncharova-Kozhareva – Member of the Supervisory Board of Bulgarian Development Bank EAD since 24 June 2025

Participation in the management of other companies: none

Participation in the capital of commercial companies or cooperatives, including as an unlimited partner: none.

Lachezar Dimitrov Borisov – Member of the Supervisory Board of Bulgarian Development Bank EAD since 24 June 2025

Participation in the management of other companies: none

Participation in the capital of commercial companies or cooperatives, including as an unlimited partner: none.

Stamen Stamenov Yanev – Member of the Supervisory Board of the Bulgarian Development Bank EAD until 6 June 2025

Participation in the management of other companies: none

Participation in the capital of commercial companies or cooperatives, including – as an unlimited partner: none.

II. With regard to the members of the MB of the Bank who participated in its composition in 2024 and as of the date of approval of this report:

Ivaylo Angelov Moskovski – Chairman of the Management Board and Executive Director of the Bulgarian Development Bank EAD since 5 November 2024

Participation in the management of other commercial companies: none.

Participation in the capital of commercial companies or cooperatives, including as an unlimited partner: none.

Tsanko Rumenov Arabadzhiev – Executive Director and Member of the Management Board of Bulgarian Development Bank EAD

Participation in the management of other companies:

- Capital Investments Fund AD, UIC: 205322014 – Member of the Board of Directors – from 5 August 2021;
- BDB Microfinance EAD, UIC 201390740 – member of the Board of Directors – from 22 March 2023;

As of 22 September 2021, Tsanko Arabadzhiev has been elected as a member of the Supervisory Board of the Three Seas Investment Fund.

Participation in the capital of commercial companies or cooperatives, including – as an unlimited partner: none.

Teodora Petrova Pesheva – Member of the Management Board of Bulgarian Development Bank EAD since 25 March 2024

Participation in the management of other companies:

- BDB Leasing EAD, UIC 205565411 – Member of the Board of Directors since 10 June 2024;
- National Guarantee Fund EAD, UIC 200321435 – Member of the Board of Directors" since 24 March 2025

Participation in the capital of commercial companies or cooperatives, including – as an unlimited partner: none.

Iliya Zapryanov Karanikolov – Chairman of the Management Board and Executive Director of Bulgarian Development Bank EAD until 27 February 2025

Participation in the management of other companies:

- National Guarantee Fund EAD, UIC 200321435 – member of the Board of Directors – from 10 June 2024 to 27 February 2025;

Participation in the capital of commercial companies or cooperatives:

- "IntelArt" EOOD, UIC: 205318749 – sole owner of the capital.

The Bulgarian Development Bank EAD is represented jointly by two Executive Directors or at least one Executive Director and one Procurator. As of the date of approval of this document, the Bank does not have an authorized procurator.

Ivan Valentinov Cserovski – Member of the MB and Executive Director of the Bulgarian Development Bank EAD until 10 June 2024

Participation in the management of other companies:

- National Guarantee Fund EAD, member of the Board of Directors until 10 June 2024;
- BDB Leasing EAD, UIC: 205565411 – Member of the Board of Directors until 10 June 2024

Participation in the capital of commercial companies or cooperatives:

- "High Tower Capital" EOOD, UIC: 206864466 – sole owner of the capital.

The financial statements disclose information on the full amount of the remunerations, awards and/or benefits of the members of the management and control bodies of the Bank for the reporting financial year.

13.1.4 AUDIT COMMITTEE OF BDB IN 2024, AS OF 31.12.2024 AND AS OF THE DATE OF APPROVAL OF THIS REPORT:

As of the date of approval of this document the Audit Committee has the following composition:

Svetlana Hristova Kourteva – Chairwoman of the Audit Committee

Svetlana Kourteva has higher economic education in Internal Trade and postgraduate Studies from Karl Marx Higher Institute of Economics. The professional expertise of Svetlana Kourteva is in the field of financial audit. She is a certified public accountant and a registered auditor. She has carried out financial audits of projects funded by the European Union under the Operational Program "Development of the Competitiveness of the Bulgarian Economy", Operational Program "Innovation and Competitiveness", Tempus project "Training in the field of Nanotechnologies", Erasmus+ "Capacity Building in the Field of Higher Education".

Svetlodara Encheva Petrova - Member of the Audit Committee

Svetlodara Petrova has a Master's degree in Law. She is a lawyer with extensive experience in the field of civil, contractual and commercial law. She provides consulting services under the Public Procurement Act, on commercial insolvency and corporate transformations.

Delyana Valerieva Ivanova - Member of the Audit Committee

Delyana Ivanova has a Master's degree in Organizational Development and a Bachelor's degree in Business Management from St. Kliment Ohridski University of Sofia. Delyana Ivanova's professional expertise is in the field of banking and finance. She was Deputy Minister of Regional Development in the period 2021-2022. Before entering the executive power, she was a Member of Parliament in the 45th and 46th National Assembly and a member of the Budget and Finance Committee.

13.2 MANAGEMENT OF THE SUBSIDIARIES

As of 31 December 2024, and as at the date of preparation of this report, BDB is the equity owner of the following subsidiaries[6]:

Sole owner of:

- National Guarantee Fund EAD, UIC: 200321435
- BDB Microfinancing EAD, UIC: 201390740;
- BDB Leasing EAD, UIC: 205565411;

Participates jointly with NGF AD in the capital of Capital Investments Fund AD, UIC: 205322014, as the registered capital is allocated as follows (BDB holds 84.62% of the company's capital and NGF holds 15.38%).

13.2.1 NATIONAL GUARANTEE FUND EAD

The members of the BD of NGF EAD do not own shares of the Fund and have no special rights for acquiring such shares.

There are no contracts signed pursuant to Art. 240b of the Commercial Act between the members of the BD of NGF or persons related to them, on one hand, and the company, on the other, which fall beyond the ordinary course of business, or which deviate significantly from the market conditions.

Participation within the meaning of Art. 247, para. 2, item 4 of the Commercial Act of members of the BD of NGF in commercial companies as general partners, owning more than 25% of the capital of another company, as well as participation in the management of other commercial companies or cooperatives as procurators, managers or members of boards is as follows:

Teodora Petrova Pesheva – chairman of the Board of Directors of NGF since 24 March 2025.

Participation in the management of other commercial companies:

- Bulgarian Development Bank EAD, UIC: 121856059 – member of the Management Board since 25 March 2024;
- BDB Leasing EAD, UIC 205565411 – member of the Board of Directors since 10 June 2024 г.

Participation in the capital of commercial companies - none.

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[6] As of the end of 2024 the Bank is sole owner of the capital TC Maritsa EOOD (TCM) and the company is not part of the strategic business model of the BDB Financial Group.

As of the end of 2024, the Bank exercises control over Roadway Construction AD, by virtue of exercised rights under a pledge of a commercial enterprise. Roadway Construction exercises control over Patstroyengineering AD. Both companies are not part of the strategic business model of the BDB Financial Group.

As of the end of 2024, the Bank exercises control over Cohoferm OOD, by virtue of exercised rights under pledge of a commercial enterprise. The company is not part of the strategic business model of the BDB Financial Group.

As of 31 December 2024, BDB exercises control over Ponstroyengineering AD (in bankruptcy), by virtue of exercised rights under a pledge of commercial enterprise. The company is not part of the strategic business model of the BDB Financial Group.

Todor Lyudmilov Todorov – Executive Director and Deputy Chairman of the Board of Directors of NGF

Participation in the management of commercial companies:

- Glenridge Capital EOOD, UIC 205578775, managing director;
- Thracian Invest EAD, UIC 207223310 – Member of the Board of Directors.

Participation in the capital of commercial companies:

- Glenridge Capital EOOD, UIC 205578775, sole owner of capital;
- Hobo Bulgaria OOD, UIC 205420451, partner - 15%.

Zaharina Damyanova Todorova – Member of the Board of Directors of NGF

Participation in the management of commercial companies - none.

Participation in the capital of commercial companies - none.

Deyan Petrov Kalapchiev - Member of the Board of Directors of NGF until 7 May 2025

Participation in the management of commercial companies: none

Participation in the capital of commercial companies or cooperatives, including as unlimited partner: none.

Iliya Zapryanov Karanikolov – Chairman of the Board of Directors of NGF from 10 June 2024 until 27 February 2025.

Participation in the management of commercial companies:

- Bulgarian Development Bank EAD, member of the MB and executive director from 20 January 2023 until 27 February 2025.

Participation in the capital of commercial companies:

- IntelArt EOOD, UIC 205318749, sole owner of the capital.

Ivan Valentinov Cerovski - member of the Board of Directors of NGF until 10 June 2024.

Participation in the management of commercial companies:

- Bulgarian Development Bank EAD – member of the Management Board and Executive Director until 10 June 2024;
- BDB Leasing EAD, UIC: 205565411 – member of the Board of Directors until 10 June 2024.

Participation in the capital of commercial companies or cooperatives:

- High Tower Capital EOOD, UIC: 206864466 – sole owner of the capital.

13.2.2 BDB MICROFINANCING EAD

The members of the BD of BDB Microfinancing EAD do not own shares of the company and have no special rights for acquiring such shares.

There are no contracts signed pursuant to Art. 240b of the Commercial Act between the members of the BD of BDB Microfinancing or persons related to them, on one hand, and the company, on the other, which fall beyond the ordinary course of business, or which deviate significantly from the market conditions.

Participation within the meaning of Art. 247, para. 2, item 4 of the Commercial Act of members of the BD in commercial companies as general partners, owning more than 25% of the capital of another company, as well as participation in the management of other commercial companies or cooperatives as procurators, managers or members of boards is as follows:

Tsanko Rumenov Arabadzhiev – Chairman of the Board of Directors

Participation in the management of commercial companies:

- Bulgarian Development Bank EAD, UIC: 121856059 – Member of the Management Board and Executive Director;
- Capital Investments Fund AD, UIC: 205322014 – Member of the Board of Directors

Since 22 September 2021 Tsanko Arabadzhiev has been elected as member of the Supervisory Board of the Three Seas Investment Fund.

Participation in the capital of commercial companies or cooperatives, including as unlimited partner – none.

Boyan Stefanov Byanov – Member of the Board of Directors until 3 June 2025.

Participation in the management of commercial companies:

- IB Advisory OOD, UIC: 207399333, Managing Director until 29 January 2025
- BPO Beest OOD, UIC 207842896, Managing Director

Participation in the capital of commercial companies:

- IB Advisory OOD, UIC: 207399333, partner until 29 January 2025.
- BPO Beest OOD, UIC 207842896, partner

Ivana Borisova Tsaneva – Executive Director and Vice Chairman of the Board of Directors

Participation in the management of commercial companies – none.

Participation in the capital of commercial companies or cooperatives, including as unlimited partner: none.

Iliya Radkov Komitov – Member of the Board of Directors until 3 June 2025.

Participation in the management of commercial companies:

- Brand Boys OOD, UIC: 203557782, Managing Director;
- ImmBera EOOD, UIC: 205983300, Managing Director;
- SENMON EOOD, UIC: 202994314, Managing Director.

Participation in the capital of commercial companies:

- Brand Boys OOD, UIC: 203557782, partner;
- ImmBera EOOD, UIC: 205983300, sole owner of the capital;
- SENMON EOOD, UIC: 202994314, sole owner of the capital.

Ivan Vasilev Hinchovski – member of the Board of Directors since 3 June 2025.

Participation in the management of commercial companies: none.

Participation in the capital of commercial companies or cooperatives, including as unlimited partner: none.

13.2.3 CAPITAL INVESTMENTS FUND AD

The members of the BD of Capital Investments Fund AD do not hold any shares of the company, nor do they have any special rights on the acquisition of such shares.

There are no contracts signed pursuant to Art. 240b of the Commercial Act between the members of the BD and/or individuals related to them, on one hand, and the Company on the other, which fall outside the scope of the Company's ordinary activity, or which significantly deviate from market conditions.

The participation, pursuant to Art.247, Para.2, item 4 of the Commercial Act, of members of the BD of Capital Investments Fund AD in trade companies as general partners, holding more than 25% of the capital of another company, as well as participation in the management of other business companies or cooperatives as procurators, managers or members of boards, is as follows:

Tsanko Rumenov Arabadzhiev - Member of the Board of Directors

Participation in the management of other trade companies:

- Bulgarian Development Bank EAD, UIC 121856059 – Executive Director and Member of the management Board and Executive Director
- BDB Microfinancing EAD, UIC: 201390740 – Member of the Board of Directors
- Three Seas Investment Fund - member of the Supervisory Board.

Participation in the capital of trade companies or cooperatives, including as general partner – none.

Stefan Stefanov Tamnev – Executive Director and Vice Chairman of the Board of Directors

Participation in the management of other trade companies: none.

Participation in the capital of trade companies:

- My Place Varna OOD (former name RM Fruit OOD), UIC 206485936 – partner until 23 January 2024.

Rusalin Stanchev Dinev – Member of the Board of Directors

Participation in the management of other trade companies:

- Barin Sports AD, UIC: 204332774 - Member of the Board of Directors since 9 December 2022;
- Eljoy AD, UIC: 206157003 - Member of the Board of Directors from 22 July 2022 to 10 January 2025.

Participation in the capital of trade companies or cooperatives, including as general partner – none.

13.2.4 BDB LEASING EAD

The members of the BD of BDB Leasing EAD do not hold any shares of the company, nor do they have any special rights on the acquisition of such shares.

There are no contracts signed pursuant to Art. 240b of the Commercial Act between the members of the BD and/or individuals related to them, on one hand, and the Company on the other, which fall outside the scope of the Company's ordinary activity, or which significantly deviate from market conditions.

The participation, pursuant to Art.247, Para.2, item 4 of the Commercial Act, of members of the BD of BDB Leasing EAD in trade companies as general partners, holding more than 25% of the capital of another company, as well as participation in the management of other business companies or cooperatives as procurators, managers or members of boards, is as follows:

Teodora Petrova Pesheva – Chairwoman of the Board of Directors since 10 June 2024.

Participation in the management of other trade companies:

- Bulgarian Development Bank EAD, UIC 121856059 – Member of the MB since 25 March 2024
- National Guarantee Fund EAD, UIC 200321435 – Member of the Board of Directors since 24 March 2025

Participation in the capital of trade companies or cooperatives, including as general partner – none.

Emil Valkanov Valkanov – Executive Director and Vice Chairman of the Board of Directors.

Participation in the management of other trade companies – none.

Participation in the capital of trade companies or cooperatives, including as general partner – none.

Antonia Hristoforova Dobreva – Member of the Board of Directors

Participation in the management of other trade companies:

- Optima Asset 21 EOOD, UIC 206703573 – Managing Director.

Participation in the capital of trade companies or cooperatives, including as general partner:

- Optima Asset 21 EOOD, UIC 206703573 – sole owner of the capital.

Alexander Simeonov Alexandrov – Member of the Board of Directors since 4 February 2025

Participation in the management of other trade companies:

- Proplace EOOD, UIC 175099809 - Managing Director.

Participation in the capital of trade companies or cooperatives, including as general partner:

- Proplace EOOD, UIC 175099809 – sole owner of the capital.

Ivaylo Kirilov Popov – procurator

Participation in the management of other trade companies – none.

Participation in the capital of trade companies or cooperatives, including as general partner – none.

Ivan Valentinov Cerovski – Chairman of the Board of Directors until 10 June 2024.

Participation in the management of other trade companies:

- Bulgarian Development Bank EAD, UIC 121856059 – Member of the MB and Executive Director from 20 January 2023 until 10 June 2024;
- National Guarantee Fund EAD, UIC: 200321435 – Member of the Board of Directors – from 17 March 2023 until 10 June 2024.

Participation in the capital of trade companies or cooperatives:

- High Tower Capital EOOD, UIC: 206864466 – sole owner of the capital.

In 2024, BDB Group has no material contracts that are effective, amended or terminated due to a change in control or as a result of a mandatory tender offer, and no such contracts are expected to occur.

14 TRANSACTIONS WITH COMPANIES UNDER COMMON CONTROL OF THE STATE

The owner of BDB is the Bulgarian state. Transactions with related parties and companies under the common control with the state are disclosed in Note 39 to the annual consolidated financial statements of BDB for 2024.

15 EVENTS AFTER THE REPORTING PERIOD

No adjusting events or significant non-adjusting events occurred between the date of the consolidated financial statements and the date of their approval for issue. Non-adjusting events are disclosed in details in Note 40 to the consolidated financial statements of BDB Group.

16 MANAGEMENT STATEMENT

The management of BDB declares that the attached consolidated annual financial statements accurately reflect the financial position and the operating results of the BDB Group including the financial result for the year ending 31 December 2024, in accordance with the legislation in force. An appropriate accounting policy has been applied consistently. When preparing the consolidated financial statements, the necessary estimates have been made, in accordance with the conservatism principle. Management consistently uses the applicable accounting standards, and the consolidated financial statements are drawn up on a going concern basis.

The management of the Bank is committed to maintaining an appropriate accounting system that meets the accounting standards in force. The annual consolidated financial statements disclose the financial position of the BDB Group to a reasonable degree of accuracy.

All measures have been taken to protect the assets of the BDB Group, prevent fraud and prevent violation of the laws of the country and the regulations of the BNB for regulating banking activity.

This consolidated activity report was adopted by the Management Board of Bulgarian Development Bank EAD with Protocol No. 48 dated 2 September 2025 and by the Supervisory Board with Protocol No. 42 dated 4 September 2025, and was signed by:

IVAYLO MOSKOVSKI	**TSANKO ARABADZHIEV**	**TEODORA PESHEVA**
CHAIRMAN OF THE MB AND EXECUTIVE DIRECTOR	**MEMBER OF THE MB AND EXECUTIVE DIRECTOR**	**MEMBER OF THE MB**

APPENDIX 1: CONSOLIDATED CORPORATE GOVERNANCE STATEMENT OF BDB GROUP

1. PRINCIPLES OF CORPORATE GOVERNANCE

This Consolidated Corporate Governance Statement has been prepared on the basis of Art. 40, para. 1 of the Accountancy Act. The information provided takes into account the fact that Bulgarian Development Bank EAD has not issued securities admitted to trading on a regulated market or shares that are traded on a multilateral trading system.

2. BDB GROUP

As of the end of 2024, the financial group of Bulgarian Development Bank[7] (the "Group", "BDB Group" or the "Financial Group") includes Bulgarian Development Bank" EAD[8] ("BDB", the "Bank") and its subsidiaries – National Guarantee Fund EAD ("NGF"), BDB Microfinancing EAD ("BDB Microfinancing"), Capital Investments Fund AD ("CIF") and BDB Leasing EAD ("BDB Leasing").

As a credit institution established pursuant to a special act - the Bulgarian Development Bank Act („BDBA"), and in performing its mission of being a sustainable instrument of the government policy for promoting the development of the small and medium-sized businesses in Bulgaria, Bulgarian Development Bank EAD has set as its goal to be a benchmark for good corporate governance and corporate responsibility, while consistently and strictly observing the laws and regulatory requirements in the Republic of Bulgaria, European legislation, Corporate Governance Code, The Code of Ethics and the Code of Ethics of the Internal Audit of the BDB Group adopted by the Bank, as well as good corporate and banking practices.

Bulgarian Development Bank EAD holds a license for an investment intermediary according to which it may provide investment services and perform investment activities under Article 6, paragraph 2 of the Markets in Financial Instruments Act (MFIsA), as well as additional services under Art. 6, paragraph 3 of the MFIsA according to a granted license from BNB.

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[7] As of the end of 2024 the Bank is the sole owner of TC Maritza EOOD. The company is not part of the strategic business model of the Financial Group of BDB.

As of 31 December 2024, the Bank exercises control over Roadway Construction AD, by virtue of exercised rights under a pledge of a trade company. Roadway Construction exercises control over Patstroyengineering AD. Both companies are not part of the strategic business model of the BDB Financial Group.

As of 31 December 2024, the Bank exercises control over Cohofarm OOD, by virtue of exercised rights under a pledge of a trade company. The company is not part of the strategic business model of the BDB Financial Group.

As of 31 December 2024, the Bank exercises control over Ponsstrojinjenering AD (in bankruptcy), by virtue of exercised rights under a pledge of a trade company. The company is not part of the strategic business model of the BDB Financial Group.

[8] On 04 June 2021 Bulgarian Development Bank is registered in the Trade Register and Register of Non-Profit Entities as a sole owned joint stock company owned by the Republic of Bulgaria. The sole owner rights are exercised by the Minister of Economy. With a change in the Bulgarian Development Bank Act, effective as of 18 March 2022, the rights of the state as a sole owner of the capital of the Bank are exercised by the Minister of Innovation and Growth. With a change in the Bulgarian Development Bank Act, effective as of 31 March 2025, the rights of the state as a sole owner of the capital of the Bank are exercised by the Minister of Finance.

The Bank does not provide investment services or perform investment activities under Article 6, paragraph 2, items 8 and 9 of the MFIsA - organisation of a multilateral trading facility and an organised trading facility.

2.1 Bulgarian Development Bank EAD

Bulgarian Development Bank EAD was incorporated on 11 March 1999 as a joint stock company under the name of Encouragement Bank AD.

On 23 April 2008, the Bulgarian Development Bank Act was adopted. It arranges the scope of activity of the Bank and its subsidiaries that may be established.

The seat and registered address of Bulgarian Development Bank EAD is Sofia 1000, Sredets area, 1, Dyakon Ignatij Str.

As of 31 December 2024, Bulgarian Development Bank EAD has no branches.

As of 31 December 2024, the number of the Bank's employees is 213.

The Bank complies with the requirements of the BNB for minimum required share capital for the exercise of banking activity. From its founding until August 2017, the state participation in the BDB is under the control of the Minister of Finance. With an amendment to BDBA in 2017, the management of state participation passes under the control of the Minister of Economy.

On 13 May 2021, the Council of Ministers adopted Decision No 414 to increase the state's shareholding in the capital of Bulgarian Development Bank AD and on 4 June 2021 Bulgarian Development Bank was entered in the Commercial Register and Register of Non-profit Legal Entities as a sole joint stock company.

With a change in the Bulgarian Development Bank Act, effective as of 18 March 2022, the rights of the state as a sole owner of the capital of the Bank are exercised by the Minister of Innovation and Growth.

With a change in the Bulgarian Development Bank Act, effective as of 31 March 2025, the rights of the state as a sole owner of the capital of the Bank are exercised by the Minister of Finance.

As of the date of approval of this corporate governance statement , ownership of the capital is distributed as follows: 100% of the capital are owned by the Republic of Bulgaria, and the rights of the state as sole owner of the capital are exercised by the Minister of Finance.

As of 31 December 2024, the capital of the Bank amounts to BGN 1,135,500,000 composed of 111,355,000 ordinary registered dematerialized shares with voting rights, with a nominal value of BGN 100 each. BDB shares are not traded on a regulated market.

The Bulgarian Development Bank Act sets forth that a package of at least 51% of the shares of the capital of the Bank shall be state owned, which are non-transferable. The rights on the shares cannot be subject to transfer agreements.

Pursuant to Art. 6 Par. 4 of the BDB Act the shares in the capital of the Bank, besides the Bulgarian state, may be acquired and owned by the Council of Europe Development Bank, the European Investment Bank and the European Investment Fund, by development banks of Member States of European Union. In these cases, art. 31 of the Credit Institutions Act does not apply.

The management of the BDB is carried out in accordance with Art. 5 of the BDB Act, according to which the Bank has a two-tier management system, and the rights of the state as sole shareholder are exercised by the Minister of Innovations and Growth – as of the date of preparation of this declaration.

At the end of 2024, BDB has no obligations under existing or new securities issues.

As of 31 December 2024, there is no judicial, administrative or arbitration proceedings concerning liabilities or receivables of the Bank's Group at the amount of 10% or more of equity.

Pursuant to the Statute (effective as of 19 February 2025) the activity of Bulgarian Development Bank is focused on:

- pre-export and export financing of small and medium-sized enterprises (SMEs);
- financing other operations of SMEs, either through intermediary banks or directly;
- refinancing of banks granting loans to SMEs;
- financing of investments by SMEs abroad;
- participation in public and public-private projects or partnerships of strategic, national or regional importance;
- implementation of public policies for the country's economic development and growth,
- implementation of instruments for financing public investments and projects that are a priority for the country's economy;
- attracting funds and providing financing in order to reduce regional imbalances in the country.

Priority in the Bank's lending activity is lending to small and medium-sized enterprises with high added value.

The Bank also provides other types of loans, whereas the amount of the exposure to one client or a group of related clients, other than credit institutions, central governments and central banks, in line with the requirements and restrictions of Regulation 575/2013/EU, the acts on their implementation and the Statute of the Bank, after taking into account the effect of reducing credit risk in accordance with the procedure established by the Management Board of the Bank.

The Bank shall not form exposures on an individual and consolidated basis to one client or group of related clients, the total amount of which exceeds the amount of BGN 5 million and to financial institutions under Art. 3a of the Credit Institutions Act for the purpose of indirect financing of small and medium-sized enterprises – BGN 15,000,000. The restriction under the previous sentence shall not apply to exposures to subsidiaries of the Bank, other credit institutions, the Development Bank of the Council of Europe, the European Investment Bank and the European Investment Fund, development banks from Member States of the European Union and the cases in which the Bank carries out financial transactions, within its scope of activity, under programs specifically assigned by the Government of the Republic of Bulgaria, as well as in the financing of categories of clients defined in the Statute of BDB, and in certain cases to existing exposures.

The Bank has the right to form exposures to individual clients and group of clients beyond the stated limits of BGN 5,000,000 and BGN 15,000,000:

1. In the case of financing to end customers in whole or in part with funds received or managed by the Bank from the EU, the European Investment Bank, the European Investment Fund, another EU instrument, the Development Bank of the Council of Europe, other development banks, when the single exposure limit follows the limitations of the BDB financing agreement with the relevant institution;

2. When financing public entities;

3. When financing beneficiaries under national or EU programs up to the amount of their approved grant. Funding outside the framework of the programs under the previous sentence or above the grant under national programs or EU programs is in the maximum amount according to para. 5.

4. For exposures fully or partially secured by cash and/or government securities and/or government guarantee, bank guarantees issued by first-class banks or significant credit institutions (as determined by the European Central Bank), such as the part of the exposure covered by another type of collateral cannot exceed the limit under paragraph 5;

5. In case of joint financing/guaranteeing with development banks, first-class banks and significant credit institutions (designated by the European Central Bank), EXIM institutions;

6. When financing clients for the implementation of projects assigned by budget managers/budgetary organizations or by public enterprises up to the amount of the receivable from the relevant contractor;

7. When financing pre-export and export activities for products manufactured by exporting enterprises registered in Bulgaria. Financing is carried out according to a program approved by the Bank;

8. When financing manufacturing enterprises registered in Bulgaria from the military-industrial complex. Financing is carried out according to a program approved by the Bank;

9. When issuing bank guarantees for payment in order to guarantee (ensure) the fulfilment of obligations under contracts for the provision of non-grant financial assistance in accordance with the Law on the Promotion of Investments and the Rules for its Implementation.

The Bank does not lend funds to:

- Activities not compliant with the National legislation, including for environment protection;
- Business companies with unknown ultimate controlling owner;
- Political parties and persons related to them. Persons related to political parties may be: youth, women's and other organizations, which the parties may establish according to the law, as well as entities, established by the political parties for performing the only business activities, which they are legally allowed to do - publishing activity, copyright and use of intellectual property, as well as from the sale and distribution of printed, audio and audio-visual materials with propaganda content;
- Non-profit enterprises and organizations;

- Media;
- Activities related to sport and sports initiatives;
- Activities prohibited by law.

The Bank provides loans directly or through credit and financial institutions. The terms and conditions for providing loans are determined by the Management Board.

By decisions of the Minister of Innovation and Growth of 7 June 2024 and 18 June 2024, amendments to the Statute of the Bulgarian Development Bank EAD have been adopted, which have been approved by the Bulgarian National Bank and have been entered in the Commercial Register and the Register of Non-Profit Legal Entities, which have been in force since 12 July 2024.

By decision under Protocol No. RD-02-17-1 of 14 January 2025 of the Minister of Innovation and Growth, in the capacity of exercising the rights of the state as the sole owner of the capital of BDB, amendments and supplements to the Statute of Bulgarian Development Bank EAD have been adopted, which have been approved by the Bulgarian National Bank, and have been entered in the Commercial Register and the Register of Non-Profit Legal Entities, which have been in force since 19 February 2025.

The amendments to the Statute are in accordance with the Strategy for the Activities of Bulgarian Development Bank EAD for the period 2024 – 2026, approved by the Council of Ministers.

In view of its specific function of conducting a state promotion policy, BDB prioritizes in its activities programs and products for the promotion of SMEs, on-lending programs, export financing and funding under assigned mandates.

As of 31 December 2024, and 31 December 2023, there is no exposure to a client or group of related clients that is greater than 25% of the Group's regulatory equity.

As of 31 December 2024 the largest credit exposure of the Group provided to a group of related parties (other than banking institutions) amounts to BGN 126,897 thousand (including BGN 126,897 thousand gross carrying amount of debt) at amortised cost (as of 31 December 2023: BGN 161,416 thousand[9]), which represents 11.60% of the equity/eligible equity of the Bank according to Regulation 575/2013/EC (31.12.2023: 15.36%).

An analysis of the structure of the loan portfolio is provided in the consolidated financial statements of the Group and the separate financial statements of the Bank and its subsidiaries.

Given the specific activity of the Bank, as of 31 December 2024, the funds attracted from 20 largest non-bank depositors represent 87.91% of the total amount of liabilities to other clients (31 December 2023: 84.59%). The share of the largest non-bank depositor in the total amount of the liabilities to other customers amounts to 25.02% (31 December 2023: 23.23%).

[9] From which, for the purposes of net exposure, the recognized highly liquid collaterals – blocked deposits in the Bank, guaranteeing letters of credit in the same amount, have been subtracted

In 2020, the Council of Ministers assigned to the Bulgarian Development Bank EAD implementation of two programmes aimed at reducing the economic consequences of COVID-19 spread:

- The program for guaranteeing interest-free loans in protection of people deprived of the opportunity to work due to the COVID-19 pandemic (amount: BGN 200 million from the capital of the Bank); By Decision of the Council of Ministers 506/15.07.2021 an extension was approved of the deadline for applying for credit by individuals "until 31 August 2021 or until the guarantee limits for financing under the programme by partner banks are exhausted, whichever occurs earlier". At the time of preparation of this declaration the deadline for inclusion of loans in the guaranteed portfolio under this program has expired.
- Recovery Program - The program for portfolio guarantees to support the liquidity of enterprises affected by the state of emergency and the COVID-19 pandemic, approved by Decision No 310 of the Council of Ministers from 2020. More information on the implementation of the programs is published on the Bank's website (amount: BGN 500 million from the capital of the Bank). At the time of preparation of this declaration the deadline for inclusion of loans in the guaranteed portfolio has expired. The deadline for inclusion of loans in the guarantee programme of BDB was last extended until 30 June 2022.

In view of its specific activity, the BDB Group utilizes significant external funding from international financial institutions. Detailed information on the received external credit lines is disclosed in a note 30 to the consolidated financial statements of the Bank.

2.2 National Guarantee Fund EAD

National Guarantee Fund EAD is a company founded on 12 August 2008 on the basis of the Bulgarian Development Bank Act and was registered at the Commercial Register on 22 August 2008. The sole owner of the company is Bulgarian Development Bank EAD.

National Guarantee Fund EAD is a financial institution. The company's principal activities include:

- Issuing guarantees for supplementing the collateral under loans to small and medium-sized enterprises;
- Offering other products to small and medium-sized enterprises, like: guarantee for participation in a tender; performance guarantee; advance payment guarantee; guarantee for payment of a loan of an exporter, etc.;
- Issuing guarantees for supplementing collateral under loans to small and medium-sized enterprises, carrying out research and development and for implementing these products and scientific developments into the industry;
- The guarantees issued by NGF at its own risk may cover not more than 50 percent of the liability. By an amendment to the BDB Act, promulgated in the State Gazette, issue 102 of 21 December 2012, the guarantees issued by NGF in connection with guarantee schemes under the Rural Development Programme for 2007-2013 and Development of the Fisheries Sector Operational Programme for 2007-2013 may cover up to 80 percent of the liability;
- Other activities, not explicitly prohibited by law.

The registered capital of the company as of 31 December 2024 amounted to BGN 80,000,000 distributed into 800,000 shares with nominal value of BGN 100 each. The shares are ordinary, materialised, registered and indivisible, and each share gives the right to one vote. The company's capital is fully paid in.

The seat and registered address of National Guarantee Fund EAD is Sofia, 1, Dyakon Ignatij Str.

As of 31 December 2024, the number of employees of NGF is 11.

As of 31 December 2024, NGF has no branches.

2.3 BDB Microfinancing EAD

BDB Microfinancing EAD was registered at the Commercial Register on 14 January 2011. The sole owner of the company is Bulgarian Development Bank EAD.

BDB Microfinancing EAD is a financial institution. The principal activities include microfinancing, including providing micro-loans, acquiring from third parties and leasing industrial equipment, automobiles and other vehicles, as well as other items (finance lease), purchase and sale, and import of such items, consulting services, trade representation and mediation for local and foreign individuals and legal entities operating on the territory of the country, as well as any other activity not prohibited by law.

By decision under Protocol No. 88 of 21 December 2023, appended by Protocol No. 7 of 1 February 2024 and Protocol No. 14 of 12 March 2024, the Management Board of BDB, exercising the Bank's rights as the sole owner of the capital of BDB Microfinancing EAD decided to reduce the company's capital to BGN 14,035,000 by cancelling shares, as well as changes in the company's Statute related to the reduction of capital. The decisions to reduce the capital and changes in the Statute were entered in the Commercial Register and the Register of Non-Profit Legal Entities on 12 April 2024.

As of 31 December 2024, the registered capital of BDB Microfinancing is BGN 14,035,000 and is distributed to 140,350 shares with a nominal value of BGN 100 each. The shares are ordinary, materialized, registered, and indivisible, each share giving the right to one vote. The capital of the company is fully paid in.

By decision of the Management Board of Bulgarian Development Bank EAD under Protocol No. 15 of 18 March 2025, in the capacity of the sole owner of the capital of BDB Microfinancing EAD, a decision was made to increase the capital of BDB Microfinancing EAD by the amount of BGN 15,000,000 by issuing new shares, as well as to make changes to the company's articles of association related to the capital increase. These circumstances were entered in the Commercial Register and the Register of Non-Profit Legal Entities on 8 April 2025.

As of the date of approval of this declaration, the registered capital of BDB Microfinancing is BGN 29,035,000, distributed in 290,350 shares with nominal value of BGN 100 each. The shares are ordinary, materialized, registered, and indivisible, each share giving the right to one vote. The capital of the company is fully paid in.

The seat and registered address of BDB Microfinancing EAD is Sofia, 1, Dyakon Ignatij Str. The company uses a rented office in Sofia 1421, 105 Arsenalski Blvd.

As of 31 December 2024, the number of employees of BDB Microfinancing EAD is 18.

As of 31 December 2024, BDB Microfinancing EAD has no branches.

2.4 BDB Leasing EAD

BDB Leasing EAD was incorporated on 6 March 2019 and entered in the Commercial Register on 12 March 2019. The sole owner of the capital of the Company is Bulgarian Development Bank EAD.

BDB Leasing EAD is a financial institution. The scope of activity includes: financial leasing, lending with funds that are not raised through public attraction of deposits or other repayable funds and all additional and servicing leasing and lending activities.

The sole owner of the capital of BDB Leasing EAD is Bulgarian Development Bank EAD. The capital of the company, paid-in at the time of the establishment amounted to BGN 2,000,000, distributed to 20,000 ordinary registered shares with a par value of BGN 100 each.

As of 31 December 2024, the registered capital of BDB Leasing is BGN 18,630,000 distributed to 186,300 shares with a nominal value of BGN 100 each. The shares are ordinary, materialised, registered and indivisible, each share giving the right to one vote. The capital of the company is fully paid in.

The seat and management address of BDB Leasing EAD is Sofia, 1, Dyakon Ignatij Str.

As of 31 December 2024, the number of employees of BDB Leasing EAD is 12.

As of 31 December 2024, BDB Leasing EAD has no branches.

2.5 Capital Investments Fund AD

Capital Investments Fund AD was incorporated on 24 August 2018 and registered on 04 October 2018 as a joint-stock company. The shareholders of CIF are Bulgarian Development Bank EAD with 84.62% share in the capital and National Guarantee Fund EAD with 15.38% share in the capital.

Capital Investments Fund AD is a financial institution. The scope of activities of CIF includes:

- Participation in the capital of small and medium-sized enterprises;
- Provision of advisory services on the capital structure of small and medium-sized enterprises, consultations and services relating to the transformation of enterprises under Art. 261 of the Commercial Act;
- Investment advisory services;
- Advisory services for the management of pools of securities of small and medium-sized enterprises;
- Other activities, not explicitly prohibited by law.

A key priority is providing capital for the growth of small and medium-sized enterprises with an established business model and opportunities for accelerated expansion on local and international markets.

As of 31 December 2024, the registered capital amounts to BGN 57,814,000, distributed to 578,140 shares with a nominal value of BGN 100 each. The shares are ordinary, materialized, registered, and indivisible, each share giving the right to one vote. The capital of the company is fully paid in.

The seat and management address of Capital Investments Fund AD is Sofia 1000, 1, Dyakon Ignatij Str.

As of 31 December 2024, the number of employees of CIF is 7.

As of 31 December 2024, CIF has no branches.

3. BDB GROUP RISK MANAGEMENT

In the ordinary course of business, the companies of BDB Group are exposed to various risks, the occurrence of which may lead to loss formation and a deterioration in the financial stability of the Group. These risks are identified, measured, assessed and controlled using controls in order to be managed and to avoid the concentration of unjustified risk. The risk management process is essential for the Group's profitability. The main risks to which the Group is exposed are credit, market, liquidity and operational.

In managing the different types of risk arising from the activity, the Group is guided by the principles of conservatism, objectivity, and full compliance with the national and European regulations in force. In support of this policy, the Group maintains significantly higher levels of liquidity buffers and capital adequacy than those regulatorily determined.

The "Risk Management and Control Policy of BDB EAD" and "Risk Strategy and Risk Appetite of BDB Group" set out the objectives and principles for managing the main risks identified in the activities of "Bulgarian Development Bank" EAD, including risk appetite, strategies, risk framework, management organization, as well as responsibilities for their measurement, control, management and reporting. The policy is applicable to Bulgarian Development Bank EAD and its subsidiaries National Guarantee Fund EAD, BDB Microfinancing EAD, Capital Investments Fund AD, BDB Leasing EAD.

3.1 Main risks

3.1.1 Credit risk of the BDB Group

The credit risk is the main risk, to which BDB and the Group companies are exposed, therefore its management is crucial for its activity. The credit risk management takes place in compliance with the BDB Act and the effective laws and regulations of the Republic of Bulgaria that regulate the credit activity and the approved international standards and established best banking practices.

BDB has established and operates bodies for monitoring, controlling and assessing the quality of the loan portfolio. Procedures and mechanisms have been introduced for ongoing monitoring, reporting and management of the credit portfolio requiring periodic and, if necessary, extraordinary reports on the financial and legal status of each borrower and liable persons. If new circumstances are established, which may lead to a change in the risk profile of the borrowers, including increasing the risk of default of the credit exposure, adequate measures are undertaken, which are in line with the risk profile of the debtor.

The management of BDB's credit risk is based on the following basic principles:

- comprehensive and in-depth credit risk assessment at the credit proposal examination stage;
- use of credit risk mitigation tools;
- ongoing and systematic monitoring of the level of credit risk on an individual and portfolio basis;
- the existence and implementation of clearly defined credit risk management procedures and processes and immediate commitment in the credit risk

management process by the Management Board and the Risk Management Committee.

All credit risk management processes and procedures are clearly defined, with clearly established procedures in place for approving new loans, modifying, or revolving existing ones and duly defined processes and responsibilities of the units involved in the ongoing credit risk monitoring and control processes. The Group's internal policies and rules regulate the most important risk mitigation tools and actions and determine BDB's tolerance/predisposition to take credit risks.

Loan approval is carried out on the basis of clear and well-defined criteria taking into account the specifics of the respective customer, market, purpose and structure of the loan and the source of its service. Internal methodologies for credit risk analysis and assessment are based on a set of quantitative and qualitative indicators taking into account the characteristics of the debtor and the transaction. The analysis of the creditworthiness of the Bank's counterparties focuses on identifying the key financial and business risks inherent in the client.

As a result of all this complex assessment, a credit rating shall be issued to each counterparty reflecting its individual probability of default. The process of awarding an internal credit rating is based on rating models, stipulated in the internal banking regulations. The rating of a company is based on a cumulative assessment of the quantitative and qualitative indicators of the client. Credit rating is an essential element of the credit process and is at the heart of the credit decision-making assessment and the process of estimating expected credit losses on financial assets.

An essential element in credit risk management is the application of credit risk mitigation instruments. The strategy of the companies in the BDB Group requires adequate collateral to be provided for the provision of loans. The percentage and composition of the collateral provided shall be subject to the comprehensive credit risk assessment of each individual counterparty and project and shall be approved by the competent authority of the relevant company. The types of collateral and guarantees acceptable to the companies in the Group are regulated in the internal banking regulations.

Ongoing credit risk monitoring is another key element of the credit risk management process. The controls are carried out at the level of the individual counterparty and at the portfolio level. All credit exposures are subject to regular monitoring (credit review), its frequency of preparation being determined by the counterparty's internal credit rating, but not less than once a year. Notwithstanding regular credit reviews of counterparties, an early warning system based on a set of warning signals for counterparties indicating a potential increase in credit risk is used.

In the management of credit risk, the Group complies with a system of limits set by internal regulations by economic sectors, by regions, by instruments, as well as other credit and concentration limits, and the results of the monitoring of their compliance are reported to the competent authorities.

The system of limits is reviewed and updated periodically. The assessment of credit risks is accompanied by regular stress tests, which assess the impact of highly negative shocks on the financial performance and capital adequacy of the BDB Group.

The management of the credit risk under the off-balance-sheet (guarantee) commitments made by the NGF is on two levels – at the level of individual transaction (guarantee) and at portfolio level. Credit risk at individual level is managed in accordance with the internal rules and procedures for the guarantee activity for issuing a guarantee.

At portfolio level, credit risk is managed through payment limits (caps) limiting the NGF's commitment to pay up to a certain share of the amount of the guarantee portfolio issued under a programme to a bank. The subsequent management of the credit risk undertaken by the NGF shall be carried out through monitoring procedures within which the Fund may exclude from the guaranteed portfolio certain loans which do not meet specific requirements of the signed guarantee agreements.

In order to minimize credit risk, BDB Microfinancing pre-assesses the creditworthiness of customers, as well as implement appropriate rules, procedures and controls for ongoing monitoring of each financing transaction. The risk exposure of the credit and leasing portfolio shall be managed by analysing the ability of counterparties to comply with their payment obligations and by placing appropriate credit limits. Credit risk is also partially reduced by accepting different types of collateral.

Credit risk at BDB Leasing is managed independently for each project, by analysing the ability of customers to service their obligations on interest and principal payments and by constant monitoring of the net realisable value of the leasing property (collateral). An individual assessment of the creditworthiness and level of acceptable risk shall be made in respect of each client. Internal rules on the approval of lease exposures shall apply. Lease contracts are entered in the Central Register of Special Pledges and the property is insured for the benefit of the lessor. At the discretion of the competent decision-making authority, additional collateral may also be required, e.g., joint liability, promissory notes, pledge of receivables under contracts, pledge of a commercial enterprise, pledge of movable property, etc.

The main credit risk marker of each lessee is the internal (credit) rating. As such, it is a key element of the leasing process and is basis of judgment for the decision to grant a lease or not, as well as the process of valuation expected credit losses in the event of impairment of assets.

The assignment of internal rating is based on the Methodology for Individual Credit Rating at Bulgarian Development Bank EAD, which includes cumulative assessment of financial indicators, business environment and quality indicators of the lessee and the co-debtor.

In the process of credit risk management and for the purpose of mitigating the concentration risks, BDB Leasing EAD monitors certain limits on the leasing portfolio:

- Concentration limits by economic sectors according to the source of funds for debt repayment;
- Limits for concentration by insurance companies of a portfolio of insured leasing assets of the lessor and those accepted as collateral under lease agreements;
- Limit for total exposure to high-risk clients, according to internal rules of the BDB Group;
- Limits for concentration of exposures by regions.

3.1.2 Market risks of BDB Group

In managing currency risk, the BDB Group implements a strategy for maintaining minimum open currency positions, subject to established limits. Positions in different currencies as well as the common currency position are monitored on a daily basis.

Foreign exchange positions are not formed for speculative purposes but are the result of foreign exchange operations arising in the ordinary course of business of the Group. In the management of assets and liabilities, due to its specific financing, the BDB Group strives that these assets and liabilities are denominated in EUR or BGN. The management and control of foreign exchange risk shall be carried out by means of limits for maximum net open position by currency type and for a common net foreign exchange position. The main elements in the process of managing foreign exchange risk include the day-to-day management and control of net open positions by currencies and generally within the established limits. The open currency position complies with the conditions and possibilities for netting positions in EURO and BGN, as provided by the applicable regulatory framework.

In managing interest rate risk, the BDB Group follows the principle of maintaining a balanced structure of its interest-sensitive assets and liabilities, seeking to maintain consistency between the frequency of change in interest on assets and liabilities, as well as a correlation between the applicable reference rates on the assets and liabilities of the Group. Management and control of interest rate risk is carried out through a system of limits on the maximum acceptable (quantitative) impact of various shock scenarios concerning the change in market interest rates on net interest income on a one-year horizon and the economic value of the Group's capital.

The internal limit framework limits the potential risk to expected future returns and the economic value of capital, within acceptable levels corresponding to the risk tolerance of the BDB Group. The interest rate risk assessment is carried out using a set of techniques including yield-based measurement, measurement based on the economic value of capital, analysis of discrepancies, interest rate stress scenarios. Regular reports and analyses are prepared for the financial assets and liabilities of the BDB and the companies of the Group, distributed at time intervals, according to their sensitivity to changes in interest rates.

Risk-taking, when carrying out money and capital market operations, is managed through a system of limits reflecting the risk profile of investments. The limits are determined by portfolio parameters such as counterparty, financial instrument, maturity, etc. The system of limits is reviewed periodically, and the implementation of the limits is subject to daily monitoring.

The portfolio of securities formed by the BDB Group for the purpose of investing available funds is characterized by relatively low interest rate risk and relatively liquid government securities and securities issued by reliable institutions. In 2024, the BDB Group did not maintain a trading portfolio and was not subject to capital requirements for market risk from commercial activities, according to regulatory regulations.

Liquidity risk management and control is carried out through day-to-day liquidity monitoring and management, maintaining access to sufficient liquidity to ensure the discrepancies between incoming and outgoing cash flows at maturity intervals, both in a normal banking environment and in different liquidity-aggravated scenarios. For liquidity risk management and control purposes, the Group applies internal rules and procedures through which a system of liquidity indicators including limits and early warning indicators is established. The liquidity of the Group is managed by closely monitoring ratios indicating the liquidity position by period. Liquidity risk is measured by applying additional cash flow scenarios. The Group's liquidity buffers and additional sources of funding for market and idiosyncratic shocks are measured and monitored. The main focus of liquidity management is to maintain an adequate level of liquidity buffer in accordance with the established limits and limits set according to the risk tolerance of BDB Group. Compliance with liquidity ratio limits is monitored and reported regularly to the competent authorities.

The assessment of market and liquidity risks is supplemented by regular stress tests, which assess the impact of highly negative shocks on the financial performance and capital adequacy of BDB Group.

3.1.3 Operational risk of the BDB Group

For operational risk management BDB Group applies a systematic approach covering the collection of objective information, timely identification of operational risk, its measurement (qualitative and quantitative), the identification of dependencies with other types of risk and the application of measures to limit its impact on the financial performance and on the capital of the Bank. The operational risk is managed by strictly monitoring and registering all operational events occurring in the activity of the various units as a result of the processes within the Bank identifying and managing the full range of operational risks. Operational events, which are more frequent, and the ones having great potential or real impact on the financial performance of BDB or the companies of the Group, are subject to strict investigation and monitoring. They serve as the basis for operational risk analyses in various scenarios, including when performing an operational risk stress test. Operational risk is measurable and manageable by maintaining an operating event log that serves as a basis for analysing and improving work processes and minimizing conditions that would potentially lead to operational events and losses for the Group.

Limits are applied to key operational risk indicators that perform the function of early warning signals for potential operational risk increase in order to ensure that critical issues are addressed, and a timely management response is triggered where necessary. Under the applicable regulatory framework, the capital required for operational risk is calculated using a base indicator approach.

The operational risk assessment is supplemented by regular stress tests which evaluate the impact of highly negative shocks on the financial result and capital adequacy of BDB Group.

3.2 Structure of risk management

The main units which are directly responsible for risk management are as follows:

For the Bank:

- **Supervisory Board** - performs overall supervision on risk management; In carrying out its powers, the Supervisory Board of the Bank is supported by specialized committees as follows:
  - **Audit Committee (AC)** – the responsibilities of the AC with regard to risk include monitoring of financial reporting processes, monitoring the effectiveness of internal control systems, monitoring the effectiveness of risk management systems, monitoring of internal audit activities and the implementation of the audit plan, monitoring the independent financial audit, making recommendations for the selection of a registered auditor and reporting to the Supervisory Board on all matters within its competence.
  - **Risk Management Committee (RMC)** - advises the Supervisory Board and the Management Board on the overall current and future risk strategy and the Bank's propensity to take risks and supports the control of its implementation by senior management staff. The RMC regularly reviews information on the analysis, management, and control of risks, informing it of the overall risk profile, implementation of the risk restrictions, as well as the capital and liquidity position of BDB.

- **Remuneration Committee** - prepares and proposes remuneration decisions, taking into account the impact on risk and its management, the long-term interests of shareholders, investors and other parties concerned.
- **Recruitment Committee** – analyses periodically, at least once a year the structure, composition, number of members and results of the work of the Management Board and the Supervisory Board and makes recommendations for possible changes. Periodically reviews the Policy for selection, continuity, and suitability assessment in "Bulgarian Development Bank" EAD and makes recommendations for a change in it.

- **Management Board (MB)** – is responsible for the general approach to risk management and approves strategies, principles and specific methods, techniques and procedures for risk management. The Management Board has the following ancillary bodies, which function as specialised committees:
  - **Assets and Liabilities Management Committee (ALCO)** – it is responsible for the management of the assets and liabilities and liquidity, and for the management of the market risks, within its competence, according to internal regulations; determines strategy for attracting funds, and the loan pricing approach respectively, in order to ensure adequate margin above the cost of the resource; makes decisions regarding the Bank's strategic liquidity in order to ensure regular and timely meeting of current and future obligations both in normal conditions and in a liquidity crisis; determines the structure of liquidity buffers and sources of additional financing.
  - **Committee on Impairments and Provisions (CIP)** controls the process of monitoring, evaluating, and classifying financial instruments, determining expected credit losses and forming impairment.
  - **Credit Committee for classified exposures (former Legacy Credit Committee)** – is a collective body that has functions and powers in relation to exposures in the amount of over BGN 5 million to one party or a group of related parties, advises the Bank's Management Board by proposing draft decisions on issues within its competences, takes decisions on operational issues, outside the competences of the Management Board and the Supervisory Board.
  - **Operational Risk Committee (RICO)** – the committee has been functioning since 23.04.2023. The purpose of RICO is to ensure an adequate operational level of risk monitoring and management by MB, to carry out effective identification, measurement, assessment and control of risks by MB and to create a sustainable organizational structure, in accordance with the principle of proportionality and the risk management framework in the BDB Group (the Bank and its subsidiaries).
  - **Change Management Committee (CMC)** – the committee approves and/or rejects the launch of each application/request for initiated change and defines the strategic framework and guiding principles for each project, as well as its main priorities. It appoints a Manager for each project, as well as the roles and responsibilities of all participants in the implementation of the change/project, approves the project plans and tracks the progress of implementation until their final approval.

- **Sustainability Committee** – the Sustainability Committee provides strategic guidance on the Bank's sustainability issues, implementation of the ESG framework (principles and characteristics) and related reporting activities. It monitors the implementation of the Bank's sustainability objectives and policies and advises the Bank's Board of Directors on sustainability issues, including the implementation of green lending practices and monitoring the implementation of sustainability objectives.

- **Executive Directors and Members of the MB** - exercise current operating control on maintaining and observing the specified limits for the particular types of risk and the application of the established procedures;
- **Risk Management Division -** provides independent information, analysis and expert assessment of risks and provides the management body with a comprehensive overview of all risks. The Division carries out activities related to identification, management, measurement, risk control and reporting, stress tests, monitoring limits and reporting their implementation in accordance with established escalation procedures, as well as providing opinions on risk management proposals and solutions for their compatibility with the Bank's risk tolerance;
- **Regulatory Compliance and Control Division** is responsible for compliance with the regulatory framework, including the adaptation of the internal regulatory framework and the organization of the processes in BDB to the current and future changes. Money Laundering and Fraud Prevention Division supervises the prevention of money laundering and terrorist financing. In accordance with the Rules and Procedures for Compliance Regulation at Bulgarian Development Bank the Regulatory Compliance and Control Division provides information to the Management of BDB through regular compliance reports to the Management Board/Supervisory Board. If deficiencies are identified, it proposes remedy measures and drafts progress reports on their implementation. The internal regulatory documents at Group level are agreed by the Regulatory Compliance and Control Division, thus limiting the possibility of potential conflict with the applicable regulatory framework.
- **Finances Division** – performs the reporting to the Management Board and BNB by preparing reports, key indicators, business plans and their implementation, including risks at operational, business, reporting and strategic level;
- **Business units that take a risk** apply the established rules and procedures for the management of risks, comply with the regulated restrictions regarding their activities and provide the necessary information for analysis, evaluation, and informed decision-making. Their activities are supported by the divisions Legal, Credit Administration, Security, Finances, Operations and Microfinancing and European Funds.

For the subsidiary National Guarantee Fund EAD:

The main units directly responsible for risk management are the following:

- Management Board of BDB - performs overall supervision on risk management;
- Board of Directors - carries out overall risk management supervision; being responsible for overall risk management approach and for approval of risk management strategies, principles and the specific methods, techniques and procedures;

- Committee on Provisions - analyses the guaranteed portfolios in terms of overall credit risk management for the total guaranteed portfolio, as well as of each guarantee deal and beneficiary of the guarantee itself;
- Risk and Monitoring Division - performs general monitoring with respect to the guaranteed portfolios by carrying out inspections (current and after a claim for payment has been filed) of the commercial banks regarding the fulfilment of the terms and conditions of their guarantee agreements at the level of both the separate client and individual portfolio. The Division also identifies, assesses, monitors and applies measures for limiting the impact of the major risks.

For the subsidiary BDB Leasing EAD:

Leading unit in terms of risk management at BDB Leasing EAD is the Risk Division of BDB Leasing EAD. The Risk Division provides independent information, analysis and expert assessment of risks and provides the management body with a comprehensive overview of all risks. The unit performs activities related to identification, management, measurement, control and reporting of risks, stress tests, monitoring of limits and reporting on their implementation, as well as preparation of independent opinions on leasing proposals. It carries out an initial and ongoing analysis of lessees' rating, as well as initial and ongoing analysis of risk assessment methods.

A key role in risk management is also played by the Board of Directors of BDB Leasing EAD, which adopts rules and procedures for risk management and controls risk factors.

The decision-making competencies regarding granting a lease and change in the terms of concluded lease agreements are as follows:

- Procurator and BD member jointly or two BD members jointly - for a total exposure of an individual party or a group of parties related to BDB Leasing EAD up to BGN 200,000 (in the absence of another exposure to BDB group);
- Board of Directors of BDB Leasing EAD – for a total exposure of an individual party or a group of parties related to BDB Leasing up to BGN 1 million (in the absence of another exposure to BDB group);
- Management Board of BDB EAD - all exposures amounting to BGN 1 million per of an individual party or a group of parties related to BDB Group, in the presence of another exposure to the BDB Group);
- Supervisory Board of BDB EAD - all exposures amounting to over BGN 1 million of an individual party or group of parties related to BDB Group.

In accordance with the Statute of BDB EAD, the maximum admissible exposure to an individual party or a group of related parties to the BDB group may not exceed BGN 5 million.

For the subsidiary BDB Microfinancing EAD:

The main units directly responsible for risk management are:

- Management Board of BDB – conducts general supervision of the management of risks;
- Board of Directors – adopts rules and procedures for risk management. Controls the risk factors for the Company's activities and makes decisions within the limits of its powers. Also, it makes decisions in cases where the total exposure of an individual or a group of BDB Microfinance EAD's related parties (in the absence of

exposure to another company in the BDB group) is over BGN 100 thousand to BGN 700 thousand.

- Credit Committee – currently monitors and analyses the Loan and Leasing Portfolio of the Company in terms of credit risk, including individual transactions;
- Credit Council – analyses credit and leasing transactions in terms of credit risk management in their resolution and/or renegotiation and makes decisions in cases where the total exposure to an individual or a group of BDB Microfinance EAD's related parties (in the absence of exposure to another company in the BDB Group) is up to BGN 100 thousand.
- Operational management (Executive Director) – organizes the activities for implementation of the risk management rules adopted by the Board of Directors. Creates a work organization that ensures compliance with the specified limits and levels of risk. Controls the compliance of the procedures used by the relevant employees for risk analysis, measurement and assessment with the internal normative documents adopted by the Board of Directors;
- Risk Management Division - develops and implements a risk management system. It prepares and submits to the Board of Directors periodic reports in order to assess the risks in the activity, including compliance with limits and reports ongoingly to the operational management of the Company. It carries out an initial and ongoing verification of risk assessment methods. It controls the input data necessary for the risk assessment according to an applicable method of reliability and sufficiency.

For the subsidiary Capital Investments Fund AD:

The main units directly responsible for risk management are:

Board of Directors – the responsibilities include:

- Approves internal rules and procedures of CIF;
- Approves prepared proposals related to investments in shares;
- Decides on investment portfolio management

Risk Manager:

- Carries out capital risk assessment and control of all rules and procedures related to the investment process and capital risk management;
- Identifies the main risks of investment transactions on the basis of a thorough analysis and is responsible for their proper addressing to the competent authorities in accordance with the current Rules for levels of competence for approval of credit risk transactions in the BDB Group;
- Periodic monitoring of portfolio investments – quarterly investment review reports to the Board of Directors of CIF;
- Verifies the reports on the revaluation of portfolio investments, which are prepared by the Investment Department;
- Monitors compliance with the limits set out in the Risk Management Policy of Capital Investments Fund AD;
- Makes proposals for amendments and supplements to policies, rules, procedures and limits in order to minimize the risks inherent to the activity of CIF;
- Manages the process of collecting information about operational events and preparing relevant reports;

- Participates in the periodic monitoring of portfolio companies in accordance with the current Investment Policy and Rules of Operation of CIF;
- Coordinates the periodic revaluation of the investments of CIF, taking into account the inherent risks and their relative weights in the formation of the final values.

4. BANKING REGULATORS UNDER BULGARIAN AND EUROPEAN LEGISLATION

In accordance with the requirements of the laws and regulations governing banking activities in the country, BDB should observe restrictions related to certain ratios in its separate and consolidated financial statements. As of 31 December 2024, BDB has complied with all regulatory requirements of BNB and the Bulgarian legislation.

The Bank applies the guidelines, recommendations and other measures adopted by EBA which refer to it and for which BNB has announced that it complies with according to art. 79a, para 1, item 2 of Law on Credit Institutions (effective as of 05 December 2017).

Effective from 01 October 2020, pursuant to ECB Decision (EU) 2020/1015 of 24 June 2020 establishing close cooperation between the European Central Bank and the Bulgarian National Bank (ECB/2020/30), the Bank remained under direct supervision by BNB in close cooperation with the ECB. ECB's monitoring includes monitoring the implementation of the Common Supervisory Standards of the Single Supervisory Mechanism (SSM). The main objectives of the SSM are to ensure the security and stability of the European banking system, to strengthen financial integration and stability, and to ensure consistent supervision.

In 2020, the Bulgarian Lev joined the exchange rate mechanism II (ERM II) and together with the established close cooperation are a precondition for Bulgaria's future membership of the Eurozone.

Effective from 01 October 2020 Bulgaria joined the Single Restructuring Mechanism together with the Single Supervisory Mechanism and gave a start to close cooperation between the Bulgarian National Bank and European Central Bank.

Pursuant to those acts, the Single Resolution Board took over the supervision of planning of restructuring process with respect to the Bank. The European Bank Supervision as well as the Single Restructuring Mechanism are the main pillars of the banking union in the EU.

BDB's reported capital adequacy on consolidated basis as at 31 December 2024 is 52.40% (31 December 2023: 46.19%). The values of asset coverage with capital buffers exceed many times the statutory levels. Respectively, the aggregated data for the capital adequacy banking system are: 22.7% (as of 31 December 2024) and 21.65% (as of 31 December 2023). BDB continues to maintain a good level of liquidity. As of 31 December 2024, the liquidity coverage ratio (LCR according to the definition of Regulation 575 / 2013/EU) of the BDB Group is 426.7% (compared to a value of 404.3% at the end of 2023). For the banking system, the aggregated liquidity coverage ratio was 241.1% (as of 31 December 2024) and 246.7% (as of 31 December 2023).

As part of the Basel III regulatory framework, effective as of 28 June 2021, a 'net stable funding ratio' (NSFR) with a minimum regulatory requirement of 100% applies. The information about it is reported by all credit institutions in Bulgaria (excluding branches of foreign banks from EU member states) with quarterly frequency, on an individual and consolidated basis. As of 31 December 2024, the aggregate level of NSFR for the banking system was 165.2%, % and for BDB EAD Group it was 135.4%.

5. CONTROL ENVIRONMENT

The BDB Group follows a management philosophy and operational style subordinated to the principles of conservatism in the implementation of the Bank's strategic objectives assigned under the BDB Act.

The organizational model of the risk management and control functions is developed in accordance with a model with three lines of protection. The main roles of the three lines of defense include:

The first line of defense covers risk management by business and risk-taking units - divisions Corporate clients, Investment Banking and Project Financing, Financial Instruments, Problem Receivables and Treasury. Their activities are supported by the divisions Legal, Credit Administration, Security, Finance, Operations and MFI and European Funds, as well as the respective business units in the subsidiaries which evaluate and analyse the implementation of internal and regulatory constraints and support the decision-making activity in taking and managing risks. At this level, risk management is carried out by setting appropriate controls and procedures.

The second line of defense provides independent risk assessment, control and management by units performing control functions independent of risk units – divisions Risk and Regulatory Compliance and Control. The Risk Division performs activities related to identification, management, measurement, control and reporting of risks, stress tests, monitoring of limits and reporting their implementation in accordance with the approved escalation procedures. The Regulatory Compliance and Control Division is responsible for compliance with the regulatory framework, including the adaptation of the internal regulatory framework and the organization of the processes in the BDB to the changes that have occurred and/or are forthcoming. The Prevention of Money Laundering and Fraud Division controls the prevention of money laundering and terrorist financing. The second line of defense is organizationally independent of the first and exercises preventive and ongoing control.

The third line of defense is performed by the Internal Audit of the Group (IAG). It independently reviews all activities in the Group, subject to independent evaluation, compared to the established system of internal rules and their adequacy, compared to the external regulatory environment, internal control mechanisms and risk management systems covering the activities of the Group. The weaknesses and deficiencies identified by it support the functions of other levels of protection in the process of developing of internal rules and procedures in order to improve the effectiveness of risk management. IAG provides assurance to senior management on the effectiveness of risk management, internal control and governance, and the way in which the first and second lines achieve the objectives of risk management and control. The Internal Audit of the Group Division provides overall assurance from the position of the highest level of independence in the organization, through direct subordination of the Supervisory Board.

Management assigns powers and responsibilities for the operating activity in line with a detailed internal normative set of documents, which are in conformity with the current national and European legislations, where in order to guarantee the relationships in accountancy and reporting, and various specialized committees, by hierarchy of authorities, were formed to the MB and SB of BDB.

The Group has developed an internal set of documents, which includes policy and communications focused on ensuring that all employees understand the goals of the Bank, knows how individual actions are interconnected and contribute towards these goals, and who and how is reporting and what is their responsibility.

The Group has established an information system, including business processes related to it, providing the necessary quality and control of the financial accountability and communication.

The Bank's Audit Committee informs the governing bodies of the Bank with management and control functions about the results of the statutory financial audit and explains how the statutory audit has contributed to the reliability of the financial reporting and, where applicable, the sustainability reporting, and makes recommendations and proposals to ensure the reliability of the preparation and issuance of financial statements; monitors the effectiveness of the internal control system, the risk management system and the internal audit activity within the Bank's Group with regard to financial reporting and, where applicable, with regard to sustainability reporting; monitors the performance of the statutory audit of the annual financial statements and, where applicable, the statutory sustainability assurance engagement, taking into account the findings and conclusions of the Commission for Public Oversight of Statutory Auditors on the application of Article 26, paragraph 6 of Regulation (EU) No 537/2014; controls the implementation and amendments of accounting policies by the Bank and the subsidiaries of the Group related to the performance of the audit of the Group's consolidated financial statements;

monitors the timely and reliable provision of financial information by the subsidiaries in the preparation of the annual consolidated financial statements of the Group; discusses and adopts the annual report on internal audit activities and, if necessary, familiarizes itself with and gives opinions on audit reports of audit engagements carried out, as well as on all significant issues related to internal audit. Also, the Audit Committee agrees on the strategic plan of the Bank's Group internal audit; monitors the performance of the statutory audit of the annual financial statements (separate and consolidated) and, where applicable, the statutory sustainability assurance engagement, taking into account the findings and conclusions of the Commission for Public Oversight of Statutory Auditors on the application of Article 26(6) of Regulation (EU) No 537/2014; familiarizes itself with the audit strategy and audit plan of the statutory audit and the arguments in support of important decisions and choices made at the planning stage; monitors the implementation of the audit plan, giving recommendations to the management bodies of the Bank and the auditors for elimination of difficulties encountered; reviews the draft auditors' reports under Art. 59 and Art. 60 of the IFAASRA and the identified key audit issues, the findings made and the expressed auditors' opinion; discusses the auditor's additional report (prepared in accordance with Article 11, item 2 of Regulation (EU) No 537/2014) and makes recommendations to the management bodies of the Bank to eliminate the significant weaknesses and deficiencies identified in the report; verifies and monitors the independence of the registered auditors in accordance with the requirements of Chapters Six and Seven of the Independent Financial Audit and Assurance of Sustainability Reporting Act, as well as Article 6 of Regulation (EU) No 537/2014, including the appropriateness of the provision of non-audit services under Article 5 of the same Regulation; preliminarily approves the provision of non-audit services by an auditor of the Bank, and within 7 days from the date of the decision, notifies the Commission for Public Oversight of the Statutory Auditors, as well as the Management and Supervisory Board of the Bank of each approval granted under Art. 64, para. 3 and Art. 66, para. 3 of the Independent Financial Audit and Assurance of Sustainability Reporting Act; is responsible for the selection procedure of the registered auditor and recommends their appointment, except for the cases when the Bank has a selection committee; when the Bank has a selection committee, the Audit Committee monitors its work; and on the basis of its results, proposes to the SOC the assignment of an audit engagement in accordance with the requirements of Art. 16 of Regulation (EU) 537/2014; prepares an annual report and reports its activities to the sole owner of the capital (SOC) once a year and other responsibilities, regulated by the Audit Committee; The Audit Committee shall inform the SOC when it identifies important circumstances of material importance to the Bank or its financial position and reporting; prepares and, through its Chairman, submits to the Commission for Public Oversight of Statutory Auditors an annual report on its activities by 31 May. The report is prepared in form and with content in accordance with an ordinance adopted by the Commission.

6. MANAGEMENT OF BULGARIAN DEVELOPMENT BANK EAD

Bulgarian Development Bank EAD has a two-tier corporate governance structure, which consists of Supervisory Board (SB) and Management Board (MB).

As of 31 December 2024, the management bodies have the following composition:

6.1 Supervisory Board of BDB in 2024, AS OF 31.12.2024 and as of the date of approval of this declaration:

As of the date of approval of this declaration the Supervisory Board consists of:

Rosen Andreev Karadimov – chairman and member of the SB[10] until 24 June 2025

Ass. Dr. Rosen Karadimov is a lecturer at the Law Faculty of Sofia University "St. Kliment Ohridski" since 1991. Chairman of the Management Board of the Institute for New Economic Progress. He was a Member of Parliament in the VII Grand National Assembly, participated in the adoption of the Constitution of the Republic of Bulgaria in 1991. As a member of the 36th National Assembly he participated in the adoption of the BNB Act (1991), the Banks and Credit Act (1992), the Commerce Act (1991). Rosen Karadimov was a legal consultant and legal representative of a number of credit institutions, including BDB.

By decision under Protocol No. PR-84 of 17 June 2025 of the Minister of Finance in his capacity as sole owner of the capital of BDB, Mr. Rosen Andreev Karadimov was dismissed as a member of the Supervisory Board of the Bank. This circumstance was entered in the Trade Register and Register of Non-Profit Entities on 24 June 2025.

[10] In connection with Decree No. 101 of the President of the Republic of Bulgaria on the appointment of a caretaker government (promulgated in State Gazette No. 32 of April 9, 2024), Mr. Rosen Karadimov temporarily stopped and did not exercise his powers as Chairman and member of the Supervisory Board of Bulgarian Development Bank EAD for the period in which he was appointed caretaker Minister of Innovation and Growth.

In connection with Decree No. 222 of 27 August 2024 of the President of the Republic of Bulgaria on the appointment of a caretaker government (SG No. 73/2024), Mr. Rosen Karadimov temporarily stopped and did not exercise his powers as Chairman and member of the Supervisory Board of Bulgarian Development Bank EAD for the period in which he was appointed caretaker Minister of Innovation and Growth.

By decision of the 51st National Assembly of 16 January 2025 on the election of the Council of Ministers of the Republic of Bulgaria (Promulgated, SG No. 5 of 17.01.2025), the powers of the caretaker government appointed by Decree No. 222 of the President of the Republic of Bulgaria of August 27, 2024 (SG No. 73/2024) have been terminated. As of 17 January 2025, Mr. Rosen Karadimov continued to exercise his powers as Chairman and member of the Supervisory Board of Bulgarian Development Bank EAD.

Delyana Valeriava Ivanova – Deputy-Chairman and member of the SB, Chairwoman of the SB from 23 May 2025

By decision under Protocol No. 25 of 23 May 2025 of the Supervisory Board of BDB, Ms. Delyana Valerieva Ivanova was elected Chairwoman of the Supervisory Board of the Bank.

Delyana Ivanova is Deputy Minister of Regional Development in the period 2021-2022. Before entering the executive branch, she was a Member of Parliament in the 45th and 46th National Assembly and a member of the Budget and Finance Committee. Her professional expertise is in the field of banking and finance.

Dimitar Ivanov Mitev– member of the Supervisory Board from 7 November 2024, Deputy-Chairman of the SB from 23 May 2025

By decision under Protocol No. 26 of 23 May 2025 of the Supervisory Board of BDB, Mr. Dimitar Ivanov Mitev was elected Deputy-Chairman of the Supervisory Board of the Bank.

Dimitar Mitev is a proven expert with 32 years of experience in the banking sector. He is Master of Finance from the University of National and World Economy, holding numerous additional qualifications. He holds a CFA degree - Certified Financial Analyst. He has been working at the Bulgarian Development Bank since 2011, successively leading the Planning, Analysis and Regulations, Compliance and Finance departments. He was also member of the Board of Directors of the National Guarantee Fund which part of the BDB Group. Dimitar Mitev's career includes HVB Bank Biochim (currently part of UniCredit Bulbank), CIBank, Eurobank Bulgaria (PostBank) and Deloitte Bulgaria.

By decision under protocol No РД-02-17-17 of 31 October 2024 of the Minister of Innovation and Growth in its capacity of sole owner of the capital of BDB, Dimitar Ivanov Mitev was elected as member of the Supervisory Board of the Bank. This circumstance was entered in the Commercial Register and the register of non-profit legal entities on 7 November 2024.

Stamen Stamenov Yanev – member of the SB until 6 June 2025

Stamen Yanev holds a master's degree in Law from Sofia University "St. Kliment Ohridski". He specialized in European and English law at ASSER College Europe in the Netherlands, University of Cambridge, University College London, European University Institute (Italy). Yanev is a lawyer specialized in the field of mergers and acquisitions, as well as in the field of investments. His professional path passes through the major international consulting companies, including the Bulgarian divisions of some of the four largest audit firms in the world. Since 2015 he has been Executive Director of the Bulgarian Investment Agency. Deputy Minister of Economy from 2020 to 2021.

By decision under Protocol No. PR-77 of 30 May 2025 of the Minister of Finance in his capacity as sole owner of the capital of BDB, Mr. Stamen Stamenov Yanev was dismissed as a member of the Supervisory Board of the Bank. This circumstance was entered in the Trade Register and Register of Non-Profit Entities on 6 June 2025.

Goritsa Nikolova Grancharova-Kozhareva – member of the SB from 24 June 2025

Goritsa Grancharova-Kozhareva holds a Master's degree in Accounting and Control from the D. A. Tsenov Academy of Economics, Svishtov. Her career started in 1989 at DZI - Razlog, progressed through positions at TS Bank, Bulgargas and CIBank, and from 2012 to 2014 she was a Branch Manager at UniCredit Bulbank. In 2005 she was elected a member of the Court of Auditors of the Republic of Bulgaria. In 2015, she became its deputy chairman, and since January 2023 she has been acting as the chairman of the audit institution.

Goritsa Kozhareva has led audits of public funds, including funds from the European Union, has been Chair of the Professional Ethics Committee of the Court of Auditors, as well as Coordinator of Relations with the Board of Auditors for NATO. Kozhareva has also participated in numerous international initiatives and has been the Bulgarian representative in INTOSAI, EUROSAI and the Contact Committee with the European Court of Auditors.

By decision under Protocol No. PR-85 of 17 June 2025 of the Minister of Finance in his capacity as sole owner of the capital of BDB, Ms. Goritsa Nikolova Grancharova-Kozhareva was elected as a member of the Supervisory Board of the Bank. This circumstance was entered in the Trade Register and Register of Non-Profit Entities on 24 June 2025.

Lachezar Dimitrov Borisov – member of the SB from 24 June 2025 г.

Lachezar Borisov is a lecturer in macroeconomics and business statistics at the Higher School of Economics and Finance (HSE). He holds a PhD in economics and finance from VUZF, as well as master's degrees in economics and macroeconomics from UNWE. His professional career at the Ministry of Economy began in 2002 as a senior expert at the Economic Development Directorate and progressed through the positions of Head of Restructuring and Capital Markets, Investment Projects, International Programs and Marketing, Strategic Markets and Forecasts, and Management and Restructuring of State Participation.

From 2017 to 2020 Dr. Lachezar Borisov is Deputy Minister and from July 2020 to May 2021 Minister of Economy. He has led key policies to support business and manage the economic impact of the COVID-19 pandemic. During this period, he was part of the Supervisory Board of the BDB, and also held senior positions in the NSSI and the NHIF. Since 2022 he has been Head of Department at the Capital Privatisation and Investment Agency.

By decision under Protocol No. PR-85 of 17 June 2025 of the Minister of Finance in his capacity as sole owner of the capital of BDB, Mr. Lachezar Dimitrov Borisov was elected as a member of the Supervisory Board of the Bank. This circumstance was entered in the Trade Register and Register of Non-Profit Entities on 24 June 2025.

In the exercise of its powers, the Supervisory Board is assisted by specialised committees as follows:

- Risk Management Committee – comprising three members, the chairman and the members of the Committee are members of the Supervisory Board of BDB. The RMC advises the Supervisory Board and the Management Board on the overall current and future risk strategy and the Bank's risk appetite and assists its senior management in monitoring its implementation; examines, independently of the Remuneration Committee, whether the incentives set by the remuneration system take into account risks, capital, liquidity, as well as the probability of realising planned revenues and their distribution over time; submits to the Supervisory Board and/or the Management Board proposals for adjusting the pricing of the Bank's products when the price is not an adequate reflection of the business model and the risk strategy; periodically reviews risk management policies and makes recommendations to the Board of Directors if necessary; approves proposals approved by the Management Board for limits/restrictions and policies for risk management inherent in the Bank's activities; regularly reviews information related to risk analysis, management, and control, thus getting acquainted with the overall risk profile, the implementation of risk limits, as well as the capital and liquidity position of BDB; supervises the implementation of capital and liquidity management strategies, as well as all other relevant risks of the Bank, such as market, credit, operational risks (including legal and IT) and reputational risks, in order to assess their adequacy to the approved risk appetite and strategy; determines the nature, volume, form and frequency of the information about the Bank's risk profile, which should be provided to the RMC; provides advice on the appointment of external consultants that the Supervisory Board may decide to engage for advice or support; reviews a number of possible scenarios, including adverse scenarios, to assess how the Bank's risk profile would react to external and internal events; monitors consistency between all significant financial products and services offered to customers and the business model and risk strategy of the Bank; assesses the recommendations of internal or external auditors and follow up on the appropriate implementation of the measures taken; provides recommendations to the Supervisory Board on the necessary adjustments to the risk strategy arising from changes in the Bank's business model, market developments or recommendations made by risk management;

- Audit Committee - composed of three members, elected by the sole owner of the Bank's capital. The Audit Committee notifies the management bodies of the Bank of the results from the statutory audit, oversees the financial reporting process, oversees the effectiveness of internal control environment, oversees the establishment and change of accounting policies by the Bank and the Group's subsidiaries in relation to the audit of the consolidated financial statements of the Group; monitors the timely and reliable provision of financial information by subsidiaries in the preparation of the Bank's annual consolidated financial statements; discusses and adopts the internal audit' annual report on the activity; monitors the mandatory audit of the annual financial statements (separate and consolidated); gets acquainted with the audit strategy and the audit plan of the statutory audit; monitors the implementation of the audit plan by making recommendations to the Bank's management and auditors for elimination of difficulties; reviews the drafts of the audit reports under Art. 59 and Art. 60 of the Independent Financial Audit Act and identified key audit matters, findings and expressed audit opinion; verifies and monitors the independence of registered auditors; is responsible for the procedure for selecting the registered auditor and recommends his appointment; prepares an annual report and reports on its activities to the sole owner of the capital once a year and other responsibilities, detailed in the Statute of the Audit Committee;

- Remuneration Committee – comprising three members, the chairman and the members of the Committee are members of the Supervisory Board of BDB, the majority of whom are independent within the meaning of Art. 10a, para. 2 of the Credit Institutions Act. The Remuneration Committee prepares and proposes remuneration solutions, taking into account the impact on risk and its management in the BDB Group, the long-term interests of shareholders, investors and other stakeholders; provides advice to the Supervisory Board on the structure of remuneration policy, which also includes advice on gender neutrality and equal treatment of employees of different sexes; assists the Supervisory Board in monitoring compliance with remuneration policies, practices and processes related to remuneration; verifies the relevance of the existing remuneration policy and, if necessary, makes proposals for changes; review the appointment and remuneration of external consultants that the Supervisory Board may decide to engage for advice or assistance; ensure the adequacy of the information provided to the sole owner of BDB's capital, respectively to the sole owner of the capital / general meeting of shareholders of the subsidiaries on remuneration policies and practices, in particular on the proposed higher level of the fixed versus variable remuneration ratio; evaluates the mechanisms and systems adopted to ensure that the remuneration system takes proper account of all types of risks, liquidity and capital levels and that the general remuneration policy is consistent and promotes sound and effective risk management and is in line with the business strategy, objectives, the corporate culture and values, as well as the long-term interests of the BDB Group; assesses whether the objectives of BDB Group’s activities have been achieved, as well as the need for subsequent risk adjustment, including the application of deduction clauses and clauses for reimbursement of the amount of variable remuneration; reviews possible scenarios to verify how remuneration policies and practices respond to external and internal events, as well as the back-testing of the criteria used to determine remuneration and ex-ante risk-based adjustments based on actual risk outcomes; directly controls the remuneration of the heads of the Group's Internal Audit Division, the Risk Division and the Regulatory Compliance Division; makes recommendations to the Supervisory Board regarding the structure of the remuneration conditions and the amount of remuneration to be paid to the heads of the Group's Internal Audit Division, the Risk Division and the Regulatory Compliance Division;

- Recruitment Committee – comprising three members, the chairman and the members of the Committee are members of the Supervisory Board of BDB, the majority of whom are independent within the meaning of Art. 10a, para. 2 of the Credit Institutions Act. The Recruitment Committee identifies and recommends for election by the Supervisory Board candidates for members of the Management Board, respectively by the sole owner of the capital - candidates for members of the Supervisory Board; prepares a description of the functions and requirements for the candidates and determines the time that the elected members are expected to devote to work for the Management Board and the Supervisory Board; sets a target level in connection with the participation of the underrepresented gender in the composition of the Management Board and the Supervisory Board of BDB, respectively in the composition of the Board of Directors in the subsidiaries, and updates the policy to increase the number of underrepresented gender in the composition of the councils to achieve this level; analyse periodically, but not less than once a year, the structure, composition, number of members and the results of the work of the Management Board and the Supervisory Board and makes recommendations for possible changes; analyses periodically, but not less than once a year, the knowledge, skills and experience of the Management Board and the Supervisory Board as a whole and their members individually and reports to each of them; periodically reviews the Policy for selection, continuity and assessment of suitability in the Bulgarian Development Bank EAD Group and makes recommendations for changes.

The composition of the committees of the Supervisory Board as of 31 December 2024 is as follows:

	Risk Management Committee	Recruitment Committee	Remuneration Committee
Rosen Andreev Karadimov	Member	Member	Chairman*
Delyana Valerieva Ivanova	Member	Chairman	Member
Stamen Stamenov Yanev[11]	Chairman	Member	Member
Dimitar Ivanov Mitev	Member	Member	Member

The composition of the committees of the Supervisory Board as of the date of approval of this declaration:

	Risk Management Committee	Recruitment Committee	Remuneration Committee
Delyana Valerieva Ivanova	Member	Chairwoman	Member
Dimitar Ivanov Mitev	Chairman	Member	Member
Goritsa Nikolova Grancharova-Kozhareva	Member	Member	Chairwoman
Lachezar Dimitrov Borisov	Member	Member	Member

6.2 Audit Committee

As of the date of approval of this document the Audit Committee has the following composition:

Svetlana Hristova Kourteva – Chairwoman of the Audit Committee since 1 January 2023

Svetlana Kourteva has higher economic education in Internal Trade and postgraduate Studies from Karl Marx Higher Institute of Economics. The professional expertise of Svetlana Kourteva is in the field of financial audit. She is a certified public accountant and a registered auditor. She has carried out financial audits of projects funded by the European Union under the Operational Program "Development of the Competitiveness of the Bulgarian Economy", Operational Program "Innovation and Competitiveness", Tempus project "Training in the field of Nanotechnologies", Erasmus+ "Capacity Building in the Field of Higher Education".

Svetlodara Encheva Petrova - Member of the Audit Committee since 01 January 2023.

Svetlodara Petrova has a Master's degree in Law. She is a lawyer with extensive experience in the field of civil, contractual and commercial law. She provides consulting services under the Public Procurement Act, on commercial insolvency and corporate transformations.

Delyana Valerieva Ivanova - Member of the Audit Committee since 1 January 2023.

Delyana Ivanova has a Master's degree in Organizational Development and a Bachelor's degree in Business Management from St. Kliment Ohridski University of Sofia. Delyana

[11] Until 6 June 2025

Ivanova's professional expertise is in the field of banking and finance. She was Deputy Minister of Regional Development in the period 2021-2022. Before entering the executive power, she was a Member of Parliament in the 45th and 46th National Assembly and a member of the Budget and Finance Committee.

6.3 BDB Management Board:

In 2024 and until the date of approval of this declaration the Management Board has the following composition:

Ivaylo Angelov Moskovski – Chairman of the Management Board and Executive Director from 5 November 2024.

By decision of the Management Board under Protocol No. 8/14.02.2025, approved by the Supervisory Board under Protocol No. 6/14.02.2025, Mr. Ivaylo Moskovski was elected Chairman of the Management Board of Bulgarian Development Bank EAD.

Ivaylo Moskovski holds a Master’s degree in Financial Management from the Dimitar A. Tsenov Academy of Economics and a Bachelor’s degree in Public Finance from the University of National and World Economy. In the period 2018-2022, he was Vice President of Operating Activities at Black Sea Trade and Development Bank focusing on risk management. Mr. Moskovski was Minister of Transport, Information Technology and Communications in three governments in the period 2011-2018, and Deputy Minister of Transport in the period 2009-2011. Member of Parliament in the 42*nd* and 44*th* National Assembly, member of the Transport Committee and the Energy Committee.

By decision of the Supervisory Board under protocol No 41 of 29 October 2024, Ivaylo Angelov Moskovski was elected as new member of the Management Board of BDB. This circumstance was entered into the Commercial Register and the register of non-profit legal entities on 5 November 2024. By decision of the Management Board under protocol No 73 of 29 October 2024, approved by decision of the Supervisory Board under protocol No 42 of 29 October 2024, Mr. Ivaylo Angelov Moskovski was authorized to represent and manage the Bank as executive director. This circumstance was entered into the Commercial Register and the register of non-profit legal entities on 5 November 2024.

Tsanko Rumenov Arabadzhiev – Member of the MB and Executive Director

Tsanko Arabadzhiev is a financial manager with 16 years of experience and an established presence in the banking, insurance and private sectors. His professional career began at UBB, where in the period 2005-2013 he underwent various levels of development in the field of retail banking, management of collective investment schemes and lending to small and medium-sized enterprises. In 2013 he joined the insurance company "UNIQA", where for 5 years he was Director of Investment Management.

His main responsibilities have been related to the overall management of the company's cash flows, the preparation and implementation of asset management strategies so as to achieve optimal returns within the investment mandate. In addition, he led various projects related to the introduction of new products, costs and processes optimization, etc.

Mr. Arabadzhiev's career continued as Chief Financial Officer of Nord Holding, and since 2019 he has been part of the team of Pension Insurance Company Doverie, where he was responsible for the internal control of its investment activities and managed funds. Tsanko Arabadzhiev graduated International Economic Relations at the University of National and World Economy and holds a master's degree in Finance.

Teodora Petrova Pesheva – Member of the MB from 25 March 2024.

By decision of the Supervisory Board under Protocol No. 11 of 19 March 2024, Ms. Teodora Petrova Pesheva was elected as a new member of the Management Board of BDB. This circumstance was entered in the Trade Register and Register of Non-Profit Entities on 25 March 2024.

Teodora Pesheva has 31-years of experience in the sphere of banking. She was head of corporate banking at UBB and at a commercial bank of Greece (Emporiki Bank Bulgaria). For 10 years she was also head of the Large corporate client's department at DSK Bank.

During her career she was also a financial consultant at Mazars Group – London. She prepared final analysis of the entire scope of credit activities of corporate commercial banking. She participated in the first asset quality reviews of the banking sector in Bulgaria in 2016.

Teodora Pesheva has also worked as auditor at Deloitte Bulgaria, where she participated in many audit engagements.

Before she was elected as member of the MB of BDB, Teodora Pesheva was head of the activity in the "Corporate Clients" segment. She actively participates in the bank's credit process and is responsible for achieving its budget goals.

Teodora Pesheva has a Master's degree in social and economic planning from the University of National and World Economy, Bulgaria.

Iliya Zapryanov Karanikolov – Chairman of the Management Board and Executive Director until 27 February 2025.

Iliya Karanikolov has over 20 years of banking and financial experience and knows BDB well, as he was a member of the Management Board and Executive Director in the period 2011-2013. From 2007 to 2011 he was part of the team of Eurobank Bulgaria (Postbank).

His professional biography goes through the Ministry of Economy and Energy and the Ministry of Labour and Social Policy. He has extensive expertise in areas such as public administration, European integration, EU strategies and programmes. Lecturer on topics such as cost-benefit analysis of large infrastructure, municipal and private projects, control of structural funds, financial instruments, etc.

From 2016 to 2017 he was part of the management of the Fund of Funds, where he held the position of Deputy Chairman of the Management Board and Executive Director, and in 2021 he was Chairman of the Supervisory Board of the Fund. Since 2020 he has been Head of the Financial Instruments Division at BDB.

Iliya Karanikolov has a Master's degree in Business Management and Administration (MBA) from the University of National and World Economy in Sofia and has specializations in the field of artificial intelligence (University of Helsinki), management of financial instruments (London), credit risk (Prague), management of structural funds (Brussels, Maastricht, Dublin) and many others.

By decision of the Supervisory Board under Protocol No. 8 of 20 February 2025, Mr. Iliya Zapryanov Karanikolov was dismissed as member of the Management Board of the Bulgarian Development Bank EAD and Executive Director. This circumstance was entered in the Trade Register and Register of Non-Profit Entities on 27 February 2025.

Ivan Valentinov Cerovski - Member of the MB and Executive Director until 10 June 2024.

Ivan Cerovski has 18 years of experience in the field of banking and private equity. His professional path goes through the German financial institutions Commerzbank, Deutsche

Börse and Dresdner Bank. Cerovski was an associate investor in the UK private equity fund Argus Capital, where he was responsible for the Bulgarian market, as well as vice president of the Bulgarian equity fund Delta Capital.

From 2011 to 2021 he was part of the team of the European Bank for Reconstruction and Development (EBRD), where he was Head of the EBRD's Local Entrepreneurship Programme, responsible for the development of the SME sector in Bulgaria.

Ivan Cerovski holds a Master's degree in Management from Otto-von-Guericke University in Magdeburg, Germany, and a Bachelor in Macroeconomics from the University of National and World Economy.

By decision of the Supervisory Board under Protocol No. 22 of 28 May 2024, Mr. Ivan Valentinov Cerovski was dismissed as member of the Management Board of the Bulgarian Development Bank EAD and Executive Director. This circumstance was entered in the Trade Register and Register of Non-Profit Entities on 10.06.2024.

Bulgarian Development Bank EAD is represented jointly by two executive directors or at least one executive director and a procurator. As of the date of approval of this report the Bank does not have a procurator.

In 2024, there were no changes in the basic principles of governance in BDB Group.

6.4 Committees of the MB

The committees are as follows:

- **Assets and Liabilities Management Committee (ALCO) –** it is responsible for the management of the assets and liabilities and liquidity, and for the management of the market risks, within its competence, according to internal regulations; determines strategy for attracting funds, and the loan pricing approach respectively, in order to ensure adequate margin above the cost of the resource; makes decisions regarding the Bank's strategic liquidity in order to ensure regular and timely meeting of current and future obligations both in normal conditions and in a liquidity crisis; determines the structure of liquidity buffers and sources of additional financing;
- **Committee on Impairment and Provisions (CIP)** controls the process of monitoring, evaluating, and classifying financial instruments, determining expected credit losses and forming impairment in accordance with the applicable financial reporting standards and internal regulations;
- **Credit Committee for classified exposures –** is a collective body that has functions and powers in relation to exposures in the amount of over BGN 5 million to one party or a group of related parties, advises the Bank's Management Board by proposing draft decisions on issues within its competences, takes decisions on operational issues, outside the competences of the Management Board and the Supervisory Board;
- **Operational Risk Committee (RICO) –** the committee has been functioning since 23.04.2023. The purpose of RICO is to ensure an adequate operational level of risk monitoring and management by MB, to carry out effective identification, measurement, assessment and control of risks by MB and to create a sustainable organizational structure, in accordance with the principle of proportionality and the risk management framework in the BDB Group (the Bank and its subsidiaries).

- **Change Management Committee (CMC)** – The committee approves and/or rejects the launch of each application/initiated change request and defines the strategic framework and guiding principles for each project, as well as its main priorities. Designates a manager for each project, as well as the roles and responsibilities of all participants in the implementation of the change/project, approves project plans and monitors the progress of implementation until their final approval.
- **Sustainability Committee –** The Sustainability Committee provides strategic guidance on the Bank's sustainable development issues, implementation of the ESG framework (principles and characteristics) and related reporting and reporting activities. Monitors the implementation of the Bank's goals and policies in the field of sustainable development and advises the Bank's Management Board on issues in the field of sustainable development, including the introduction of "green" lending practices and monitoring the implementation of goals in relation to sustainable development.

As of the date of preparation of this statement the MB Committees consist of the following members:

MB Committees	Operational Risk Committee (ORC)	Assets and Liabilities Management Committee	Credit Committee for classified exposures *	Committee on Impairments and Provisions	Change Management Committee	Sustainability Committee
Ivaylo Moskovski	Chairman [12]	Member	Chairman	-	-	-
Iliya Karanikolov	Chairman [13]	Member[14]	Chairman [15]	-	-	-
Teodora Pesheva	Member [16]	Member	Member	-	-	-
Tsanko Arabadzhiev	Member [17]	Chairman	Member	-	-	-
Head of Finance division	Member	Member	-	Chairman	Member	Member
Head of Reporting, Finance Division	Member	-	-	-	-	-
Head of Corporate Clients Division	Member (advisory function)	Member	Member (advisory function)	Member	-	Member
Head of Monitoring Department, Corporate Clients Division	-	-	Member (advisory function)	-	-	-

[12] With adoption of updated Rules of the operating risk committee at BDB, approved under protocol No12/28.02.2025.

[13] Chairman from 27 February 2025

[14] Member until 27 February 2025

[15] Chairman until 27 February 2025

[16] With adoption of updated Rules of the operating risk committee at BDB, approved under protocol No 12/28.02.2025

[17] With adoption of updated Rules of the operating risk committee at BDB, approved under protocol No 12/28.02.2025

MB Committees	Operational Risk Committee (ORC)	Assets and Liabilities Management Committee	Credit Committee for classified exposures *	Committee on Impairments and Provisions	Change Management Committee	Sustainability Committee
Head of Investment Banking and Project Financing	Member (advisory function)	Member	-	Member	-	-
Head of Risk Division	Member	Member	Member (advisory function)	Member	Member (advisory function)[18]	Member
Head of Risk Control, Risk Division	Member	-	-	-	-	-
Head of Market, liquidity and operational risk department, Risk Division	Member	Member	-	-	-	-
Head of Problem Receivables Division	Member (advisory function)	-	Member	Member	-	-
Head of Treasury Division	Member (advisory function)	Member	-	-	-	-
Head of International Financial Institutions and European Funds Division	-	Member	-	-	-	-
Head of Legal Division	Member (advisory function)	-	Member (advisory function)	-	-	Member
Head of Financial Instruments Division	Member (advisory function)	Member	-	Member	-	-
Head of Regulatory Compliance and Control Division	Member	-	-	-	-	-

[18] With adoption of the updated Rules of change management, approved under protocol No 1 от 7.01.2025.

MB Committees	**Operational Risk Committee (ORC)**	**Assets and Liabilities Management Committee**	**Credit Committee for classified exposures ***	**Committee on Impairments and Provisions**	**Change Management Committee**	**Sustainability Committee**
Head of Security Division	Member (advisory function)	-	-	-	-	-
Head of Operations Division	Member (advisory function)	-	-	-	-	-
Head of IT Division	Member (advisory function)	-	-	-	Member	-
Head of Methodology and Project Management Division	-	-	-	-	Chairman	-
Head of Information security Department	Member (advisory function)[19]	-	-	-	Member (advisory function)[20]	-
Head of Strategic Development and Green Policies Division	-	-	-	-	-	Chairman

[19] With adoption of updated Rules of the operating risk committee at BDB, approved under protocol No 12/28.02.2025

[20] With adoption of the updated Rules of change management, approved under protocol No 1 от 7.01.2025.

6.5 Contracts signed with related parties, involved in the management and participation of the members of MB and SB of the Bank in other companies

There are no concluded contracts within the meaning of Art. 240b of the Commercial Law between the members of the SB, the MB or parties related to them, on the one hand, and the Bank - on the other, which go beyond the usual activity or significantly deviate from the market conditions.

In 2024, there are no concluded transactions or proposals to conclude such transactions between BDB and related parties that are outside the usual business or materially deviate from the market conditions to which BDB or its subsidiary is a party.

There are no concluded material contracts that take effect, are amended or terminated due to a change in control of - or over the Bank, or as a result of a mandatory tender offer. To the extent that there is a statutory limitation on BDB's shareholding structure, no such contracts are expected to arise.

There is no practice of concluding agreements between the companies of BDB Group and its management bodies and/or employees for the payment of compensation upon leaving or dismissal without legal grounds, or upon termination of employment for reasons related to a tender offer.

Participation within the meaning of Art. 247, para. 2, item 4 of the Commercial Law of members of the SB and the MB in commercial companies as general partners, owning more than 25% of the capital of another company, as well as participation in the management of other commercial companies or cooperatives as procurators, managers or members of boards is as follows (as of 31 December 2024 and as of the date of approval of this declaration):

6.6 Members of the Management Board and the Supervisory Board of BDB

I. With regard to the members of the Supervisory Board of the Bank who have participated in its composition as members in 2024 and as of the date of approval of this declaration:

Rosen Andreev Karadimov, Chairman and member of the Supervisory Board of Bulgarian Development Bank EAD until 24 June2025.

Participation in the management of other companies: none

More than 25% participation in the capital of trade companies or cooperations, including as general partner: none.

Delyana Valerieva Ivanova, Chairwoman and member of the Supervisory Board of Bulgarian Development Bank EAD.

Participation in the management of other companies: none

Participation in the capital of commercial companies or cooperatives, including - as a general partner: none.

Dimitar Ivanov Mitev – Deputy-Chairman and member of the Supervisory Board of Bulgarian Development Bank EAD from 7 November 2024.

Participation in the management of other trade companies: none.

Participation in the capital of commercial companies or cooperatives, including - as a general partner: none.

Stamen Stamenov Yanev – Member of the Supervisory Board of Bulgarian Development Bank EAD until 06 June 2025.

Participation in the management of other trade companies: none

Participation in the capital of commercial companies or cooperatives, including - as a general partner: none.

Goritsa Nikolova Grancharova-Kozhareva – Member of the Supervisory Board of Bulgarian Development Bank EAD from 24 June 2025

Participation in the management of other trade companies: none

Participation in the capital of commercial companies or cooperatives, including - as a general partner: none.

Lachezar Dimitrov Borisov – Member of the Supervisory Board of Bulgarian Development Bank EAD from 24 June 2025

Participation in the management of other trade companies: none

Participation in the capital of commercial companies or cooperatives, including - as a general partner: none.

II. With regard to the members of the Management Board of the Bank who have participated in its composition as members in 2024 and as of the date of approval of this declaration:

Ivaylo Angelov Moskovski – Chairman of the MB and Executive Director of Bulgarian Development Bank EAD from 5 November 2024.

Participation in the management of trade companies: none.

Participation in the capital of trade companies or cooperatives, including as general partner – none.

Tsanko Rumenov Arabadzhiev – Executive Director and Member of the Management Board of Bulgarian Development Bank EAD.

Participation in the management of other companies:

- Capital Investments Fund AD, UIC: 205322014 – member of the Board of Directors;
- BDB Microfinancing EAD, UIC 201390740 – member of the Board of Directors;

Tsanko Arabadzhiev has been elected as member of the Supervisory Board of Three Seas Investment Fund from 22 September 2021

Participation in the capital of commercial companies or cooperatives, including as general partner: none.

Teodora Petrova Pesheva – member of the Management Board of Bulgarian Development Bank EAD from 25 March 2024.

Participation in the management of other companies:

- BDB Leasing EAD, UIC 205565411 – member of the Board of Directors from 10 June 2024.
- National Guarantee Fund EAD, UIC 200321435 – member of the Board of Directors – from 24 March 2024.

Iliya Zapryanov Karanikolov – Chairman of the Management Board and Executive Director of Bulgarian Development Bank EAD until 27 February 2025.

Participation in the management of other companies:

- National Guarantee Fund EAD, UIC 200321435 – member of the Board of Directors – from 10 June 2024

Participation in the capital of commercial companies or cooperatives:

- IntelArt EOOD, UIC: 205318749 – sole owner of the capital.

In 2024, the following members participated of the Management Board:

Ivan Valentinov Cerovski – member of the Management Board and Executive Director of Bulgarian Development Bank EAD from 20 January 2023 until 10 June 2024.

Participation in the management of other companies:

- National Guarantee Fund EAD, UIC 200321435 – member of the Board of Directors until 10 June 2024
- BDB Leasing EAD, UIC 205565411 – member of the Board of Directors until 10 June 2024.

Participation in the capital of commercial companies or cooperatives:

- High Tower Capital EOOD, UIC: 206864466 – sole owner of the capital.

The financial statements disclose information about the full amount of the remuneration, awards and/or benefits of the members of the Bank's management and supervisory bodies paid by the Bank and its subsidiaries.

7. MANAGEMENT OF THE SUBSIDIARIES

As of 31 December 2024, and the date of preparation of this statement, BDB is the sole owner of the capital of the following subsidiaries:

- National Guarantee Fund EAD, UIC: 200321435;
- BDB Microfinancing EAD, UIC: 201390740;
- BDB Leasing EAD, UIC: 205565411;

BDB participates jointly with NGF AD in the share capital of Capital Investments Fund AD, UIC: 205322014, the registered capital allocated as follows (BDB holds 84.62% of the company’s capital and NGF holds 15.38%).

In addition, the following companies are within the scope of consolidation of the Group, but are not part of its strategic business model:

- Trade Center Maritsa EOOD, UIC: 115619162 – BDB owns 100% of the company's shares.
- Roadway Construction AD, UIC 205427809, and Patstroyengineering AD, UIC 108001767 – as of 31 December 2024 the Bank exercises control over Roadway Construction AD, by virtue of exercised rights under a pledge of a trade company and Roadway Construction AD exercises control over Patstroyengineering AD through a majority shareholding.

- Cohofarm AD, UIC 201807408 – the Bank exercises control over Cohofarm AD, by virtue of exercised rights under a pledge of a trade company.
- Ponsstrojinjenering AD (in bankruptcy), UIC102907182 – the Bank exercises control over Ponsstrojinjenering AD by virtue of exercised rights under a pledge of a trade company.

7.1 NATIONAL GUARANTEE FUND EAD

National Guarantee Fund EAD has a one-tier management system - Board of Directors, consisting of three to five members and as at 31 December 2024 has the following member:

- **Iliya Zapryanov Karanikolov** – Chairman of the Board of Directors until 27 February 2025
- **Todor Lyudmilov Todorov** – Executive Director and Deputy Chairman of the Board of Directors
- **Zaharina Damyanova Todorova** – Member of the Board of Directors
- **Deyan Petrov Kalapchiev** – Member of the Board of Directors since until 07 May 2025

In 2024, the following individuals also participated in the composition of the Board of Directors:

- **Ivan Valentinov Cerovski** – Chairman of the BD of NGF from 17 March 2023 to 10 June 2024

The Company is represented by any two members of the Board of Directors together.

The members of the BD of NGF EAD do not hold any shares of the Fund, nor do they have any special rights on the acquisition of such shares.

By decision under Protocol № 32 of 28 May 2024 of the Management Board of Bulgarian Development Bank EAD, in its capacity of sole owner of the capital, Mr. Ivan Valentinov Cerovski was dismissed as member of the Board of Directors of National Guarantee Fund EAD. This circumstance was entered in the Commercial Register and Register of Non-Profit Legal Entities on 10 June 2024.

By decision under Protocol № 34 of 30 May 2024 of the Management Board of BDB, in its capacity of sole owner of the capital of National Guarantee Fund EAD, Iliya Zapryanov Karanikolov was elected as member of the Board of Directors of the company. This circumstance was entered in the he Commercial Register and Register of Non-Profit Legal Entities on 10 June 2024. Mr. Iliya Zapryanov Karanikolov was elected as Chairman of the Board of Directors of the company.

By decision under Protocol № 9 of 18 February 2025 of the Management Board of Bulgarian Development Bank EAD, in its capacity of sole owner of the capital National Guarantee Fund EAD, Mr. Iliya Zapryanov Karanikolov was dismissed as member of the Board of Directors of NGF EAD. This circumstance was entered in the Commercial Register and Register of Non-Profit Legal Entities on 27 February 2025.

By decision under Protocol № 13 of 06 March 2025 of the Management Board of BDB, in its capacity of sole owner of the capital of National Guarantee Fund EAD, Ms. Teodora Petrova Pesheva was elected as member of the Board of Directors of the company. This circumstance was entered in the he Commercial Register and Register of Non-Profit Legal Entities on 24 March 2025.

By decision under Protocol № 26 of 23 April 2025 of the Management Board of Bulgarian Development Bank EAD, in its capacity of sole owner of the capital National Guarantee Fund EAD, Mr. Deyan Petrov Kalapchiev was dismissed as member of the Board of Directors of NGF EAD. This circumstance was entered in the Commercial Register and Register of Non-Profit Legal Entities on 07 May 2025.

As of the date of approval of this declaration, the Board of Directors has the following composition:

- **Teodora Petrova Pesheva** – Chairwoman of the Board of Directors since 24 March 2025
- **Todor Lyudmilov Todorov** – Executive Director and Deputy Chairman of the Board of Directors
- **Zaharina Damyanova Todorova** – Member of the Board of Directors

There are no contracts signed pursuant to Art. 240b of the Companies Act between the members of the BD of NGF EAD or persons related to them, on one hand, and the Company on the other, which fall outside the scope of the company's ordinary activity, or which significantly deviate from market conditions.

The participations, pursuant to Art. 247, Para. 2, item 4 of the Commercial Act, of BD members of NGF in commercial companies as general partners holding more than 25 per cent of the capital of another company, as well as their participation in the management of other business companies or cooperatives as procurators, managers or members of boards, is as follows:

Teodora Petrova Pesheva – Chairwoman of the Board of Directors since 24 March 2025

Participation in the management of other commercial companies:

- Bulgarian Development Bank EAD – Member of the Management Board since 25 March 2025

Participation in the capital of other trade companies:

- Bulgarian Development Bank EAD, UIC 121856059 – Member of the Management Board since 25 March 2025
- BDB Leasing EAD, UIC: 205565411 – Member of the Board of Directors

Participation in the share capital of trade entities or cooperatives, including as general partner- none.

Todor Lyudmilov Todorov – Executive Director and Deputy Chairman of the Board of Directors

Participation in the management of other trade companies:

- Glenridge Capital EOOD, UIC 205578775, managing director;
- Thracian Invest EAD, UIC 207223310 – Member of the Board of Directors.

Participation in the capital of trade companies:

- Glenridge Capital EOOD, UIC 205578775, sole owner of the capital;
- Hobo Bulgaria OOD (in bankruptcy), UIC 205420451, partner - 15%.

Zaharina Damyanova Todorova – Member of the Board of Directors of NGF since 20 May 2020

Participation in the management of other trade companies - none.

Participation in the share capital of trade companies - none.

In 2024 and 2025, the following members participated of the Board of Directors:

Ivan Valentinov Cerovski – member of the Board of Directors of NGF from 17 March 2023 until 10 June 2024.

Participation in the management of trade companies:

- Bulgarian Development Bank EAD, member of the MB and executive director until 10 June 2024;
- BDB Leasing EAD, UIC: 205565411 – member of the Board of Directors until 10 June 2024.

Participation in the capital of commercial companies or cooperatives:

- High Tower Capital EOOD, UIC: 206864466 – sole owner of the capital.

Iliya Zapryanov Karanikolov – Chairman of the Board of Directors from 10 June 2024 to 27 February 2025.

Participation in the management of other trade companies:

- Bulgarian Development Bank EAD, UIC 121856059 – Member of the Management Board and Executive Director until 27 February 2025

Participation in the capital of commercial companies or cooperatives:

- IntelArt EOOD, UIC: 205318749 – sole owner of the capital.

Deyan Petrov Kalapchiev - Member of the Board of Directors of NGF since 27 September 2021

Participation in the management of other trade companies: none.

Participation in the share capital of trade entities or cooperatives, including as general partner- none.

7.2 BDB MICROFINANCING EAD

BDB Microfinancing has a one-tier management system - Board of Directors, consisting of three to five members. As at 31 December 2024 the BoD members are:

- **Tsanko Rumenov Arabadzhiev** – Chairman of the Board of Directors since 22 March 2023.
- **Iliya Radkov Komitov –** member of the Board of Directors from 28 August 2020 to 03 June 2025.
- **Boyan Stefanov Byanov** – member of the Board of Directors from 30 August 2021 to 03 June 2025.
- **Ivana Borisova Tsaneva –** Executive Director and Deputy Chairman of the Board of Directors since 20 May 2020.

The company is represented jointly by the executive director and one of the members of the Board of Directors, and in the absence of the executive director - jointly by either two of the members of the Board of Directors.

By decision under Protocol № 31 of 20 May 2025 of the Management Board of Bulgarian Development Bank EAD, in its capacity of sole owner of the capital of BDB Microfinancing EAD, Mr. Iliya Radkov Komitov and Mr. Boyan Stefanov Byanov were dismissed as members of the Board of Directors of BDB Microfinancing EAD. These circumstances were entered in the Commercial Register and Register of Non-Profit Legal Entities on 3 June 2025.

By decision under Protocol № 31 of 20 May 2025 of the Management Board of Bulgarian Development Bank EAD, in its capacity of sole owner of the capital of BDB Microfinancing EAD, Mr. Ivan Vasilev Hinchovski was dismissed as member of the Board of Directors of BDB Microfinancing EAD. This circumstance were entered in the Commercial Register and Register of Non-Profit Legal Entities on 3 June 2025.

As of the date of approval of this report, the composition of the Board of Directors is as follows:

- **Tsanko Rumenov Arabadzhiev** – Chairman of the Board of Directors
- **Ivana Borisova Tsaneva** – Executive Director and Vice Chairwoman of the Board of Directors
- **Ivan Vasilev Hinchovski** – member of the Board of Directors from 03 June 2025

There are no contracts signed pursuant to Art. 240b of the Companies Act between the members of the BD or persons related to them, on one hand, and the Company on the other, which fall outside the scope of the company's ordinary activity, or which significantly deviate from market conditions.

The participations, pursuant to Art. 247, Para. 2, item 4 of the Commercial Act, of BD members of BDB Microfinancing EAD in commercial companies as general partners holding more than 25 per cent of the capital of another company, as well as their participation in the management of other business companies or cooperatives as procurators, managers or members of boards, is as follows:

Tsanko Rumenov Arabadzhiev - Chairman of the Board of Directors

Participation in the management of other trade companies:

- Bulgarian Development Bank EAD, UIC: 121856059 – Member of the Management Board and Executive Director
- Capital Investments Fund AD, UIC: 205322014 – Member of the Board of Directors

Since 22 September 2021 Tsanko Arabadzhiev has been elected member of the Supervisory Board of the Three Seas Investment Fund.

Participation in the capital of trade companies or cooperatives, including as general partner – none.

Ivana Borisova Tsaneva – Executive Director and Vice Chairwoman of the Board of Directors

Participation in the management of other trade companies – none.

Participation in the capital of trade companies or cooperatives, including as general partner – none.

Ivan Vasilev Hinchovski – member of the Board of Directors from 03 June 2025

Participation in the management of other trade companies – none.

Participation in the capital of trade companies or cooperatives, including as general partner – none.

Boyan Stefanov Byanov – Member of the Board of Directors until 3 June 2025.

Participation in the management of other trade companies:

- IB Advisory OOD, UIC: 207399333, Managing Director until 29 January 2025
- BPO Beast OOD, UIC 207842896, Managing Director

Participation in the capital of trade companies:

- IB Advisory OOD, UIC: 207399333, partner until 29 January 2025
- BPO Beast OOD, UIC 207842896, partner

Iliya Radkov Komitov – Member of the Board of Directors until 3 June 2025.

Participation in the management of trade companies:

- Brand Boys OOD, UIC: 203557782, Managing Director;
- ImmBera EOOD, UIC: 205983300, Managing Director
- SENMON EOOD, UIC: 202994314, Managing Director;

Participation in the capital of trade companies:

- Brand Boys OOD, UIC: 203557782, partner;
- ImmBera EOOD, UIC: 205983300, sole owner of the capital;
- SENMON EOOD, UIC: 202994314, sole owner of the capital.

7.3 CAPITAL INVESTMENTS FUND AD

Bulgarian Development Bank EAD holds 84.62% of the capital of Capital Investments Fund AD, UIC: 205322014, and 15.38 % of the Company’s capital is owned by the National Guarantee Fund EAD.

CIF has a one-tier management system - Board of Directors, consisting of three to six members and as at the end of 2024 and as at the date of approval of this declaration the Board of Directors consists of the following members:

Tsanko Rumenov Arabadzhiev - Chairman of the Board of Directors since 5 August 2021;

Stefan Stefanov Tamnev – Executive Director and Vice Chairman of the Board of Directors;

Rusalin Stanchev Dinev – Member of the Board of Directors since 16 September 2022

The company is represented by either two of the members of the Board of Directors together.

There are no contracts signed pursuant to Art. 240b of the Commercial Act between the members of the BD and/or individuals related to them, on one hand, and the Company on the other, which fall outside the scope of the Company's ordinary activity, or which significantly deviate from market conditions.

The participation, pursuant to Art.247, Para.2, item 4 of the Commercial Act, of members of the BD of Capital Investments Fund AD in trade companies as general partners, holding more than 25% of the capital of another company, as well as participation in the management of other business companies or cooperatives as procurators, managers or members of boards, is as follows:

Tsanko Rumenov Arabadzhiev - Member of the Board of Directors since 05 August 2021;

Participation in the management of other trade companies:

- Bulgarian Development Bank EAD, UIC 121856059 – Executive Director and Member of the management Board;
- BDB Microfinancing EAD, UIC: 201390740 – Member of the Board of Directors.

Since 22 September 2021 Tsanko Arabadzhiev has been elected member of the Supervisory Board of the Three Seas Investment Fund.

Participation in the capital of trade companies or cooperatives, including as general partner – none.

Stefan Stefanov Tamnev – Executive Director and Vice Chairman of the Board of Directors;

Participation in the management of trade companies: none.

Participation in the capital of trade companies:

- My Place Varna OOD (former name RM FRUIT OOD), UIC 206485936 – partner;

Rusalin Stanchev Dinev – Member of the Board of Directors;

Participation in the management of other trade companies:

- Barin Sports AD, UIC: 204332774 - Member of the Board of Directors since 9 December 2022;
- Eljoy AD, UIC: 206157003 - Member of the Board of Directors from 22 July 2022 to 10 January 2025.

Participation in the capital of trade companies or cooperatives, including as general partner – none.

7.4 BDB LEASING EAD

BDB Leasing EAD has a one-tier management system - Board of Directors, consisting of three to five members. As of 31 December 2024 the Board of Directors consists of the following members:

- **Teodora Petrova Pesheva –** Chairwoman of the Board of Directors since 10 June 2024
- **Emil Valkanov Valkanov–** Executive Director and Vice Chairman of the Board of Directors
- **Antonia Hristoforova Dobreva –** Member of the Board of Directors

By decision under Protocol № 32 of 28 May 2024 the Management Board of the Bulgarian Development Bank EAD, in its capacity of sole owner of the capital, dismissed Mr. Ivan Valentinov Cerovski as member of the Board of Directors of BDB Leasing EAD. This circumstance was entered in the Commercial Register on 10 June 2024.

By decision under Protocol № 34 of 30 May 2024 the Management Board of BDB, in its capacity of sole owner of the capital of BDB Leasing EAD, elected Mrs. Teodora Petrova Pesheva as member of the Board of Directors of the company. This circumstance was entered in the Commercial Register and Register of Non-Profit Legal Entities on 10 June 2024. Mrs. Teodora Petrova Pesheva was elected as chairman of the Board of Directors of the company.

By decision under Protocol № 4 of 21 January 2025 of the Management Board of the Bulgarian Development Bank EAD, in its capacity of sole owner of the capital of BDB Leasing EAD, Mr. Alexander Simeonov Alexandrov was elected as member of the Board of Directors of the company. This circumstance was entered in the he Commercial Register and Register of Non-Profit Legal Entities on 4 February 2025.

As of the date of approval of this report, the members of the BD of BDB Leasing are as follows:

- **Teodora Petrova Pesheva** – Chairman of the Board of Directors since 10 June 2024;
- **Emil Valkanov Valkanov –** Executive Director and Vice Chairman of the Board of Directors since 20 May 2020.
- **Antonia Hristoforova Dobreva –** Member of the Board of Directors since 20 May 2020.
- **Alexander Simeonov Alexandrov –** Member of the Board of Directors since 4 February 2025

The company has an authorized procurator – Ivaylo Kirilov Popov.

In 2024, the following members participated of the Board of Directors:

- **Ivan Valentinov Cerovski** – Chairman of the Board of Directors until 10 June 2024.

The company is represented by either two of the members of the Board of Directors together. The appointed procurator has the right to represent the company only together with a member of the Board of Directors of BDB Leasing.

There are no contracts signed pursuant to Art. 240b of the Commercial Act between the members of the BD and/or individuals related to them, on one hand, and the Company on the other, which fall outside the scope of the Company's ordinary activity, or which significantly deviate from market conditions.

The participation, pursuant to Art.247, Para.2, item 4 of the Commercial Act, of members of the BD of BDB Leasing EAD in trade companies as general partners, holding more than 25% of the capital of another company, as well as participation in the management of other business companies or cooperatives as procurators, managers or members of boards, is as follows:

Teodora Petrova Pesheva – Chairwoman of the Board of Directors since 10 June 2024.

Participation in the management of other trade companies:

- Bulgarian Development Bank EAD, UIC 121856059 – Member of the MB since 25 March 2024
- National Guarantee Fund EAD, UIC 200321435 – Member of the Board of Directors since 24 March 2025

Participation in the capital of trade companies or cooperatives, including as general partner – none.

Emil Valkanov Valkanov – Executive Director and Vice Chairman of the Board of Directors.

Participation in the capital of trade companies or cooperatives, including as general partner – none.

Participation in the capital of trade companies – none.

Antonia Hristoforova Dobreva – Member of the Board of Directors.

Participation in the management of other trade companies:

- Optima Asset 21 EOOD, UIC 206703573 – Managing Director.

Participation in the capital of trade companies:

- Optima Asset 21 EOOD, UIC 206703573 – sole owner of the capital.

Alexander Simeonov Alexandrov – Member of the Board of Directors since 4 February 2025

Participation in the management of other trade companies:

- Proplace EOOD, UIC 175099809 - Managing Director.

Participation in the capital of trade companies or cooperatives, including as general partner:

- Proplace EOOD, UIC 175099809 – sole owner of the capital

Ivaylo Kirilov Popov – procurator.

Participation in the management of other trade companies – none.

Participation in the capital of trade companies or cooperatives, including as general partner – none.

In 2024 the following members participated of the Board of Directors:

Ivan Valentinov Cerovski – Member of the Board of Directors until 10 June 2024.

Participation in the management of other trade companies:

- Bulgarian Development Bank EAD, UIC 121856059 – Member of the MB and Executive Director from 20 January 2023 until 10 June 2024;
- National Guarantee Fund EAD, UIC: 200321435 – Member of the Board of Directors – from 17 March 2023 until 10 June 2024.

Participation in the capital of trade companies or cooperatives:

- High Tower Capital EOOD, UIC: 206864466 – sole owner of the capital.

8. TRANSACTIONS WITH COMPANIES UNDER THE COMMON CONTROL OF THE STATE

The owner of BDB is the Bulgarian State. The consolidated and separate financial statements of the Bank present detailed information regarding the transactions of BDB Group and of BDB with companies under the common control of the state.

In 2024, BDB Group has no material contracts that are effective, amended or terminated due to a change in control or as a result of a mandatory tender offer, and no such contracts are expected to occur.

9. STRATEGY FOR DEVELOPMENT OF BDB GROUP AND BUSINESS GOALS

The activity of the BDB Group aims to create a sustainable and full-fledged market of financial products and services for SMEs through: project financing, loans for micro and SMEs (working and for investments), individual guarantees and guarantees on commercial banks' portfolios of loans for SMEs, operating lease, equity capital, etc.

By Decision № 389 of the Council of Ministers of 07 June 2024 the Strategy for the activities of Bulgarian Development Bank EAD for the period 2024-2026 was approved.

The long-term objectives of BDB follow the principle of continuity and complement its role as a development institution:

- To improve, stimulate and develop the general economic, export and technological potential of SMEs by providing financial programs and instruments that the market does not offer fully and in sufficient volume;
- To create an environment of support and commitment of SMEs to meet the economic challenges;
- To support business and the public sector in the transition to decarbonization and sustainability;
- To accelerate economic development by (co)financing/guaranteeing national and regional priority projects and those aimed at addressing regional imbalances;
- To implement programs and tools for the implementation of public investments and projects;
- To attract funds and manage programs from international financial institutions, as well as to support the implementation of European and national programs.

The institutional goal of BDB for 2024-2026 are derived from the goals set in the BDB Act, as follows:

i. Improving, stimulating and developing the general economic, export and technological potential of small and medium-sized enterprises by facilitating their access to financing, by providing financial schemes and instruments for financing sub-optimal and unbalanced situations for which the market does not provide a solution adequate to the demand;

ii. Attracting and managing medium-term and long-term local and foreign resources necessary for the realization of the country's economic development;

iii. Implementation of schemes and instruments for financing public investments and projects that are a priority for the country's economy;

iv. Attracting funds and providing financing in order to reduce regional imbalances in the country;

v. Attracting funds and managing projects from international financial and other institutions.

The institutional goals of BDB correspond to the framework of the national strategic goals 2021-2030, including: National program for development of Bulgaria 2030, National strategy for SMEs 2021-2027, Integrated plan in the field of energy and climate of the Republic of Bulgaria 2021-2030 and project for its updating from 2024, National Climate Change Adaptation Strategy and Action Plan and other documents on the national level.

The institutional goals are illustrated in the graphic below.

Institutional goals 2024 - 2026

The main business priorities, laid down in the new strategy are:

- Support for the implementation of public investments and projects that are a priority for the country's economy (including through support for the implementation of the National Capital Investment Program)
- Support for accelerated use of EU funds
- Local and regional development
- Sustainability and decarbonization
- Banking services and direct financing of public enterprises

The sectoral focus of the activities of the Group gravitates around:

- Continued support for SMEs, innovation, digitization and sustainability;
- Programs providing support and control of the use of funds in strategic sectors: healthcare, strategic security, defense and military-industrial complex, water supply sector, energy;
- Infrastructure (incl. green, sustainable) and connectivity, incl. transport, energy, communication, etc.;
- Support for market participants in the context of liberalization of the electricity market, support for the construction of green capacities and the creation of energy communities;
- Financing of electricity/gas transmission/distribution network development;
- Support regarding state policy for effective and efficient spending of public funds in planning and implementation of concessions;
- Support for industrial zones;
- Energy efficiency of residential buildings.

10. SOCIAL RESPONSIBILITY AND DIVERSITY POLICY

The Bulgarian Development Bank traditionally dedicates its mission for corporate social responsibility to topics important for the public life, such as ecology, education, culture, entrepreneurship and healthcare.

10.1 Entrepreneurship

In the context of supporting innovative start-ups, BDB was a partner of the **Beam UP lab** accelerator program on the Bulgarian Stock Exchange for the third year in a row. Its goal is to distinguish innovative Bulgarian companies with sustainable business models, to give them visibility to potential investors, as well as to increase their knowledge of financing opportunities.

In 2024, BDB continued its active participation in events and forums aimed at developing the entrepreneurial ecosystem, including the forums **Attracting Investments And Financing – Opportunities For The Municipalities** (organised by the Bulgarian Investment Agency), **Banking Today** (organised by Investor Media Group), **Financial Summit** (organised by Capital Newspaper), the **Resilient and Efficient Energy for a Future-proof and Secure Economy** conference (organized by the Bulgarian Industrial Capital Association), etc. The Bank was also represented at the **UN Climate Change Conference (COP29)**, as well as at business events in **Singapore** and **Vietnam**.

On its 25th anniversary, BDB hosted the **NEFI High-Level Meeting** and the **Development Banks - a Tool for Better Use of Public Funds** conference.

In the context of the need to establish high professional standards, ethics and moral principles in the business environment in our country, BDB also supported the **Integrity At Work** Conference, organised by the **Transparency Internation Bulgaria Association**.

10.2 Culture, Art and Cultural and Historical Heritage

BDB also supported the year-round **mentoring program Bulgaria's Hidden Talents,** which gives a chance for university application or professional realization to talented young people deprived of parental care or socially disadvantaged families. The program provides access to private lessons, seminars, work with an individual mentor, scholarships, textbooks and everything necessary for the success of each talented young person in the program.

10.3 Vulnerable Groups

As part of its corporate social responsibility, BDB has helped a number of foundations and causes, created partnerships with organizations, prospects and chances for a better future, and has built a reputation over the years for its commitment to issues important to our society. As a continuation of this practice, in 2024 it supported **For Our Children** Foundation, which for three decades brings together early childhood development professionals, psychologists, physiotherapists, speech therapists, rehabilitators, special educators and people dedicated to the mission of supporting children's development.

National Foundation "St. Nicholas" is one of the oldest humanitarian non-governmental organizations that supports homes for abandoned children, the elderly and people with disabilities, and BDB traditionally supports the Christmas and Easter campaigns of the foundation.

BBR participated also as a donor in **UNICEF**'s Christmas campaign, which focused on three causes: foster care in a family environment, protection from violence, and inclusive education for every child.

The Bank also has a long-standing partnership with **SOS Children's Villages** - an institution that has been caring for 35 years for children separated from their families and children at risk of abandonment through SOS Family Homes, SOS Advisory Centers and SOS Foster Care Centers. In 2024, BDB once again supported their *Beginning of an Independent Life* campaign, aimed at assisting young people who are coming of age and looking for work and housing.

Traditionally, the Bank provides not only monetary but also **material donations**, as in 2024 the institution donated 40 desktop and laptop computers and a multimedia projector to the **Together in Class Foundation**, **a home for children deprived of parental care** in Plovdiv, a nursing home in Plovdiv, as well as to 28 DCC - Sofia.

10.4 Healthcare

The Bank continues to be a partner of the Presidential Initiative **"Bulgarian Christmas",** which aims to provide a solution to problems related to hospital care and children's healthcare. It supports the treatment of hundreds of children, their recovery after serious illnesses and surgeries, provides funds for diagnostics and modern equipment for hospitals in the country.

Treatment and healing depend equally on the conditions and quality of treatment, but also on the emotional state of children, for whom medical manipulations increase the risk of permanent emotional trauma. **The "Firefly" campaign of the "For the Good" Foundation** is looking for a solution to this problem. Within the framework of the initiative, hospital rooms are being repaired and painted, separate spaces are being built where children can have fun with reading books, drawing materials, "home theatre", walls for drawing, etc. The campaign includes good practices and training for working with children by the staff. The continuation of support of the BDB for "Firefly" in 2024 provides an opportunity for the foundation to implement projects in more hospitals in the country.

About 200 children from all over Bulgaria are waiting for admission to **the Ear, Nose and Throat Clinic of ISUL.** It is the only one in Western Bulgaria where cochlear implants are placed for children with hearing impairments, but it has only 11 beds. BDB supported the expansion and renovation of the children's ENT department at the University Hospital.

BDB also joined with the support of **the Danaya Foundation**, established in memory of 15-year-old Danaya, who lost the battle for her life, but saved 4 other lives through donation and continued to be an engine of good. The goals of the foundation are the integration of modern standards in children's healthcare and the construction of a functional and well-functioning children's hospital in Bulgaria.

10.5 Ecology

Environmental protection and the fight against climate change are fundamental for corporate values and an emphasis in the work of the Bulgarian Development Bank. During the year, it was an active participant in events dedicated to green transformation and sustainable investments such as **The Green Transition** (Dir.bg), **Building Sustainability** (SEE Next), **Energy of Tomorrow** (Investor Media Group) and other conferences.

BDB initiated also cooperation with the Ministry of Environment and Water by recognising the **Scaling up finance for climate change adaptation** forum. The initiative aims to facilitate a dialogue between Bulgarian and international financial institutions on how to provide accessible and cost-effective financing for achieving carbon dioxide reduction measures in every sector of the economy.

In line with its "green" vision, BDB strives to reduce its own impact on the environment. Over the past year the Bank has managed to reduce its **carbon emissions** by 15 tons compared to the previous year. This is proved by a report prepared in partnership with the consulting company Denkstatt-Bulgaria, which includes full annual inventory of all categories of emissions generated by BDB (direct and indirect), as well as identifying next steps for their further reduction.

This Corporate Governance Statement is current as of 2 September 2025 and is signed by:

IVAYLO MOSKOVSKI	**TSANKO ARABADZHIEV**	**TEODORA PESHEVA**
CHAIRMAN OF THE MB AND EXECUTIVE DIRECTOR	**MEMBER OF THE MB AND EXECUTIVE DIRECTOR**	**MEMBER OF THE MB**

BULGARIAN DEVELOPMENT BANK GROUP

INDEPENDENT AUDITORS' REPORT AND

CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

31 DECEMBER 2024

Unofficial translation from Bulgarian

This document is a translation of the original Bulgarian text, in case of divergence the Bulgarian original shall prevail

INDEPENDENT AUDITORS' REPORT

To the sole owner of Bulgarian Development Bank EAD

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the accompanying consolidated financial statements of Bulgarian Development Bank EAD (the Bank) and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2024, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2024, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards 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 Code of Ethics for Professional Accountants (including International Independence Standards) of the International Ethics Standards Board for Accountants (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 IESBA Code and the requirements of IFAASRA. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Key audit matter	*How our audit addressed the key audit matter*
Expected credit loss on loans and advances to customers	
The assessment of the expected credit losses from impairment of loans and advances to customers requires Group management to exercise a significant level of judgment, especially as regards identifying impaired receivables and quantifying loan impairment. To assess the amount of allowances for expected credit losses, the Group applies statistical models and separate analyses with input parameters obtained from internal and external sources. As disclosed in note 18 to the consolidated financial statements, the Group has recorded as at December 31, 2024 loans and advances to customers at the gross amount of BGN 1,213,300 thousand and expected credit loss for uncollectability of loans and advances to customers amounting to BGN 258,526 thousand. Key assumptions, estimates and parameters in determining the expected credit losses on collective basis are related to development of quantitative and qualitative indicators for following up a significant increase in credit risk for allocation of the separate customers' credit exposures to phases (Phase 1: Exposures without significant increase in credit risk; Phase 2: Exposures with significant increase in credit risk, but without objective evidence for impairment and Phase 3: Exposures with existing objective evidence for impairment); for determining "probability of default" (PD), "loss given default" (LGD) and "exposure at default" (EAD), as well as for inclusion of information about future development of macro-economic factors in the context of various scenarios in determination of the estimates for expected credit losses. A high degree of uncertainty is inherent in the assessment of expected credit losses for loans and advances to customers assessed on collective basis and depends on whether the Group has sufficient historical information to test the assumptions used and calibrate the accuracy of the parameters PD and LGD in the impairment model. The determination of expected credit losses for loans and advances assessed on individual basis is also related to the application of significant estimates and assumptions by management, in	During our audit, we obtained understanding of the processes for calculation of expected credit losses for loans and advances, applied by the Group. We assessed the adequacy of the policies, procedures and implemented controls in the process, in order to design our procedures in such way as to be able to address the identified risks of material misstatement in this area. We assessed the adequacy of the methodology used by the Group to identify loan impairment and calculate impairment allowances on individual and portfolio basis. We tested the design, implementation and operating effectiveness of key controls management has established over the impairment assessment processes. The testing focused on controls related to: - timely identification of significant increase in credit risk and correct classification of loans to corresponding impairment stages, - regular client creditworthiness review processes, - creation and regular review of watch-lists, - approval of experts' collateral valuation, - management review and approval of the impairment assessment results. We have also reviewed the quality of the historical data used in the computation of the risk parameters and recomputed the impairment based on the risk parameters resulted from the models. We evaluated appropriateness of impairment methodologies and their application. We performed detailed substantive procedures on a risk-based sample of loans in order to verify the classification of loans and to identify any indications for impairment and whether additional allowances for impairment should be recorded. We applied our professional judgment to assess the inputs used in the calculation of impairment losses and compared our assessment to the estimates applied by the Group. We analysed the financial condition of the borrowers and inquired about any breaches of contracts and/or changes from the

particular on the timing and value of expected future cash flows under the exposure, including those from realisation of collateral.

The current economic and geopolitical environment has increased the uncertainty regarding the economic outlook and has increased the complexity of assessing and monitoring customers' financial position, which requires an increased level of judgement when calculating the impairment of loans and advances.

Because of the significance of the valuation of loans and advances to customers for the consolidated financial statements, and due to the fact that the assumptions in determining the expected credit losses include significant estimates and application of professional judgment, we identified impairment of loans and advances to customers as a key audit matter.

original terms and conditions of the contract. We have considered the impact of the current economic conditions, the valuation of collaterals, and other factors that may affect the recoverability of loans.

We assessed the adequacy of the Group's assumptions and estimates related to the current economic and geopolitical environment on the assessment of expected credit losses and all aspects of the process of their determination.

We involved auditors' experts in the areas which required specific expertise.

We assessed the completeness, appropriateness and adequacy of the disclosures in the Group's consolidated financial statements with regard to the measurement of loans and advances to customers.

Impairment of financial guarantee contracts related to COVID-19 pandemic response programmes

The Bank is an issuer of financial guarantee contracts which require the Group to make certain payments in order to reimburse the holder of the guarantee for the loss he has suffered in the event that a debtor has not made a payment when it was due, in accordance with the initial or modified terms of a debt instrument.

As of December 31, 2024 the Group measures financial guarantee contracts at the value of the loss allowance as determined in accordance with IFRS 9.

The financial guarantee contracts issued by the Bulgarian Development Bank EAD under the COVID-19 pandemic response programmes are credit risk guarantees that are analysed and impaired according to an impairment model developed by the Group, based on the present value of the expected future cash flows under the programs and taking into account their specifics.

As disclosed in note 32 to the consolidated financial statements, the calculated provisions as of December 31, 2024 amount to BGN 90,289 thousand in total on loans to companies and on loans to individuals.

The assessment of losses from financial guarantees requires the Group's management to apply a

During our audit, we obtained understanding of the processes for determining the expected credit losses from financial guarantee contracts applied by the Group. We assessed the adequacy of the policies, procedures and implemented controls in the process in order to design our further audit procedures in such way as to be able to address the identified risks of material misstatement related to the recognized expected credit losses from financial guarantee contracts.

We assessed the adequacy of the methodology used by the Group to identify impairment losses and calculate expected credit losses from financial guarantee contracts.

We tested the design and implementation of key controls management has established over the impairment assessment processes for financial guarantee contracts.

We have also reviewed the quality of the data used in the calculation of the expected credit losses and recomputed the impairment based on the parameters resulted from the models.

We involved auditors' experts in the areas which required specific expertise.

We performed detailed substantive procedures on all financial guarantee contracts in order to verify significant level of judgement, especially with regard to their quantification.

Because of the significance of the assessment of the losses from the financial guarantees for the consolidated financial statements, and due to the fact that the assumptions in determining the expected credit losses include significant estimates, we identified expected credit loss from financial guarantees as a key audit matter.

their proper classification and to identify any indications for impairment and whether additional allowances for impairment should be recorded. We applied our professional judgment to assess the assumptions used in the calculation of impairment losses and compared our assessment to the estimates applied by the Group. We have considered the impact of the current economic conditions and other factors that may affect the expected credit losses.

We assessed the completeness, appropriateness and adequacy of the disclosures in the Group's consolidated financial statements with regard to the expected credit losses from financial guarantee contracts.

Information Other than the Consolidated Financial Statements and Auditors' Report Thereon

The Management Board of the Bank (the "Management") is responsible for the other information. The other information comprises the consolidated annual management report and the consolidated corporate governance statement of the Group, prepared by the 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 we do not express any form of assurance conclusion thereon, unless it is not specifically stated in our auditors' report and to the extent it is specifically stated.

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.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards 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.

The Supervisory Board and the Audit Committee of the Bank ("Those charged with governance") are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

We are jointly responsible for the performance of our audit and the audit opinion expressed by us, in accordance with the requirements of the IFAASRA, applicable in Bulgaria. In accepting and performing the joint audit engagement, in respect to which we are reporting, we have considered the Guidelines for Performing Joint Audits, issued on June 13, 2017 by the Institute of Certified Public Accountants in Bulgaria and the Commission for Public Oversight of the Registered Auditors in Bulgaria.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Additional Matters Required to be Reported by the Accountancy Act

In addition to our reporting responsibilities according to ISAs described in section *Information Other than the Consolidated Financial Statements and Auditors' Report Thereon*, with respect to the consolidated annual management report and the consolidated corporate governance statement of the Group, we have also performed the procedures, together with the required under ISAs, in accordance with the Guidelines regarding new extended reports and communication by the auditor of the Professional Organization of Registered Auditors in Bulgaria - Institute of Certified Public Accountants (ICPA). These procedures include tests over the existence, form and content of the other information in order to assist us in forming an opinion as to whether the other information includes the disclosures and reporting as required by the applicable in Bulgaria, Chapter Seven of the Accountancy Act and Art. 100m, paragraph 8, where applicable, of the Public Offering of Securities Act.

Opinion under Art. 37, paragraph 6 of the Accountancy Act

Based on the procedures performed, in our opinion:

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

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.

- Deloitte Audit OOD and Grant Thornton OOD were appointed as statutory auditors of the consolidated financial statements of the Group for the year ended December 31, 2024 by a decision of the sole shareholder taken on October 10, 2024, for a period of one year.
- The audit of the consolidated financial statements of the Group for the year ended December 31, 2024 represents sixth total consecutive statutory audit engagement for that group carried out by Deloitte Audit OOD and sixth total consecutive statutory audit engagement for that group carried out by Grant Thornton OOD.
- 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 no prohibited non-audit services referred to in Art. 64 of the Independent Financial Audit and Assurance of Sustainability Reporting Act were provided.
- We hereby confirm that in conducting the audit we have remained independent of the Group.
- For the period to which our statutory joint audit refers, Deloitte Audit OOD and Grant Thornton OOD jointly have provided to the Bank, in addition to the statutory audit, the following services which have not been disclosed in Group's consolidated annual management report or consolidated financial statements:
  - Professional services on the application of Ordinance 10 of Bulgarian National Bank for the period January 1 – December 31, 2024, in accordance with the requirements of the Law on Credit Institutions.

Deloitte Audit OOD
Registration number: 033
Deloitte Audit OOD

Rositsa Boteva
Statutory Manager
Registered Auditor, in charge of the audit

Grant Thornton OOD
Registration number: 032

Silvia Dinova
Registered Auditor, in charge of the audit

Mariy Apostolov
Statutory Manager

4, Mihail Tenev Str.
1784 Sofia, Bulgaria

26, Cherni Vrah Blvd.
1421 Sofia, Bulgaria

September 05, 2025

BULGARIAN DEVELOPMENT BANK GROUP
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF 31 DECEMBER 2024
All amounts are in thousand Bulgarian Levs, unless otherwise stated

	Note	As of 31.12.2024	As of 31.12.2023
Assets			
Cash in hand and balances in current accounts with the Central Banks	**16**	341,154	128,665
Financial assets at amortized cost – Receivables from banks	**17**	848,803	513,980
Financial assets at amortized cost – Loans and advances to customers	**18**	954,774	1,333,532
Financial assets at amortized cost – Receivables from the State budget	**19**	10,786	14,262
Financial assets at amortized cost – Securities	**20**	11,327	11,671
Financial assets at fair value through other comprehensive income – debt instruments	**21**	402,812	439,431
Financial assets at fair value through other comprehensive income – equity instruments	**21**	180,285	140,330
Net investment in finance lease	**22**	76,350	75,360
Assets held for sale	**26**	1,876	49
Assets, acquired from collateral foreclosure	**27**	204,285	38,726
Investment property	**25**	5,069	4,908
Property, plant and equipment, intangible assets	**24**	44,135	50,152
Right-of-use assets	**23**	80	180
Current tax receivables	**27**	1	667
Deferred tax assets	**14**	2,620	8,094
Goodwill		1,665	1,254
Other assets	**27**	10,406	9,600
Total assets		**3, 096,428**	**2,770,861**
Liabilities			
Borrowings from international institutions	**30**	611,158	581,931
Deposits from customers other than credit institutions	**29**	736,428	539,591
Deposits from credit institutions	**28**	246,582	209,904
Lease liabilities	**33**	101	215
Other borrowings	**31**	83,477	83,022
Provisions	**32**	102,453	125,699
Deferred tax liabilities	**14**	1,995	1,993
Other liabilities	**34**	10,798	9,136
Total liabilities		**1,792,992**	**1,551,491**
Equity			
Share capital	**35**	1,135,500	1,135,500
Current year profit		35,117	28,946
Accumulated loss		(216,592)	(194,863)
Revaluation reserve on financial assets at fair value through other comprehensive income	**36**	(18,710)	(68,631)
Reserves	**36**	368,121	318,418
Total equity		**1, 303,436**	**1,219,370**
Total liabilities and equity		**3, 096,428**	**2,770,861**

The accompanying notes from 1 to 40 are an integral part of these consolidated financial statements. The consolidated financial statements were approved by the Management Board of Bulgarian Development Bank EAD on 2 September 2025.

Ivaylo Moskovski
Executive Director

Tsanko Arabadzhiev
Executive Director

Teodora Pesheva
MB Member

Ivan Lichev
Chief Accountant, Preparer

Auditors' report on the consolidated financial statements issued on
Deloitte Audit OOD, auditing company
Registration number: 033

Rositsa Boteva
Statutory Manager
Registered Auditor, in charge of the audit
Date: 05.09.2025

Grant Thornton OOD, auditing company
Registration number: 032

Silvia Dinova, Registered Auditor, in charge of the audit

Mariy Apostolov, Manager

BULGARIAN DEVELOPMENT BANK GROUP
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2024
All amounts are in thousand Bulgarian Levs, unless otherwise stated

	Note	2024	2023
Interest income	6	130,234	124,286
Interest expense	6	(54,009)	(50,618)
Net interest income		**76,225**	**73,668**
Fee and commission income	7	8,314	7,833
Fee and commission expense	7	(1,952)	(2,906)
Net fee and commission income		**6,362**	**4,927**
Net income on foreign exchange deals	8	268	257
Net loss on financial assets at fair value through other comprehensive income	9	(85)	(11)
Other operating income	10	24,599	32,031
Other operating expenses	11	(9,090)	(24,938)
Operating profit before impairment, personnel expenses, administrative expenses, depreciation and amortisation		**98,279**	**85,934**
Net expenses on impairment of financial instruments	12A	(25,145)	(21,776)
Net reversal of impairment of non-financial instruments	12Б	1,171	408
Operating profit before personnel expenses, administrative expenses, depreciation and amortisation		**74,305**	**64,566**
Employee benefits	13A	(24,076)	(21,775)
General and administrative expenses	13Б	(10,776)	(9,835)
Depreciation and amortisation expenses	24	(3,565)	(3,784)
Profit before income tax		**35,888**	**29,172**
Income tax (expense)	14	(771)	(226)
Net profit for the year		**35,117**	**28,946**
Share of net profit for the shareholder of the Parent bank		35,117	28,946
Other comprehensive income			
Items not to be reclassified to profit or loss in subsequent periods:			
Actuarial (losses) on defined benefit plans, net of taxes	34	(68)	(12)
Net change in fair value of financial assets at fair value through other comprehensive income	15	37,743	24,449
Items to be reclassified to profit or loss in subsequent periods:			
Net change in fair value of financial assets at fair value through other comprehensive income	15	12,392	14,313
Total other comprehensive income for the year, net of tax		**50,067**	**38,750**
Total comprehensive income for the year		**85,184**	**67,696**
Share of the total comprehensive income for the shareholder of the Parent bank		85,184	67,696

The accompanying notes from 1 to 40 are an integral part of these consolidated financial statements. The consolidated financial statements were approved by the Management Board of Bulgarian Development Bank EAD on 2 September 2025.

Ivaylo Moskovski
Executive Director

Tsanko Arabadzhiev
Executive Director

Teodora Pesheva
MB Member

Ivan Lichev
Chief Accountant, Preparer

Auditors' report on the consolidated financial statements issued on

Deloitte Audit OOD, auditing company
Registration number: 033

Rositsa Boteva
Statutory Manager
Registered Auditor, in charge of the audit
Date: 05.09.2025

Grant Thornton OOD, auditing company
Registration number: 032

Silvia Dinova, Registered Auditor, in charge of the audit

Mariy Apostolov, Manager

This document is a translation of the original Bulgarian text, in case of divergence the Bulgarian text shall prevail.

BULGARIAN DEVELOPMENT BANK GROUP
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2024
All amounts are in thousand Bulgarian Levs, unless otherwise stated

	Share capital	Statutory reserves	Additional reserves	Revaluation reserve on financial assets at fair value through other comprehensive income	Current year profit/Accumulated loss	Total
As of 1 January 2023	**1,441,774**	**12,246**	**2,328**	**(106,953)**	**(195,293)**	**1,154,102**
Comprehensive income for the year						
Profit	-	-	-	-	28,946	28,946
Other comprehensive income	-	-	(12)	38,762	-	38,750
Total comprehensive income	**-**	**-**	**(12)**	**38,762**	**28,946**	**67,696**
Other movements in equity	(306,274)	(549)	304,405	(440)	430	(2,428)
Total transactions with owners	**(306,274)**	**(549)**	**304,405**	**(440)**	**430**	**(2,428)**
As of 31 December 2023	**1,135,500**	**11,697**	**306,721**	**(68,631)**	**(165,917)**	**1,219,370**
Comprehensive income for the year						
Profit	-	-	-	-	35,117	35,117
Other comprehensive income	-	-	(68)	50,135	-	50,067
Other movements	-	-	-	-	47	47
Total comprehensive income	**-**	**-**	**(68)**	**50,135**	**35,164**	**85,231**
Losses covered by reserves	-	-	722	-	(722)	-
Other movements in equity	-	51,800	(2,751)	(214)	(50,000)	(1,165)
Total transactions with owners	**-**	**51,800**	**(2,029)**	**(214)**	**(50,722)**	**(1,165)**
As of 31 December 2024	**1,135,500**	**63,497**	**304,624**	**(18,710)**	**(181,475)**	**1, 303,436**

In 2023 and 2024 the Group has not distributed dividends to the shareholder.

The accompanying notes from 1 to 40 are an integral part of these consolidated financial statements. The consolidated financial statements were approved by the Management Board of Bulgarian Development Bank EAD on 2 September 2025.

Ivaylo Moskovski
Executive Director

Tsanko Arabadzhiev
Executive Director

Teodora Pesheva
MB Member

Ivan Lichev
Chief Accountant, Preparer

Auditors' report on the consolidated financial statements issued on

Deloitte Audit OOD, auditing company
Registration number: 033

Rositsa Boteva
Statutory Manager
Registered Auditor, in charge of the audit
Date: 05.09.2025

Grant Thornton OOD, auditing company
Registration number: 032

Silvia Dinova, Registered Auditor, in charge of the audit

Mariy Apostolov, Manager

This document is a translation of the original Bulgarian text, in case of divergence the Bulgarian text shall prevail.

All amounts are in thousand Bulgarian Levs, unless otherwise stated

	Note	2024	2023
Cash flows from operating activities			
Profit for the year before tax		35,888	29,172
Adjustments for:			
Dividend income	**10**	(182)	(73)
Impairment loss on loans	**12**	31,538	23,402
Income from guarantee provisions and unutilised credit commitments	**12**	(12,964)	(4,544)
Expenses for impairment of portfolio guarantees	**12**	3,375	2,510
Expenses for impairment of receivables from paid guarantees	**12**	952	937
Impairment losses/(gains) and changes in the fair value of financial assets – securities at fair value through other comprehensive income	**12**	1,768	(706)
Impairment (gains) and changes in the fair value of financial assets – securities at amortized cost	**12**	(29)	(129)
(Income) from/Expenses for impairment on finance lease	**12, 22**	504	306
(Income) from impairment of subsidiaries	**12**	(3,571)	-
Loss/(Gain) on revaluation of investment properties	**10, 11**	(201)	16
Impairment loss on other assets	**12**	2,400	448
Gain on sale of properties acquired from collateral foreclosure		(16,944)	(3,116)
Net (gain)/loss on revaluation of foreign currency assets and liabilities	**8**	(3)	3
Depreciation and amortisation expenses	**24**	3,565	3,784
Carrying amount of written-off assets		4,962	21,136
Other changes		(367)	235
		50,691	**73,381**
Changes in:			
Financial assets at amortized cost – Receivables from banks		(5,431)	48,370
Financial assets at amortized cost – Loans and advances to customers		346,668	94,987
Financial assets at amortized cost – Receivables from the State budget		3,460	9,167
Financial assets at fair value through other comprehensive income – debt and equity securities		33,153	135,118
Net investment in finance lease		(1,594)	(4,986)
Assets held for sale		2	(1,654)
Assets acquired from collateral foreclosure		(186,076)	-
Deposits from credit institutions		36,660	207,277
Deposits from customers other than credit institutions		215,550	(343,901)
Financial liabilities at amortized cost		(1)	-
Provisions		(10,058)	(9,488)
Other assets		(3,870)	1,385
Other liabilities		327	84
Income taxes paid		(100)	(57)
Net cash flows from operating activities		**479,381**	**209,683**
Cash flows from investing activities			
Cash payments for acquisition of property, plant and equipment and intangible assets		(2,570)	(1,265)
Cash proceeds from sale of property, plant and equipment and intangible assets		124	3,865
Cash proceeds from sale of investment properties		36,692	4,570
Purchase of securities at amortised cost		40	(23)
Changes in securities at fair value through other comprehensive income		19,411	(29,765)
Investments in equity instruments		(2,368)	(2,063)
Net cash flows from/(used in) investing activities		**51,329**	**(24,681)**

All amounts are in thousand Bulgarian Levs, unless otherwise stated

	Note	2024	2023
Cash flows from financing activities			
Dividend income		104	-
Cash paid on other borrowings		(1,299)	(3,470)
Cash received from other borrowings		2,306	3,576
Cash received/(paid) on borrowings from international institutions		29,227	(197,566)
Payments for lease		(125)	(2)
Other movements in equity and retained earnings		410	(13)
Net cash flows from/(used in) financing activities		**30,623**	**(197,475)**
Net increase/(decrease) in cash and cash equivalents		561,333	(12,473)
Cash and cash equivalents at the beginning of year		596,871	609,344
Cash and cash equivalents at end of year	**38**	**1,158,204**	**596,871**
Operating interest-related cash flows			
Proceeds from interest		109,510	78,798
Interest paid		(51,421)	(18,375)

The accompanying notes from 1 to 40 are an integral part of these consolidated financial statements. The consolidated financial statements were approved by the Management Board of Bulgarian Development Bank EAD on 2 September 2025.

Ivaylo Moskovski
Executive Director

Tsanko Arabadzhiev
Executive Director

Teodora Pesheva
MB Member

Ivan Lichev
Chief Accountant, Preparer

Auditors' report on the consolidated financial statements issued on
Deloitte Audit OOD, auditing company
Registration number: 033

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Registration number: 032

Rositsa Boteva
Statutory Manager
Registered Auditor, in charge of the audit
Date: 05.09.2025

Silvia Dinova, Registered Auditor, in charge of the audit

Mariy Apostolov, Manager

This document is a translation of the original Bulgarian text, in case of divergence the Bulgarian text shall prevail.

1. ORGANISATION AND OPERATING POLICY

These consolidated financial statements of the Group of Bulgarian Development Bank EAD (the „Group”) for the year ended 31 December 2024 were approved for issue by decision under Protocol No 48 of the Management Board of Bulgarian Development Bank EAD ("BDB", the "Bank", the "Parent company", the "Parent bank") of 2 September 2025 and Protocol No 42 of the Supervisory Board of 4 September 2025.

Bulgarian Development Bank EAD is a sole owned joint-stock company registered with the Commercial Register under UIC 121856059, with seat in the city of Sofia, Sofia City Region, Bulgaria, and management address: 1, Dyakon Ignatii Str. The financial year of the Bank ends on 31 December.

Bulgarian Development Bank EAD Group

Bulgarian Development Bank EAD Group includes the Parent-company – Bulgarian Development Bank EAD and its subsidiaries – National Guarantee Fund EAD ("NGF", the "Fund"), BDB Microfinancing EAD ("BDB Microfinancing"), Capital Investments Fund AD ("CIF") and BDB Leasing EAD ("BDB Leasing")[1].

As of 31 December 2024, the number of employees of BDB Group is 248 (as of 31 December 2023: 276 employees)[2].

The structure of the Group as of 31.12.2024 is presented in the chart on the next page.

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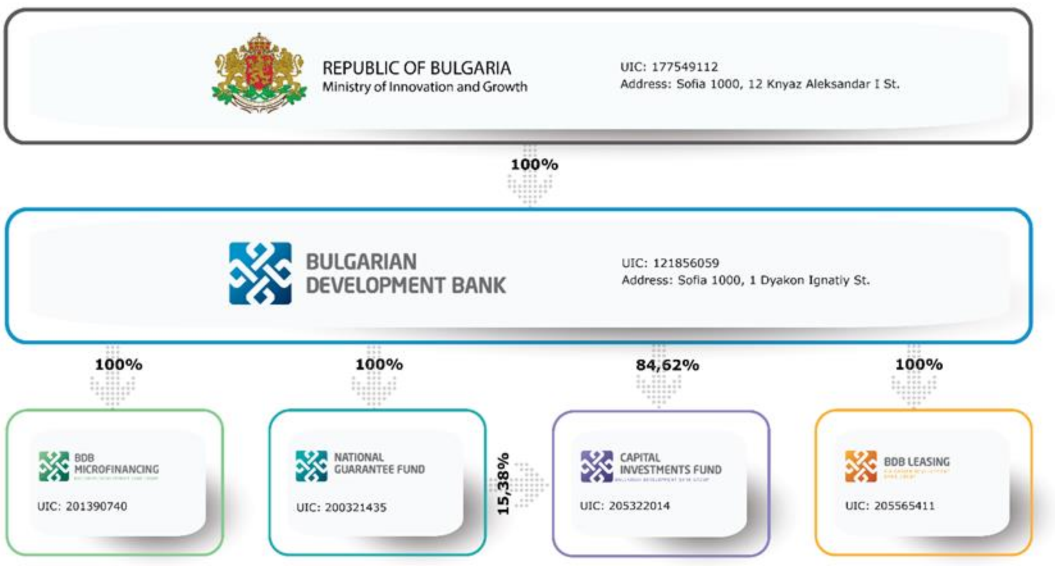
[1] As of 31.12.2024 the Bank is a sole owner of the capital of TC Maritsa EOOD (TCM), however the company is not part of the strategic planning process of the BDB Financial Group.

As of 31.12.2024, the Bank exercises control over Roadway Construction AD, by virtue of exercised rights under a pledge of a commercial enterprise. Roadway Construction AD exercises control over Patstroyengineering AD. Both companies are not part of the strategic business model of the BDB Financial Group. The Bank has taken action toward selling Patstroyengineering AD and the sale is expected to be finalized. The criteria for classification under IFRS 5 are not met as of 31 December 2024.

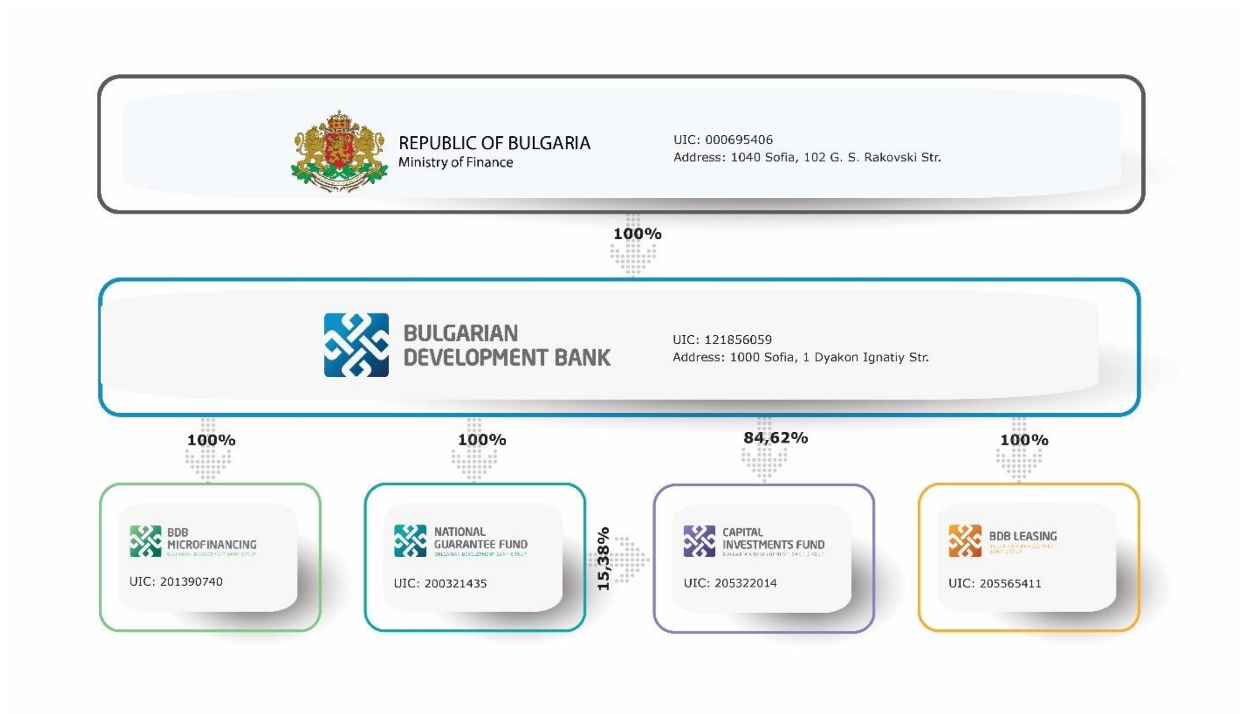
As of 31.12.2024, the Bank exercises control over Cohoferm OOD, by virtue of exercised rights under a pledge of a commercial enterprise. The company is not part of the strategic business model of the BDB Financial Group.

As of 31.12.2024, BDB exercises control over Ponsstroyengineering AD (in bankruptcy), by virtue of exercised rights under a pledge of a commercial enterprise. The company is not part of the strategic business model of the BDB Financial Group.

[2] In addition, the Roadway Construction Group has 46 employees, and TC Maritsa EOOD has 3 employees. The above numbers do not include the members of the management bodies of the companies.



As of the date of approval of these financial statements, the following organizational structure of the Group is valid:



Bulgarian Development Bank EAD

Bulgarian Development Bank EAD was established on 11 March 1999 as a joint-stock company in Bulgaria under the name "Encouragement Bank" AD.

The Bulgarian Development Bank Act was adopted on 23 April 2008 (SG 43/29.04.2008) to regulate the structure and the scope of Bank's activities, including those for its subsidiaries, envisaged for incorporation. By virtue of that law the functions and all rights and obligations were applied to Encouragement Bank AD. Pursuant to a requirement of the law, a General Meeting of the Shareholders was held (26 June 2008) at which the name of the Bank was changed to Bulgarian Development Bank and its Articles of Incorporation were amended in line with the new legal requirements thereto.

The Bank holds a general banking licence, issued by Bulgarian National Bank (BNB) on 25 February 1999 with latest update of 16 November 2009, and is allowed to conduct all banking transactions permitted by the Bulgarian legislation. The Bank is also a licensed investment intermediary.

From the very beginning, the Bank was established with a special purpose – to support the implementation of the economic policies of the State by financing the business development of small and medium-sized enterprises (SME), including by supporting their investment and export abilities and initiatives. With the adoption of the Bulgarian Development Bank Act in 2008 this objective was further elaborated in the objectives, principles and scope of the Bank's activities set by the law.

The Bulgarian Development Bank Act (2008) provides for the establishment of two subsidiaries, joint stock companies, of the Bank - Capital Investments Fund AD and National Guarantee Fund EAD.

The Bank's lending activity includes:

- pre-export and export financing of SME;
- financing SME operations and projects either through intermediary banks or directly;
- refinancing banks that grant loans to SME;
- financing SME investments abroad;
- participation in public public-private projects or partnerships of strategic, national and/or regional importance.
- implementation of public policies for the economic development and growth of the country;
- implementation of instruments for financing public investments and projects that are a priority for the local economy;

- attracting funds and providing financing in order to reduce regional imbalances in the country.

The main objectives of the Bank are:

- to promote, encourage and develop the general economic, export and technological potential of SMEs by facilitating their access to finance;
- drawing in and management of medium and long-term local and foreign resources needed for the implementation of economic development in the country;
- implementation of schemes and instruments to finance public investment projects that are priorities for the country's economy;
- fundraising and project management of international financial and other institutions;
- fundraising and grant funding in order to reduce regional misbalances in the country;
- financing of projects of local companies that create export, innovation, high employment and/or value added projects;
- financing of priority sectors of the economy, in line with the government policy for economic development;
- financing of companies operating in priority sectors of the economy, in accordance with the adopted government economic development policy, as well as such implementing strategic projects and/or projects of national and/or regional importance.

Bulgarian Development Bank EAD has a two-tier system of governance, which comprises Supervisory Board (SB) and Management Board (MB). The Supervisory Board and the Audit Committee represent those charged with governance.

Supervisory Board

As of 31 December 2024, the members of the Supervisory Board (SB) are:

- Rosen Andreev Karadimov – Chairman of SB and member of the SB,
- Delyana Valerieva Ivanova – Deputy Chairman and member of the SB;
- Stamen Stamenov Yanev – Member of the SB,
- Dimitar Ivanov Mitev – Member of the SB.

In connection with Decree No 101 of the President of the Republic of Bulgaria for the appointment of a caretaker government (promulgated in State Gazette No. 32 of 9 April 2024) and Decree No 222 of the President of the Republic of Bulgaria for the appointment of a caretaker government (promulgated in State Gazette No 73 of 27 August 2024) Mr. Rosen Karadimov stopped temporarily and did not exercise his powers as Chairman and member of the Supervisory Board of Bulgarian Development Bank EAD for the period in which he was appointed caretaker Minister of Innovation and Growth.

By decision under Protocol No 25 of 23 May 2025 of the Supervisory Board of the BDB, Mrs. Delyana Valerieva Ivanova was elected as Chairman of the Supervisory Board of the Bank.

By decision under Protocol No 26 of 23 May 2025 of the Supervisory Board of the BDB, Mr. Dimitar Ivanov Mitev was elected as Deputy chairman of the Supervisory Board of the Bank.

By decision under Protocol No ПР-77 of 30 May 2025 of the Minister of Finance in its capacity of sole owner of the capital of the BDB, Mr. Stamen Stamenov Yanev was dismissed as member of the Supervisory Board of the Bank. This circumstance was entered in the Commercial Register and the Register of Non-Profit Legal Entities on 6 June 2025.

By Decision of the 51st National Assembly of 23 May 2025 on the election of the Chairman of the Commission for Protection of Competition (Promulgated, State Gazette, issue 44 of 2025), Mr. Rosen Karadimov was elected Chairman of the Commission for Protection of Competition. By decision under Protocol No ПР-84 of 17 June 2025 of the Minister of Finance in its capacity of sole owner of the capital of the BDB, Mr. Rosen Andreev Karadimov was dismissed as member of the Supervisory Board of the Bank. This circumstance was entered in the Commercial Register and the Register of Non-Profit Legal Entities on 24 June 2025.

By decision under Protocol No ПР-85 of 17 June 2025 of the Minister of Finance in its capacity of sole owner of the capital of the BDB, Goritsa Nikolova Gruncharova-Kozhareva and Luchezar Dimitrov Borisov were elected as members of the Supervisory Board of the Bank. These circumstances were entered in the Commercial Register and the Register of Non-Profit Legal Entities on 24 June 2025.

As of the date of approval of these consolidated financial statements, the members of the Supervisory Board of BDB (SB) are:

- Delyana Valerieva Ivanova – Chairman of SB,
- Dimitar Ivanov Mitev – Deputy Chairman of SB,
- Goritsa Nikolova Grancharova-Kozhareva – Member of SB, and
- Lachezar Dimitrov Borisov – Member of SB.

Management Board

By decision of the Supervisory Board under Protocol No 11 dated 19 March 2024 Teodora Petrova Pesheva was elected as new member of the Management Board of BDB. This circumstance was recorded in the Commercial register and register of non-profit legal entities on 25 March 2024.

By decision of the Supervisory Board under Protocol No 22 dated 28 May 2024 Ivan Valentinov Cerovski was dismissed as member of the Management Board and Executive Director of BDB. The decision was recorded in the Commercial register and register of non-profit legal entities on 10 June 2024.

By decision of the Supervisory Board under Protocol No 41 dated 29 October 2024 Ivaylo Angelov Moskovski was elected as new member of the Management Board of BDB. This circumstance was recorded in the Commercial register and register of non-profit legal entities on 5 November 2024.

By decision of the Management Board under Protocol No. 73 of 29 October 2024, approved by decision of the Supervisory Board under Protocol No. 42 of 29 October 2024, Mr. Ivaylo Angelov Moskovski is authorized to represent and manage the Bank as Executive Director. This circumstance was recorded in the Commercial Register and the Register of Non-Profit Legal Entities on 5 November 2024.

As of 31 December 2024, the Management Board (MB) of BDB comprises:

- Iliya Zapryanov Karanikolov– Member of the MB and Executive Director,
- Tsanko Rumenov Arabadzhiev - Member of MB and Executive Director,
- Ivaylo Angelov Moskovski - Member of MB and Executive Director and
- Teodova Petrova Pesheva - Member of MB.

By decision of the Management Board under Protocol No. 8/14 February 2025, approved by decision of the Supervisory Board under Protocol No. 6/14 February 2025, Mr. Ivaylo Moskovski was elected Chairman of the Management Board of Bulgarian Development Bank EAD.

By decision of the Supervisory Board under Protocol No 8 dated 20 February 2025 Iliya Zapryanov Karanikolov was dismissed as member of the Management Board and Executive Director of Bulgarian Development Bank EAD. The decision was recorded in the Commercial register and register of non-profit legal entities on 27 February 2025.

The Bank is represented jointly by two executive directors or at least one executive director and procurator (if any).

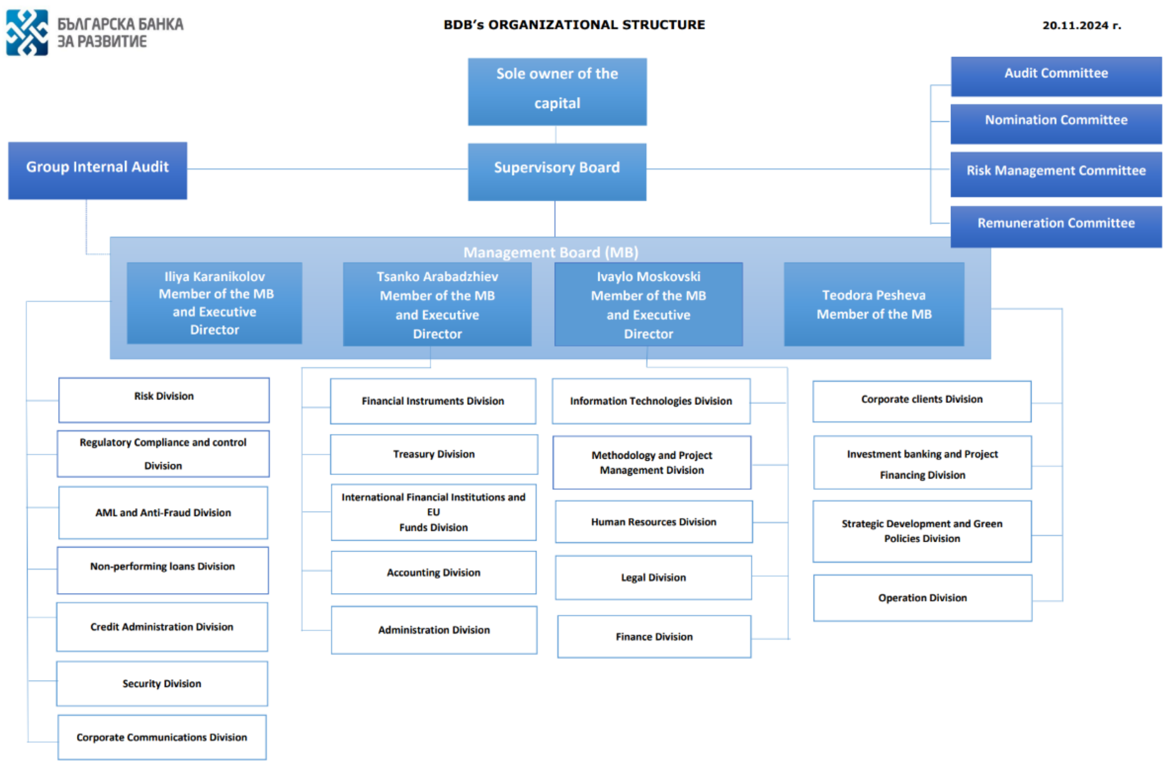
As of the approval date of these consolidated financial statements, the Management Board of BDB comprises:

- Ivaylo Angelov Moskovski – Chairman of MB and Executive Director,
- Tsanko Rumenov Arabadzhiev – Member of MB and Executive Director
- Teodora Petrova Pesheva – Member of MB.

As of 31 December 2024 and as of the approval date of these financial statements, the Bank does not have a procurator.

Changes in the Bank's structure

The diagram below presents the organizational structure as of 31.12.2024:

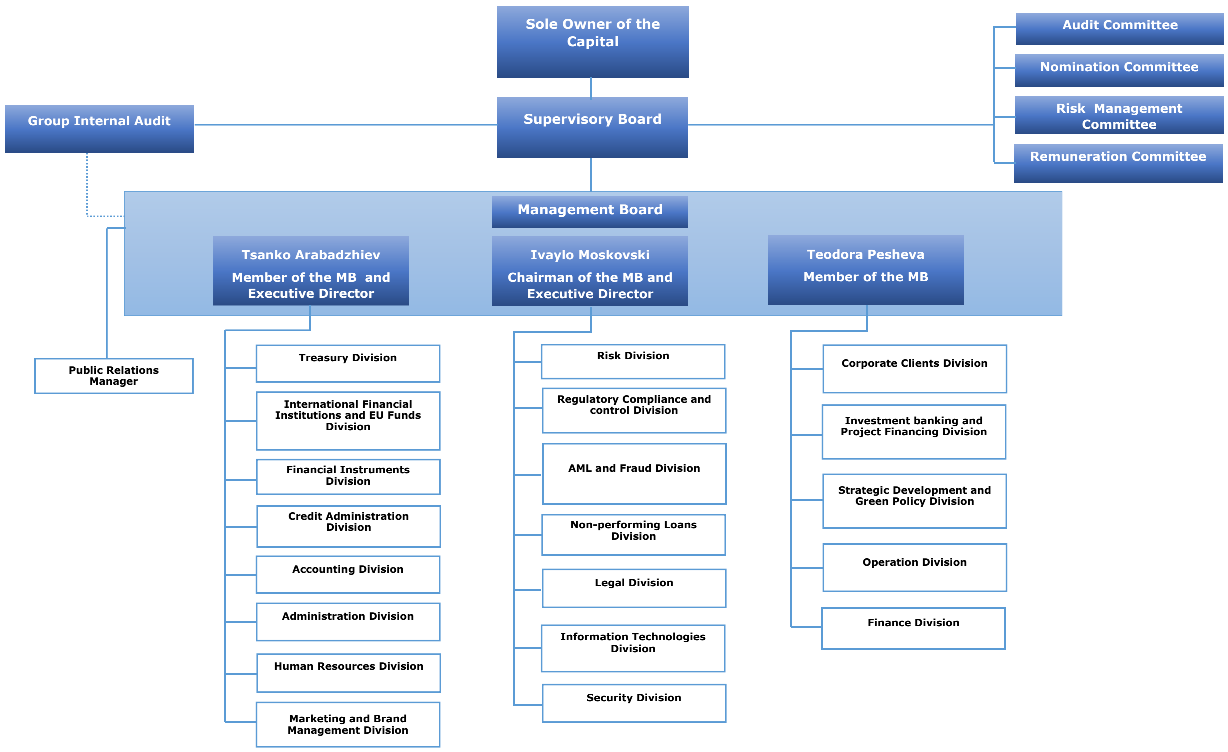


- Management Board supporting committees – ALCO, Classified Credit Committee and Impairment, Provisions Committee, Operational Risk Committee, Change Management Committee and Sustainability Committee.
- BDB subsidiaries – National Guarantee Fund, BDB Microfinancing, Capital Investment Fund and BDB Leasing.

By decision of the Management Board under Protocol No. 6/4 February 2025, due to the need to strengthen the Bank's marketing activities, the "Public Relations" function was separated from the "Corporate Communications" Department, and the position of Public Relations Manager was created, directly subordinate to the Management Board, and the name of the "Corporate Communications" Department was changed to "Marketing and Brand Management". The Public Relations Manager reports directly to the Management Board.

By decisions of the Management Board under Protocol No. 39/09 July 2025 and Protocol No= 34/09 July 2025 the internal departmental structure of the Bank was amended and the Methodology and Project Management Department was made redundant.

The diagram of the BDB current organizational structure (effective as of 9 July 2025) is as follows:



- Management Board supporting committees – ALCO, Classified Credit Committee and Impairment, Provisions Committee, Operational Risk Committee, Change Management Committee and Sustainability Committee
- BDB subsidiaries – National Guarantee Fund, BDB Microfinancing, Capital Investment Fund, and BDB Leasing

As of 31 December 2024, the Bank's employees were 213 (31.12.2023: 201).

As of 31 December 2024, Bulgarian Development Bank EAD has no branches.

Audit Committee of Bulgarian Development Bank EAD in 2024 and 2025

In 2024 and until the date of approval of these consolidated financial statements, there are no changes in the audit committee, which is composed of Svetlana Hristova Kourteva, Svetlodara Encheva Petrova and Delyana Valerieva Ivanova.

Credit rating

In July and December 2024 the international rating agency Fitch Ratings confirmed the credit rating of Bulgarian Development Bank EAD – BBB, with positive outlook. The Bank's rating is equal to the Bulgarian State rating and practically it is the highest possible credit rating for BDB. On 15 July 2025, the international rating agency Fitch Ratings " increased the long-term credit rating of Bulgarian Development Bank from BBB to BBB+ with stable outlook. This level corresponds to the agency's rating for the Republic of Bulgaria following the decision to admit it to the eurozone, which demonstrates confidence in both the financial stability of the country and the state bank.

The assessment is based on the good capital position of BDB, high probability and the availability of fiscal space for support from the owner - the Bulgarian State, stable financing from international financial institutions, deposits from the State, government structures and companies, as well as the high liquidity maintained.

Changes related to the capital and Statute of the Bulgarian Development Bank EAD

As of 31 December 2024, the capital of the Bank amounts to BGN 1,135,500,000 and consists of 11,355,000 ordinary registered voting shares with par value of BGN 100 each. The shares are owned by the Bulgarian state, with the rights of sole owner being exercised by the Minister of Innovation and Growth (as of 31 December 2024) and the Minister of Finance (after 31 March 2025). The shares of BDB are not traded on regulated market.

The Bulgarian Development Bank Act provides that not less than 51 per cent of shares forming the Bank's capital should be owned by the State; the shares of the State amounting to not less than 51 per cent of the registered share capital are non-transferable.

By decisions of the Minister of Innovation and Growth dated 07 June 2024 and 18 June 2024, amendments to the Articles of Incorporation of Bulgarian Development Bank EAD were adopted, which were approved by the Bulgarian National Bank, entered in the Commercial Register and the register of non-profit legal entities and are effective from 12 July 2024. The changes in the Articles of Incorporation are in accordance with the Strategy for the activity of BDB EAD for the period 2024-2026, approved by the Council of Ministers.

The Law on the State Budget of the Republic of Bulgaria for 2025 was promulgated in issue 26 of the State Gazette of 27.03.2025. The law amended the Law on the Bulgarian Development Bank, according to which the rights of the state in the general meeting of the shareholders of the Bank are exercised by the Minister of Finance. The amendment is effective from 31 March 2025.

Subsidiaries

The Bulgarian Development Bank Act (2008) envisages the establishment of two Bank subsidiaries - National Guarantee Fund EAD and Capital Investments Fund AD.

National Guarantee Fund EAD was established in 2008 with BGN 80,000 thousand share capital and Capital Investments Fund AD was established in 2018 with share capital of BGN 65,000 thousand out of which 100% paid in as of 31 December 2022.

In 2022 in order to cover losses from revaluations of securities held by Capital Investments Fund AD its capital was reduced from BGN 65,000 thousand to BGN 57,814 thousand through acquisition and invalidation of shares. The share of BDB in Capital Investments Fund AD is 85% and the remaining 15% shares are owned by the National Guarantee Fund EAD.

The Bank is the sole owner of the capital of BDB Microfinancing EAD, registered on 14 January 2011. The total amount of the paid-in capital as of 31 December 2024 amounts to BGN 14,035 thousand divided in 140,350 shares of BGN 100 each (as of 31 December 2023: BGN 14,643 thousand divided in 146,430 shares of BGN 100 each).

In addition, BDB owns 100% of the share capital of BDB Leasing EAD established in 2019. The capital of the company is BGN 18,630 thousand as of 31 December 2024 (as of 31 December 2023: BGN 18,630 thousand).

All subsidiaries of BDB, as part of the BDB Group's strategic planning framework, are represented jointly of either two members of the Board of Directors. The procurators of the subsidiaries of BDB may represent a company jointly with any member of the Board of Directors of the respective company.

In addition, the following companies are within the scope of consolidation of the Group, but are not part of its strategic business model:

- Trade Center „Maritsa“ EOOD, UIN: 115619162 - Trade Center „Maritsa“ EOOD (TC Maritsa) became an ownership of Bulgarian Development Bank AD by virtue of decision of the Bank’s Management Board in accordance with Minutes No. 29 dated 18 May 2018. The main scope of activity of TC Maritsa includes the operation of concession of the Trade Center, namely a „pedestrian bridge“ in Plovdiv City, in accordance with a contract concluded with Plovdiv Municipality, through setting up trade outlets and collecting rents. The concession contract matures in 2036. BDB owns 100% of the shares of the company which is represented by a Managing Director - Nadezhda Nikova;
- Roadway Construction AD, UIN 205427809 and Patstroyengineering AD, UIN 108001767 – As of 31 December 2024 BDB exercises control over Roadway Construction AD, by virtue of exercised rights under a pledge of a commercial enterprise, and Roadway Construction AD exercises control through a majority shareholding in Patstroyengineering AD. The Company is represented by Managing Director under the Special Pledges Act, appointed by BDB – Velko Lyubenov Stoilov;

- Cohoferm OOD, UIN: 201807408 - BDB exercises control over Cohoferm OOD by virtue of exercised rights under a pledge of a commercial enterprise. The company is represented by Managing Director under the Special Pledges Act, appointed by BDB – – Alexander Linov. On 14 March 2025, an application was filed to open bankruptcy proceedings;
- Ponsstroyengineering AD (in bankruptcy), UIN 102907182 - BDB exercises control over Ponsstroyengineering AD, by virtue of exercised rights under a pledge of a commercial enterprise as of 14 December 2016. As of the date of approval of these financial statements, Ponsstroyengineering AD is represented by a bankruptcy trustee-Ivaylo Rizov.

Changes in the management bodies of subsidiaries in 2024 and 2025

By decision of BDB Management Board the following changes in the management bodies of BDB subsidiaries have been made:

National Guarantee Fund EAD

National Guarantee Fund EAD has one tier management system – Board of Directors, consisting of three to five members.

By decision under Protocol No 32 dated 28 May 2024 of the Management Board of BDB, as a sole owner of the capital, Mr. Ivan Valentinov Cerovski was dismissed as member of the Board of Directors of the National Guarantee Fund. The circumstance was recorded in the Commercial register on 10 June 2024.

By Decision under Protocol No 34 of 30 May 2024 of the Management Board of BDB as a sole owner of the capital of the National Guarantee Fund, Mr. Iliya Zapryanov Karanikolov was elected as member of the Board of Directors of the company. The circumstance was recorded in the Commercial register and the Register of non-profit legal entities on 10 June 2024. Mr. Iliya Zapryanov Karanikolov was elected as a Chairman of the Board of Directors of the company.

As of 31 December 2024 BoD members of NGF are:

- Iliya Zapryanov Karanikolov – Chairman of the Board of Directors from 10 June 2024 until 27 February 2025;
- Todor Lyudmilov Todorov – Executive Director and Deputy Chairman of the Board of Directors;
- Zaharina Damyanova Todorova – Member of the Board of Directors;
- Deyan Petrov Kalapchiev - Member of the Board of Directors until 07 May 2025.

By decision of the Management Board of the Bulgarian Development Bank EAD, in its capacity of sole owner of the capital of National Guarantee Fund EAD, under Protocol No 9 of 18 February 2025, Mr. Iliya Zapryanov Karanikolov was dismissed as member of the Board of Directors of the National guarantee Fund EAD. This circumstance was entered into the Commercial Register and the Register of Non-Profit Legal Entities on 27 February 2025.

By decision under Protocol No 13 of 6 March 2025 of the Management Board of the BDB, in its capacity of sole owner of the capital of the National Guarantee Fund EAD, Mrs. Teodora Petrova Pesheva was elected as member of the Board of Directors of the company. This circumstance was entered into the Commercial Register and the Register of Non-Profit Legal Entities on 24 March 2025. Mrs. Teodora Petrova Pesheva was elected as chairman of the Board of Directors.

By decision under Protocol No 26 of 23 April 2025 of the Management Board of the Bulgarian Development Bank EAD, in its capacity of sole owner of the capital of the National Guarantee Fund EAD, Deyan Petrov Kalupchiev was dismissed as member of the Board of Directors of the National Guarantee Fund EAD. This circumstance was entered into the Commercial Register and the Register of Non-Profit Legal Entities on 7 May 2025.

As of the date of approval of this report, the composition of the Board of Directors of the NGF is as follows:

- Teodora Petrova Pesheva – Chairman of the Board of Directors;
- Todor Lyudmilov Todorov – Deputy chairman of the Board of Directors and Executive Director;
- Zaharina Damyanova Todorova – member of the Board of Directors.

BDB Microfinancing EAD

As of 31 December 2024 the share capital of BDB Microfinancing EAD is BGN 14,035,000, distributed in 140,350 shares with nominal value of BGN 100 each. The shares are ordinary, materialized, registered and indivisible, with each share giving the right to one vote. The company's capital is fully paid.

By Protocol No 88 of 21 December 2023, supplemented by Protocol No 7 of 01 February 2024 and Protocol No 14 of 12 March 2024, the Management Board of BDB in its capacity of sole owner of BDB Microfinancing EAD took decision to reduce the capital of the company from BGN 14 643 000 (fourteen million six hundred forty three thousand) to BGN 14 035 000 (fourteen million and thirty-five thousand) by acquiring and invalidation of 6 080 (six thousand and eighty) ordinary, registered, materialized, indivisible voting shares with nominal value of BGN 100 each, in order to cover the losses and to comply with the provision of art. 252, para 1, item 5 in relation to art. 247a, para 2 of the Commercial Act. The decision was entered in the Commercial register and the register of non-profit legal entities on 12 April 2024.

By decision of the Management Board of Bulgarian Development Bank EAD under protocol No 15 of 18 March 2025, in its capacity of sole owner of the capital of BDB Microfinancing EAD, a decision was taken to increase the capital of BDB Microfinancing EAD by the amount of BGN 15,000,000 by issuing new shares as well as changes to the Statute of the company related to the capital increase. These circumstances were entered into the Commercial Register and the Register of Non-Profit Legal Entities on 8 April 2025.

As of the date of approval of these consolidated financial statements, the registered capital of BDB Microfinancing EAD is BGN 29,035,000 and is divided into 290,350 shares with a nominal value of BGN 100 each. The shares are ordinary, materialized, registered and indivisible, each share giving the right to one vote. The capital of the company is fully paid.

The Board of Directors members as of 31 December 2024 are:

- Tsanko Rumenov Arabadzhiev – Chairman of the Board of Directors as of 22 March 2023;
- Ivana Borisova Tzaneva – Executive Director and Deputy Chairman of the Board of Directors;
- Iliya Radkov Komitov - Member of the Board of Directors until 03 June 2025;
- Boyan Stefanov Byanov – Member of the Board of Directors until 03 June 2025.

By decision under Protocol No 31 of 20 May 2025 of the Management Board of the Bulgarian Development Bank EAD, in its capacity of sole owner of the capital of BDB Microfinancing EAD, Iliya Radkov Komitov and Boyan Stefanov Byanov were dismissed as members of the Board of Directors of BDB Microfinancing EAD. These circumstances were entered into the Commercial Register and the Register of Non-Profit Legal Entities on 3 June 2025.

By decision under Protocol No 31 of 20 May 2025 of the Management Board of the Bulgarian Development Bank EAD, in its capacity of sole owner of the capital of BDB Microfinancing EAD, Mr. Ivan Vasilev Hinchovski was elected as member of the Board of Directors of the company. This circumstance was entered into the Commercial Register and the Register of Non-Profit Legal Entities on 3 June 2025.

By decision under Protocol No 36 of 17 June 2025 of the Management Board of the Bulgarian Development Bank EAD, in its capacity of sole owner of the capital of BDB Microfinancing EAD, Mr. Ivan Vasilev Hinchovski was approved as procurator of the company. This circumstance was entered into the Commercial Register and the Register of Non-Profit Legal Entities on 7 July 2025.

As of the date of approval of these consolidated financial statements, the composition of the Board of Directors of BDB Microfinancing is as follows:

- Tsanko Rumenov Arabadzhiev – Chairman of the Board of Directors as of 22 March 2023;
- Ivana Borisova Tzaneva – Executive Director and Deputy Chairman of the Board of Directors;

- Ivan Vasilev Hinchovski – member of the Board of Directors from 3 June 2025, procurator from 7 July 2025.

BDB Leasing EAD

BDB Leasing EAD has one tier management system – Board of Directors, consisting of three to five members.

By decision under Protocol No 32 dated 28 May 2024 of the Management Board of BDB, as a sole owner of the capital, Mr. Ivan Valentinov Cerovski was dismissed as member of the Board of Directors of BDB Leasing EAD. The circumstance was recorded in the Commercial register on 10 June 2024.

By Decision under Protocol No 34 of 30 May 2024 of the Management Board of BDB as a sole owner of the capital of BDB Leasing EAD, Mrs. Teodora Petrova Pesheva was elected as member of the Board of Directors of the company. The circumstance was recorded in the Commercial register and the Register of non-profit legal entities on 10 June 2024. Mrs. Teodora Petrova Pesheva was elected as a Chairman of the Board of Directors of the company.

The Board of Directors members as of 31 December 2024 are:

- Teodora Petrova Pesheva – Chairman of the Board of Directors as of 28 May 2024;
- Emil Valkanov Valkanov – Executive Director and Deputy Chairman of the Board of Directors;
- Antonia Hristoforova Dobreva – Member of the Board of Directors.

By decision under Protocol No 4 of 21 January 2025 of the Management Board of the Bulgarian Development Bank EAD, in its capacity of sole owner of the capital of BDB Leasing EAD, Mr. Aleksander Simeonov Aleksandrov was elected as member of the Board of Directors of the company. This circumstance was entered into the Commercial Register and the Register of Non-Profit Legal Entities on 4 February 2025.

As of the date of approval of these financial statements, the composition of the Board of Directors is as follows:

- Teodora Petrova Pesheva – Chairman of the Board of Directors from 10 June 2024;
- Emil Valkanov Valkanov – Executive Director and Deputy Chairman of the Board of Directors;
- Antonia Hristoforova Dobreva – Member of the Board of Directors as of 04 February 2025;
- Aleksander Simeonov Aleksandrov – Member of the Board of Directors from 4 February 2025.

The company has an authorized procurator from 01 June 2020 – Ivaylo Kirilov Popov.

Capital Investments Fund AD

The Board of Directors members as of 31 December 2024 and the date of approval of these financial statements are:

- Tsanko Rumenov Arabadzhiev - Chairman of the Board of Directors;
- Stefan Stefanov Tamnev – Executive Director and Deputy Chairman of the Board of Directors;
- Rusalin Stanchev Dinev – Member of the Board of Directors.

There are no changes in the capital, articles of association and composition of the Board of Directors of the company in 2024 and until the date of approval of these consolidated financial statements.

Trade Centre Maritsa EOOD

As of 31 December 2024 and the date of approval of these financial statements the company is managed by Nadezhda Yordanova Nikova, Managing Director.

Roadway Construction AD

As of 31 December 2024 and as of the date of approval of these financial statements the company is represented by Managing Director under the Special Pledges Act, appointed by BDB – Velko Lyubenov Stoilov.

Cohoferm OOD

As of 31 December 2024 and as of the date of approval of these financial statements, Cohoferm OOD is represented by Managing Director under the Special Pledges Act, appointed by BDB – – Alexander Linov.

Ponsstroyengineering AD

As of 31 December 2024 and as of the date of approval of these financial statements, Ponsstroyengineering AD is represented by a bankruptcy trustee- Ivaylo Rizov.

2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Bank prepares separate financial statements in accordance with the Accountancy Act.

These consolidated financial statements shall be read together with the separate financial statements of the Bank.

Statement of compliance

The consolidated financial statements of the Bank have been prepared in accordance with IFRS Accounting Standards, as adopted by the European Union ("IFRS Accounting Standards as adopted by the EU"). The reporting framework "IFRS Accounting Standards as adopted by the EU" is substantially the approved national accounting basis International Accounting Standards ("IAS") as adopted by the EU, regulated by the Accountancy Act and defined in item 8 of its Additional Provisions.

These consolidated financial statements have been prepared on the historical cost basis except for the following items:

- Financial instruments, measured at fair value through other comprehensive income
- Financial instruments, measured at amortized cost
- Investment property, carried at fair value
- Assets held for sale carried at the lower of their carrying amount and their fair value less costs of sale
- Assets acquired from collateral foreclosure carried at the lower of their acquisition cost and their net realizable value.

Going concern

These consolidated financial statements have been prepared on the basis of the going concern principle. The Group has no need or intention to cease or significantly reduce its activities, to liquidate or transfer a significant part of its assets or to transfer a significant part of its activities to other parties. The Group is well capitalized and can easily meet its current and long-term liabilities with its available assets.

Level of liquidity and maturity structure

The Group presents its consolidated statement of financial position in order of liquidity. An analysis regarding recovery of assets or settlement of liabilities is presented in Note 4.3.

Comparability of data

The consolidated financial statements provide comparative information with respect to one previous period.

Presentation currency

The Bulgarian lev is the functional and reporting currency of BDB and its subsidiaries. These consolidated financial statements are presented in thousands of Bulgarian leva (BGN'000).

Methods of consolidation

These consolidated financial statements have been prepared in accordance with IFRS 10 "Consolidated Financial Statements", which scopes in all entities over which Bulgarian Development Bank EAD has control through ownership of:

- rights to manage all important activities of the investee;
- exposure or rights to variable return (to obtain benefits or to suffer losses from the activity) from its participation in the entity;
- possibility to exercise control over the investee in order to influence the amount of the return.

The companies consolidated and the consolidation method adopted as at 31 December 2024 are as follows:

Company	Share	Consolidation method
National Guarantee Fund EAD („NGF")	100%	Full consolidation
BDB Microfinancing EAD	100%	Full consolidation
BDB Leasing EAD	100%	Full consolidation
Capital Investments Fund AD („CIF")	100%[3]	Full consolidation
TC Maritsa EOOD („TC Maritsa")	100%	Full consolidation
Roadway Construction AD	0%[4]	Full consolidation
Patstroyengineering AD (subsidiary of Roadway Construction AD)	0%	Full consolidation

In addition, Bulgarian Development Bank AD exercises control over Cohoferm OOD and Ponsstroyengineering AD (in bankruptcy) by virtue of exercised rights under a pledge of a commercial enterprise. These companies have insignificant net assets and are not consolidated in the Group.

The Parent Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes in one or more of the three elements of control. Consolidation of a subsidiary begins when the Parent company obtains control over the

[3] Bulgarian Development Bank EAD – 84.62%, National Guarantee Fund EAD – 15.38%

[4] In 2022, BDB acquired control over Roadway Construction AD ("Roadway") as a result of non-performance of a loan agreement and appointed a manging director of the company. The exit strategy provides for management of Roadway and its subsidiary Patstroyengineering AD, and the revenue from the implementation of construction projects from the subsidiary will settle the exposure. In these financial statements, Roadway's assets and liabilities are presented at fair value in the relevant items in the Group's statement of financial position. The net amount of these assets, reflected in the Group's statement of financial position as at 31 December 2024, is BGN 3,817 thousand (as at 31 December 2023: BGN 3,817 thousand).

subsidiary and ceases when the Parent company loses control over the subsidiary.

Assets, liabilities, revenue and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Upon consolidation all receivables and liabilities, income and expenses, arising from transactions between the Bank and its subsidiaries, are eliminated.

Unrealised losses are eliminated in the same way as the unrealised profit in case there are no indications of impairment. The subsidiaries' financial statements have been prepared for the same reporting period as that of the Parent Company and consistent accounting policies have been applied.

Key estimates and assumptions of high uncertainty

The preparation of the consolidated financial statements in accordance with International Financial Reporting Standards requires management to make judgements, estimates and assumptions that affect the reported amounts of income, expenses, assets and liabilities, and the disclosure of contingent liabilities at the date of the financial statements. These estimates are made on the basis of information available as of the date of the consolidated financial statements and therefore, the actual results may differ from these estimates. The items presuming a higher level of subjective assessment or complexity, or where the assumptions and accounting estimates are material for the consolidated financial statements, are disclosed in the notes below.

a) Expected credit losses on assets carried at amortised cost

Monthly, the Group reviews its loan portfolio and other assets carried at amortised cost in order to detect the amount of the expected impairment losses. When assessing the amount of the impairment loss in the consolidated statement of comprehensive income, the management of the subsidiaries within the Group considers the quantitative effect of the observable indicators and data, which indicate that there is a measurable reduction in the expected cash flows from the loan portfolio as a whole, or respectively – a decrease associated with a particular loan/component from this portfolio. Such indicators and data are those that indicate the existence of an adverse change in the payment options by the borrowers from a particular group or by a particular borrower, or the presence of national, economic or other conditions that are associated with a particular risk for a given group/type of loans.

The main indicators for determining the risk groups are the debtor's financial condition and project implementation, funded by the loan, problems with servicing, including interest in arrears and maturing principal, sources of repayment and granted collateral, as a type and opportunity for realisation.

In determining the future cash flows pattern, the Group's management uses estimates, judgments and assumptions based on its historical loss experience, adjusted with European statistical data for assets with similar credit risk characteristics, as well as objective evidence for impairment or expected impairment of the portfolio from unrealised loss in a particular component thereof.

Analogous approach is used also for assessments at individual credit exposure, with respect to individually significant loans, taking into account the quality of collateral as well. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly so as to minimize the discrepancies between loss estimates and actual loss experienced (Notes 12A and 18C).

b) Measurement of financial instruments at fair value through other comprehensive income

Equity and debt instruments not quoted on the stock market

The Group classifies as financial assets at fair value through other comprehensive income its investments held in the form of non-publicly traded companies' shares/entities (less than 33% of their capital), which have been acquired with the aim to establish and develop business relations of interest to the Group, as well as unquoted bonds. Management measures these financial assets at fair value using methods that are allowed under IFRS 13, except in cases where it has judged that the cost of acquisition (cost) better reflects their fair value, namely:

- When there is no sufficient and up-to-date information to enable it to measure the fair value; or
- When there is a large scope of eligible methods and/or resultant valuations of the fair value and the cost approximates most closely the fair value within a range of values calculated (Notes 9, 21).

Equity and debt instruments quoted on stock markets

As of 31 December 2024, the Group conducted a detailed comparative analysis of the movements on the national and foreign stock markets of the stock market prices of public companies' shares and bonds listed for dealing held by it.

For investments in securities that are listed for dealing at stock exchange markets, management has carried out research and analyses and deems that they may be subsequently carried at fair value determined directly on the basis of completed transactions in the stock market in the last month of the financial year (Level 1).

In addition, the applied prices are analysed for trends in the behaviour of stock exchange prices of the respective securities at least for the last three months of the year and respectively, to the date of issuing of the consolidated financial statements. (Notes 9, 15, 21).

The Group recognizes impairment for expected credit losses for its debt instruments in compliance with its Policy and Methodology for assessment of expected credit losses and calculation procedure.

c) Provisions for bank and loan guarantees issued

The Group has formed provisions for a portfolio of contingent liabilities for payment. The Group reviews its contingent liabilities the purpose of establishing whether any events have occurred, that would confirm to a large extent the probability that a commitment will be paid to settle an obligation. If such events occur, the Group provides its liability up to the amount of its future costs related to the outflows of economic benefits/payments. These costs/losses are determined on the basis of the present value of the future net cash flows, representing the difference between the payment obligation and the possible inflows of subsequent recourse to the guarantee user or third parties (Notes 12, 32).

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contract liabilities are measured initially at their fair values and, if not designated as at FVTPL and do not arise from a transfer of an asset, are measured subsequently at the higher of:

- the amount of the loss allowance determined in accordance with IFRS 9; and
- the amount recognised initially less, where appropriate, cumulative amortisation of recognised revenue.

d) Actuarial calculations

In assessing the present value of the long-term liabilities to employees upon retirement, actuarial methods and calculations are used based on assumptions for mortality rate, staff turnover rate, future salary levels and a discount factor considered by management as reasonable and relevant to the Group (Note 34).

e) Valuation of investment property

The fair value of investment property, which management considers reasonable and adequate for the Group, is determined by certified independent appraisers. The valuations are conducted by using various valuation techniques, such as the recoverable amount method, the method of income capitalisation, the method of market analogues, where for each method a weight is set for the purposes of achieving the final fair value of investment property at the end of the reporting period (Note 25).

f) Assets acquired from collateral foreclosure

Assets acquired from collateral foreclosure include assets acquired by the Group as a result of non-performing loans. These assets are measured at the lower of at cost and net realisable value. The net realisable value, which management considers reasonable and adequate for the Group, is determined by certified independent appraisers.

g) Fair value of financial instruments

Where the fair values of financial assets and liabilities on the consolidated statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken from the Group's historical observations and observable financial market indicators, where possible. However, where this is not feasible, a degree of judgement is required in establishing fair values. The assumptions include liquidity factors, volatility for longer derivatives and discount rates, early payments and assumptions for non-performance in connection with securities for which assets have been provided as collateral.

Changes in accounting policies and disclosures

Amendments to IFRS accounting standards that are effective for the current reporting period

The following amendments to the existing IFRS accounting standards issued by the International Accounting Standards Board (IASB) and adopted by the EU are effective for the current reporting period:

- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants (effective for annual periods beginning on or after January 1, 2024);
- Amendments to IAS 7 and IFRS 7: Supplier Finance Arrangements (effective for annual periods beginning on or after 1 January 2024);
- Amendments to IFRS 16 Leases - Lease Liability in a Sale and Leaseback (effective for annual periods beginning on or after 1 January 2024).

The adoption of the new amendments to the existing IFRS accounting standards has not led to any material changes in the Group's financial statements.

Standards issued but not yet effective and not early adopted

Standards issued but not yet effective or not early adopted up to the date of issuance of the Bank's separate financial statements are listed below.

Amendments to the existing IFRS accounting standards issued by IASB and adopted by the EU but not yet effective

At the date of authorisation of these financial statements, the following amendment to the existing IFRS accounting standards that has been issued by IASB and adopted by EU but is not yet effective has not been applied:

- Amendments to IAS 21: The Effects of Changes in Foreign Exchange Rates - Lack of Exchangeability (effective for annual periods beginning on or after 1 January 2025).

New standards and amendments to the existing IFRS accounting standards issued by IASB but not yet adopted by the EU

At present, IFRS accounting standards as adopted by the EU do not significantly differ from IFRS Accounting Standards adopted by the IASB except for the following new accounting standards and amendments to the existing accounting standards, which were not endorsed for use in EU as at the date of authorization of these consolidated financial statements (the effective dates stated below is for IFRS Accounting Standards as issued by IASB):

- IFRS 18 - Presentation and Disclosures in Financial Statements (effective for annual periods beginning on or after 1 January 2027);
- IFRS 19 - Subsidiaries without Public Accountability: Disclosures (effective for annual periods beginning on or after 1 January 2027);
- Amendments to IFRS 9 and IFRS 7 - Amendments to the Classification and Measurement of Financial Instruments (effective for annual periods beginning on or after 1 January 2026);
- Amendments to IFRS 9 and IFRS 7 - Amendments to Contracts Referencing Nature-dependent Electricity (effective for annual periods beginning on or after 1 January 2026);
- Amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7 - Annual Improvements to IFRS Accounting Standards - Volume 11 - effective for annual periods beginning on or after 1 January 2026;
- IFRS 14 Regulatory Deferral Accounts (effective for annual periods beginning on or after January 1, 2016) - the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard;
- Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date deferred by IASB indefinitely but earlier application permitted). Endorsement process postponed indefinitely until the research project on the equity method has been concluded.

The Group anticipates that the adoption of these new accounting standards and amendments to the existing IFRS Accounting Standards will have no material impact on the consolidated financial statements of the Group in the period of initial application, except for IFRS 18 which is expected to have material impact on the presentation and disclosure of information in the financial statements. The Company is in process of analysing the specific impact of IFRS 18 on its financial statements.

Hedge accounting for a portfolio of financial assets and liabilities whose principles have not been adopted by the EU remains unregulated.

According to the Group's estimates, the application of hedge accounting to a portfolio of financial assets or liabilities pursuant to **IAS 39 Financial Instruments** - Recognition and Measurement would not significantly impact the financial statements, if applied as at the reporting date.

3. MATERIAL ACCOUNTING POLICY INFORMATION

3.1 Financial instruments: classification and measurement (IFRS 9)

Financial assets

Recognition of assets

The Group recognises a financial asset or financial liability in the statement of financial position, when and only when it is part of an existing contractual relationship regulating the instrument.

The Group classifies financial assets as subsequently measured at amortised cost, at fair value through other comprehensive income or at fair value through profit or loss, as the case may be, on the grounds of:

1) a business model of the Group for financial assets management; and
2) the features of the contractual cash flow of the financial asset.

Regardless of its election with regard to the reporting approach, the Group has the option, at initial recognition, irrevocably designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

A financial asset is measured at amortised cost, if both of the following two criteria are met simultaneously:

1) The financial asset is held within a business model with the objective to collect their contractual cash flows (Hold to Collect business model); and
2) The contractual terms of the financial asset lead to generation of cash flows that are solely payments of principal and interest on the outstanding interest, on specific dates (SPPI).

A financial asset is measured at fair value through other comprehensive income, if both of the following two criteria are met simultaneously:

1) The financial asset is held within a business model with the objective to collect the contractual cash flows and sell the financial asset; and
2) The contractual terms of the financial asset lead to generation of cash flows that are solely payments of principal and interest on the outstanding interest, on specific dates.

A financial asset is measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through other comprehensive income in accordance with the above criteria.

Upon initial recognition, the Group may make an irrevocable choice to include in fair value through other comprehensive income subsequent changes to an investment in an equity instrument that is not held for trading or is not a contingent remuneration recognised by a transferee in a business combination to which IFRS 3 applies.

Reclassification of financial assets

When and only when the Group changes its business model for financial asset management, it reclassifies all financial assets affected, in line with the asset classification requirements. If the Group applies such reclassification to financial assets, it shall apply it in the future, from the first day of the first reporting period following the change in business model that results in reclassifying the financial assets. The Group does not recalculate previously recognised profits, losses (including gains or impairment losses) or interest.

Measurement and reporting

Upon initial recognition, in the case of a financial asset or financial liability not stated at fair value through profit or loss, the Group measures a financial asset or a financial liability at fair value, taking into account as a probable increase and/or decrease the transaction costs which are directly related to the acquisition or origination of the financial asset or financial liability.

Determination of a business model

The Group defines the "business model with the objective to collect their contractual cash flows (Hold to Collect business model)" as a business model where the Group's financial assets are managed with the objective to generate cash flows through collection of contractual cash flows over the instrument's lifetime. The Group may use this business model in the event of converting the sale of assets with increased credit risk or in order to reduce the concentration risk. These financial assets are carried at amortised cost if as described above an additional criterion is met that the contractual terms of the financial asset give rise to cash flows, which are only principal payments and interest on outstanding principal, on specific dates (SPPI).

The Group defines the "business model with the objective to collect the contractual cash flows and sell the financial asset" as a business model where the Group's key management staff have decided that the collection of contractual cash flows and the sale of financial assets are an integral part of the achievement of the business model's objective and includes much more frequent and of higher value sales of financial assets than a business model with the main purpose of holding financial assets to collect contractual cash flows.

These assets are reported as financial assets at fair value through other comprehensive income, if as described above an additional criterion is met that the contractual terms of the financial asset give rise to cash flows, which are only principal payments and interest on outstanding principal, on specific dates (SPPI).

The Group defines "other business models" as a business model that does not include the holding of financial assets for the purpose of collecting contractual cash flows or for the simultaneous collecting of contractual cash flows and selling financial assets. Typically, this process involves actively buying and selling financial assets. These assets are reported as financial assets at fair value through profit or loss.

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and renegotiation or modification does not result in the write-off of that financial asset in accordance with IFRS 9, the Group recalculates the gross carrying amount of the financial asset and recognises profit or loss from modification in profit or loss. The gross carrying amount of the financial asset shall be restated as the present value of renegotiated or modified contractual cash flows discounted at the initial effective interest rate on the financial asset (or the credit loss-adjusted effective interest rate for purchased or originated credit impaired financial assets) or, where applicable, the revised effective interest rate, calculated in accordance with paragraph 6.5.10 of IFRS 9. The carrying amount of the modified financial asset shall be adjusted for any incurred costs and charges that are depreciated for the remaining duration of the modified financial asset.

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or the Group transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial asset, which is created or retained by the Group, is recognised as a separate asset or liability.

In certain circumstances, renegotiating or modifying the contractual cash flows of a financial asset may result in the write-off of the existing financial asset in accordance with the standard. Where the modification of a financial asset results in the write-off of the existing financial asset and subsequent recognition of the modified financial asset, the modified asset shall be considered a "new" financial asset for the purposes of IFRS 9.

Financial assets and liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group has a legal right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

The Group recognizes the following non-derivative financial assets:

- financial assets at fair value through other comprehensive income;
- financial assets at amortised cost;

Financial assets at amortized cost

Financial assets measured at amortized cost include cash and cash equivalents, receivables from banks, customer loans and advances, receivables from the State budget, securities and trade and other receivables.

Financial assets measured at amortised cost are financial assets which are held within a "held to collect" business model and that are 'solely payments of principal and interest (SPPI)'. The Group holds such financial assets within a business model with the objective to hold financial assets in order to collect contractual cash flows within the life of the asset. Such assets are initially measured at fair value plus incremental direct transaction costs. Subsequently, these financial assets are measured at their amortised cost using the effective interest method, less any impairment losses.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts for the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset or to the amortized cost of a financial liability. In calculating the effective interest rate, the expected cash flows are estimated taking into account all contractual terms and conditions under the financial instrument (for example early repayment options, extension options, call options and similar), excluding expected credit losses.

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

The companies in the Group accrue impairment for expected credit losses on financial assets at amortized cost for each specific asset, or at portfolio basis, when forming homogeneous portfolios with similar characteristics and risk profiles.

Financial assets at fair value through other comprehensive income

Financial assets measured at fair value through other comprehensive income include equity and debt instruments, and certain cases of loans. Financial assets measured at fair value through other comprehensive income are assets acquired under a business model with the objective of both holding to collect contractual cash flows and selling the financial assets.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

1) the financial asset is held within a business model whose objective is both collecting contractual cash flows and selling the financial assets; and
2) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The debt instruments are initially measured at fair value plus transaction costs. Subsequently, changes in the carrying amount of these debt instruments as a result of foreign exchange gains and losses, impairment gains or losses, and interest income calculated using the effective interest method are recognised in profit or loss. When an investment is derecognised, the accumulated gains or losses through other comprehensive income are reclassified to profit or loss.

On initial recognition, the Group may make an irrevocable election (on an instrument by instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised through other comprehensive income and accumulated in the revaluation reserve.

The cumulative gain or loss is not reclassified to profit or loss on disposal of the equity investments, instead, it is transferred to reserves.

Dividends on these investments in equity instruments are recognised in profit or loss in accordance with IFRS 9 unless the dividends clearly represent a recovery of part of the cost of the investment. Upon disposal of equity instruments from this category each amount recognized in the revaluation reserve of the instruments is reclassified to retained earnings.

Assets under trust management

The Group provides trust management services that include holding of or investing in assets on behalf of customers. Assets held under trust management, unless certain recognition criteria have been met, are not included in the Group's financial statements since they are not assets of the Group.

Bulgarian Development Bank EAD performs services in its capacity as an investment intermediary in accordance with the provisions of the Public Offering of Securities Act (POSA). Being an investment intermediary, the Group is obliged to comply with certain requirements in order to protect its customers' interests in accordance with the Markets in Financial Instruments Act (MFIA) and Ordinance 38, issued by the Financial Supervision Commission (FSC). Moreover, the Group should also observe the requirements of Directive 2014/65/EC on the Markets in Financial Instruments (MiFID II) and Regulation 600/2014 of the EU on the Markets in Financial Instruments (MiFIR).

The Group has developed and implements organization relating to the conclusion and performance of contracts with customers, the requirement of information from customers, keeping records and storage of client's assets, in compliance with the provisions of the above-mentioned National and European legal acts. The Group has implemented a system of in-house internal control rules and procedures aiming at ensuring its full compliance with the bodies of legislation mentioned above.

Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL. Financial liabilities that are not contingent consideration of an acquirer in a business combination, held-for-trading, or designated as at FVTPL, are measured subsequently at amortised cost using the effective interest method.

Initially, they are stated at fair value of cash flows received on the origination of the liability, less any transaction costs. Subsequently, any difference between the net cash flows and the residual value is recognised in profit or loss for the period using the effective interest rate method over the term of the liability. The financial liabilities reported by the Group as deposits, borrowings and securities issued are stated at amortised cost.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument, or, where appropriate, a shorter period, to the gross carrying amount of financial asset or to the amortised cost of financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses.

The calculation includes all charges and other fees paid to or received by the contractors that are an integral part of the effective interest rate.

Derecognition of financial instruments

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised when:

1) the contractual rights to receive cash flows from the financial asset have expired;
2) the contractual rights to receive cash flows from the financial assets have been transferred, or contractual rights to receive cash flows from the financial asset have been retained, but a contractual obligation has been assumed for their payment in full without material delay to a third party under a 'pass through' arrangement, and either:
   - the Group has transferred substantially all the risks and rewards of the financial asset; or
   - the Group has neither transferred nor retained substantially all the risks and rewards of the financial asset but has transferred control of the asset.

When the Group has transferred its contractual rights to receive cash flows from a financial asset and has neither transferred nor retained substantially all the risks and rewards of the financial asset nor transferred control of the asset, the transferred financial asset is recognised to the extent of the Group's continuing involvement in the asset. In this case, the Group recognises the related obligation. The transferred asset and the concomitant obligation are evaluated to reflect the rights and obligations, which the Group has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Full or partial write-off of receivables is initiated in the presence of the respective amount set aside for the specific exposure and at the discretion of the Group company for their uncollectibility, respectively incomplete collection, within the usual period, which assessment is based on some the following circumstances:

1. The court actions taken under the Civil Procedure Code, the PPA and the CA have been exhausted and / or the initiation of court actions (respectively the continuation of such actions already taken) is pointless and this has been confirmed by the Legal Department;
2. All collateral has been realized in the course of the court actions;
3. There are no additional discovered properties or other assets owned by the debtor and/or the guarantors and severally liable debtors;
4. Additionally discovered properties or other assets owned by the debtor and/or the guarantors and severally liable debtors are non-sequestrable, i.e. the Group cannot undertake executive actions towards them, or they are of insignificant value compared to the residual debt;
5. The Group is not expected to collect amounts from foreclosures of shares of the main debtor and/or of the guarantors and severally liable debtors (if any) in companies and subsequent liquidation of these companies (in case it makes economic sense to initiate such liquidation);

6. There are no reasonable expectations for receiving cash flow from the initiation/ continuation of legal actions in respect of the remaining collateral established in favour of the Group, as it is determined on the basis of relevant legal opinion as unrealizable or difficult to implement due to insurmountable problems of legal nature, or there are real encumbrances in favour of another creditor in sequence prior to the established collateral in favour of the Group;
7. The costs for compulsory sale (under Commerce Act, Civil Procedure Code or Special Pledges Act) of the debtor's property and/or of the guarantors and severally liable debtors (if any) would exceed the Group's expected proceeds from the sale or the reduced value acceptable for the Group;
8. As a result of an analysis of the security and the possibilities for repayment of the exposure, it has been established that it is not expected to be collected in full;
9. An order has been issued to initiate insolvency proceedings and their suspension, following a court finding that their assets are insufficient to cover the insolvency costs and, at the same time, no severally debtors are available.

In accordance with its Procedure on writing off receivables, the Group also writes off receivables on the basis of a final assessment of collectability, regardless of the delay in the usual procedural period, which assessment is caused by the presence of any of the following circumstances:

- For borrowers, severally liable debtors and guarantors who are legal entities - when traders are written off.
- For borrowers, severally liable debtors and guarantors who are natural persons - a deceased person without accepted inheritance, or without heirs.
- If the following circumstances are present (cumulative):
  - all possible enforcement actions for collection of the receivable have been exhausted, or in case there is property owned by any of the liable persons, the costs for its forced sale (under Commerce Act, Civil Procedure Code or Special Pledges Act) would exceed the expected revenues of the Group from the sale or the reduced value acceptable for the Group.
  - no more income is expected for repayment of debts - both from enforcement actions and from voluntary repayments.
  - the costs related to taking action to write off the company from the Commercial Register are an expense that is not expected to be reimbursed.

Impairment of financial assets

IFRS 9 requires the recognition of a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCI, lease receivables, trade receivables and contract assets, as well as on financial guarantee contracts. The amount of the impairment depends on the probability of default of the debtor over the next 12 months after initial recognition, unless there has been a significant increase in credit risk, which requires the estimation of expected credit losses (ECL) over the lifetime of the financial asset.

The estimate of ECLs is based on all available, reasonable and justified information at the reporting date for past events, the current situation and the use of relevant macroeconomic indicators and reliable forecasts of future economic conditions. Every year, the Group analyses the impact of various measurable macroeconomic factors on the behaviour of loans in the portfolio and integrates into the models for calculating expected credit losses those that historically show statistically significant correlations - positive or negative - with cases of default and loss volumes.

For the years ended 31 December 2024 and 31 December 2023, based on the analysis of correlations between various macro factors and the level of non-performing loans, the Group updated its impairment models, including GDP growth (Bulgaria), the unemployment rate and oil prices. The weights of the last two factors are optimized for maximum correlation.

The expected credit losses are measured on the basis of three macroeconomic scenarios – realistic, negative and optimistic, which are used in the calculation of the impairment by applying different weights. For exposures that exceed BGN 5,000 thousand at related party group level or exposures classified in Stage 3, the determination of the impairment amount required for expected credit losses is made on an individual basis and, for the others, on a portfolio basis. The results obtained can be further adjusted and expected credit losses increased or reduced to reflect future risks that cannot be modelled (mainly, legislative or regulatory). The existence of such risks is established in the periodic analyses of the exposures carried out by the Group. The prepared individual impairment tests are reported by the responsible business units and “Risk” division to the Impairment and Provisions Committee, which reports to the competent bodies in the Group in order to decide on a change of classification, to establish the existence of a restructuring and/or the amount of the impairment provision required.

The Group has drawn up a methodology that introduces criteria for classifying financial assets in three categories (the so-called “stages”), transfer criteria between them and setting an impairment amount depending on the stage in which the underlying asset is classified. The stages and their characteristics are described below:

- Stage 1 – Standard - includes financial assets without a significant increase in credit risk after initial recognition. The impairment of those assets is based on the probability of default of the debtor over the next 12 months or for a shorter period if the life of the instrument is shorter than one year;
- Stage 2 – Watch - includes financial assets with a significant increase in credit risk after initial recognition. Such an increase is presumed if the loan is past due for more than 30 days; the debtor is placed on watch; the debtor's credit rating has deteriorated at the reporting date compared to its rating on the date of recognition of the instrument, or the Group expects the credit to be restructured. In this case, the expected credit losses are calculated for the entire lifetime of the asset;

- Stage 3 – Non-performing - includes assets, for which objective evidence exists that they are impaired, such as non-performing loans. The Group has set specific criteria that determine when a debtor is in default. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after initial recognition of the asset, and this loss event has affected the expected future cash flows of that asset, which can be measured reliably. The expected credit losses for these instruments are also calculated for the entire lifetime of the instrument.

The absolute threshold for the transfer of credits among the levels is linked to the internal credit rating determined by the Group of the borrower concerned. The Group has set a credit rating of 7 as a transition limit to move to Stage 2 and credit rating 8 to move to Stage 3. In addition, the Group monitors relative indicators of increased credit risk in order to determine whether there is a significant deterioration in the risk of exposure default. These indicators are set out in the Policy and Rules for Calculation of Expected Credit Losses and Exposures' Impairment of BDB and are presented in Note 4.1.

Objective evidence a financial asset is impaired includes default or delinquency by a borrower, restructuring of a liability to the Group on terms that the Group would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, adverse changes in the payment status of a borrower or issuer, economic conditions that lead to failures or the disappearance of an active market for a security. Any asset with default contractual payments over 90 days is categorized as "non-performing" and is classified in Stage 3.

Purchased or originated credit-impaired financial assets are assets that are credit-impaired at initial recognition. For these assets, the Group recognises all changes in lifetime expected credit loss since initial recognition as a loss allowance with any changes recognised in profit or loss. A favourable change in the condition of such assets is stated as revaluation gain.

Financial assets measured at amortised cost

The Group considers evidence for impairment of financial assets measured at amortised cost at both individual and collective level. Assets with similar risk characteristics are collectively assessed for impairment.

In assessing collective impairment, the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred. Impairment losses on financial assets measured at amortised cost are calculated as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e., the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

Pursuant to the Policy and Rules for Calculation of Expected Credit Losses and Exposures' Impairment, impairment on a collective (portfolio) basis is carried out in accordance with the methodology adopted by the Group, on portfolios or sub-portfolios of exposures with similar risk characteristics and depending on the established level of credit risk, remaining term to maturity, and other characteristics affecting potential default at the portfolio level.

Currently, the Group has designated as a portfolio for collective impairment its receivables on Energy Efficiency of Multi-Family Residential Buildings National Programme (EEMFRBNP), receivables on lease contracts, and all receivables below BGN 5 million which are not subject to individual measurement.

For the Group, impairment on an individual basis means (again, as defined in the same Policy) an assessment of the expected credit losses based on the exposure's individual parameters:

1. When the exposure is in Stage 3, an individual model is applied to the expected future cash flows from collateral realisation.

2. When the exposure is in Stage 1 or 2 the Group applies:

    a. a tool to compare the exposure's individual characteristics (such as maturity, payment models, sectors, etc.) with probabilities of non-performance, which have been observed historically with respect to similar exposures, as well as macroeconomic parameter, sector specifics, etc., or

    b. an individual matrix for expected future cash flows from operations under going concern scenarios in several (at least two) scenarios with the respective weights with a total amount equal to the probability that no default will occur, as well as an individual matrix for the expected future cash flows from the disposal of collateral in a "non-going concern" scenario with a weight equal to the probability of default.

For exposures above BGN 5,000 thousand these reviews are individual and for amounts below this threshold – on portfolio basis.

Financial assets measured at fair value through other comprehensive income

For debt instruments measured at FVTOCI a loss allowance is recognised in the statement of financial position. Since the carrying amount equals the fair value, the impairment loss is included as part of the revaluation reserve in the investment revaluation reserve.

For equity instruments no loss allowance is recognised and every movement in the fair value is recognised in other comprehensive income until final sale or derecognition of the security.

Financial guarantees contracts and credit risk guarantees

Financial guarantee contracts are subject to analysis and impairment according to the expected credit loss analysis model. As far as no payment has occurred under these contracts, a conversion coefficient is applied, which may be between zero and one determined on the basis of historical experience, the Group's understanding of the specific future financing needs of debtors and other relevant forward-looking information. Financial guarantee contracts under which payment on behalf of the Group has occurred are impaired as loans to the respective beneficiary.

The credit risk guarantees assumed by BDB under the COVID-19 pandemic response programmes are analysed and impaired in accordance with a separate model developed by the Group, taking into account the specifics of both the programmes (see subsection "Contingent commitments" in section 4.1 Credit risk, as well as notes 32 and 37) and the beneficiaries, as well as historical data on losses of similar credit products on the Bulgarian market. The calculated provision rates as of 31 December 2024 are 31.5% under the loan guarantee program for legal entities and 31.7% under the loan guarantee program for individuals and freelance (as of 31 December 2023: 27.6% and 34%, respectively).

As of the end of 2024 the provisions amount to BGN 90,289 thousand (as of 31 December 2023: BGN 111,845 thousand) (see notes 32 and 37).

Fair value of financial assets and liabilities (IFRS 13)

Definitions

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Group discloses information about the fair value of those assets and liabilities for which there is market information available and the fair value of which significantly differs from their carrying amount.

The fair values of financial assets and liabilities that are quoted in active markets and for which there is market information available are based on announced market prices or closing prices. The use of real market prices and information reduces the need for management assessment and assumptions, as well as the uncertainty related to the determination of fair value.

The availability of real market prices and information varies depending on products and markets, and changes according to the specific events and the general financial market conditions. For some of the other financial instruments the Group determines the fair values by using of an evaluation method based on the net present value.

The net present value calculation is provided by market yield curves and credit spreads, where necessary, for the respective instrument. The purpose of evaluation techniques is to determine fair value, which would be determined by direct market participants. The Group has established control environment with respect to the assessment of fair values.

The fair values of financial instruments not traded in active markets (such as derivatives not traded on the market), which are an object of a transaction between the parties, are determined using valuation techniques. These valuation techniques adhere to the use of market data when available and as less as possible to the use of specific assessments of the Group.

The fair value of equity assets not traded on the market (shares and interests in companies) is measured using one or more eligible measurement methods under IFRS 13, except where the Group has considered that the cost of acquisition (cost) best reflects fair value. These methods are:

- The market method - using prices and other relevant information generated by market transactions that relate to similar or identical assets, liabilities or groups of assets and liabilities (businesses)
- The cost method - using the amounts that would currently be needed to replace a specific asset or build a similar capacity and functionality asset (present value of replacement)
- The income method - which converts future amounts (cash flows or income and expenses) into a single current (discounted) amount, reflecting current market expectations for these future amounts.

The choice of method used depends on the characteristics of the business, the ability to identify similar transactions or similar companies, as well as the expected return associated with the structure of the transaction. Upon subsequent measurement, the Group takes into account the methods used in the initial / previous fair value measurement and analyses the differences in values between the periods. When changing methods and / or weights, the Group provides justification as to why it is necessary and how the new approach reflects as much as possible the fair value, as well as its change over time.

The Group classifies as financial assets at fair value through other comprehensive income its investments held in the form of non-publicly traded companies' shares/entities (less than 34% of their capital), which have been acquired with the aim to develop their business and non-publicly traded companies' bonds. The Group measures these financial assets at fair value using eligible measurement methods under IFRS 13, except where it has been considered that the cost of acquisition (cost) best reflects fair value.

Fair Value Hierarchy

The Group applies the following hierarchy for measuring and disclosing the fair value of financial instruments using valuation techniques:

- Level 1 – quoted (unadjusted) market prices in active markets for identical instruments;
- Level 2 – inputs other than quoted prices included within Level 1 that are observable either directly or indirectly. 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 in which all significant inputs are directly or indirectly observable from market data;
- Level 3 – unobservable inputs for an asset or a liability. This category includes all instruments, for which the valuation technique does not include observable inputs and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The fair value hierarchy of financial assets and liabilities is disclosed in Note 5.

Cash and cash equivalents

For the purposes of the cash flow statement cash equivalents comprise cash in hand, cash in current accounts with other banks, deposits and placements with other banks – payable at sight and/or with original maturity of up to 3 months, including repo deals with original maturity of up to 3 months, as well as unrestricted (not blocked) balances with central banks (BNB). The Group maintains minimum statutory reserves according to the requirements of BNB and for the purposes of cash flow statement it includes these funds included as a component of Cash and cash equivalents. They are presented in the consolidated statement of financial position at amortised cost.

For the purposes of preparation of the consolidated cash flow statement, bank overdrafts payable on demand and forming an integral part of the Group’s cash management are included as a component of Cash and cash equivalents.

Leases (IFRS 16)

IFRS 16 defines the principles of recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e., the customer ("lessee") and the supplier ("lessor").

The Group as a lessor

Leases where a company from the Group is a lessor are classified as a finance or operating lease. In cases when under the lease contract all the risks and rewards of using the asset are transferred to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

On the inception date of the lease, the Group recognises the assets held under a finance lease agreement in its statement of financial position and presents them as a receivable at an amount which is equal to the net investment in the lease.

The Group uses the interest rate set in the lease to determine the amount of the net investment. The interest rate set in the lease is fixed so that the initial direct costs are automatically included in the net investment.

Finance lease income is allocated during accounting periods to reflect a constant recurring rate of return on the Group's net investment.

Any modification to a lease is assessed and reflected in accordance with the requirements of IFRS 16 Leases.

The starting date of including a lease contract in the portfolio of a company of the Group is the date of providing the asset for use by the lessee by signing the acceptance – transfer protocol for the asset. In the assets of the statement of financial position the finance lease receivable is reported based on effective principal. Interest is recognised as income per month by the effective interest method.

The Group applies the derecognition and impairment requirements of financial assets under IFRS 9 Financial Instruments.

A seized asset under a terminated contract is reported as an asset for sale and is subject to subsequent disposal – direct sale or new lease. It is not reported as a fixed tangible asset unless it is offered under an operating lease agreement. Assets held for operating lease purposes are recognized as property, plant, equipment in the statement of financial position of the company /lessor/.

3.2 Other assets

Taxes (IAS 12)

Current income taxes are determined by the Group in accordance with the Bulgarian legislation. The income tax due is calculated on the basis of the taxable profit for the period determined in accordance with the rules established by the tax authorities on the grounds of which taxes are paid (reversed).

The tax effect relating to transactions and other events reported in the statement of comprehensive income is recognised also in the statement of comprehensive income and the tax effect relating to transactions and other events reported directly in equity is also recognised directly in equity.

Deferred income tax liabilities are recognised for all taxable temporary differences, except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that at the time of the transaction affects neither the accounting profit nor taxable profit or (taxable loss).

Deferred income tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised except where the deferred income tax asset arises from the initial recognition of an asset or liability in a transaction that at the time of the transaction affects neither the accounting profit nor taxable profit or (loss).

Deferred taxes are recognised as income or expense and are included in the net profit for the period, except in cases, when these taxes arise from transactions or events, reported for the same or another period directly in equity. Deferred taxes are charged to or deducted directly from equity, when they relate to items, which have been charged to or deducted from equity in the same or in a different period.

Property, plant and equipment (IAS 16)

Items of property, plant and equipment are presented on the consolidated financial statements at historical cost of acquisition, less any accumulated depreciation and impairment losses. The Group recognises a fixed asset when its value is equal to, or exceeds, BGN 700.

Initial recognition

Upon their initial acquisition, items of property, plant and equipment are valued at acquisition cost, which comprises the purchase price, including customs duties and any directly attributable costs of bringing the asset to working condition. Directly attributable costs include: costs for site preparation, initial delivery and handling costs, installation costs, professional fees for people involved in the project, non-refundable taxes, etc.

Subsequent measurement

The approach chosen by the Group for subsequent measurement of property, plant and equipment, is the cost model under IAS 16 – acquisition cost less any accumulated depreciation and any accumulated impairment losses.

Any gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised net in other operating income/expenses in profit or loss.

Depreciation method

The Group applies the straight-line depreciation method for property, plant and equipment. The useful life per group of assets is as follows:

- buildings – 50 years
- bank equipment and computers – 5 years
- motor vehicles – 5 years
- fixtures and fittings – 7 years

The useful life by groups was not changed compared to 2023.

The useful life of the individual groups of assets is determined by the management considering: their physical wear and tear, features of the equipment, intentions for future use and expected obsolescence. The useful life of equipment is reviewed at each year-end and adjusted prospectively in case that any material deviations from future expectations concerning the terms of use are found.

Subsequent costs

Repair and maintenance expenses are recognised as current in the period in which they were incurred. Subsequent expenses relating to an item of property, plant and equipment that have the nature of replacement of certain components or improvements and restructuring are capitalised to the carrying amount of the relevant asset and its remaining useful life to the date of capitalisation is reassessed accordingly. At the same time, the unamortised portion of replaced components is derecognised from the assets’ carrying amount and recognised as current expenses for the period of restructure.

Intangible assets (IAS 38)

Intangible assets are presented on the consolidated financial statements at cost less accumulated amortisation and any accumulated impairment losses. They include software products and software licences.

The Group applies the straight-line depreciation method for the intangible assets with a determined useful life of 5 years.

Impairment of property, plant and equipment and intangible assets

The carrying amount of property, plant and equipment and intangible assets is subject to review for impairment when events or changes in circumstances indicate that their carrying amount might exceed their recoverable amount. Impairment losses are recognised in the consolidated statement of comprehensive income.

Property, plant and equipment and intangible assets are derecognised from the consolidated financial statements when permanently withdrawn from use, when no future economic benefits are expected from their use or on disposal. Any gains or losses on disposal of individual assets from the groups of property, plant and equipment and intangible assets (defined as the difference between the net sales proceeds and the carrying amount of the asset at the date of sale) are recognized net in Other operating income / expenses in the statement of comprehensive income.

Investment property (IAS 40)

The Group's management uses this category upon lease of assets acquired from collateral foreclosure on loans. Investment property is measured initially at cost plus any transaction costs. Subsequent to initial recognition, investment property is recognised at fair value.

Any gain or loss due to changes in the fair value of investment property is recognised in the profit or loss in the period in which it has occurred. The fair value of investment property is determined on the basis of a valuation made by an independent appraiser.

Investment property rental income is presented as other operating income, while operating expenses directly or indirectly relating to the generated rental income are presented as other operating expenses. Investment property is derecognised on disposal or upon withdrawal from use (retirement) when no future economic benefits are expected from its disposal. Any gains or losses on derecognition of investment property are recognised in the profit or loss in the period in which they have occurred.

Assets held for sale (IFRS 5)

Assets are classified as held for sale, if their carrying amount will be recovered through a sale and not through a continuing use in the Group's operations or through renting or lease. Assets held for sale are stated initially at cost, with the transaction costs being taken into account in the initial measurement. Usually, these assets have been initially accepted by the Group as collateral and subsequently acquired as a result of a "debt against property" exchange by borrowers that do not perform their obligations in accordance with the agreed contractual terms.

Assets classified in this group are available for immediate sale in their present condition. Management is usually engaged actively and performs actions to realise a sale transaction within at least one year after the date of classification of the asset in this group.

Assets classified as held for sale are presented in the consolidated statement of financial position separately and measured at the lower of their carrying amount and their fair value less the estimated direct costs to sell.

The assets within this classification group are not depreciated.

If these assets are not realised within 12 months or 24 months in case the requirements of IFRS 5 for term extension are met, they are transferred to Assets, acquired from collateral foreclosure.

Assets acquired from collateral foreclosure (IAS 2)

Assets acquired from collateral foreclosure and initially classified as Assets held for sale for which the requirements of IFRS 5 are not met, are transferred to Assets acquired from collateral foreclosure. They are measured at the lower of cost and net realisable value in compliance with the requirements of IAS 2 Inventories.

Cost of the assets acquired from collateral foreclosure is the sum of all direct costs incurred on the acquisition of the assets and other expenses incurred on bringing them to their current location and condition. The net realisable value is the estimated selling price in the ordinary course of business less estimated costs to complete the trade cycle and costs to sell.

The impairment of these assets is calculated in accordance with the Group's accounting policy based on the expected realisation of the assets acquired from collateral foreclosure. The impairment of the assets acquired from collateral foreclosure is recognised in the statement of comprehensive income. The Group's management is of the opinion that the carrying amount of the assets acquired from collateral foreclosure is the best estimate of their net realisable value at the date of the statement of financial position. Further details are provided in Note 27.

Impairment of non-financial assets (IAS 36)

The carrying amounts of the Group's non-financial assets, other than investment property, inventory and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indications exist, then the asset's recoverable amount is estimated. For intangible assets with indefinite useful life or not yet brought into use, the recoverable amount is estimated annually. An impairment loss is recognised always when the carrying amount of an asset or a cash-generating unit (CGU) exceeds its recoverable amount.

The recoverable amount of an asset or CGU is the greater of value in use and fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using the pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

For impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

Impairment losses are recognised in profit or loss. Impairment losses recognised with respect to CGUs are allocated to reduce the carrying amount of the assets in the CGU on a pro rata basis.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised.

3.3. Liabilities

Leases (IFRS 16)

The Group as a lessee

The companies from the Group assess whether a contract is or contains a lease, at inception of the contract.

The companies from the Group recognise a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which they are the lessees, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease.

The lease liability is initially measured at the present value of the lease payments discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the companies from the Group use their incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- 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; and
- 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 presented in a separate item in the consolidated statement of financial position under Lease Liabilities.

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.

Pension and other payables to personnel under the social security and labour legislation (IAS 19)

According to the Bulgarian legislation, the Group is obliged to pay contributions to social security and health insurance funds. The employment relations of the employees with the Group, in its capacity of an employer, are based on the provisions of the Labour Code.

Short-term employee benefits

Short-term employee benefits of the Group in the form of salaries, bonuses and social payments and benefits are recognised as an expense in the consolidated statement of comprehensive income in the period in which the respective service has been rendered or the requirements for their receipt have been met, and as a current liability at their undiscounted amount. The Group's obligations to make social security and health insurance contributions are recognised as a current expense and liability at their undiscounted amount together and in the period of accrual of the respective benefits they relate to.

At the end of each reporting period the Group assesses and reports the expected costs of accumulating compensated absences as the amount that is expected to be paid as a result of the unused entitlement. The assessment includes the estimated costs of employee's remuneration and the statutory social security and health insurance contributions owed by the employer on these amounts.

Long-term retirement benefits

In accordance with the requirements of the Labour Code, the employer is obliged to pay to its personnel upon retirement an indemnity that depending on the length of service with the entity varies between two and six gross monthly salaries as of the date of employment termination. In their nature, these are defined benefit plans.

The calculation of the amount of these liabilities requires the involvement of qualified actuaries in order to determine their present value at the date of the consolidated financial statements, at which they are included in the consolidated statement of financial position, adjusted with the amount of the actuarial gains and losses, and respectively, the change in their value, including the recognised actuarial gains and losses – in other comprehensive income.

Past service costs are recognised immediately in the consolidated statement of comprehensive income in the period in which they were incurred.

At the end of each reporting period, the Group assigns certified actuaries who issue a report with calculations regarding the long-term retirement benefit obligations. For the purpose, they apply the Projected Unit Credit Method. The present value of the defined benefit obligation is determined by discounting the future cash flows, which are expected to be paid within the maturity of this obligation, and by applying the interest rates of long-term government bonds denominated in Bulgarian leva.

Actuarial gains and losses arise from changes in the actuarial assumptions and experience adjustments. Actuarial gains and losses from changes in demographic and financial assumptions upon retirement for assured length of service and age are recognised in the consolidated statement of comprehensive income.

Termination benefits

In accordance with the provisions of the Labour Code, the employer is obliged, upon termination of an employment contract prior to retirement, to pay indemnities as follows:

- for non-observed preliminary notice: one gross monthly salary;
- due to closing down the enterprise or part of it, outlays, reduction of the volume of work and work stoppage for more than 15 days, etc.: one gross monthly salary;
- upon termination of the employment contract due to illness: two gross monthly salaries;
- for unused annual paid leave: for the respective years of the time recognised as service period.

The Group recognises employee benefit obligations in the event of employment termination before the normal retirement date when it is demonstrably committed, based on an announced plan, to either terminating the employment of current employees without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits failing due more than 12 months are discounted to and presented in the consolidated statement of financial position at present value.

Provisions and contingent liabilities (IAS 37)

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the liability. Provisions are measured on the basis of the best management’s estimate at the end of reporting period of the expenses necessary to settle the particular obligation. The estimate is discounted if the obligation is long-term.

Contingent liabilities are obligations arising from past events, the existence of which can be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not entirely within the control of the Group, or it is not probable that an outflow of resources will be required to settle the obligation. They are not recognised in the consolidated statement of financial position but are subject to special disclosure.

Financial guarantee contracts (IFRS 9)

Financial guarantee contracts are contracts that require the issuer of the guarantee to make specified payments to reimburse the holder as a result of the failure of a third party - debtor to comply with commitments made that have been guaranteed. Financial guarantee contracts are initially measured at fair value, whereas it is accepted that the guarantee’s fair value on the date of its issuance is the premium received at inception, if any. No receivables for the future premiums are recognized. Commission fee income is deferred on a straight-line basis over the period, to which such fees refer.

Subsequently, the Group’s liabilities under financial guarantee contracts are measured at the higher of the amount of the loss allowance determined in accordance with IFRS 9; and the amount initially recognised less, where appropriate, cumulative amount of income recognised in accordance with the Group’s revenue recognition policies. The expected credit losses, related to the financial guarantees issued, are recognised in the statement of comprehensive income, under the heading Impairment of financial assets. The likelihood of an obligation for payment by the Group under such contracts is estimated based on historical experience with similar instruments.

3.4 Capital

Share capital

The share capital is stated at the nominal value of shares issued and paid. Any proceeds from shares issued over their nominal value are reported as share premium.

Expenses directly relating to the issuance of new shares are deducted from the capital net of any associated taxes. Dividends on ordinary shares are recognised in the period in which they were approved by the shareholders. Dividends for the period, which have been announced after the date of preparation of the financial statements, are disclosed as events after the date of the financial statements.

Dividends

An obligation for cash payables to the owners is recognised when the distribution has been approved by them and no longer depends on the Group. The corresponding amount is written off directly from equity.

3.5 Income and expenses

Interest income and interest expenses (IFRS 9)

Interest income and interest expenses are recognised in the statement of comprehensive income on an accrual basis for all interest-bearing instruments except for those measured at fair value through profit or loss, using the effective interest rate method based on the actual price of acquisition and the applicable interest rate. Interest income and interest expenses include the amortisation of any discount or premium, or any other differences between the original carrying amount of an interest-bearing instrument and its amount at maturity calculated on an effective interest rate basis.

Interest income includes interest income on debt instruments measured at fair value through other comprehensive income, interest on deposits with other banks, interest on loans and advances to customers, fees and commissions on loans and advances to customers, which are an integral part of the effective yield of the financial instrument.

Interest expense is recognised on an accrual basis and comprises the interest accrued on deposits of customers and banks, as well as on loans received and other borrowings, fees and commissions on loans received, which form an integral part of the effective interest expense.

For exposures classified in Stages 1 and 2, the Group recognizes interest income based on the effective interest rate method accrued on their gross carrying. For exposures classified in Stage 3, the Group recognizes interest income based on the effective interest rate method accrued on their amortised cost, less impairment for expected credit losses.

The Group also holds investments and assets in countries with negative interest rate levels. The Group discloses the interest paid on such assets as interest expense with additional disclosure in Note 6.

Revenue from contracts with customers (IFRS 15)

Under IFRS 15 a five-step model is applied to account for revenue arising from contracts with customers, regardless of the type if transaction or industry, requiring the Group (1) to identify the contracts with customers, (2) to identify the performance obligations in the contracts, (3) to determine the transaction price, (4) to allocate the transaction price to the performance obligations, and (5) to recognise revenue when each performance obligation is satisfied.

The Group has identified the following performance obligations under IFRS 15:

- Transaction-related services – revenue is recognised over time because the customer simultaneously receives and consumes the benefits. Due to the short time period of performance of the service revenue is recognised at the time of its provision. The fees for these services are based on the Bank’s tariff and represent a fixed amount per transaction corresponding to the customers' benefit transferred. Considering the above circumstances, the Group applies the practical expedient under IFRS 15, paragraph B16, namely, to recognise revenue in an amount it has the right to withhold in accordance with the Tariff.

- Issuance of guarantees and letters of credit – revenue is recognized over time because the customer simultaneously receives and consumes the benefits. The transfer of the benefits to the customer is consistent over time and thus, the Group uses a straight-line method for measuring the progress of the contract, which in turn results in a straight-line amortisation of the fees over the contracted period. The fees for these services are fixed, calculated depending on the amount of the guarantee or the letter of credit.

- Deposit maintenance – revenue is recognised at a point in time because the customer simultaneously receives and consumes the benefits. The fees for these services are based on the Group’s Tariff and represent a fixed monthly amount corresponding to the customers' benefit transferred. Considering the above circumstances, the Group applies the practical expedient under IFRS 15, paragraph B16, namely, to recognise revenue in an amount it has the right to withhold in accordance with the Tariff.

- Brokerage operations for which the Group receives agent’s commissions - revenue is recognised at a point in time upon the provision of the brokerage service as the Group operates as a broker. Considering the above circumstances, the Group recognizes revenue that is equal to the amount of the commission fee for the performance of the brokerage service. The commission fee is the net amount to be withheld by the Group after paying the portion due to the third party to which / whom the Group has mediated to perform the services of that third party.

All amounts are in thousand Bulgarian Levs, unless otherwise stated

Servicing of bond issue fees are fees for the Group to perform the function of a trustee bank on a bond issue of a public interest entity. The fee is charged and paid periodically, in accordance with a contract.

Income from funds trusted in custody consists of fees for managing funds provided by the Ministry of Finance in relation to a loan from Kreditanstalt für Wiederaufbau extended to the Ministry of Finance. These fees are recognized when due under a contract.

The Group – except for certain operations provided to its employees – earns no income from retail banking services: the number of deposits accepted and current accounts is BGN 9,810 thousand (as of 31 December 2023: BGN 8,068 thousand). The Group has not analysed in detail the potential effect of such services on revenue due to its limited exposure to retail customers and the absence of branch network.

Transactions in foreign currency

In preparing the financial statements, transactions in currencies other than the Group's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Foreign currency transactions are translated into BGN at the exchange rate of BNB prevailing at the date of the transaction. Receivables and liabilities denominated in foreign currency are revalued on a daily basis. At the end of the year, they are translated in BGN at the closing exchange rates of BNB, which for the main currencies as of the date of the consolidated financial statements are the following:

Foreign currency	**31 December 2024**	**31 December 2023**
USD	1.88260	1.76998
EUR	1.95583	1.95583

Since 1999 the Bulgarian Lev (BGN) has been fixed to the Euro (EUR), the official currency of the European Union, at ratio of BGN 1.95583/ EUR 1.

Net gains or losses on changes in exchange rates, which have incurred from revaluation of receivables, liabilities, as well as from foreign currency transactions, are presented on the consolidated statement of comprehensive income in the period in which they have occurred.

4. FINANCIAL RISK MANAGEMENT

In the ordinary course of business, the Group is exposed to a variety of risks that, if occur, could result in formation of losses and deterioration of the Group's financial stability. These risks are identified, measured, and monitored through various control mechanisms in order to be managed and to prevent undue risk concentration. The process of risk management is essential for the Group's profitability and existence.

The risk management within the Bulgarian Development Bank Group is a complex of methods and procedures used by the Group for identifying, measuring, and monitoring its risk exposures. The Group manages the following main categories of risk:

- Credit risk;
- Liquidity risk;
- Market risk;
- Operational risk.

When managing the risks, the Group applies policies and procedures relevant to the nature and complexity of its activity, which are based on best practices in banking industry.

Risk management structure

The main units that are directly responsible for risk management are as follows:

For Bulgarian Development Bank EAD

Risk management is performed by:

- *Supervisory Board* – performs overall supervision of risk management;
- *Management Board* – responsible for the overall risk management approach and for approving risk management strategies, principles and specific methods, techniques and procedures;
- *Risk Committee* – responsible for exercising control over the implementation of the risk management policies by various types of risk, as well as the adequacy of the Bank's risk profile to the tasks assigned to it.
- *Committee on Assets and Liability Management (ALCO)* – responsible for the strategic management of assets and liabilities and for market risk management, including liquidity risk management, related to the assets and liabilities.
- *Provisions and Impairment Committee* – analyses credit transactions from the perspective of credit risk management for the loan portfolio in general, as well as of the level of credit deals and borrowers;
- *Executive Directors and members of the Management Board* – exercise current operating control of the maintenance and monitoring of the limits set for a particular types of risk and the application of the established procedures;

- The Central Bank exercises supplementary supervision of risk management by requiring periodically regulatory reports and exercising subsequent control on the compliance with the statutory maximum levels of exposure to certain risks.

For the subsidiary National Guarantee Fund EAD (the Fund):

The main units responsible for the management of risks are:

- *Supervisory Board and Management Board of BDB EAD* – perform overall supervision of risk management; take decisions for total exposure to group of related parties to National Guarantee Fund EAD over BGN 5 million, and in case of exposure to BDB Group (but no exposure to BDB) – regardless of the amount;

The main units that are directly responsible for risk management are as follows:

- *Board of Directors* – responsible for the overall approach towards risk and approves risk management strategies, principles and specific methods, risk management techniques and procedures;
- *Provisions Committee* – analyses the guaranteed portfolio in terms of overall credit risk management of the whole portfolio, as well as of each guarantee deal and each beneficiary of the guarantee itself.
- *Risk and Monitoring Department* – performs monitoring of the guaranteed portfolios and the collateral provided. At least annually an inspection over the fulfilment of the economic and social requirements for the SME using a guarantee from National Guarantee Fund EAD is carried out.

For the subsidiary BDB Micro Financing EAD:

The main units responsible for the risk management are:

- *Supervisory Board and Management Board of BDB EAD* – perform overall supervision of risk management; take decisions for total exposure to group of related parties to BDB Micro Financing EAD over BGN 5 million, and in case of exposure to BDB Group (but no exposure to BDB) – regardless of the amount;
- *Board of Directors* – responsible for the adoption of risk management rules and procedures; exercising control over the risk factors of the Company and making decisions within their powers; as well as for conducting analyses of all credit transactions exceeding BGN 100 thousand in view of credit risk management upon their approval;
- *Credit committee* – monitors and analyses on an ongoing basis the loan and lease portfolio of the Company in terms of credit risk, including by individual transactions;
- *Credit Council* – analyses credit and leasing transactions in terms of credit risk management upon their approval and/or renegotiation;
- *Operational Management (Executive Director and Deputy Executive Directors)* – organises the activities for the implementation of the Rules for Risk Management adopted by the Board of Directors; creates a work organisation that ensures compliance with the limits and risk levels set; exercises control over the compliance of the risk analysis, measurement and evaluation procedures with the internal documents adopted by the Board of Directors;

- *Risk Management Department* – develops and implements a risk management system; prepares and submits to the Board of Directors periodic reports for assessing the operational risks, including the observance of the limits, and reports on an ongoing basis to the Operational Management of the Company; performs initial and ongoing validation of the risk assessment methods; examines the inputs needed for the risk assessment in accordance with applicable principles of reliability and sufficiency.

For the subsidiary BDB Leasing EAD:

Risk management is performed by:

- *Supervisory Board and Management Board of BDB EAD* – perform overall supervision of risk management; take decisions for total exposure to group of related parties to BDB Leasing EAD over BGN 5 million, and in case of exposure to BDB Group (but no exposure to BDB) – regardless of the amount;
- *Board of Directors* – responsible for the adoption of risk management rules and procedures; exercising control over the risk factors and making decisions for exposures over BGN 5 million;
- Procurator and member of the Board of Directors jointly – make decisions for exposures up to BGN 200 thousand;
- *Management Board of BDB EAD* – takes decisions for total exposure to group of related parties to BDB Leasing EAD over BGN 5 million (in case of absence of other exposure to BDB Group), and in case of exposure to BDB Group (but no exposure to BDB) – regardless of the amount.

For the subsidiary Capital Investments Fund AD:

Risk management is performed by:

- *Supervisory Board and Management Board of BDB EAD* – perform overall supervision of risk management; take decisions for total exposure to group of related parties to Capital Investments Fund AD over BGN 5 million, and in case of exposure to BDB Group (but no exposure to BDB) – regardless of the amount;
- *Board of Directors* – responsible for the adoption of risk management rules and procedures; exercising control over the risk factors and making decisions for all exposures;
- *Management Board of BDB EAD* – takes decisions for total exposure to group of related parties to Capital Investments Fund AD over BGN 5 million (in case of absence of other exposure to BDB Group), and in case of exposure to BDB Group (but no exposure to BDB) – regardless of the amount.

For the subsidiary TC Maritsa EOOD:

The risk management functions are exercised by the operational units – General Manager and Finance Manager. The activity of TC Maritsa does not include financial assets acquisition and management.

Measurement and management of major risks

Management of the Group companies has adopted a set of internal rules and procedures for measuring various risks, which are based on statistical models and best international banking practices, as well as on the historical experience of the Group itself.

Risk monitoring and management are primarily based on limits. Those limits reflect on the Group's strategy and its market position, as well as on the level of risk that can be borne. Reports on the specific types of risks are periodically prepared for the purpose of subsequent analysis and possible adjustments of already set limits.

4.1. Credit risk

Credit risk is the risk of potential losses due to a failure of the Group's customers to discharge their contractual obligations in connection with receivables and financial instruments held by the Group, incl. country (sovereign) risk, contractor's risk and settlement risk, and credit risk of concentration.

Credit risk is the main risk for the Group and therefore, its management is fundamental for its activity. Credit risk management is performed in accordance with the Bulgarian Development Bank Act and the effective laws and regulations of the Republic of Bulgaria regulating credit activity, as well as the international regulations and best banking practices, and the requirements of IFRS Accounting Standards.

In assessing and managing credit risks (including the counterparty risk) of its exposures, the Group applies internal rating generation models. These internal rating models depend on the specifics of the object being rated.

The so-developed rating models for credit risk assessment of corporate clients of the Group are based on an analysis of historical data and the counterparty's and its relating parties' current financial position; their history and behaviour in servicing their liabilities to other contractors; future cash flow analyses; sources of servicing the existing and any potential future liabilities to the Group, and other parameters specific to a particular transaction. Credit portfolio quality monitoring, control and assessment units are established and function within the Group.

Credit portfolio current monitoring, reporting and management procedures and mechanisms are implemented, which require periodical, and if necessary, extraordinary, reports on the financial and credit status of each borrower and other liable persons. There is an „Early Warning Procedure for Corporate Credit Clients" which includes an early warning system of signals and actions.

In managing its credit risk, the Group applies an intra-bank system of limits that is subject to periodic review and updating.

There is a specialized unit functioning within the Group, which is in charge of the risk assessment both at the customer level and at the exposure level, where the solvency level is assessed and monitored throughout the entire loan term - from application to full repayment. The credit risk is partially reduced also by applying the secured credit line technique through accepting different types of collateral, where at any point in time the valuation of collateral shall not be older than 12 months.

The Group forms impairment on exposures depending on the borrower's and / or group of related clients' risk profile based on conducted individual impairment tests.

The exposures in the Group's corporate credit portfolio are classified mainly in three categories depending on the existence of indications of impairment – changes in the objective indicators on the basis of which the initial measurement and subsequent monitoring of exposure/customer are carried out, which would result in changes in cash flows from financial assets, including default in payment due by the borrower: Stage 1: "Standard"; Stage 2 "Watch" or "Forborne" and Stage 3 "Problematic/Non-preforming". These indicators are set out in the Policy and Rules for Calculation of Expected Credit Losses and Exposures' Impairment of BDB and are presented in Note 4.1. Loans over BGN 5,000 thousand are reviewed for existence of these indicators on individual basis and amounts below this threshold - on a portfolio basis.

In the case of customers, for which there are currently no indications of increased risk, the Group periodically (at least once a year) reviews the financial and legal status, including the collateral accepted, in order to establish the need for a change in the percentage of impairment for loss risk and / or change in the assessment of the degree of credit risk. Clients with a higher credit risk are subject to a review every 6 months and those classified as "problematic/non-performing" every three months.

In follow-up of the recommendations of the Basel Committee and their transposition into regulations within the European Union and in particular, Regulation 575/2013/EU and Directive 2013/36/EU, the commercial banks are required to implement in their internal regulations an in-house rating system that allows them to achieve comparability with the borrowers' official crediting rating assigned by recognized external credit rating institutions, which adopts the scale, used worldwide, of ten credit rating categories, including two categories for non-performing loans.

The Group has developed a detailed internal normative base, comprising Policy and rules for determining the impairment due to uncollectability of risk exposures, Methodology for credit risk analysis and assessment of Bulgarian Development Bank EAD, Credit activity rules of BDB and Methodology for individual credit rating in Bulgarian Development Bank EAD, ensuring full compliance of the policy and procedures for determining internal credit ratings with the above EU regulations. The amount of the impairment is calculated as the difference between the current amount of the amortised cost of the customer's exposure to the Group and its recoverable amount.

The Group accrues impairment on a portfolio basis for its receivables on the EEMFBNP and exposures to individuals.

Aiming at minimizing and reducing the credit risk, the Group accepts collateral in accordance with its in-house rules. It is a common practice of the Group to require collateral from the borrowers that is equal to at least 100% of the agreed loan amount, and valuations from accredited independent valuers are required.

Off-balance sheet commitments, primarily the unutilised portion of authorized loan facilities, letters of guarantee and letters of credit, which represent an irrevocable commitment of the Group to make payment if a client is not able to fulfil its obligations to third parties represent another source of credit risk for the Group and bear the same credit risk as the balance sheet loan exposures.

The Group forms various sub-portfolios based on the type of contractors and credit risk carriers, as follows:

- Direct lending –portfolio of credit commitments with debtors-legal entities, other than bank financial institutions, and loans to individuals (loans to Group's employees), as well as subjects from the public sector;
- Indirect lending or „on-lending" – portfolio of loans to financial (banking and non-banking) institutions, the purpose of which is to provide financing/to facilitate the access to financing for micro, small and medium-sized enterprises in the Republic of Bulgaria;
- Financing by the National Program for Energy Efficiency of Multi-Family Residential Buildings in compliance with CMD 18 of the CoM.

Beyond the credit portfolio, the Group's activity is exposed to credit risk also with respect to exposures related to other activities of the Group:

- portfolio of financial instruments, other than loans, formed in connection with the Group's free cash management, which comprises mainly government securities issued by the Republic of Bulgaria and other EU countries, classified as Financial Assets at Fair Value Through Other Comprehensive Income;
- to banks in connection with money market transactions, placed term deposits and available balances in Nostro accounts;
- receivables relating to the State budget.

The Group applies a system of limits relating to credit risk and concentration risk with respect to the different sub-portfolios, and currently monitors the credit risk of concentration of financial assets on the basis of industry criteria, and also by individual counterparty, and insurance companies ensuring coverage. Regarding the Group's direct credit portfolio, the allocation by economic sectors is monitored, as also that to clients and groups of related parties, by observing internal limitations (limits) for concentration of the corporate credit portfolio by economic sectors.

All amounts are in thousand Bulgarian Levs, unless otherwise stated

Maximum exposure to credit risk

Exposure to credit risk attributable to financial assets recognised in the consolidated statement of financial position is as follows:

	2024		2023	
Financial asset	**maximum**	**net**	**maximum**	**net**
Cash in hand and balances in current accounts with the Central Banks	341,154	341,154	128,665	128,665
Financial assets at amortized cost – Receivables from banks	849,200	848,803	514,681	513,980
Financial assets at amortized cost – Loans and advances to customers	1,213,300	954,774	1,573,795	1,333,532
Financial assets at amortized cost – Receivables from the State budget	10,971	10,786	14,431	14,262
Financial assets at amortized cost – Net investment in finance lease	77,806	76,350	76,321	75,360
Financial assets at amortized cost – Securities	11,418	11,327	11,792	11,671
Financial assets at fair value through other comprehensive income – Debt instruments	402,812	402,812	439,431	439,431
Financial assets at fair value through other comprehensive income – Equity instruments	180,285	180,285	140,116	140,330
Other financial assets	2,669	2,669	4,362	4,362
	3,089,615	**2,828,960**	**2,903,594**	**2,661,593**

Receivables from the State Budget comprise loans on the Energy Efficiency of Multi-Family Residential Buildings National Program (EEMFRBNP) amounting to BGN 10,971 thousand (2023: BGN 14,431 thousand).

The exposure to credit risk arising out of off-balance sheet commitments is as follows:

	2024		2023	
	maximum	**net**	**maximum**	**net**
Loan guarantees under anti-COVID programs	286,226	195,937	373,894	262,049
Bank guarantees and letters of credit	556,032	543,825	397,460	384,865
Unutilised amount of authorized loans	200,548	200,335	159,954	159,903
Uncalled part of shares of Three Seas Initiative	11,210	11,210	7,788	7,788
Participation in the SIA investment program	352	352	479	479
	1,054,368	**951,659**	**939,575**	**815,084**
Maximum exposure to credit risk	**4,143,983**	**3,780,619**	**3,843,169**	**3,476,677**

In assessing the net exposure, accrued impairment and provisions, highly liquid collateral (government securities and cash), as well as the net present value of liquid collateral – real estate, have been taken into account.

All amounts are in thousand Bulgarian Levs, unless otherwise stated

The largest credit exposure of the Group to a group of related parties (other than bank institutions) as of 31.12.2024 amounts to BGN 126,897 thousand (including BGN 126,897 thousand gross balance sheet debt) at amortised cost (31.12.2023: BGN 161,416 thousand[5]), which represents 11.60% of Bank's equity/eligible capital ratio according to Regulation 575/2013/EC (31.12.2023: 15.23%). The concentration of client's portfolio (other than bank institutions) is presented in the following table:

	2024*	**% of equity**	**2023***	**% of equity**
The largest total exposure to a customer group	115,847	10.42%	161,416	15.23%
Total amount of the ten largest exposures	500,750	45.02%	859,462	81.09%
Total amount of the twenty largest exposures	659,471	59.29%	1,056,318	99.66%

* The amount of the exposure net of impairment and highly liquid collateral.

There is no exposure to a customer or a group of related customers as at 31 December 2024 and 31 December 2023, exceeding 25% of Group's equity.

The financial assets of the Group, classified by industry sectors, are presented in the table below. Loans and receivables, and also finance leases and securities at amortized cost, are stated at amortised cost before impairment:

Sectors	**2024**	**%**	**2023**	**%**
Government	380,857	12.33	544,535	18.75
Industry, total	336,460	10.89	358,494	12.35
Industry – energy generation and distribution	*109,769*	*3.55*	*87,833*	*3.02*
Industry – other industries	*115,605*	*3.74*	*140,145*	*4.83*
Industry – manufacture of food products	*60,633*	*1.96*	*47,319*	*1.63*
Industry – manufacture of plant and equipment	*50,453*	*1.63*	*83,197*	*2.87*
Financial services	1,476,380	47.79	894,860	30.82
Trade	266,974	8.61	440,366	15.17
Transport	123,110	3.98	143,947	4.96
Tourist services	251,721	8.15	267,473	9.21
Construction	109,274	3.54	131,980	4.55
Real estate transactions	50,321	1.63	52,486	1.81
Agriculture	55,656	1.80	36,245	1.25
Collection and disposal of waste	370	0.01	-	-
Other industries	38,492	1.25	33,208	1.14
	3,089,615	**100**	**2,903,594**	**100**

The total amount of exposures includes those to Central Banks, as well as cash in hand which are considered as no credit-bearing risk.

[5] Of which, for net exposure purposes, recognised highly liquid collateral has been deducted – blocked deposits in bank, guaranteeing letters of credit in the same amount.

All amounts are in thousand Bulgarian Levs, unless otherwise stated

Quality of financial assets

The structure of the financial assets of the Group by risk classification groups is as follows:

As of 31 December 2024	**Standard (Stage 1)**	**Watch (Stage 2)**	**Non-performing (Stage 3)**	**Total**
Cash in hand and balances in current accounts with the Central Banks	341,154	-	-	341,154
Financial assets at amortized cost:				
Receivables from banks	849,200	-	-	849,200
Loans for commercial property and construction	264,117	264,962	69,527	598,606
Trade loans	187,076	180,680	132,070	499,826
Net investment in finance lease	67,315	8,853	1,638	77,806
Consumer loans	2,578	2	-	2,580
Residential and mortgage loans to individuals	1,983	-	-	1,983
Loans to other financial institutions	52,344	5,728	-	58,072
Other loans and receivables	22,047	30,186	-	52,233
Receivables from the State budget	10,971	-	-	10,971
Financial assets at amortized cost – Debt securities	11,418	-	-	11,418
Financial assets at fair value through other comprehensive income – Debt instruments	385,983	-	16,829	402,812
Other financial assets	2,669	-	-	2,669
Total financial assets	**2,198,855**	**490,411**	**220,064**	**2,909,330**

As of 31 December 2023	**Standard (Stage 1)**	**Watch (Stage 2)**	**Non-performing (Stage 3)**	**Total**
Cash in hand and balances in current accounts with the Central Banks	128,665	-	-	128,665
Financial assets at amortized cost:				
Receivables from banks	514,681	-	-	514,681
Loans for commercial property and construction	255,563	280,409	124,582	660,554
Trade loans	349,514	121,940	288,832	760,286
Net investment in finance lease	64,534	6,143	5,644	76,321
Consumer loans	2,097	2	57	2,156
Residential and mortgage loans to individuals	1,660	-	-	1,660
Loans to other financial institutions	54,810	1,779	2,056	58,645
Other loans and receivables	21,252	44,867	24,375	90,494
Receivables from the State budget	14,431	-	-	14,431
Financial assets at amortized cost – Debt securities	11,792	-	-	11,792
Financial assets at fair value through other comprehensive income – Debt instruments	423,789	-	15,642	439,431
Other financial assets	4,362	-	-	4,362
Total financial assets	**1,847,150**	**455,140**	**461,188**	**2,763,478**

The table below presents the types of collaterals, received by the Group in relation to loans granted, at fair value determined by accredited independent valuers and confirmed by a Group's employee holding the necessary licence.

All amounts are in thousand Bulgarian Levs, unless otherwise stated

	2024		2023	
Type of collateral	**Fair value**	**%**	**Fair value**	**%**
Mortgages	720,064	68.4	840,780	74.5
Pledges of plant, machinery, equipment, and inventories	221,107	21.0	217,662	19.3
Credit risk insurance	11,758	1.1	23,299	2.0
Securities quoted on a stock market	7,461	0.7	-	0.0
Restricted deposits	33,672	3.2	42,965	3.8
Bank guarantees	58,250	5.6	4,559	0.4
Total collateral	**1,052,312**	**100**	**1,129,265**	**100**

Credit exposures could have more than one collateral, i.e. it could be included in more than one position. The amount of the collateral could exceed 100%, as more than one collateral could be provided to secure one loan.

At the request of the contractors, a Group company is able to re-negotiate the initial terms and conditions on the contract. Usually, these are the terms of loan utilization, loan amount, interest rates and/or repayment schedules from the point of view of the amount of a particular repayment instalment. Most of all, these are cases of changes in the initial parameters, purpose and scope, and respectively, the time schedule of projects. Upon renegotiation, the changes in preliminary terms and conditions are analysed in order to establish whether these changes represent a concession (discount) in favour of the debtor as well as whether this discount significantly modifies the cash flows and their current net amount and, respectively, the exposure should be accepted as restructured and therefore, to be reclassified to Stage 2 or Stage 3.

Pursuant to the Policy and Rules for Calculation of Expected Credit Losses and Exposures Impairment of BDB, the Group entities monitor the exposures for indicators, which may lead to impairment in a future period. These indicators may be market indicators – change in interest rates, spreads and other market movements, or changes in regulatory environment, as well as specific indicators – change in the value of collaterals, change in the forecast for company' development, expenses not foreseen in the business plan, occurrence of incidents leading to significant decrease of borrower's creditworthiness.

The analysis should also determine whether the modification is material to an extent that justifies the derecognition of the asset or recognition of a new one.

In 2024 and 2023 the Group carried out an analysis of the effect of the modifications on the exposures in its portfolio, with the objective of determining whether some of them may indicate a necessity for derecognition and recognition of a new asset. As a result of the analysis, it was estimated that the effect of the modifications is insignificant.

The analysis of the changes in the values of the main group of financial assets and their impairment are presented in sub-section ECL Reporting in this section.

Regarding the loans extended under the energy efficiency programme, it should be noted that according to the programme's parameters the amount of the loan approved is subject to regular updating in order to ensure expenditure control. The signing of annexes to the loan contracts, by means of which the financial parameters are updated, is a result of those controls.

All amounts are in thousand Bulgarian Levs, unless otherwise stated

The table below presents data on the portfolio amount of the Group's financial assets by type of instrument:

	Financial assets measured at amortized cost								FA measured at fair value through OCI
	Corporate customers and non-banking financial institutions	**State budget**	**Financial institutions**	**Individuals**	**Cash in hand and balances in current accounts with the Central Banks**	**Securities**	**Net investment in finance lease**	**Other financial assets**	**Debt instruments**
As of 31 December 2024									
Impaired on individual basis									
-standard (Stage 1)	195,690	-	129	-	1	11,418	-	2,669	385,983
-watch (Stage 2)	421,912	-	-	-	-	-	-	-	-
-non-performing (Stage 3)	195,465	-	-	-	-	-	1,638	-	16,829
Gross amount	**813,067**	**-**	**129**	**-**	**1**	**11,418**	**1,638**	**2,669**	**402,812**
Incl. renegotiated	721,201	-	-	-	-	-	-	-	-
Past due but not impaired									
-standard (Stage 1)	8,608	-	-	-	-	-	-	-	-
-watch (Stage 2)	1,173	-	-	-	-	-	-	-	-
-non-performing (Stage 3)	4,845	-	-	-	-	-	-	-	-
Gross amount	**14,626**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

All amounts are in thousand Bulgarian Levs, unless otherwise stated

	Financial assets measured at amortized cost								FA measured at fair value through OCI
	Corporate customers and non-banking financial institutions	**State budget**	**Financial institutions**	**Individuals**	**Cash in hand and balances in current accounts with the Central Banks**	**Securities**	**Net investment in finance lease**	**Other financial assets**	**Debt instruments**
As of 31 December 2024									
Incl. renegotiated	6,018	-	-	-	-	-	-	-	-
Within 30 days	2,689	-	-	-	-	-	-	-	-
From 30- 90 days	-	-	-	-	-	-	-	-	-
Over 90 days	3,329	-	-	-	-	-	-	-	-
Impaired on portfolio basis									
-standard (Stage 1)	259,868	10,971	21,458	4,561	-	-	67,315	-	-
-watch (Stage 2)	18,659	-	-	2	-	-	8,853	-	-
-non-performing (Stage 3)	-	-	-	-	-	-	-	-	-
Gross amount	**278,527**	**10,971**	**21,458**	**4,563**	**-**	**-**	**76,168**	**-**	**-**
Incl. renegotiated	154,054	-	10,747	338	-	-	46	-	-
Not past due and not impaired									
Stage 1	61,418		827,613	-	341,153	-	-	-	-
Stage 2	39,812	-	-	-	-	-	-	-	-
Stage 3	1,287	-	-	-	-	-	-	-	-
Gross amount	**102,517**	**-**	**827,613**	**-**	**341,153**	**-**	**-**	**-**	**-**
Incl. renegotiated	95,551	-		-		-	-	-	-
Gross amount	**1,208,737**	**10,971**	**849,200**	**4,563**	**341,154**	**11,418**	**77,806**	**2,669**	**402,812**
Incl. renegotiated	976,824	-	10,747	338	-	-	46	-	-

All amounts are in thousand Bulgarian Levs, unless otherwise stated

	Financial assets measured at amortized cost								FA measured at fair value through OCI
	Corporate customers and non-banking financial institutions	**State budget**	**Financial institutions**	**Individuals**	**Cash in hand and balances in current accounts with the Central Banks**	**Securities**	**Net investment in finance lease**	**Other financial assets**	**Debt instruments**
As of 31 December 2023									
Impaired on individual basis									
-standard (Stage 1)	298,883	-	113	-	3	11,792	-	4,362	423,789
-watch (Stage 2)	426,441	-	-	-	-	-	-	-	-
-non-performing (Stage 3)	419,753	-	-	57	-	-	5,644	-	15,642
Gross amount	**1,145,077**	**-**	**113**	**57**	**3**	**11,792**	**5,644**	**4,362**	**439,431**
Incl. renegotiated	1,079,184	-	-	6	-	-	-	-	-
Past due but not impaired									
-standard (Stage 1)	2,519	-	-	-	-	-	-	-	-
-watch (Stage 2)	1,456	-	-	-	-	-	-	-	-
-non-performing (Stage 3)	5,442	-	-	-	-	-	-	-	-
Gross amount	**9,417**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

All amounts are in thousand Bulgarian Levs, unless otherwise stated

	Financial assets measured at amortized cost								FA measured at fair value through OCI
	Corporate customers and non-banking financial institutions	**State budget**	**Financial institutions**	**Individuals**	**Cash in hand and balances in current accounts with the Central Banks**	**Securities**	**Net investment in finance lease**	**Other financial assets**	**Debt instruments**
As of 31 December 2023									
Incl. renegotiated	***6,898***	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Within 30 days	1,456	-	-	-	-	-	-	-	-
From 30- 90 days	-	-	-	-	-	-	-	-	-
Over 90 days	5,442	-	-	-	-	-	-	-	-
Impaired on portfolio basis									
-standard (Stage 1)	233,914	14,431	31,391	3,757	-	-	64,534	-	-
-watch (Stage 2)	17,860	-	-	2	-	-	6,143	-	-
-non-performing (Stage 3)	-	-	-	-	-	-	-	-	-
Gross amount	**251,774**	**14,431**	**31,391**	**3,759**	**-**	**-**	**70,677**	**-**	**-**
Incl. renegotiated	***143,480***	**-**	***18,359***	***227***	**-**	**-**	**-**	**-**	**-**
Not past due and not impaired									
Stage 1	145,822	-	483,177	-	128,662	-	-	-	-
Stage 2	3,238	-	-	-	-	-	-	-	-
Stage 3	14,651	-	-	-	-	-	-	-	-
Gross amount	**163,711**	**-**	**483,177**	**-**	**128,662**	**-**	**-**	**-**	**-**
Incl. renegotiated	163,007	-	-	-	-	-	-	-	-
Gross amount	**1,569,979**	**14,431**	**514,681**	**3,816**	**128,665**	**11,792**	**76,321**	**4,362**	**439,431**
Incl. renegotiated	1,392,569	-	18,359	233	-	-	-	-	-

All amounts are in thousand Bulgarian Levs, unless otherwise stated

The Group classifies not past due and not impaired exposures to the above classes depending on their internal credit rating, as follows:

- high class – credit rating from 1 to 3 – including for non-banking financial institutions, from 1A to 4C including SME clients; from AAA to BB- including for project financing – Stage 1;
- standard class – credit rating from 4 to 5 including for non-banking financial institutions, from 5A to 6C including SME clients and from B+ to B including project financing – Stage 1;
- low class – credit rating 6 for non-banking financial institutions, from 7A to 7B including SME clients and from B- to CCC+ for project financing – Stage 1 (rating 6), not past due or past due up to 30 days or Stage 2 (rating 7 for non-banking financial institutions, from 7C to 8C including for SME and CCC for project financing) and past due between 30 and 90 days;
- non-performing – Stage 3 (rating 8, 9 and 10 for non-banking financial institutions, 9 and 10 including SME clients and from CCC- to D for project financing) and past due over 90 days.

Watch financial assets at amortized cost and finance lease receivables (Stage 2), presented at amortised cost before impairment, are as follows:

	2024	**2023**
Loans for commercial property and construction	264,962	280,409
Trade loans	180,680	121,940
Consumer loans	2	2
Other loans and receivables	35,914	46,646
	481,558	**448,997**
Finance lease receivables	8,853	6,143
	490,411	**455,140**

When the initial terms of the agreement have been modified by the Parent bank by granting a concession (discounts) to a debtor experiencing difficulties in performing its financial obligations a loan is classified as "restructured" (Stage 2 or 3, in accordance with Policy and rules for determining expected credit losses and impairment of exposure of BDB).

All amounts are in thousand Bulgarian Levs, unless otherwise stated

The restructured loans and receivables, presented at amortised cost, are as follows:

	2024	2023
Loans for commercial property and construction	**147,452**	**240,416**
incl. Performing – Stage 1	-	-
Watch – Stage 2	119,999	158,925
Non-performing – Stage 3	27,453	81,491
Trade loans	**137,963**	**331,703**
incl. Performing – Stage 1	7,913	9,549
Watch – Stage 2	94,478	100,671
Non-performing – Stage 3	35,572	221,483
Other loans	**35,251**	**61,772**
incl. Performing – Stage 1	49	-
Watch – Stage 2	31,749	37,360
Non-performing – Stage 3	3,453	24,412
	320,666	**633,891**

Contingent commitments

Bank guarantees, letters of credit and unutilized loan commitments

The Group assesses the credit quality of provided contingent commitments by applying a methodology, which estimates whether events indicating with a high probability that outflow of Group's resources might take place have occurred. These costs (losses) are determined on the basis of the Policy and Methodology for assessment of expected credit losses, and a Calculation Procedure of BDB based on a Conversion Factor (CCF) that is applied in the case of off-balance sheet exposures that are likely to turn into balance sheet exposures (payments on guarantees, utilisation of part of the allowed amount of the loan, etc.).

As of 31 December 2024, the Group identified guarantee commitments amounting to BGN 556,032 thousand (as of 31 December 2023: BGN 396,359 thousand), which are impaired at the amount of BGN 11,718 thousand (2023: BGN 9,853 thousand) as well as unutilized amount of approved loans at the amount of BGN 200,548 thousand (as of 31 December 2023: BGN 159,954 thousand) which are provisioned by BGN 213 thousand (as of 31 December 2023: BGN 51 thousand) (Note 37).

Credit guarantees anti-COVID-19

In 2020 the Bank, on the basis of decisions of the Council of Ministers of the Republic of Bulgaria, became a guarantor to a group of Bulgarian commercial banks for loans to individuals and legal entities in order to overcome the consequences of the COVID-19 pandemic (see Note 37).

Contracts for financial guarantees

These contingent liabilities are carriers of off-balance sheet credit risk, as only fees are recognized in the financial statements until the fulfilment or expiration of the commitments. Many of the contingent liabilities will expire without being partially or fully advanced. The collateral with the partner banks for issuing the usual guarantees is over 100% and represents mainly mortgaged real estate and insurance policies issued in favour of the partner bank.

Expected credit losses (ECL) reporting

For instruments measured at amortised cost, ECLs reduce the carrying amount in the statement of financial position.

For debt instruments measured at fair value through other comprehensive income, ECLs are part of the negative change in the fair value due to an increased credit risk. They continue to be presented at the fair value in the statement of financial position, and the accumulated adjustment for losses is recognized in the statement of comprehensive income. Upon subsequent derecognition of the instrument, the accumulated adjustment is recognized in the profit or loss for the period.

Contracts for financial guarantees are contingent liabilities and are bearers of off-balance sheet credit risk, as only fees are recognized in the financial statements until the fulfilment or expiration of the commitments. Many of the contingent liabilities will expire without being partially or fully advanced. The collateral with the partner banks for issuing the usual guarantees is over 100% and represents mainly mortgaged real estate and insurance policies issued in favour of the partner bank. For the guarantees under the anti-COVID programs, the collaterals are in accordance with the program approved by the Council of Ministers. In case of activation of a component of a guarantee issued by a company of the Group, the payment made by it is not assessed as a final loss, as the partner bank has an obligation to take all necessary actions for realization of the received collaterals on the problem loan and repay the respective amount to the Company.

Risk parameters affecting ECL

Probability of default (PD)

PD is the probability of a counterparty not complying with contract clauses related to debt repayment. For each individual exposure or a portfolio of collectively assessed exposures, the Group maintains historical information on the migration of exposures between different stages.

The value of 12M PD is determined on the basis of observed deterioration rates and is calculated as a moving average over a period of at least 2 years. For exposures that are individually measured, the value of the 12M PD is determined depending on the assigned credit rating according to an internal model. Data on the changes in the borrowers' rating over a one-year horizon is aggregated into transaction matrices, and a 12M PD is calculated for each rating scale depending on the number of default cases found.

The Group adjusts the values of 12M PD to reflect the current or expected economic conditions that may differ from those during the historical periods analysed.

Exposure at default (EAD)

EAD is potential exposure at the time of default. The level of exposure at default is determined individually for each loan depending on the type of loan, taking into account both the value of utilized amounts and the agreed undrawn amounts according to the expectation of future drawdowns.

Loss Given Default (LGD)

LGD is the ratio of the exposure loss due to default to the amount of exposure at default. The Group calculates the potential loss that would have arisen if an exposure goes into default and the only source for collecting the receivable is the realization of the collateral. The loss is measured as a percentage of Exposure at Default (EAD).

The Group has determined relative thresholds that are used also for the exposures for which the absolute thresholds are applied and for those, for which no such thresholds have been determined. They are based on matrixes covering the overall credit cycle (through-the-cycle, TTC) and the change in the probability of default on the respective exposures from the external aggregated data of Moody's (the Group has developed preliminary a methodology for equalizing the internal credit ratings to those assigned by the rating agency).

Expected credit losses on issued credit guarantees anti-COVID

For these programmes the BDB adopted a special methodology for provisioning in view of the specifics of the programmes, profile of the customers and structure of commitments related to the products for cash inflows and outflows as follows:

Programme for companies

The main parameters of the programme and the guaranteed loans are:

- The obligation to pay under the guarantees is practically unconditional and in compliance with the agreed terms in the guarantee agreements (for loans admitted in the program).
- The guarantees are 80% of the principal on the loan. A maximum ceiling of payments was established – initially of 30%, and by decision of the Council of Ministers at the end of 2020 the ceiling was raised to 50%.
- The selection of borrowers is based on criteria related to the effects of the pandemic and not to the usual criteria for providing funding to legal entities. SMEs were included and at the end of 2020 intermediate enterprises were also included by the amendments made.
- Banks have the option to include loans without the normally necessary collateral (20% coverage of collateral of exposures is required initially), subsequently it was increased to 50 % - i.e. from 0% to 50%, and with the amendments under the Recovery Program the requirement for collateral was dropped, leaving only guarantees from beneficial owners and related parties, as well as pledges of accounts receivable permissible). Also, until the changes in the "Recovery Program" it was permissible to include a certain percentage of already formed exposures. The banks' self-participation was determined to be at least 20%. The terms predetermine a significantly higher risk than usual business guarantee programs.

As of 31 December 2024, BDB has assumed a commitment to commercial banks for guarantees (as a limit to payments or CAP) in the amount of 50% of the formed under the Program guaranteed portfolios. According to the final reports presented by the commercial banks, at the end of the year under the program were guaranteed 1,677 loans in the total in the total amount of BGN 281.2 million, for which guarantees amounting BGN 225.0 million have been provided.

The provision of guarantees under the program was completed at the end of June 2022. The maximum result of the program was reached (as aggregate data) with 2,842 guaranteed loans in the amount of BGN 630.3 million.

In the initial calculations of expected credit losses related to the program for companies, the estimated parameters for the expected developments were:

- Payments by the BDB will amount to 30% of the guarantee commitment and the remaining 70% will be paid by the borrowers;
- The realization of the main part of the payments under the program will continue up to 2 years after the original maturity of the loans (taking into account the time between the beginning of default and payment by BDB and the extension of the repayment period of persons with partial default);
- Refunds on guarantees should amount to 35% of the amounts paid. This estimate shall take into account the recovery costs;
- A discount rate of 1% corresponding to the applicable interest rate on the liabilities of the BDB was used.

At the beginning of 2025 the Bank performed an analysis of the behaviour of the portfolio of guarantees related to loans granted under this program. As a result of the analysis, the Bank decided to increase the provisioning rate for these exposures at 31.5% (2023: 27.6%).

The sensitivity of the net present value of payments to the effective percentage of payments by the BDB is 3.33% for each 1% change from the base value. Its sensitivity to the recovery rate of amounts already paid is 1.51% for every 1% change.

Programme for individuals

- Payments under guarantees are virtually unconditional and in compliance with the agreed terms in the guarantee agreements (for loans admitted to the programme);
- The guarantees are for 100% of the principal amount of the loan;
- The selection of borrowers is based on the criterion “affected by the pandemic” and not on the usual criteria for providing funding to individuals. These are persons on unpaid leave or self-employed persons with reduced income. Borrowers' incomes are stressed and significantly lower than usual;
- The loan term is 5 years, including a possible grace period up to 24 months;

- BDB compensates the participating commercial banks with an annual payment of 1.50% on the amount of the guaranteed commitment at maximum term of the loan. By Decision of the Council of Ministers (506/15.07.2021) an extension of the deadline was approved for applying for credit by individuals "until 31.08.2021 or until the guarantee limits for financing under the programme by partner banks are exhausted, whichever occurs earlier".

By Decision of the Council of Ministers 448/07.07.2022 an opportunity was given to extend the loans up to 7 years, and when annexes are concluded to the guarantee agreements the compensation from the BDB is changed: upon extension of the guarantee after the fifth year the compensation for commercial banks was reduced to 1%.

The provision of guarantees under the program was completed in August 2021. The maximum result under the program was reached (as aggregate data) and 52,915 loans were guaranteed in the amount of BGN 254.6 million.

The initial calculations for the expected credit losses related to the program for individuals under the set parameters, the estimates for the expected developments were:

- Payments by the BDB will amount to 40% of the guarantee commitment and the remaining 60% will be paid by the borrowers;
- The realization of the main part of the payments under the program will continue up to 2 years after the original maturity of the loans (taking into account the time between the beginning of default and payment by the BDB and the extension of the repayment period of persons with partial default);
- Refunds on guarantees should amount to 25% of the amounts paid. This estimate shall take into account the recovery costs;
- The payment of 1.5% to commercial banks is an irrevocable commitment of the BDB, which is included in the calculation;
- A discount rate of 1% corresponding to the applicable interest rate on the liabilities of the BDB was used.

As of 31.12.2024 the BDB has guaranteed under the program 36,347 active loans, for which it has provided guarantee in the amount of BGN 58.1 million.

In the beginning of 2025, the Bank performed an analysis of the behaviour of the portfolio of guarantees related to the loans granted under the program. As a result of the analysis, the Bank decided to change the percentage of provisioning of these exposures as of 31.12.2024 from 34% to 31.7%.

The sensitivity of the net present value of payments to the effective percentage of payments by the BDB is 1.96% for each 1% change from the base value. Its sensitivity to the recovery rate on amounts already paid is 1.05% for every 1% change.

As of 31.12.2024 BDB has issued guarantees in total of BGN 286,226 thousand (31.12.2023: BGN 373,894 thousand) and has guaranteed exposures under the two programs in the total amount of BGN 339,246 thousand (31.12.2023: BGN 554,763 thousand) and has set aside provisions in the amount of BGN 90,289 thousand (31.12.2023: BGN 111,845 thousand).

Expected credit losses on portfolio guarantees issued

These costs (losses) are determined on the basis of the present value of the future net cash flows, representing the difference between the payment obligation and the possible inflows of subsequent recourse to third parties.

In order to properly assess the portfolios under guarantee schemes in terms of own risk, namely “Guarantee scheme 2009-2011”, “Guarantee scheme 2015-2017”, “Guarantee scheme 2017-2018” and COSME Guarantee scheme, the NGF applies a Policy on the Classification and Evaluation of Instruments covered by IFRS 9, a Credit Portfolios Rating Procedure and the Methodology for determining the expected credit losses, as also a Procedure for their calculation. A calculation of expected losses on financial instruments in the NGF portfolio is carried out by applying a calculation model for expected losses.

Movements in the main groups of assets subject to impairment

The tables below show the movements of the main groups of assets subject to impairment, between the different stages for 2024 and 2023.

All assets measured at amortised cost – non-financial entities, including with state participation, individuals and non-banking financial institutions as well as securities at amortized cost are included in the table presented below.

All amounts are in thousand Bulgarian Levs, unless otherwise stated

Assets measured at amortised cost (except for Government and Receivables from Banks)	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Balance as of 01.01.2023	**872,320**	**484,969**	**353,045**	**1,710,334**
Transfers:				**-**
Transfer from Stage 1 to Stage 2	(136,368)	136,368	-	**-**
Transfer from Stage 1 to Stage 3	(5,978)	-	5,978	**-**
Transfer from Stage 2 to Stage 3	-	(175,869)	175,869	**-**
Transfer from Stage 2 to Stage 1	11,477	(11,477)	-	**-**
Transfer from Stage 3 to Stage 2	-	45,871	(45,871)	**-**
Newly occurred and newly acquired exposures	85,824	4,510	3,862	**94,196**
Paid or transferred	(161,905)	(44,289)	(54,970)	**(261,164)**
Increased	31,318	8,914	1,989	**42,221**
Balance as of 31.12.2023	**696,688**	**448,997**	**439,902**	**1,585,587**
Transfers:				
Transfer from Stage 1 to Stage 2	(25,726)	25,726	-	**-**
Transfer from Stage 1 to Stage 3	(9,191)	-	9,191	**-**
Transfer from Stage 2 to Stage 3	-	(43,708)	43,708	**-**
Transfer from Stage 2 to Stage 1	4,291	(4,291)	-	**-**
Transfer from Stage 3 to Stage 2	-	84,907	(84,907)	**-**
Newly occurred and newly acquired exposures	92,852	2,712	5,806	**101,370**
Paid or transferred	(256,503)	(37,799)	(217,599)	**(511,901)**
Increased	39,152	5,014	5,496	**49,662**
Balance as of 31.12.2024	**541,563**	**481,558**	**201,597**	**1,224,718**

Assets measured at amortised cost - Government	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Balance as of 01.01.2023	**23,598**	**-**	**-**	**23,598**
Paid or transferred	(13,234)	-	-	**(13,234)**
Increased	4,067	-	-	**4,067**
Balance as of 31.12.2023	**14,431**	**-**	**-**	**14,431**
Paid or transferred	(5,060)	-	-	**(5,060)**
Increased	1,600	-	-	**1,600**
Balance as of 31.12.2024	**10,971**	**-**	**-**	**10,971**

The Group presents under the heading Government assets measured at amortised cost relating mainly to the National Programme for Energy Efficiency of Multi-Family Residential Buildings (NPEEMFRB).

All amounts are in thousand Bulgarian Levs, unless otherwise stated

Assets measured at amortised cost – Net investment in finance lease	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Balance as of 01.01.2023	**66,474**	**2,290**	**2,773**	**71,537**
Transfers:				
Transfer from Stage 1 to Stage 2	(5,296)	5,296	-	**-**
Transfer from Stage 1 to Stage 3	(4,190)	-	4,190	**-**
Transfer from Stage 2 to Stage 3	-	(136)	136	**-**
Transfer from Stage 2 to Stage 1	796	(693)	(103)	-
Newly occurred and newly acquired exposures	101,396	237	-	**101,633**
Paid or transferred	(94,646)	(855)	(1,352)	**(96,853)**
Increased	-	4	-	**4**
Balance as of 31.12.2023	**64,534**	**6,143**	**5,644**	**76,321**
Transfers:				
Transfer from Stage 1 to Stage 2	(4,101)	4,101	-	**-**
Transfer from Stage 1 to Stage 3	-	-	-	**-**
Transfer from Stage 2 to Stage 3	-	(169)	169	**-**
Transfer from Stage 2 to Stage 1	556	(556)	-	**-**
Newly occurred and newly acquired exposures	167,271	176	-	**167,447**
Paid or transferred	(160,945)	(860)	(4,294)	**(166,099)**
Increased	-	18	119	**137**
Balance as of 31.12.2024	**67,315**	**8,853**	**1,638**	**77,806**

Assets measured at amortised cost – Receivables from banks	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Balance as of 01.01.2023	**140,804**	**-**	**-**	**140,804**
Newly occurred and newly acquired exposures	459,441	-	-	**459,441**
Paid or transferred	(94,600)	-	-	**(94,600)**
Increased	9,036	-	-	**9,036**
Balance as of 31.12.2023	**514,681**	**-**	**-**	**514,681**
Newly occurred and newly acquired exposures	810,390	**-**	**-**	**810,390**
Paid or transferred	(477,813)	**-**	**-**	**(477,813)**
Increased	1,942	**-**	**-**	**1,942**
Balance as of 31.12.2024	**849,200**	**-**	**-**	**849,200**

Loans to banks and financial institutions include both transactions on an interbank market and deposits of different maturity.

All amounts are in thousand Bulgarian Levs, unless otherwise stated

Assets measured at fair value through other comprehensive income – Debt instruments	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Balance as of 01.01.2023	**523,850**	**-**	**14,685**	**538,535**
Newly occurred and newly acquired exposures	43,459	-	-	**43,459**
Paid or transferred	(157,290)	-	(24)	**(157,314)**
Increased	13,770	-	981	**14,751**
Balance as of 31.12.2023	**423,789**	**-**	**15,642**	**439,431**
Newly occurred and newly acquired exposures	114,958	-	-	**114,958**
Paid or transferred	(161,553)	-	(32)	**(161,585)**
Increased	8,789	-	1,219	**10,008**
Balance as of 31.12.2024	**385,983**	**-**	**16,829**	**402,812**

Portfolio of securities consists mainly of bonds of the Republic of Bulgaria, other European sovereign issuers and bonds of large corporate clients.

Movement in the impairment of main groups of assets subject to impairment in 2024 and 2023

The amount of the expected credit loss is a function of the probability of default of the instrument, the realized loss and the amount of balance sheet and off-balance sheet exposure. The probability of default (PD) and the realized LGD are the parameters employed in determining the provisioning rate and those parameters are determined on the basis of an individual review of the early warning signs that are homogeneous in terms of their credit characteristics and their relation to international and domestic macroeconomic variables that could affect them.

All amounts are in thousand Bulgarian Levs, unless otherwise stated

Movement in the impairment in 2024 and 2023 is presented in the following tables:

Assets measured at amortised cost (except for Receivables from the State Budget)	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Balance of impairment as of 01.01.2023	**20,193**	**66,742**	**161,927**	**248,862**
Transfers:				
Transfer from Stage 1 to Stage 2	(3,223)	3,223	-	**-**
Transfer from Stage 1 to Stage 3	(425)	-	425	**-**
Transfer from Stage 2 to Stage 3	-	(23,629)	23,629	**-**
Transfer from Stage 2 to Stage 1	71	(71)	-	**-**
Transfer from Stage 3 to Stage 2	-	9,815	(9,815)	**-**
Newly occurred and newly acquired exposures	1,185	2,768	47,457	**51,410**
Paid or transferred	(5,846)	(14,001)	(55,401)	**(75,248)**
Increased	480	13,646	1,234	**15,360**
Balance of impairment as of 31.12.2023	**12,435**	**58,493**	**169,456**	**240,384**
Transfers:				
Transfer from Stage 1 to Stage 2	(875)	875	-	**-**
Transfer from Stage 1 to Stage 3	(293)	-	293	**-**
Transfer from Stage 2 to Stage 3	-	(8,649)	8,649	**-**
Transfer from Stage 2 to Stage 1	349	(349)	-	**-**
Transfer from Stage 3 to Stage 2	-	64,054	(64,054)	**-**
Newly occurred and newly acquired exposures	861	4,478	31,572	**36,911**
Paid or transferred	(2,297)	(22,401)	(56,389)	**(81,087)**
Increased	1,417	34,574	26,418	**62,409**
Balance of impairment as of 31.12.2024	**11,597**	**131,075**	**115,945**	**258,617**

Impairment of financial assets at amortized cost – Securities is included in the movement in the impairment above.

Assets measured at amortised cost – Receivables from the State Budget	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Balance of impairment as of 01.01.2023	**61**	**-**	**-**	**61**
Net movement of impairment on Energy Efficiency of Multi-Family Buildings National Programme	108	-	-	**108**
Balance of impairment as of 31.12.2023	**169**	**-**	**-**	**169**
Net movement of impairment on Energy Efficiency of Multi-Family Buildings National Programme	16	-	-	**16**
Balance of impairment as of 31.12.2023	**185**	**-**	**-**	**185**

All amounts are in thousand Bulgarian Levs, unless otherwise stated

Assets measured at amortised cost - Finance lease	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Balance as of 01.01.2023	**307**	**29**	**335**	**671**
Transfers:				
Transfer from Stage 1 to Stage 2	(294)	294	-	**-**
Transfer from Stage 1 to Stage 3	(220)	-	220	**-**
Transfer from Stage 2 to Stage 3	-	(12)	12	**-**
Transfer from Stage 2 to Stage 1	2	(2)	-	**-**
Newly occurred and newly acquired exposures	545	163	141	**849**
Paid or transferred	(55)	(146)	(358)	**(559)**
Balance as of 31.12.2023	**285**	**326**	**350**	**961**
Transfers:				
Transfer from Stage 1 to Stage 2	(324)	324	-	**-**
Transfer from Stage 1 to Stage 3	-	-	-	**-**
Transfer from Stage 2 to Stage 3	-	(63)	63	**-**
Transfer from Stage 2 to Stage 1	3	(3)	-	**-**
Newly occurred and newly acquired exposures	533	90	232	**855**
Paid or transferred	(236)	(72)	(51)	**(359)**
Balance as of 31.12.2024	**261**	**602**	**594**	**1,457**

Assets measured at amortised cost – Receivables from banks	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Balance of impairment as of 01.01.2023	**1,384**	**-**	**-**	**1,384**
Decreased	(683)	-	-	**(683)**
Balance of impairment as of 31.12.2023	**701**	**-**	**-**	**701**
Decreased	(304)	-	-	**(304)**
Balance of impairment as of 31.12.2024	**397**	**-**	**-**	**397**

Assets measured at fair value through other comprehensive income	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Balance of impairment as of 01.01.2023	**3,104**	**-**	**4,106**	**7,210**
Transfers:				
Paid or transferred	(1,558)	-	-	(1,558)
Increased	262	-	589	851
Balance of impairment as of 31.12.2023	**1,808**	**-**	**4,695**	**6,503**
Paid or transferred	(1,029)	-	-	**(1,029)**
Increased	-	-	2,798	**2,798**
Balance of impairment as of 31.12.2024	**779**	**-**	**7,493**	**8,272**

All amounts are in thousand Bulgarian Levs, unless otherwise stated

Value of collaterals as of 31.12.2024 and 31.12.2023

The value of collaterals under loans and lease is presented in the following table:

Loans by type of collateral	**Carrying amount of the loan**	**Value of the collateral**
Mortgages	263,547	720,064
Pledge of machinery, plant, equipment and inventories	76,588	221,107
Restricted deposits	71,312	33,672
Credit risk insurance	6,202	11,758
Securities quoted on a stock market	4,996	7,461
Bank guarantees	50,794	58,250
Other collateral	467,615	1,815,218
Unsecured	18,716	-
Total loans as of 31.12.2024	**959,770**	**2,867,530**

Leases by type of collateral	**Carrying amount of the lease**	**Value of the collateral**
Other collaterals	76,350	-
	76,350	**-**

Loans by type of collateral	**Carrying amount of the loan**	**Value of the collateral**
Mortgages	390,908	840,780
Pledge of machinery, plant, equipment and inventories	79,947	217,662
Restricted deposits	102,645	42,965
Credit risk insurance	9,962	23,299
Bank guarantees	2,144	4,559
Other collateral	722,465	2,648,814
Unsecured	25,461	-
Total loans as of 31.12.2023	**1,333,532**	**3,778,079**

Leases by type of collateral	**Carrying amount of the loan**	**Value of the collateral**
Other collaterals	75,360	-
	75,360	**-**

Country (sovereign) risk

The Group has formed a portfolio of securities classified as financial assets at fair value through other comprehensive income, comprising mainly government securities issued by the Republic of Bulgaria and other EU countries and the USA. The Group's exposure to sovereign risk is BGN 354,851 thousand as of 31 December 2024 and BGN 393,494 thousand as of 31 December 2023.

Standard & Poor's credit rating for the Republic of Bulgaria stands at BBB+/A-2 with stable outlook (10 July 2025), BBB+ with positive outlook from Fitch Ratings (21 July 2025) and Baa1 with stable outlook from Moody's (24 January 2025). The securities held issued by governments of other countries have a rating which is not lower than BBB- according to Fitch Ratings/Standard & Poor's, or equivalent Baa3 according to Moody's.

According to Fitch Ratings, BBB credit rating means that insolvency expectations are low, and the capacity to service financial liabilities is adequate, but a deterioration in economic conditions or business environment is likely to lessen this capacity. The definitions of Moody's and Standard & Poor's of the rating assigned to the sovereign are similar.

4.2. Market risk

Market risk is the risk of adverse movements in interest rates, exchange rates, liquidity position, and other factors affecting the price of securities and other financial assets. These movements affect the Group's profitability and financial position.

Interest rate risk

Interest rate risk is the probability for potential change of the net interest income or the net interest margin and the market value of the equity due to changes in market interest rates.

Interest rate risk is considered in view of the overall activity of the Group. Analyses of financial assets and liabilities grouped in time intervals depending on their sensitivity to changes in the interest rates are conducted on regular basis.

The approach for measuring interest rate risk with respect to the overall activity comprises primarily:

- Analysis of the interest rate sensitivity of income – measuring the interest rate sensitivity of the Group's net income;
- Analysis of the interest rate sensitivity of economic capital (Duration GAP Analysis) – measuring the interest rate sensitivity of the Group's economic value;
- Determination, application and reporting of limits for interest rate risk reflecting the volatility of the respective interest rate curve and the Group's risk appetite;
- Stress tests for interest rate risk – presenting the potential movements in the annual interest income after applying a stress scenario involving changes in the interest rate curves by types of currencies.

Cash flow interest rate analysis is conducted by allocating the cash flows from assets and liabilities included in the interest rate imbalance analysis and forming the respective maturity gaps. In case of Group's statement of financial position items classified as such and measured at fair value, the fair value risk analysis is limited to placing the relevant item with the applicable maturity structure within the interest rate imbalance analysis. The Group maintains designated interest-free assets and liabilities in relation to the execution of payment operations.

In addition to interest rate sensitivity analyses, the main drivers of the movement in the net interest spread of the Group are identified for the purposes of interest rate risk management. This assists decision making on the interest rate policies of the Group, in particular, for the development of specific products and providing sources of financing having matching characteristics.

The Assets and Liabilities Committee (ALCO) currently monitors interest rate risk to which the Group is exposed and develops measures for its management and maintenance within the Group's permitted levels and limits.

The table below summarises the interest exposure and interest risk of the Group. It includes information on the Group's assets and liabilities at their carrying amount in accordance with interest-related clauses, set in the contracts, their maturity structure and sensitivity to movements in interest rates.

All amounts are in thousand Bulgarian Levs, unless otherwise stated

31 December 2024	**Floating interest rate**	**Fixed interest rate**	**Interest-free**	**Total**
Financial assets				
Cash in hand and balances in current accounts with the Central Banks	341,153	-	1	**341,154**
Financial assets at amortised cost - Receivables from banks	27,863	810,265	10,675	848,803
Financial assets at amortised cost - Loans and advances to customers	943,785	9,874	1,115	954,774
Financial assets at amortised cost – Receivables from the State budget	10,786	-	-	**10,786**
Financial assets at amortised cost – Securities	1,319	10,008	-	**11,327**
Financial assets at amortised cost – Net investment in finance leases	74,989	-	1,361	**76,350**
Financial assets at fair value through other comprehensive income – Debt instruments	40,648	362,164	-	**402,812**
Other financial assets	-	-	2,669	**2,669**
	1,440,543	**1,192,311**	**15,821**	**2,648,675**
Financial liabilities				
Deposits from credit institutions	46,237	200,345	-	**246,582**
Deposits from customers other than credit institutions	280,547	444,642	11,239	736,428
Borrowings from international institutions	611,158	-	-	**611,158**
Lease liabilities	101	-	-	**101**
Other borrowings and liabilities	12,164	4,942	69,233	86,339
	950,207	**649,929**	**80,472**	**1,680,608**
Total interest rate exposure	**490,336**	**542,382**	**(64,651)**	**968,067**
Contingencies and commitments	170,559	58,666	722,434	951,659

All amounts are in thousand Bulgarian Levs, unless otherwise stated

31 December 2023	**Floating interest rate**	**Fixed interest rate**	**Interest-free**	**Total**
Financial assets				
Cash in hand and balances in current accounts with the Central Banks	128,662	-	3	128,665
Financial assets at amortised cost - Receivables from banks	43,380	459,517	11,083	513,980
Financial assets at amortised cost - Loans and advances to customers	1,322,880	9,952	700	1,333,532
Financial assets at amortised cost – Receivables from the State budget	14,262	-	-	14,262
Financial assets at amortised cost – Securities	1,622	10,049	-	11,671
Financial assets at amortised cost – Net investment in finance leases	73,667	-	1,693	75,360
Financial assets at fair value through other comprehensive income – Debt instruments	31,602	407,829	-	439,431
Other financial assets	373	-	3,989	4,362
	1,616,448	**887,347**	**17,468**	**2,521,263**
Financial liabilities				
Deposits from credit institutions	20,601	189,303	-	209,904
Deposits from customers other than credit institutions	332,183	193,496	13,912	539,591
Borrowings from international institutions	581,931	-	-	581,931
Lease liabilities	215	-	-	215
Other borrowings and liabilities	11,687	5,131	74,108	90,926
	946,617	**387,930**	**88,020**	**1,422,567**
Total interest rate exposure	**669,831**	**499,417**	**(70,552)**	**1,098,696**
Contingencies and commitments	126,354	31,237	657,493	815,084

The Group’s assets and liabilities with floating interest rate are based mainly on 3-month and 6-month EURIBOR.

All amounts are in thousand Bulgarian Levs, unless otherwise stated

Analysis of interest rate sensitivity and risk

The table below includes the financial instruments of the Group, presented at carrying value, classified by the earlier of the date of interest rate change under the contract and the maturity date.

As of 31.12.2024	Within 1 month	1-3 months	3-6 months	6-12 months	1-5 years	over 5 years	Fixed interest rate	Interest-free	Total
Financial assets									
Financial assets at amortised cost – Receivables from banks	6,910	20,932	-	-	-	-	810,265	10,696	**848,803**
Financial assets at amortised cost – Loans and advances to customers	71,077	873,348	-	-	-	475	9,874	-	**954,774**
Financial assets at amortised cost – Net investment in finance lease	273	74,657	-	59	-	-	-	1,361	**76,350**
Financial assets at amortised cost – Receivables from the State budget	10,786	-	-	-	-	-	-	-	**10,786**
Financial assets at amortised cost – Securities	-	-	1,319	-	-	10,008	-	-	**11,327**
Financial assets at fair value through other comprehensive income – Debt instruments	69,097	105,204	67,769	61,106	59,208	40,428	-	-	**402,812**
Other financial assets	-	1,291	-	-	-	-	-	1,378	**2,669**
Total financial assets	**158,143**	**1,075,432**	**69,088**	**61,165**	**59,208**	**50,911**	**820,139**	**13,435**	**2,307,521**
Financial liabilities									
Borrowings from international institutions	-	186,982	424,176	-	-	-	-	-	**611,158**
Deposits from customers other than credit institutions	386,990	306,398	23,020	8,781	-	-	-	11,239	**736,428**
Deposits from credit institutions	46,237	-	-	-	-	-	200,345	-	**246,582**
Other borrowings and liabilities	-	14,620	-	-	66,415	4,942	-	362	**86,339**
Lease liabilities	-	61	-	40	-	-	-	-	**101**
Total financial liabilities	**433,227**	**508,061**	**447,196**	**8,821**	**66,415**	**4,942**	**200,345**	**11,601**	**1,680,608**
Total interest rate sensitivity exposure	**(275,084)**	**567,371**	**(378,108)**	**52,344**	**(7,207)**	**45,969**	**619,794**	**1,834**	**626,913**
Contingencies and commitments	464,245	14,247	158,413	778	-	-	58,666	255,310	**951,659**

All amounts are in thousand Bulgarian Levs, unless otherwise stated

As of 31.12.2023	Within 1 month	1-3 months	3-6 months	6-12 months	1-5 years	over 5 years	Fixed interest rate	Interest-free	Total
Financial assets									
Financial assets at amortised cost – Receivables from banks	8,854	34,526	-	-	-	-	459,517	11,083	**513,980**
Financial assets at amortised cost – Loans and advances to customers	89,886	1,251,307	(30)	-	-	(18,492)	10,161	700	**1,333,532**
Financial assets at amortised cost – Net investment in finance lease	308	73,233	-	126	-	-	-	1,693	**75,360**
Financial assets at amortised cost – Receivables from the State budget	14,262	-	-	-	-	-	-	-	**14,262**
Financial assets at amortised cost – Securities	-	-	1,622	-	-	10,049	-	-	**11,671**
Financial assets at fair value through other comprehensive income – Debt instruments	4,019	42,873	19,947	91,123	233,352	48,117	-	-	**439,431**
Other financial assets	373	905	1	-	4	-	-	3,079	**4,362**
Total financial assets	**117,702**	**1,402,844**	**21,540**	**91,249**	**233,356**	**39,674**	**469,678**	**16,555**	**2,392,598**
Financial liabilities									
Borrowings from international institutions	-	103,945	477,986	-	-	-	-	-	**581,931**
Deposits from customers other than credit institutions	395,720	28,567	17,145	84,247	-	-	-	13,912	**539,591**
Deposits from credit institutions	20,601	-	-	-	-	-	189,303	-	**209,904**
Other borrowings and liabilities	4,458	11,713	-	-	65,709	5,131	-	3,915	**90,926**
Lease liabilities	-	127	-	-	88	-	-	-	**215**
Total financial liabilities	**420,779**	**144,352**	**495,131**	**84,247**	**65,797**	**5,131**	**189,303**	**17,827**	**1,422,567**
Total interest rate sensitivity exposure	**(303,077)**	**1,258,492**	**(473,591)**	**7,002**	**167,559**	**34,543**	**280,375**	**(1,272)**	**970,031**
Contingencies and commitments	271,540	13,519	137,241	2,387	-	-	31,237	359,160	**815,084**

All amounts are in thousand Bulgarian Levs, unless otherwise stated

Sensitivity of the floating interest rate assets and liabilities

The table below represents the sensitivity of the Group to possible changes in interest rates based on the structure of floating rate assets and liabilities as of 31 December, under the assumption that the influence of the other variables is ignored. The actual effect of changes in market interest rates could be different as a significant portion of the loans and receivables from customers bear floating interest rates limited downwards by interest rate "floor" based on a variable portion determined by the Group, which in turn is influenced by numerous factors.

	2024			2023		
Currency	**Increase/ Decrease %**	**Sensitivity of the financial result**	**Sensitivity of equity**	**Increase/ Decrease %**	**Sensitivity of the financial result**	**Sensitivity of equity**
BGN	0.50%	1,318	(1,016)	0.50%	1,370	(1,579)
EUR	0.50%	(971)	(970)	0.50%	775	(1,642)
USD	0.50%	(185)	-	0.50%	(192)	-
BGN	-0.50%	(1,318)	1,016	-0.50%	(1,370)	1,579
EUR	-0.50%	971	970	-0.50%	(775)	1,642
USD	-0.50%	185	-	-0.50%	192	-

Currency risk

The currency risk is the risk that the financial position and cash flows of the Group might be affected adversely by changes in exchange rates due to open currency positions. In managing the foreign currency risk, the Group follows the principle of maintaining minimum open currency positions within the specified limits. Foreign currency positions are not formed with speculative purposes but arise out of foreign currency transactions in the ordinary course of business of the Group.

The policy of the Group is that the main portion of the assets and liabilities, and respectively the bank transactions, shall be denominated in EUR or BGN. The Group does not carry out significant transactions and does not hold significant open positions in currencies other than EUR and BGN. As the exchange rate of the Bulgarian lev is pegged to that of the Euro, there is no significant open currency risk for the Group's cash flows and financial performance.

The currency risk is regarded with respect to the overall activity of the Group. Analyses of the financial assets and liabilities by types of currency of denomination are conducted on a regular basis.

The approach of measuring the overall activity currency risk includes mainly:

- Foreign currency sensitivity analysis – measuring the Group's income from foreign currency transactions;
- Determination, implementation and reporting of currency risk limits, reflecting the Group's risk appetite;
- Stress tests for currency risk, which present the potential change of annual income after the implementation of stress scenarios for exchange rate changes.

The currency risk analysis is performed by allocating the Group's assets and liabilities by types of currency of denomination, which facilitates the timely decision making regarding the Group's foreign currency policy, and in particular, the formation of specific products and ensuring sources of financing with relevant characteristics.

The Asset and Liability Management Committee (ALCO) monitors currently the currency risk to which the Group is exposed and develops measures for its management and maintenance within the limits acceptable to the Group.

The following table summarises the Group's exposure to currency risk. The table includes the Group's financial instruments and the contingent liabilities and commitments, presented at carrying amount, classified by type of currency.

All amounts are in thousand Bulgarian Levs, unless otherwise stated

As of 31 December 2024	**In USD**	**In EUR**	**In other foreign currency**	**In BGN**	**Total**
Financial assets					
Cash in hand and balances in current accounts with the Central Banks	108	123,012	-	218,034	341,154
Financial assets at amortised cost – Receivables from banks	77,602	765,908	179	5,114	848,803
Financial assets at amortised cost – Loans and advances to customers	-	616,092	-	338,682	954,774
Financial assets at amortised cost – Receivables from the State budget	-	-	-	10,786	10,786
Net investment in finance leases	-	74,930	-	1,420	76,350
Financial assets at amortised cost – Securities	-	10,008	-	1,319	11,327
Financial assets at fair value through other comprehensive income – Debt Instruments	5,628	266,096	-	131,088	402,812
Financial assets at fair value through other comprehensive income – Equity Instruments	-	41,457	-	138,828	180,285
Other financial assets	14	244	-	2,411	2,669
Total financial assets	**83,352**	**1,897,747**	**179**	**847,682**	**2,828,960**
Financial liabilities					
Borrowings from international institutions		611,158			611,158
Deposits from customers other than credit institutions	55,996	423,105	108	257,219	736,428
Deposits from credit institutions	27,298	177,276	-	42,008	246,582
Guarantee provisions	-	-	-	102,007	102,007
Lease liabilities	-	19	-	82	101
Other borrowings	-	19,606	-	66,733	86,339
Total financial liabilities	**83,294**	**1,231,164**	**108**	**468,049**	**1,782,615**
Net balance sheet currency position	**58**	**666,583**	**71**	**379,633**	**1,046,345**
Contingencies and commitments	5,883	100,713		947,772	**1,054,368**

All amounts are in thousand Bulgarian Levs, unless otherwise stated

As of 31 December 2023	In USD	In EUR	In other foreign currency	In BGN	Total
Financial assets					
Cash in hand and balances in current accounts with the Central Banks	77	35,646	-	92,942	128,665
Financial assets at amortised cost – Receivables from banks	53,563	446,356	41	14,020	513,980
Financial assets at amortised cost – Loans and advances to customers	-	854,243	-	479,289	1,333,532
Financial assets at amortised cost – Receivables from the State budget	-	-	-	14,262	14,262
Net investment in finance leases	-	73,541	-	1,819	75,360
Financial assets at amortised cost – Securities	-	10,049	-	1,622	11,671
Financial assets at fair value through other comprehensive income – Debt Instruments	-	233,143	-	206,288	439,431
Financial assets at fair value through other comprehensive income – Equity Instruments	-	41,502	-	98,828	140,330
Other financial assets	16	1,734	-	2,612	4,362
Total financial assets	**53,656**	**1,696,214**	**41**	**911,682**	**2,661,593**
Financial liabilities					
Borrowings from international institutions	-	581,931	-	-	581,931
Deposits from customers other than credit institutions	53,614	143,191	-	342,786	539,591
Deposits from credit institutions	-	186,521	-	23,383	209,904
Guarantee provisions	-	47	-	121,696	121,743
Lease liabilities	-	35	-	180	215
Other borrowings	3	17,271	-	73,652	90,926
Total financial liabilities	**53,617**	**928,996**	**-**	**561,697**	**1,544,310**
Net balance sheet currency position	**39**	**767,218**	**41**	**349,985**	**1,117,283**
Contingencies and commitments	6,147	91,378	-	842,050	**939,575**

All amounts are in thousand Bulgarian Levs, unless otherwise stated

The following table presents the Group's sensitivity to possible changes in exchange rates based on the structure of the assets and liabilities at 31 December.

2024

Currency	**Change in exchange***			**Effect on the pre-tax profit in case of change in exchange rates***		**Effect on equity**
	Exchange rate	**Decrease (BPS)**	**Increase (BPS)**	**Decrease**	**Increase**	
EUR	1.95583	-	-	-	-	-
USD	1.88260	(1,795)	1,586	(3)	3	-
JPY	0.0119945	(11)	5,000	-	-	-
GBP	2.35875	(867)	1,333	(3)	2	-
Total effect				**(6)**	**5**	

2023

Currency	**Change in exchange***			**Effect on the pre-tax profit in case of change in exchange rates***		**Effect on equity**
	Exchange rate	**Decrease (BPS)**	**Increase (BPS)**	**Decrease**	**Increase**	
EUR	1.95583	-	-	-	-	-
USD	1.76998	(1,687)	1,491	(1)	1	-
JPY	0.01251	(12)	5	-	-	-
GBP	2.25054	(827)	1,272	(2)	2	-
Total effect				**(3)**	**3**	**-**

*Calculated on the basis of 3-month change in fluctuation of exchange rate (historical period of 3 years) with degree of confidence 99%.

As of 31 December 2024 and 2023, the open positions on currency and market volatility for the respective currencies would have an immaterial effect on the financial result of the Group, measured at an amount minus BGN 6 thousand (2023: minus BGN 3 thousand) in a hypothesis of adverse change in the exchange rates against the open positions by separate currencies of the Group by reported basis points (BPS: 1 b.p. = 0.0001 in decimal form).

Price risk of shares quoted on a securities exchange

The Group is exposed to price risk with respect to the shares it holds, classified as investments at fair value through other comprehensive income. The management of the Parent bank monitors and analyses all changes in the security market, and engages the advisory services of renowned local investment intermediaries. In addition, at this stage the management of the Parent bank has decided to greatly reduce the operations on the stock markets and the trade in the acquired shares, and currently monitors the financial and business indicators, reported by the respective issuer, as well as the development of its activities.

4.3. Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its current and potential payment obligations as they fall due without suffering losses.

The Group's business requires a stable cash flow both to replace existing deposits and loans received prior to their maturity, and to satisfy demands of customers for additional loans. Undrawn borrowing facility commitments and the level of all outstanding contingent obligations are taken into consideration in managing the parent bank's liquidity risk.

The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, as well as the impact of the changes in interest rates and exchange rates on the pre-tax profit and equity, are important factors in assessing the Group's liquidity. In order to manage this risk, the Group maintains at all times highly liquid assets depending on the currency of its liabilities.

The monitoring and control of the overall liquidity are performed by Assets and Liabilities Committee (ALCO) and are based on normatively determined coefficients and ratios set by the BNB and EBA, as well as internal analysis based on maturity tables with scenarios for measuring the net cash flows by periods, including nominal and pessimistic scenario, reflecting to a different degree the negative assumptions relating to loss of confidence by the customers, deterioration of the credit portfolio quality, negative assumptions about the banking market and other assumptions that could have an impact on the Group's liquid position. Additionally, varieties of correlations are monitored to indicate the liquid position by periods.

Liquidity risk is also measured through application of additional scenarios for the cash flows from operating activities and monitoring the liquidity buffers of the Group and the additional sources of financing in case of market and idiosyncratic shocks, representing loss of confidence by the market in a particular bank or banking group, which could lead to a decrease of the rating with two degrees at least and combined shocks.

Liquidity risk is also measured through application of three additional scenarios for the cash flows from operating activities and monitoring the liquidity buffers of the parent company and the additional sources of financing in case of market and idiosyncratic shocks, representing loss of confidence by the market in a particular bank or banking group, which is tantamount to downgrading of the institution with two degrees at least and combined shocks in compliance with the Guidelines on liquidity buffers and survival periods of Bulgarian National Bank.

All amounts are in thousand Bulgarian Levs, unless otherwise stated

The table below presents the amounts in percentage of the liquidity coverage ratio (LCR) of the Group:

	2024	**2023**
As of 31 December	426.70%	410.50%
Average for the period	475.25%	338.83%
Highest for the period	708.53%	534.80%
Lowest for the period	352.99%	233.89%

	2024	**2023**
Cash and cash balances with BNB	341,154	128,665
Balances in current accounts with other banks and international deposits of up to 90 days	817,050	468,206
Government debt securities	354,851	393,494
Liquid assets	**1,513,055**	**990,365**
Financial liabilities measured at amortised cost	1,680,608	1,422,567
Provisions	102,007	121,743
Liabilities	**1,782,615**	**1,544,310**
Liquid assets ratio (LAR)	84.88%	64.13%

The table on the next page provides an analysis of the financial assets and liabilities of the Group grouped by remaining maturity (assets with indefinite maturity have a period of realisation of up to 1 month).

All amounts are in thousand Bulgarian Levs, unless otherwise stated

As of 31 December 2024	**Within 1 month**	**1-3 months**	**3-12 months**	**1-5 years**	**Over 5 years**	**Total**
Financial assets	341,154	-	-	-	-	341,154
Cash in hand and balances in current accounts with the Central Banks	768,150	48,900	12,329	19,424	-	848,803
Financial assets at amortised cost – Receivables from banks	4,277	56,430	111,682	402,124	380,261	954,774
Financial assets at amortised cost - Receivables from the State budget	-	4,173	6,613	-	-	10,786
Financial assets at amortised cost – Net investment in finance lease	3,444	2,733	13,156	55,191	1,826	76,350
Financial assets at amortized cost – Securities	-	-	178	1,141	10,008	11,327
Financial assets at fair value through other comprehensive income – Debt instruments	69,247	108,380	128,327	58,749	38,109	402,812
Financial assets at fair value through other comprehensive income – Equity instruments	180,285	-	-	-	-	180,285
Other financial assets	1,378	1,291	-	-	-	2,669
Total financial assets	**1,367,935**	**221,907**	**272,285**	**536,629**	**430,204**	**2,828,960**
Financial liabilities						
Borrowings from international institutions	-	89,310	123,378	259,087	139,383	611,158
Deposits from customers other than credit institutions	355,897	337,550	39,508	3,472	1	736,428
Deposits from credit institutions	246,582	-	-	-	-	246,582
Other borrowings and liabilities	136	19	2,722	79,433	4,029	86,339
Lease liabilities	5	12	84	-	-	101
Total financial liabilities	**602,620**	**426,891**	**165,692**	**341,992**	143,413	**1,680,608**
Gap in maturity thresholds of assets and liabilities	**765,315**	**(204,984)**	**106,593**	**194,637**	**286,791**	**1,148,352**
Contingencies and commitments	**443,042**	**4,648**	**265,617**	**227,448**	**10,904**	**951,659**

All amounts are in thousand Bulgarian Levs, unless otherwise stated

As of 31 December 2023	**Within 1 month**	**1-3 months**	**3-12 months**	**1-5 years**	**Over 5 years**	**Total**
Financial assets						
Cash in hand and balances in current accounts with the Central Banks	128,665	-	-	-	-	128,665
Financial assets at amortised cost – Receivables from banks	468,207	1,541	4,074	40,158	-	513,980
Financial assets at amortised cost – Loans and advances to customers	283,167	45,309	134,512	480,494	390,050	1,333,532
Financial assets at amortised cost - Receivables from the State budget	-	4,139	10,123	-	-	14,262
Financial assets at amortised cost – Net investment in finance lease	1,842	4,273	10,937	56,535	1,773	75,360
Financial assets at amortized cost – Securities	-	-	184	1,438	10,049	11,671
Financial assets at fair value through other comprehensive income – Debt instruments	4,676	44,177	112,307	231,413	46,858	439,431
Financial assets at fair value through other comprehensive income – Equity instruments	140,330	-	-	-	-	140,330
Other financial assets	3,381	905	72	4	-	4,362
Total financial assets	**1,030,268**	**100,344**	**272,209**	**810,042**	**448,730**	**2,661,593**
Financial liabilities						
Borrowings from international institutions	-	15,933	112,956	440,773	12,269	581,931
Deposits from customers other than credit institutions	391,056	33,756	109,092	5,686	1	539,591
Deposits from credit institutions	209,904	-	-	-	-	209,904
Other borrowings	7,808	114	539	78,249	4,216	90,926
Lease liabilities	5	11	50	149	-	215
Total financial liabilities	608,773	49,814	222,637	524,857	16,486	1,422,567
Gap in maturity thresholds of assets and liabilities	**421,495**	**50,530**	**49,572**	**285,185**	**432,244**	**1,239,026**
Contingencies and commitments	**306,547**	**10,382**	**108,724**	**380,563**	**8,868**	**815,084**

All amounts are in thousand Bulgarian Levs, unless otherwise stated

The table below presents the gross undiscounted cash flows related to the Group's liabilities as of 31 December:

As of 31 December 2024	**Carrying amount**	**Gross flow**	**Less than 1 month**	**From 1 to 3 months**	**From 3 to 12 months**	**From 1 to 5 years**	**Over 5 years**
Financial liabilities							
Borrowings from international institutions	611,158	683,642		89,940	128,015	289,037	176,650
Deposits from customers other than credit institutions	736,428	736,461	355,904	337,572	39,512	3,472	1
Deposits from credit institutions	246,582	246,648	246,648	-	-	-	-
Lease liabilities	101	103	5	13	85	-	-
Other borrowings	86,339	88,263	136	19	2,726	80,418	4,964
	1,680,608	**1,755,117**	**602,693**	**427,544**	**170,338**	**372,927**	**181,615**
Credit guarantee and bank guarantee provisions	102,007	102,007	10,281	600	2,700	88,426	-
Unutilised credit commitments	200,335	200,548	15,635	4,343	71,887	103,587	5,096

As of 31 December 2023	**Carrying amount**	**Gross flow**	**Less than 1 month**	**From 1 to 3 months**	**From 3 to 12 months**	**From 1 to 5 years**	**Over 5 years**
Financial liabilities							
Borrowings from international institutions	581,931	656,672	-	16,275	118,956	505,108	16,333
Deposits from customers other than credit institutions	539,591	539,612	391,064	33,758	109,100	5,689	1
Deposits from credit institutions	209,904	210,058	210,058	-	-	-	-
Lease liabilities	215	227	6	13	57	151	-
Other borrowings	90,926	93,702	7,808	114	543	79,990	5,247
	1,422,567	**1,500,271**	**608,936**	**50,160**	**228,656**	**590,938**	**21,581**
Credit guarantee and bank guarantee provisions	121,698	121,698	6,911	600	2,700	111,487	-
Unutilised credit commitments	159,909	159,960	25,781	2,322	36,853	91,835	3,169

All amounts are in thousand Bulgarian Levs, unless otherwise stated

Considering the specific activity of the Bank, the funds attracted from the biggest 20 non-bank depositors as of 31 December 2024 represent 87.91% of the total amount of payables to other customers (31 December 2023: 84.59%). The share of the biggest non-bank depositor of the total amount of payables to other customers is 25.02% (31 December 2023: 23.23%).

The Group's financial assets available to be pledged for future financing and the financial assets pledged as collateral for financial liabilities are presented in the table below:

As of 31 December 2024

Financial assets	**Pledged as collateral**	**Available for collateral**	**Other***	**Total**
Cash in hand and balances in current accounts with Central Banks	-	159,643	181,511	341,154
Financial assets at amortised cost - Receivables from banks	10,692	838,111		848,803
Financial assets at amortised cost – Loans and advances to customers	-	529,662	425,112	954,774
Financial assets at amortised cost – Receivables from the State budget	-	10,786	-	10,786
Financial assets at amortised cost - Net investment in finance leases	-	76,350	-	76,350
Financial assets at amortised cost – Securities	-	11,327	-	11,327
Financial assets at fair value through other comprehensive income – Debt instruments	6,492	396,320	-	402,812
Financial assets at fair value through other comprehensive income – Equity instruments	-	19	180,266	180,285
Other financial assets	-	1,595	1,074	2,669
Total financial assets	**17,184**	**2,023,813**	**787,963**	**2,828,960**

All amounts are in thousand Bulgarian Levs, unless otherwise stated

As of 31 December 2023

Financial assets	**Pledged as collateral**	**Available for collateral**	**Other***	**Total**
Cash in hand and balances in current accounts with Central Banks	-	36,149	92,516	128,665
Financial assets at amortised cost - Receivables from banks	11,083	502,897	-	513,980
Financial assets at amortised cost – Loans and advances to customers	-	684,449	649,083	1,333,532
Financial assets at amortised cost – Receivables from the State budget	-	14,262	-	14,262
Financial assets at amortised cost - Net investment in finance leases	-	75,360	-	75,360
Financial assets at amortised cost – Securities	-	11,671	-	11,671
Financial assets at fair value through other comprehensive income – Debt instruments	6,260	433,171	-	439,431
Financial assets at fair value through other comprehensive income – Equity instruments	-	214	140,116	140,330
Other financial assets	-	1,717	2,645	4,362
Total financial assets	**17,343**	**1,759,890**	**884,360**	**2,661,593**

* Other represent financial assets not encumbered or restricted to be used as collateral, but the Group would not take it into consideration as available to support a future financing in the normal course of its activity.

As of 31 December 2024, funds amounting to BGN 10,692 thousand (2023: BGN 11,083 thousand) were blocked in counter-guarantees of two corporate customers, maturing as follows:

Receivables from banks pledged as collateral as per maturity interval	**2024**	**2023**
On demand		
From 91 to 180 days	-	1,592
From 181 to one year	7,372	4,022
Over one year	3,320	5,469
	10,692	**11,083**

As of 31 December 2024, securities on a legal requirement to provide for funds of the State budget amounting to BGN 6,492 thousand (as of 31 December 2023: BGN 6,260 thousand) were blocked.

Review of the size, development and the credit quality of the unencumbered assets is done once a year.

4.4. Operational risk

Risk Management, together with other Group divisions, monthly monitors and reports to ALCO on the ratios between the encumbered assets and the total carrying amount of the Group's assets. In a case of excess above the limits approved by the Management Board, ALCO reports back to the MB for undertaking corrective actions.

The main sources of operational risk within the Group are its personnel, processes, systems and external events. The Group designated the following as the major types of operational risk:

- Risk of loss due to inadequate or poorly working internal processes;
- Risk of loss due to inadequate, illegal and/or incorrect acts and omissions of personnel;
- Risk of loss due to inadequate or poorly working systems;
- Risk of loss due to external events, including legal risk.

Operational risk management is based on the principles of not taking unreasonable risks, strict compliance with the levels of competence and the applicable legislation. The Group applies reliable methods for limiting the impact of operational risks, including by dividing the functions and responsibilities, introducing double-checking control, levels of competence, internal control, etc. In addition, control procedures for reducing the operational risk are added to all internal rules and procedures of the Group.

In operational risk management all operational events, which occur in the activity of various units and processes of the Group, are strictly monitored and registered, while the events of higher frequency, as well as those of significant importance, serve as bases for the operational risk analyses in different scenarios. The operational risk is measurable and monitorable, and in the process of work an operational event register is kept, which is used as a basis for analysing and improving the work processes, and minimising the conditions that would potentially result in operational events and loss for the Group. For the purposes of measuring its operational risk, the Group has decided to apply the "Basic indicator method".

4.5 Capital management

The main objectives of the Group's capital management are to maintain its level at amounts sufficient for activity developing and achieving the general objectives set at its foundation – to support the economic policy of the country and the development of small and medium-sized businesses.

In its activity, the Group should comply with the regulatory requirements for capital adequacy (Notes 35 and 36), as well as continue to operate as a going concern.

All amounts are in thousand Bulgarian Levs, unless otherwise stated

The table below presents the main equity components following the regulatory requirements and ratios achieved on a consolidated group (as a Bank group) level:

	2024	**2023**
OWN FUNDS	1,112,622	1,063,449
TIER I CAPITAL	1,112,622	1,063,449
COMMON EQUITY TIER I CAPITAL	1,112,622	1,063,449
Share capital	1,135,500	1,135,500
Loss	(233,281)	(229,590)
Statutory reserves	63,497	11,697
Additional reserves	316,387	317,489
Accumulated other comprehensive income	(18,650)	(68,704)
Intangible assets	(3,057)	(7,690)
Investments in subsidiaries	(3,023)	(3,023)
(-) Common Equity Tier 1 instruments of financial sector entities when the institution has significant investments	(116,694)	(79,315)
Value adjustments due to prudential assessment requirements	(583)	(571)
Transitional adjustments to CET1 Capital	-	-
Deductible deferred tax assets that are based on future profit and arise from temporary differences	(2,209)	(8,002)
Components of or deductions from CET 1 Capital - other	(25,265)	(4,342)
ADDITIONAL TIER I CAPITAL	-	-
TIER II CAPITAL	-	-
TOTAL RISK EXPOSURES	2,284,205	2,388,309
Credit risk - Standardised approach	2,138,442	2,252,434
Central governments or central banks	2,376	16,622
Regional governments or local authorities	1,318	1,621
Public sector entities	-	-
Multilateral development banks	-	-
Institutions	188,480	113,099
Corporates	1,005,199	1,110,935
Retail	215,739	270,805
Secured by mortgages on immovable property	264,960	188,785
Exposures in default	107,123	373,580
Items associated with particular high risk	103,404	94,574
Equity exposures	131	183
Other items	249,712	82,230
Currency and commodity risk	-	-
Operational risk - Basic indicator approach	145,763	135,875

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	2024	2023
CET 1 Capital Ratio	**48.71%**	**44.53%**
Total Capital Ratio	**48.71%**	**44.53%**
Capital conservation buffer	*57,105*	*59,708*
Systemic risk buffer	*68,526*	*71,649*
Institution-specific countercyclical capital buffer	*45,684*	*47,766*
Buffer of other institutions of systemic importance	-	*11,942*
REGULATORY REQUIRED LEVELS		
CET 1 Capital Ratio	*6.95%*	*6.60%*
Tier 1 Capital ratio	*8.45%*	*8.10%*
Total Capital ratio	*10.45%*	*10.10%*
Capital conservation buffer	*2.50%*	*2.50%*
Systemic risk buffer	*3.00%*	*3.00%*
Institution-specific countercyclical capital buffer	*2.00%*	*2.00%*
Buffer of other institutions of systemic importance	*0.50%*	*0.50%*

By decision of BNB No 93 of 15 March 2019, an additional requirement for Common Equity Capital was imposed on the BDB on the basis of Art. 103a, para. 2, item 5 of the Law on Credit Institutions, exceeding the requirements of Art. 92, para 1 of Regulation (EU) No 575/2013 of 1.75% to risk-weighted assets, or a minimum total capital adequacy of 9.75%. By decision of BNB No 84 of 08 March 2022 this requirement has been increased to 2.25% for risk-weighted assets, or a minimum overall capital adequacy of 10.25%.

By decision of BNB No 188 of 26 April 2023 the requirement for capital exceeding the requirements of Art. 92, para 1 of Regulation (EU) No 575/2013 was reduced to 2.10% to risk-weighted assets or a minimum total capital adequacy of 10.10%. By the same decision, based on Art. 79c, para 1, item 1 and 3 of the Law on Credit Institutions, BNB makes a recommendation to BDB to maintain additional equity of 0.30%.

By decision of the BNB No. 272 of 30 May 2024, based on Art. 103, para. 15, item 2, in connection with Art. 79c, para. 1, 2 and 9, Art. 103, para. 2, item 5 and art. 103a, para. 3, 4 and 9, of the Law on Credit Institutions, the requirement for capital exceeding the requirements under Art. 92, paragraph 1 of Regulation (EU) 575/2013 is increased to 2.45% to risk-weighted assets, or a minimum total capital adequacy of 10.45%. With the same decision, based on Art. 79c, para. 1 item 3 and art. 79, para. 1 and para. 3 of the LCI, BNB makes a recommendation to BDB to maintain an additional equity capital of 0.25%.

By decision of the BNB No. 260 of 22 May 2024, based on Art. 103, para. 15, item 2, in connection with Art. 79c, para. 1, 2 and 9, Art. 103, para. 2, item 5 and art. 103a, para. 3, 4 and 9, of the Law on Credit Institutions, the requirement for capital exceeding the requirements under Art. 92, paragraph 1 of Regulation (EU) 575/2013 is decreased to 2.30% to risk-weighted assets, or a minimum total capital adequacy of 10.30%. With the same decision, based on Art. 79c, para. 1 item 3 and art. 79d, para. 1 and para. 3 of the LCI, BNB makes a recommendation to BDB to maintain an additional equity capital of 0.10%.

4.6 External risks

War in Ukraine

On February 24, 2022, Russia launched a full-scale military invasion of its southwestern neighbour, Ukraine. The attack on Ukraine has been defined as the most serious military conflict in Europe since the end of the Second World War. Large-scale economic sanctions have been imposed on Russia by the European Union, the United States, Great Britain, Canada and other countries, including traditionally neutral ones such as Switzerland, some of which also extend to Belarus. The scope of these sanctions continues to expand.

In 2024, no measurable negative or positive effects related to the war are reported.

It is possible that, depending on the duration and scale of the conflict, and the political and economic measures taken by both Russia, the US and the EU, the Group may revise its assumptions and judgments, which in turn could lead to significant adjustments in the book value of assets and liabilities in the future.

Potential direct effects on the Group

As of 31 December 2024, and as of the date of issue of the separate financial statements, the Group has no exposures to institutions, whose main shareholder is a party from Russia or Ukraine, or clients whose main business is in Russia or Ukraine.

Potential effects on clients of the Group

As of the date of issue of the consolidated financial statements:

- Clients operating in the **Tourism and Hospitality** sector recorded a decrease in visits from Russia and Ukraine, which were partially offset by both domestic tourists and tourists from other destinations. For 2024, there is no measurable effect of the war. Expectations for 2025 and in the medium term are mixed;
- Stabilization of energy prices has had a positive impact on clients operating in the **Transport sector**. Movements in energy markets, as well as in goods and passenger markets, including those affected by the war, will determine the operating results of these clients in 2025 and in the medium term;
- Clients in the **Construction and Real Estate sector** expect continued high prices of materials in the medium term. Prices are expected to be retained at current levels, and in the event of a favourable development of the conflict – to move towards a decline with the corresponding effects on the cost of the end product;

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- For customers in the **Trade and Services sector**, except for those trading directly with Russia, Ukraine and Belarus, no measurable effects are observed. The inflation trends are in the direction of price stability with the corresponding favourable effects on the sector;
- Customers in the **Manufacturing Industry** sector are directly affected by the increased prices of energy carriers and materials, as well as by disrupted supply chains, which continue to create difficulties. With the reorientation of supply and the normalization of energy prices, customers in the sector are expected to recover their normal margins and efficiency in 2025;
- The Group's clients in the **Production, transmission, distribution and supply of natural gas and thermal energy** sector were directly affected by the increased prices of energy carriers, with the relevant government programs partially or fully compensating these increases. The normalization of natural gas supplies in Europe, as well as the storage directives, have resulted in relative stability of these enterprises, despite the colder winter compared to prior years. No measurable effects are expected in 2025 and in the medium term.

It is unlikely as a result of the developments in 2025, and further that the customers will be become permanently unable to repay their liabilities to the Group as a result of the conflict.

As of 31 July 2025, the Group has the following significant exposures[6] to the potentially affected sectors:

	As of 31.07.2025
Construction and real estate	401,413
Industry	291,871
Trade and services	282,563
Transport	101,341
Production, transmission, distribution and supply of natural gas and thermal energy	240,022
Tourism and hospitality	224,008
	1,541,218

The Group closely monitors the developments concerning its clients and is ready to take appropriate measures to protect its interest and the interests of its clients.

The effect of general economic impact may lead to the need to revise certain assumptions and accounting judgments, which may lead to changes in the carrying amount of the exposures described above within the next financial year. At this stage, the Group's management is unable to reliably estimate these effects as events unfold on a daily basis.

[6] Top 50 clients, including balance sheet debt, off-balance sheet exposures and unutilized credit lines.

Longer-term effects may have an impact on the Group's financial position, results of operations and cash flows. However, at the date of these consolidated financial statements, the Group continues to meet its obligations on time and therefore continues to apply the principle of going concern.

The conflict in the Middle East

On 07 October 2023, the Hamas movement that administers the Palestinian territory of Gaza attacked the State of Israel, killing over 1,200 people and taking 240 hostages. In response, Israel launched a massive military operation against Hamas that continues to this day. In addition, some provocative actions by Israel and Iran create an opportunity for tensions to rise. The mood in both the Middle East and the United Nations is mixed, creating political and economic uncertainty, volatility in energy prices and a diversion of resources to the defence industry.

The Group carefully monitors the developments and their likely impact on the Bulgarian economy and on the customers-borrowers. Currently, including due to the insignificant direct exposure to the State of Israel or other countries of the Middle East, the Group does not expect a significant impact of the crisis on the ability of customers to service their loans.

The effect of general economic consequences of the crises described above may lead to the need to revise certain assumptions and accounting judgments, which may lead to changes in the carrying amount of the exposures described above within the next financial year.

On 13 June 2025, Israel launched a special operation against Iran, so called "Rising Lion". The goal was to stop the development of the Islamic Republic's nuclear program. Tehran responded, and on the evening of June 13, nearly a hundred unmanned drones and ballistic missiles were launched at Israel. Sentiments, both in the Middle East and in the UN, continue to be contradictory, which creates political and economic uncertainty, instability in energy prices and a reallocation of resources to the defense industry.

The Group carefully monitors the developments and their likely impact on the Bulgarian economy and on the customers-borrowers. Currently, including due to the insignificant direct exposure to the State of Israel or other countries of the Middle East, the Group does not expect a significant impact of the crisis on the ability of customers to service their loans.

Effects of new duties imposed by the USA against the EU

First of all, the new duties imposed by the USA against the EU affect Bulgaria indirectly, as our economy is strongly linked to European supply chains. In 2024, trade between Bulgaria and the USA is about 1.7% of the total Bulgarian trade, which is why the direct effect is extremely small. However, indirectly the duties will affect trade with European partners. Bulgaria is part of the EU with 64% of exports and 57% of imports and when the USA imposes duties of European goods and manufacturers, this is transferred to the Bulgarian suppliers of components for them. Estimates from July 2025 imply a possible potential decline in Bulgarian exports by about 0.49% of exports, in case the USA introduces 25% duties on the EU. Duties on steel and auto parts disrupt the supply of key materials to Bulgaria, which will negatively affect Bulgarian companies in the automotive and transport industries. The situation remains dynamic, with an agreement between the USA and the EU being announced at the end of July, reached in direct negotiations between the US President and the President of the European Commission for a 15% duty[7] on imports of European goods to the USA, as well as significant EU investments in the USA and purchases of energy resources.

The effect of general economic consequences of the crises described above may lead to the need to revise certain assumptions and accounting judgments, which may lead to changes in the carrying amount of the exposures described above within the next financial year.

[7] For goods and services not covered by specific customs measures.

All amounts are in thousand Bulgarian Levs, unless otherwise stated

5. FAIR VALUE DISCLOSURE

The table below presents the carrying amount and fair values of financial assets and liabilities, including their levels in the fair value hierarchy:

As of 31.12.2024		Carrying amount				Fair value			
	Note	Financial assets at amortized cost	Financial assets at fair value through other comprehensive income	Other	Total	Level 1	Level 2	Level 3	Total
Assets measured at fair value									
Financial assets at fair value through other comprehensive income – Debt instruments	21	-	402,812	-	402,812	385,983	-	16,829	402,812
Financial assets at fair value through other comprehensive income – Equity instruments*	21	-	180,285	-	180,285	155,696	-	21,984	177,680
Investment property	25	-	-	5,069	5,069	-	-	5,069	5,069
		-	**583,097**	**5,069**	**588,166**	**541,679**	**-**	**43,882**	**585,561**
Financial assets not measured at fair value									
Cash in hand and balances in current accounts with the Central Banks	16	341,154	-	-	341,154	-	341,154	-	341,154
Loans to banks	17	21,061	-	-	21,061	-	21,646	-	21,646
Current accounts and term deposits of banks	17	827,742	-	-	827,742	-	827,742	-	827,742
Financial assets at amortized cost - Loans and advances to customers	18	954,774	-	-	954,774	-	969,246	-	969,246
Financial assets at amortized cost - Receivables from the State budget	19	10,786	-	-	10,786	-	10,914	-	10,914
Financial assets at amortized cost - Securities	20	11,327	-	-	11,327	8,884	1,334	-	10,218
Financial assets at amortized cost - Net investment in finance lease	22	76,350	-	-	76,350	-	76,350	-	76,350
Other financial assets		2,669	-	-	2,669	-	2,669	-	2,669
		2,245,863	**-**	**-**	**2,245,863**	**8,884**	**2,251,055**	**-**	**2,259,939**
Financial liabilities not measured at fair value									
Deposits from credit institutions - Current accounts and term deposits of banks	28	-	-	246,582	246,582	-	246,582	-	246,582
Deposits from other customers other than credit institutions	29	-	-	736,428	736,428	-	735,995	-	735,995
Borrowings from international institutions	30	-	-	611,158	611,158	-	611,995	-	611,995
Other borrowings	31	-	-	83,477	83,477	-	82,817	-	82,817
		-	**-**	**1,677,645**	**1,677,645**	**-**	**1,677,389**	**-**	**1,677,389**

All amounts are in thousand Bulgarian Levs, unless otherwise stated

As of 31.12.2023		**Carrying amount**				**Fair value**			
	Note	**Financial assets at amortized cost**	**Financial assets at fair value through other comprehensive income**	**Other**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets measured at fair value									
Financial assets at fair value through other comprehensive income – Debt instruments	21	-	439,431	-	439,431	423,789	-	15,642	439,431
Financial assets at fair value through other comprehensive income – Equity instruments*	21	-	140,330	-	140,330	119,902	-	19,116	139,018
Assets acquired from collateral foreclosure	27	-	-	38,726	38,726	-	-	38,726	38,726
Investment property	25	-	-	4,908	4,908	-	-	4,908	4,908
		-	**579,761**	**43,634**	**623,395**	**543,691**	**-**	**78,392**	**622,083**
Financial assets not measured at fair value									
Cash in hand and balances in current accounts with the Central Banks	16	128,665	-	-	128,665	-	128,665	-	128,665
Loans to banks	17	34,690	-	-	34,690	-	36,483	-	36,483
Current accounts and term deposits of banks	17	479,290	-	-	479,290	-	479,290	-	479,290
Financial assets at amortized cost - Loans and advances to customers	18	1,333,532	-	-	1,333,532	-	1,387,478	-	1,387,478
Financial assets at amortized cost - Receivables from the State budget	19	14,262	-	-	14,262	-	14,385	-	14,385
Financial assets at amortized cost - Securities	20	11,671	-	-	11,671	10,049	1,704	-	11,753
Financial assets at amortized cost – Net investment in finance lease	22	75,360	-	-	75,360	-	75,360	-	75,360
Other financial assets		4,362	-	-	4,362	-	4,362	-	4,362
		2,081,832	**-**	**-**	**2,081,832**	**10,049**	**2,127,727**	**-**	**2,137,776**
Financial liabilities not measured at fair value									
Deposits from credit institutions - Current accounts and term deposits of banks	30	-	-	209,904	209,904	-	209,904	-	209,904
Deposits from other customers other than credit institutions	29	-	-	539,591	539,591	-	538,587	-	538,587
Borrowings from international institutions	28	-	-	581,931	581,931	-	633,351	-	633,351
Other borrowings	31	-	-	83,022	83,022	-	81,988	-	81,988
		-	**-**	**1,414,448**	**1,414,448**	**-**	**1,463,830**	**-**	**1,463,830**

* The fair value of securities classified as financial assets at fair value through other comprehensive income with carrying amount BGN 1,293 thousand as of 31 December 2024 (2023: BGN 1,312 thousand), which are held at acquisition cost is not disclosed, as according to the Group it cannot be reliably measured.

All amounts are in thousand Bulgarian Levs, unless otherwise stated

Fair value of assets measured at fair value is presented in the following table by types of assets at the reporting date. The Group has voluntarily disclosed the fair value of the assets acquired from collateral foreclosure as of 31 December 2024 and 31 December 2023.

Financial instrument	**Fair value as of**	**Fair value as of**	**Fair value hierarchy**	**Valuation techniques**	**Significant unobservable inputs**	**Relationship of unobservable inputs to fair value**
	31.12.2024	**31.12.2023**				
Financial assets at fair value through other comprehensive income - Debt instruments (quoted)	385,983	423,789	Level 1	Quoted market price	N/A	N/A
Financial assets at fair value through other comprehensive income - Debt instruments (unquoted)	16,829	15,642	Level 3	Discounted cash flows	Effective interest rate of the security	N/A
Financial assets at fair value through other comprehensive income - Equity instruments	155,696	119,902	Level 1	Quoted market price	N/A	N/A
Financial assets at fair value through other comprehensive income - Equity instruments	21,984	19,116	Level 3	Discounted future cash flows The revenue method for valuation of equity participation is an analysis of the value of the share in the valued enterprise, based on its ability to generate income through the distribution of dividends, as well as an estimate of the terminal value when selling shares. Determining the value of the assessed share is based on the permanently realized net annual income of the enterprise, which is distributed among the shareholders on the basis of estimated income, expenses, investment and financial cash flows. For the terminal value are taken similar transactions and / or sales at similar ratios - Price /profit, price / income, multiplier of (EBITDA) or others.	Sector analyzes, evaluation of the company's business plan, coefficients and multipliers for private transactions.	The fair value will increase/decrease at: - Favorable/unfavorable development in the sector - Favorable/unfavorable positioning of the enterprise in the sector - Favorable/unfavorable development of the coefficient and multipliers of the assessed company compared to similar companies

All amounts are in thousand Bulgarian Levs, unless otherwise stated

Type of asset	**Fair value as of**	**Fair value as of**	**Fair value hierarchy**	**Valuation techniques**	**Significant unobservable inputs**	**Relationship of unobservable inputs to fair value**
	31.12.2024	**31.12.2023**				
Investment property	5,069	4,908	Level 3	**Market analogues method** Under the market analogues method an assessment is made by directly comparing the property under review with sold similar properties; the price is determined on the basis of a range of prices of similar property or prices per sq. m. previous transactions. When applying this approach, it is necessary to use actually similar data of the comparable properties, the properties should be in the same location and the timing of the transaction and the date of preparation of the evaluation should be close enough. Currently, investment property is assessed between BGN 121 and BGN 2,382 /sq. m, and adjoining lands – between BGN 1 and BGN 463/sq. m. **Income capitalisation method (revenue method)** The revenue method, used for assessing the real estate value, consists of an analysis of the value of the real estate based on its ability to generate income through capitalisation of the net income derived from the property over a given period. For the determination of the evaluated property's amount, the permanently generated net annual income is used and its amount is calculated on the basis of the actual or possible permanently achieved rental income, which in turn is calculated on the basis of the average offered rent in the area (observable inputs), by taking into account the condition of the building fund and the residual term of use. Currently, rental levels of leased investment property vary between BGN 0.7-8.7/sq. m.	Market analogues method: 1. Market realisation coefficient (0.8-0.95) 2. Location coefficient (0.81-1.0) 3. Coefficient of specific features (status) (0.8-1.1) 4. Offer market adequacy adjustment coefficient (from -10% to +5%) Income capitalisation method (revenue method): 1. rent per sq. m. – BGN 1-14/ sq. m. 2. price growth assumptions – 0-10% 3. levels of vacant unoccupied space – 3-25% 4. discount rate – 5-9%	The higher (lower) fair value if: - Higher (lower) market realisation coefficient - Higher (lower) location coefficient - Higher (lower) coefficient of specific features (status) - Higher (lower) offer market adequacy adjustment coefficient - price growth is expected to be higher (lower)) - the levels of unoccupied space are low (high) - discount rate is lower (higher) -

Fair values of financial assets and liabilities that are not measured at fair value, but a disclosure at fair value is required.

All amounts are in thousand Bulgarian Levs, unless otherwise stated

Financial instrument	**Fair value as of**	**Fair value as of**	**Fair value hierarchy**	**Valuation techniques**	**Significant unobservable inputs**	**Relationship of unobservable inputs to fair value**
	31.12.2024	**31.12.2023**				
Loans to banks	21,646	36,483	Level 2	Discounted cash flows Future cash flows are discounted by EURIBOR for 12 months but not less than 0, adjusted for yield curve of Bulgarian government securities on primary market according to Bloomberg publication	N/A	N/A
Current accounts and term deposits at banks	827,742	479,290	Level 2	Discounted cash flows Future cash flows are measured using the published interest rates on new business for December of the respective year by the BNB market statistics, without any correction being made on them.	N/A	N/A
Provided loans and advances to customers	969,246	1,387,478	Level 2	Discounted cash flows Future cash flows are measured using the contractual effective interest rates for respective exposures based on officially published by BNB interest rates (unadjusted) of new loans for December of the respective year.	N/A	N/A
Receivables from the State budget	10,914	14,385	Level 2	Discounted cash flows Future cash flows are measured using the officially published by BNB yield of Bulgarian government securities (unadjusted) for December of the respective year.	N/A	N/A
Financial assets at amortized cost – Securities (quoted)	8,884	10,049	Level 1	Quoted market price	N/A	N/A

All amounts are in thousand Bulgarian Levs, unless otherwise stated

Financial instrument	**Fair value as of**	**Fair value as of**	**Fair value hierarchy**	**Valuation techniques**	**Significant unobservable inputs**	**Relationship of unobservable inputs to fair value**
	31.12.2024	**31.12.2023**				
Financial assets at amortized cost – Securities (unquoted)	1,334	1,704	Level 2	Discounted cash flows Future cash flows are measured using the officially published by BNB interest rates (unadjusted) of new loans to non-financial entities for December of the respective year.	N/A	N/A
Financial assets at amortized cost – lease receivables	76,350	75,360	Level 2	Discounted cash flows Future cash flows are measured using the officially published by BNB interest rates (unadjusted) of new loans to non-financial entities for December of the respective year.	N/A	N/A
Borrowings from international institutions	611,995	633,351	Level 2	Discounted cash flows Future cash flows are measured using the officially published by BNB yield of Bulgarian government securities (unadjusted) for December of the respective year.	N/A	N/A
Deposits from other customers other than credit institutions	735,995	538,587	Level 2	Discounted cash flows Future cash flows are measured using the officially published by BNB yield of Bulgarian government securities (unadjusted) for December of the respective year.	N/A	N/A
Other borrowings and liabilities	82,817	81,988	Level 2	Discounted cash flows Future cash flows are measured using the officially published by BNB yield of Bulgarian government securities (unadjusted) for December of the respective year.	N/A	N/A

For the assets and liabilities from the statement of financial position not disclosed in the table the Group’s management is of the opinion that their fair value approximates their carrying amount.

All amounts are in thousand Bulgarian Levs, unless otherwise stated

6. NET INTEREST INCOME

	2024	2023
Interest income		
Loans and advances to customers	80,358	87,591
Loans to banks	1,700	2,095
Deposits placed with other banks	34,344	22,330
Receivables from the State budget	425	825
Securities at amortized cost	348	5,638
Financial assets at fair value through other comprehensive income	6,794	336
Other income, incl. effect of negative interest	-	30
	123,969	**118,845**
Interest income on finance lease	6,265	5,441
	130,234	**124,286**
Incl. Interest income on financial assets at amortized cost classified in Stages 2 and 3	*11,630*	*12,425*
Interest expenses		
Borrowings from international institutions	(28,963)	(32,054)
Deposits from customers	(9,932)	(6,901)
Other borrowings	(586)	(511)
Deposits from other banks	(14,471)	(11,134)
	(53,952)	**(50,600)**
Interest expenses on finance lease	(57)	(18)
	(54,009)	**(50,618)**
Net interest income	**76,225**	**73,668**

All interest income, except interest income on financial assets at fair value through other comprehensive income, arises from financial assets carried at amortized cost and recognized using the effective interest method.

All amounts are in thousand Bulgarian Levs, unless otherwise stated

7. NET FEE AND COMMISSION INCOME

	2024	2023
Fee and commission income		
Issuance of guarantees and letters of credit	6,138	6,135
Transaction-related services*	1,064	710
Account maintenance	301	234
Factoring	41	-
Total fee and commission income from contract with customers	**7,544**	**7,079**
Other charges	770	754
Total fees and commissions income	**8,314**	**7,833**
Fee and commission expenses		
Co-management fee COVID guarantees	(1,834)	(2,819)
Servicing of accounts with other banks	(33)	(49)
Agent's commissions	(43)	(2)
Transfers and treasury operations in other banks	-	(7)
Other charges	(42)	(29)
Total fee and commission expenses	**(1,952)**	**(2,906)**
Net fee and commission income	**6,362**	**4,927**

Fee and commission income represents revenue reported under IFRS 15 Revenue from Contracts with Customers (see Note 3.5 for details on the recognition of fee and commission income). The source of income are transactions made on the territory of Bulgaria. The prices of the respective services are fixed.

8. NET INCOME ON FOREIGN EXCHANGE DEALS

	2024	2023
Net gain on dealing in foreign currencies	265	260
Net loss on foreign currency translation of assets and liabilities	3	(3)
	268	**257**

All amounts are in thousand Bulgarian Levs, unless otherwise stated

9. NET LOSS ON FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2024	2023
Net loss from transactions with securities measured at fair value through other comprehensive income	(85)	(11)
	(85)	**(11)**

10. OTHER OPERATING INCOME

	2024	2023
Income from rent of investment property	367	495
Refunded litigation expenses	72	222
Dividends received	182	94
Proceeds from disposal of FTA (fixed tangible assets)	17,087	22,668
Income from sale/revaluation of investment properties	211	3,116
Other income	6,680	5,436
	24,599	**32,031**

In 2024 the Group sold a property in Plovdiv, which was acquired by a debtor and completed. The effect of this transaction represents over 90% of the reported Gain on sale of properties for resale in 2024. In 2023, over 90% of these incomes are formed from the sale of a hotel in Sofia.

In 2023, the Group sold the building purchased in 2020 at 2, Tsar Osvoboditel Blvd. to the Constitutional Court of the Republic of Bulgaria. This sale represents over 90% of the Proceeds from disposal of FTA (fixed tangible assets) in 2023.

11. OTHER OPERATING EXPENSES

	2024	2023
Expenses on assets held for sale	(1,460)	(506)
Direct operating expenses relating to investment property	(148)	(238)
Litigation expenses	(4)	(12)
Expenses on disposal of FTA	(3,867)	(21,210)
Loss from revaluation of investment properties	(10)	(16)
Other expenses	(3,601)	(2,956)
	(9,090)	**(24,938)**

The book value of the building sold on 2, Tsar OsvoboditelBlvd. is the main part of the item Expenses on disposal of FTA in 2023. In 2024 the main part of this item includes disposal of software licences and fees. Other expenses include mainly operating expenses of Roadway Construction Group and those of TC Maritsa.

All amounts are in thousand Bulgarian Levs, unless otherwise stated

12A. NET EXPENSES ON IMPAIRMENT OF FINANCIAL INSTRUMENTS

	2024	**2023**
Expense for impairment of loans, net	(32,490)	(24,339)
(Expenses for)/Income from reversed impairment of unutilized loans	(6)	12
(Expense for) impairment of finance lease	(504)	(306)
Income from reversed guarantee provisions, net	9,595	2,022
(Expense for)/Income from reversed provision on securities at fair value through other comprehensive income, net	(1,769)	706
Income from reversed provisions on securities at amortized cost, net	29	129
Net expenses for impairment of financial instruments	**(25,145)**	**(21,776)**

12Б. NET REVERSAL OF IMPAIRMENT OF NON-FINANCIAL INSTRUMENTS

	2024	**2023**
Provisions for lawsuits	(374)	73
Provisions recovered	3,945	-
Expenses for impairment of assets acquired from collateral foreclosure	(758)	(448)
Impairment of other assets	(1,642)	783
Net reversal of impairment of non-financial assets	**1,171**	**408**

13A. EMPLOYEE BENEFITS

	2024	**2023**
Staff remuneration and social security	(21,285)	(19,389)
Remuneration to members of the Management and Supervisory Boards	(2,791)	(2,386)
	(24,076)	**(21,775)**

	2024	**2023**
Staff remuneration and social security include:		
Salaries	(17,936)	(16,743)
Social security	(2,652)	(2,386)
Social benefits	(530)	(69)
Amounts accrued on retirement benefits	(167)	(191)
	(21,285)	**(19,389)**

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13Б. GENERAL AND ADMINISTRATIVE EXPENSES

	2024	2023
Hired services	(1,278)	(873)
Communications and IT services	(2,365)	(2,114)
Legal and consulting services	(1,696)	(2,041)
Office and office equipment maintenance	(1,593)	(1,566)
Advertising and entertainment expenses	(1,388)	(828)
Audit services by the registered auditors	(891)	(915)
Taxes and government charges	(241)	(383)
Contribution to the Bulgarian Deposit Insurance Fund (BDIF)	(77)	(87)
Business trips	(177)	(68)
Rents	(44)	(76)
Contribution to the Bank Resolution Fund (BRF)	(925)	(869)
Depreciation of right-of-use assets	101	-
Materials	-	(15)
	(10,776)	**(9,835)**

The amounts charged for the year for services provided by the registered audit firms of the Group include: independent financial audit: BGN 891 thousand (2023: BGN 915 thousand). The Group has not used tax advice or other non-audit services from the registered auditors engaged to perform the audit, other than those described above.

14. TAXATION

	2024	2023
Current tax expense	(8,245)	(7,280)
Deferred tax (expense)/income due to temporary differences	(496)	1,983
Tax loss asset not recognized	7,970	5,071
Total income tax expense	**(771)**	**(226)**

	2024	2023
Accounting profit	35,888	29,172
Income tax calculated at the effective tax rate (10% for 2024 and 2023)	(3,589)	(2,917)
Expense on non-deductible expenses	(5,102)	(4,596)
Non-deductible income	263	322
Tax loss asset not recognized	7,657	6,965
Total expense	**(771)**	**(226)**
Effective tax rate	2.1%	0.8%

The deadline by which the Group companies could deduct the loss realized for 2020 and 2021 from future profits is 31 December 2025 and 31 December 2026, respectively.

All amounts are in thousand Bulgarian Levs, unless otherwise stated

Outstanding balances of deferred taxes relate to the following items of the consolidated statement of financial position and changes in the consolidated statement of comprehensive income:

	Assets		Liabilities		Changes in the consolidated statement of comprehensive income	
	2024	**2023**	**2024**	**2023**	**2024**	**2023**
Property and equipment	(74)	(25)	1,993	1,993	(49)	(22)
Other assets	279	(417)	-	-	696	151
Other liabilities	(11)	-	2	-	(13)	3
Investment properties	(94)	-		-	(94)	(130)
Total changes in profit and loss	**100**	**(442)**	**1,995**	**1,993**	**540**	**2**
Securities at fair value through other comprehensive income	(2,720)	(7,652)	-	-	4,932	4,307
	(2,620)	**(8,094)**	**1,995**	**1,993**	**5,472**	**4,309**

The changes in the temporary differences during the year are recognised in the consolidated statement of comprehensive income.

The probability that the individual differences might reverse in the future and the Group's ability to generate sufficient taxable profit have also been taken into account on recognising deferred tax assets.

15. NET CHANGE IN THE FAIR VALUE OF FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME, NET OF TAXES

	2024	**2023**
Gain on impairment of financial assets measured at fair value through other comprehensive income – debt instruments, arising during the year	13,769	15,904
Gain on revaluation of equity instruments arising during the year	41,934	27,165
10% tax	(5,568)	(4,307)
Other comprehensive income for the year, net of tax	**50,135**	**38,762**

16. CASH IN HAND AND BALANCES IN CURRENT ACCOUNT WITH THE CENTRAL BANKS

	2024	**2023**
Cash in hand	892	923
Current account with the Central Bank	340,262	127,742
Incl. Minimum statutory reserves	*181,511*	*92,516*
Total cash with Central Banks	**340,262**	**127,742**
Total cash in hand and in accounts with Central Banks	**341,154**	**128,665**

In 2024, the current accounts maintained with Central Banks have an interest rate between 0.0% and 3.75% for the excess over 105% of the minimum reserve requirements (in 2023: 0.70% - 4.00%).

All amounts are in thousand Bulgarian Levs, unless otherwise stated

17. RECEIVABLES FROM BANKS

	2024	**2023**
Current accounts with local banks	156	149
Current accounts with foreign banks	17,450	19,788
Total current accounts and demand deposits	**17,606**	**19,937**
Current accounts with an original maturity of less than 90 days	*6,914*	*8,853*
Term deposits with local banks (incl. repo deals)	121,261	97,813
Term deposits with foreign banks	688,875	361,540
Total term deposits	**810,136**	**459,353**
incl. Term deposits with an original maturity of less than 90 days	*810,136*	*459,353*
Loans to local banks	21,458	35,391
Total loans granted	**21,458**	**35,391**
Allowance for impairment and uncollectability of receivables from banks	(397)	(701)
	848,803	**513,980**

As of 31 December 2024, special-purpose loans, denominated in BGN and EUR, with original maturity of up to 10 years and interest rate levels ranging from 3.94% to 13.63% (2023: from 4.93% to 13.12%), were extended with the aim to develop small and medium-sized enterprises.

Funds amounting to BGN 10,692 thousand were blocked in current accounts with foreign banks to cover letters of credit and counter-guarantees (2023: BGN 11,083 thousand).

As of 31 December 2024, a loan was provided to a local bank denominated in foreign currency with nominal amount of EUR 4,295 thousand and equivalent to BGN 8,400 thousand (31 December 2023: BGN 11,236 thousand), with an original maturity until 2027 and repayment of the loan in four instalments. This is a special-purpose loan extended to the Bank for direct lending to customers with the aim to develop small and medium-sized enterprises (SMEs) in accordance with a loan financing by the Ministry of Finance with funds provided by KfW.

18. LOANS AND ADVANCES TO CUSTOMERS

	2024	**2023**
Loans (gross amount)	1,213,300	1,573,795
Allowance for impairment and uncollectibility of loans	(258,526)	(240,263)
	954,774	**1,333,532**

	2024	**2023**
A. Analysis by types of customers		
Private enterprises and sole traders	1,208,737	1,569,979
Individuals	4,563	3,816
	1,213,300	**1,573,795**

All amounts are in thousand Bulgarian Levs, unless otherwise stated

The table provides an analysis of the customers by sectors.

	2024	**2023**
B. Analysis by industry sector		
Industry, total	268,210	289,890
Industry – manufacture of plant and equipment	*50,453*	*83,197*
Industry – energy generation and distribution	*63,503*	*66,632*
Industry – manufacture of foodstuffs	*60,633*	*47,319*
Industry – other industries	*93,621*	*92,742*
Trade	257,444	437,560
Tourist services	251,569	267,246
Financial services	116,437	118,046
Transport	94,094	113,129
Construction	82,570	105,714
Agriculture	51,945	33,822
Real estate transactions	50,264	52,443
Government sector	4,983	126,460
Waste collection and disposal	370	-
Other industries	35,414	29,485
	1,213,300	**1,573,795**

The Group finances mainly the activities of small and medium-sized enterprises, as well as investment projects to achieve return from 5 to 10 years.

C. Movement in the allowance for loan impairment and uncollectibility

	2024	**2023**
As of 1 January	**240,263**	**248,658**
Impairment costs	104,118	68,588
Reversed impairment	(71,628)	(44,249)
Written-off against impairment	(14,227)	(32,734)
As of 31 December	**258,526**	**240,263**

19. RECEIVABLES FROM THE STATE BUDGET

	2024	**2023**
Energy Efficiency of Multi-Family Buildings National Programme	10,971	14,431
Adjustment for impairment and uncollectibility of loans	(185)	(169)
	10,786	**14,262**

All amounts are in thousand Bulgarian Levs, unless otherwise stated

By Decree No. 18 of 02 February 2015, the Council of Ministers of the Republic of Bulgaria approved Energy Efficiency of Multi-Family Residential Buildings National Programme (EEMFRBNP) (the Programme) on the terms and conditions for grants award under the Programme and for designating the bodies that will be in charge of its implementation.

The financing under the Programme goes through BDB. For the purpose, the Bank concludes trilateral agreements with regional governors (representatives of the State) and municipal mayors (authorized representatives of the owners' associations).

The Group believes that the existing receivables bear a minimal credit risk in so far as the source of the payments is the budget of the Republic of Bulgaria. The resources attracted by international partners for the purpose of financing the Programme is covered by a state guarantee (see Note 30).

20. SECURITIES MEASURED AT AMORTIZED COST

The available debt securities measured at amortized cost as of 31 December 2023 and 31 December 2022 are as follows:

2024	**Amortized cost**	**Impairment**	**Carrying amount**
Bonds denominated in BGN	11,418	(91)	11,327
	11,418	**(91)**	**11,327**

2023	**Amortized cost**	**Impairment**	**Carrying amount**
Bonds denominated in BGN	11,792	(121)	11,671
	11,792	**(121)**	**11,671**

21. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2024	**2023**
Government securities	354,851	393,494
Corporate bonds	47,961	45,937
Total debt instruments	**402,812**	**439,431**
Public companies' shares	116,694	79,314
Incl. shares of First Investment Bank AD	*116,694*	*79,314*
Non-public companies' shares	62,428	59,887
Participation in investment program SIA (Note 37)	1,163	1,129
Total equity instruments	**180,285**	**140,330**

All amounts are in thousand Bulgarian Levs, unless otherwise stated

Movement in financial assets measured at fair value through other comprehensive income:

Debt instruments	**2024**	**2023**
As of 1 January	**439,431**	**538,535**
Additions (purchases)	415,333	209,356
Disposals (sale and/or maturity)	(464,519)	(324,674)
Net increase due to revaluation of securities at fair value through OCI	12,567	16,214
As of 31 December	**402,812**	**439,431**

Equity instruments	**2024**	**2023**
As of 1 January	**140,330**	**100,218**
Additions (purchases)	6,056	12,462
Disposals (sale)	(7,022)	(7)
Net increase due to revaluation of securities at fair value through OCI	40,921	27,657
As of 31 December	**180,285**	**140,330**

Debt instruments

Financial assets measured at fair value through other comprehensive income – debt instruments comprise mainly government securities with the issuer being the Republic of Bulgaria or other European countries, and corporate bonds.

Equity instruments

Public companies' shares

Financial assets measured at fair value through other comprehensive income – equity instruments, consist of the following securities:

First Investment Bank AD

Bulgarian Development Bank EAD holds 27,350,000 shares, representing 18.35% of the capital of First Investment Bank AD, with a single nominal value of BGN 1.

The Group has elected to classify this investment as financial asset measured at fair value through other comprehensive income, since the investment is long-term and strategic, it is not held for trading, and it is not a contingent consideration recognised in accordance with IFRS 3.

As of 31 December 2024, the Group has assessed its participation in the capital of FIB according to the closing price received by the Bulgarian Stock Exchange (BSE) for shares of FIB on the last working day of December 2024: BGN 4.2667 (31 December 2023: BGN 2.9000) per share.

Non-public companies' shares

Three Seas Initiative

By Decision No 613 of 02 September 2020, the Council of Ministers of the Republic of Bulgaria approved the participation of BDB in the Investment Fund of the "Three Seas" Initiative. The fund is a financial mechanism for the implementation of priority projects in the region: transport, digital and energy infrastructure. His exclusive investment advisor is Amber Infrastructure Group (Amber) - a specialized international manager working in the field of investment creation, asset and fund management.

The participation of BDB is related to a contribution of EUR 20 million in the capital of a specially created company. The Three Seas Initiative has an objective to strengthen investments, relations and cooperation – political and financial, between the member states in the region. This is a public-private financial instrument whose purpose is to complement the financing from the European Union's structural and other funds.

The Fund manager periodically reports the net value of the assets for this instrument and the Bank revaluates its participation according to it.

As of 31 December 2024 the Bulgarian Development Bank EAD has two representatives in the management of the Investment Fund "Three Seas": as member of the Supervisory Board of the Investment Fund – Mr. Tsanko Arabadzhiev – member of the Management Board of BDB and Executive Director and Mrs. Sofia Kasidova – Head of Department "Strategic Development and Green Policies" in BDB as member of the Management Board.

As of 31 December 2024, the amount of the investment of BDB in the Three Seas Fund is BGN 34,228 thousand (as of 31.12.2023: BGN 34,538 thousand), and in 2024 the Bank subscribed additional shares in the amount of EUR 4,665 thousand (BGN 9,124 thousand) and has received as allocation EUR 3,590 thousand (BGN 7,021 thousand). The commitment for contribution in equity, which is not yet due is disclosed in Note 37 Contingencies and Commitments.

Other non-public companies' shares

European Investment Fund

The non-public companies' shares held by the Bank include shares of the European Investment Fund (EIF) amounting to BGN 6,067 thousand (2023: BGN 5,835 thousand) The portion of the nominal value of the acquired shares of EIF, which has not been paid, is due after a decision is taken by the General Meeting of Shareholders of EIF.

Social Impact Accelerator (SIA)

All amounts are in thousand Bulgarian Levs, unless otherwise stated

BDB participates in the EIF initiative Social Impact Accelerator (SIA), providing funding for start-up companies. As of 31 December 2024, thirty-four (2023: thirty-one) equity contributions were made under the initiative amounting to EUR 795 thousand equivalent to BGN 1,556 thousand (2023: EUR 755 thousand equivalent to BGN 1,477 thousand). The carrying amount of the investment as of 31 December 2024 amounts to BGN 1,163 thousand (2023: BGN 1,128 thousand).

Equity participation of the Capital Investments Fund

Capital Investments Fund owns between 3% and 27% of the share capital of nine non-public companies. The total value of these investments is BGN 21,984 thousand. (As of 31 December 2023, CIF owns between 3 and 27% of the share capital of seven non-public companies, with the total value of the investments being BGN 19,116 thousand).

Borica AD

The remaining portion of the non-public companies' shares amounting to BGN 131 thousand represent shares of the company licensed as a payment system operator under the Bulgarian law – BORICA AD.

Only banks can be shareholders of this company and they acquire shares following a specific procedure; the share price is determined using a formula specified in the company's Statute.

The revaluation reserve formed on financial assets measured at fair value through other comprehensive income is presented in Note 36:

22. NET INVESTMENT IN FINANCE LEASE

The net investment in finance lease is the difference between the gross investment in the finance lease, less any unearned finance income, and the accumulated impairment losses.

	2024	**2023**
Gross investment in finance leases	89,980	91,116
Unearned finance income	(12,173)	(14,795)
Net minimum lease proceeds	**77,807**	**76,321**
Impairment loss	(1,457)	(961)
Net investment in finance lease	**76,350**	**75,360**

Disclosure required by IFRS 16

During the year the receivables under finance lease contracts increased due to the conclusion of new lease contracts. As of 31 December 2024, 355 lease contracts are in active portfolio (2023: 323 contracts, 227 in active portfolio).

The Group has entered into finance lease contracts as a lessor for specific equipment. The average term of a finance lease is 10 years for equipment and 3-8 years for other assets. In general, these leases do not include options for extension or early termination.

The Group is not exposed to currency risk as a result of lease arrangements, as all leases are denominated in EUR or BGN. The residual value risk for rental equipment is insignificant due to the existence of a secondary market for the equipment.

All amounts are in thousand Bulgarian Levs, unless otherwise stated

Allocation of net finance lease investment:

	2024	2023
Repayment not later than one year	19,451	16,952
Repayment later than one year and no later than five years	51,007	50,522
Repayment after five years	7,349	8,847
Net minimum lease proceeds	**77,807**	**76,321**
Impairment loss	(1,457)	(961)
Net investment in finance lease	**76,350**	**75,360**

Movement in the allowance for impairment:

	2024	2023
Balance as of 01 January	**(961)**	**(671)**
Impairment over the year:		
Charge for the year	(921)	(953)
Reversed for the year	425	647
Written off	-	16
Balance as of 31 December	**(1,457)**	**(961)**

23. RIGHT-OF-USE ASSETS

Right-of-use assets are related to rent agreements recognized according to IFRS 16 Lease.

	Properties	Total as of 31 December 2024
Cost	187	187
Accumulated depreciation	(107)	(107)
Net book value	**80**	**80**

	Properties	Total as of 31 December 2023
Cost	215	215
Accumulated depreciation	(35)	(35)
Net book value	**180**	**180**

The charged depreciation of right-of-use assets in 2024 amounts to BGN 101 thousand (2023: none)

All amounts are in thousand Bulgarian Levs, unless otherwise stated

24. PROPERTY, PLANT AND EQUIPMENT, INTANGIBLE ASSETS

	Land and buildings	Bank equipment and computers	Fixtures and fittings	Motor vehicles	Licences and software	Total
Cost						
As of 1 January 2023	**61,505**	**7,295**	**856**	**2,521**	**14,153**	**86,330**
Acquired as part of a business combination (30 September 2022)	3,296	-	-	-	-	**3,296**
Additions	-	162	45	-	1,056	**1,263**
Disposals	(22,310)	(55)	(1)	(49)	(424)	**(22,839)**
As of 31 December 2023	**42,491**	**7,402**	**900**	**2,472**	**14,785**	**68,050**
Additions	**94**	**585**	**62**	**-**	**768**	**1,509**
Disposals	**-**	**(972)**	**(33)**	**(1,049)**	**(6,235)**	**(8,289)**
As of 31 December 2024	**42,585**	**7,015**	**929**	**1,423**	**9,318**	**61,270**
Accumulated depreciation/amortization						
As of 1 January 2023	**7,458**	**3,317**	**705**	**793**	**3,282**	**15,555**
Charge for the year	1,253	782	80	514	1,155	**3,784**
Written off	(1,174)	(55)	-	(29)	(183)	**(1,441)**
As of 31 December 2023	**7,537**	**4,044**	**785**	**1,278**	**4,254**	**17,898**
Charge for the year	**806**	**724**	**46**	**428**	**1,561**	**3,565**
Written off	**-**	**(984)**	**-**	**(1,004)**	**(2,368)**	**(4,356)**
Impairment on consolidated basis	**28**	**-**	**-**	**-**	**-**	**28**
As of 31 December 2024	**8,371**	**3,784**	**831**	**702**	**3,447**	**17,135**
Net book value						
As of 1 January 2023	**54,047**	**3,978**	**151**	**1,728**	**10,871**	**70,775**
As of 31 December 2023	**34,954**	**3,358**	**115**	**1,194**	**10,531**	**50,152**
As of 31 December 2024	**34,214**	**3,231**	**98**	**721**	**5,871**	**44,135**

The fully depreciated property, plant and equipment still in use at 31 December 2024 amount to BGN 5,595 thousand at cost (2023: BGN 6,213 thousand) and the fully amortized intangible assets amount to BGN 1,290 thousand (2023: BGN 1,405 thousand).

25. INVESTMENT PROPERTY

	2024	**2023**
Carrying amount at the beginning of period	**4,908**	**7,759**
Improvements	-	51
Acquisitions/(Sales), net	-	(2,886)
Profit/(Loss) on change in the fair value included in profit and loss for the period	161	(16)
	5,069	**4,908**

The Group holds investment properties as a result of collateral acquired on problem loans. They are leased to third parties. Rental income generated for 2024 amounts to BGN 367 thousand (2023: BGN 495 thousand) (Note 10).

The fair value at 31 December 2024 and 2023 has been determined by an independent certified appraiser.

All amounts are in thousand Bulgarian Levs, unless otherwise stated

The Group classifies its investment property in Level 3 of the fair value hierarchy. The fair value has been determined on the basis of the valuation calculated by independent certified appraisers by employing valuation techniques and key inputs for the valuation of the investment property disclosed in Note 5.

In 2023, the Group sold a property reported as an investment property and realized a profit from the sale in the amount of BGN 3,116 thousand.

26. ASSETS HELD FOR SALE

The movement of assets held for sale in 2024 and 2023 is presented in the following table:

	2024	2023
Carrying amount at the beginning of period	**49**	**2,569**
Acquired from collateral foreclosure	1,876	321
Reclassified to other assets	(49)	(2,841)
Carrying amount at the end of the period	**1,876**	**49**

27. OTHER ASSETS AND ASSETS ACQUIRED FROM COLLATERAL FORECLOSURE

	2024	2023
Assets acquired from collateral foreclosure	204,285	38,726
Receivables under accrued or unamortized guarantee fees	2,040	4,115
Prepayments and advances	770	1,319
VAT refundable	3,773	46
Other assets and receivables	3,823	4,120
	214,691	**48,326**
Corporate tax overpaid	1	667
Total other assets and receivables, acquired from collateral foreclosure	**214,692**	**48,993**

Assets acquired from collateral foreclosure include assets acquired by the Group as a result of non-performing loans. These assets are measured at the lower of cost and net realisable value. The net realisable value is determined based on evaluations made by licensed independent valuers; management considers these evaluations reasonable and adequate for the Group.

Receivables for accrued or unamortized guarantee fees include receivables for guarantee fees under the anti-COVID programs at the amount of BGN 749 thousand (2023: BGN 2,417 thousand).

All amounts are in thousand Bulgarian Levs, unless otherwise stated

The movement in Assets acquired from collateral foreclosure in 2024 and 2023 is presented in the following table:

	2024	2023
Carrying amount at the beginning of period	**38,726**	**37,434**
Acquired or reclassified from held for sale	184,354	2,841
Capitalised costs	1,771	1,332
Sold	(19,806)	(2,433)
Impairment	(760)	(448)
Carrying amount at the end of the period	**204,285**	**38,726**

28. DEPOSITS FROM CREDIT INSTITUTIONS

	2024	2023
Deposits from local banks	200,358	189,686
Deposits from foreign banks	46,224	20,218
	246,582	**209,904**

Accrued interest payables on deposits from credit institutions as of 31 December 2023 amount to BGN 6 thousand (31 December 2023: BGN 58 thousand).

29. DEPOSITS FROM CUSTOMERS OTHER THAN CREDIT INSTITUTIONS

	2024	2023
Companies and sole traders	661,149	468,243
Special purpose deposits	64,382	63,466
Individuals	10,897	7,882
	736,428	**539,591**

The amounts due to individuals represent deposits of employees of the Group.

Interest payable on deposits from other customers, other than credit institutions, at 31 December 2024 amounts to BGN 4,100 thousand (2023: BGN 1,705 thousand).

	2024	2023
Term deposits	397,357	153,751
Demand deposits	339,071	385,840
	736,428	**539,591**

All amounts are in thousand Bulgarian Levs, unless otherwise stated

30A. FUNDING ACTIVITY

Funding activity forms the following cash flows and non-cash changes in 2024 and 2023.

	01.01.2024	**Cash flow**	**Non-cash changes** Changes in accrued interests and prepaid commissions	**Non-cash changes** Transition from long-term to short-term	**31.12.2024**
Long-term loans (Notes 30 and 31)	537,645	157,542	(552)	(122,907)	571,728
Short-term loans (Notes 30 and 31)	127,308	(127,308)	-	122,907	122,907
Lease liabilities (Note 33)	215	(125)	11	-	101
Total liabilities from funding activity	**665,168**	**30,109**	**(541)**	**-**	**694,736**

	01.01.2023	**Cash flow**	**Non-cash changes** Changes in accrued interests and prepaid commissions	**Non-cash changes** Transition from long-term to short-term	**31.12.2023**
Long-term loans (Notes 30 and 31)	760,821	(95,846)	(22)	(127,308)	537,645
Short-term loans (Notes 30 and 31)	101,614	(101,614)	-	127,308	127,308
Lease liabilities (Note 33)	90	(2)	127	-	215
Total liabilities from funding activity	**862,525**	**(197,462)**	**105**	**-**	**665,168**

All amounts are in thousand Bulgarian Levs, unless otherwise stated

30. BORROWINGS FROM INTERNATIONAL INSTITUTIONS

	2024	**2023**
China Development Bank	189,759	445,216
Long-term loans from the European Investment Bank	131,546	32,770
Long-term framework loan agreement with the Council of Europe Development Bank	102,872	-
Export–Import Bank of China	98,020	-
Industrial and Commercial Bank of China /EUROPE/	88,961	103,945
	611,158	**581,931**

In order to fulfil its mission, BDB attracts funds from various sources, focusing on attracting funds from International Lending Institutions (ILA's). The effective interest rates on funds attracted from international institutions as of 31 December 2024 are in the range from 3.04%-4.36% (31.12.2023: 4.10%-5.35%).

The interest payables on the borrowings from international institutions as of 31 December 2024 amount to BGN 1,798 thousand (2023: BGN 1,728 thousand).

As of 31 December 2024, the main funding sources of the Bulgarian Development Bank EAD are presented below, as follows:

China Development Bank

On 13 December 2018, BDB signed a financing agreement with the China Development Bank amounting to EUR 300,000 thousand. The funds were granted as a first tranche under the framework agreement signed in July 2018 for EUR 1.5 billion. The funds may be used to finance projects within the Belt & Road initiative and/or projects in support of SMEs, energy, communications, transport, agriculture in Bulgaria or for other purposes agreed by BDB and CDB. The loan is unsecured.

As of 31 December 2024, the outstanding principal on the loan amounts to EUR 97,000 thousand equivalent to BGN 189,716 thousand (as of 31.12.2023: EUR 227,500 thousand equivalent to BGN 444,951 thousand). The interest rate is floating, based on six-month EURIBOR plus a margin.

Industrial and Commercial Bank of China (through its divisions in Austria and Poland)

On 13 March 2020 BDB signed a new financial agreement with the Industrial and Commercial Bank of China (ICBC) amounting to EUR 75,000 thousand. The funds are intended for general lending activities of BDB, direct financing as well as on-lending through Bulgarian financial institutions in support of investment projects and providing working capital. The financing is jointly provided by ICBC Austria and ICBC Europe - Poland. The loan is unsecured.

As of 31 December 2024, the debt on the loan amounts to EUR 45,000 thousand equivalent to BGN 88,012 thousand (as of 31.12.2023: EUR 52,500 thousand equivalent to BGN 102,681 thousand). The interest rate is floating, based on six-month EURIBOR plus a margin.

European Investment Bank

On 18 November 2016, BDB signed a third contract with European Investment Bank (EIB) for the amount of EUR 150,000 thousand for financing of projects of small and medium-sized enterprises. The funds are provided with the support of the EU and are backed by an EFSI (European Fund for Strategic Investment) guarantee, part of the Investment Plan for Europe – the Juncker Plan. The funds are intended to finance SMEs, including innovative projects, to support regions with high unemployment rates, as well as youth employment or start-up company projects. The loan can be allocated through partner banks, other financial intermediaries or directly. The loan is unsecured.

As of 31 December 2024, the outstanding principal under the loan amounted to EUR 14,637 thousand equivalent to BGN 28,627 thousand. The interest rate is floating, based on the 6M EURIBOR plus a margin.

As of 31 December 2023, the outstanding principal under the loan amounted to EUR 16,728 thousand equivalent to BGN 32,717 thousand. The interest rate is floating, based on the 6M EURIBOR plus a margin.

On 11 July 2023 the BDB signed with European Investment Bank a financial agreement amounting to EUR 175,000 thousand with State guarantee. The guarantee agreement was signed on 19 July 2023 and subsequently it was ratified by the National Assembly of the Republic of Bulgaria on 27 July 2023.

The purpose of the loan is to finance small and medium-sized enterprises, innovations, green projects according to EIB definitions, including climate and environmental sustainability. Financing can be provided directly or through intermediaries approved by the EIB. As of 31 December 2023, no funds have been utilized under the loan.

As of 31 December 2024, the first tranche of the loan funds in the amount of EUR 52,500 thousand (BGN 102,681 thousand) has been utilized. The interest rate is floating, based on six-month EURIBOR plus a margin.

The Export – Import Bank of China

On 5 December 2023 the BDB signed a new agreement with Export – Import Bank of China for the amount of EUR 50,000 thousand. The funds can be used to finance the overall lending activity of BDB. The interest rate is floating, based on the three-month EURIBOR plus margin. As of 31 December 2024, the funds have been fully utilized on the loan.

As of 31 December 2024, the principal amount due on the loan is EUR 50,000 thousand equivalent to BGN 97,792 thousand.

All amounts are in thousand Bulgarian Levs, unless otherwise stated

Council of Europe Development Bank

On 13 July 2023 the Bulgarian Development Bank signed with the Council of Europe Development Bank a financial agreement amounting to EUR 175,000 thousand with State guarantee. The Guarantee Agreement was signed on 20 July 2023 and the draft law for its ratification was adopted by the National Assembly of the Republic of Bulgaria on 12 September 2024. The loan is intended for direct financing of small and medium-sized enterprises, job creation and environmental protection environment. As of 31 December 2023, no funds have been utilized under the loan.

As of 31 December 2024, the first tranche of the loan in the amount of EUR 52,500 thousand (BGN 102,681 thousand) has been utilized. The interest rate is floating, based on six-month EURIBOR plus a margin.

31. OTHER BORROWINGS

	2024	2023
Loan financing from the Ministry of Finance with funds from KfW	12,164	11,687
KfW funds provided by the Ministry of Finance for trust management	4,942	5,131
Special-purpose deposits	66,371	65,672
Other	-	532
	83,477	**83,022**

Interest payables accrued on other borrowings as of 31 December 2024 amount to BGN 16 thousand (2023: BGN 22 thousand).

Loan financing from the Ministry of Finance with funds from KfW

On 18 April 2007, the Bank concluded a loan agreement with the Government of the Republic of Bulgaria, represented by the Minister of Finance. This agreement is based on the Treaty between Bulgaria and Germany for financial collaboration from 2001 and an Agreement between the Republic of Bulgaria and Kreditanstalt für Wiederaufbau (KfW). By virtue of this agreement, the amount of EUR 4,929 thousand (BGN 9,640 thousand) is granted to the Bank designated as Project Promoter for the purpose of financing micro, small and medium-sized enterprises. The term of the agreement is 10 years as from the date of transfer of the funds, while the latter along with the due interest shall be repaid bullet at the end of the period.

On 28 April 2017 BDB and the Ministry of Finance signed Annex 1 to extend the term of the contract by 10 more years.

As of 31 December 2024, the outstanding principal amounted to EUR 6,211 thousand equivalent to BGN 12,148 thousand. The loan interest is capitalised quarterly and is based on 3M EURIBOR plus a margin.

As of 31 December 2023, the outstanding principal amounted to EUR 5,964 thousand equivalent to BGN 11,664 thousand. The loan interest is capitalised quarterly and is based on 3M EURIBOR plus a margin.

KfW funds provided by the Ministry of Finance for trust management

Since 2001 the Bank has been working on the concluded agreement with the Ministry of Finance (MF) for management of funds granted by Kreditanstalt fur Wiederaufbau (KfW) pursuant to an agreement between the Governments of Bulgaria and Germany. These funds are provided for financing of small and medium-sized enterprises. The Ministry of Finance bears the risk under the loans to partner-banks. The Bank selects the partner-banks and transfers the funds to those approved; gathers information and performs periodic reviews of the funds' utilisation, monitors the timely interest and principal payments to the special account of the Ministry of Finance.

As of 31 December 2024, the outstanding balance of the funds under trust management with the Bank amounts to EUR 2,527 thousand equivalent to BGN 4,942 thousand. The Bank receives a management fee and accrues interest on the special account on a quarterly basis.

As of 31 December 2023, the outstanding balance of the funds under trust management with the Bank amounts to EUR 2,623 thousand equivalent to BGN 5,131 thousand.

The Bank receives a management fee and accrues interest on the special account on a quarterly basis.

Long-term agreement with the Executive Agency on Fisheries and Aquaculture

On 07 December 2010, a financing agreement for provision of funds for the issuance of guarantees under the Operational programme for development of fisheries sector 2007-2013 (OPFSD) was signed between the National Guarantee Fund (NGF) and the Executive Agency on Fisheries and Aquaculture (NAFA, the Agency) of the Ministry of Agriculture and Food of the Republic of Bulgaria. The aim of the program is to provide easier access to financing by the sector, with lower interest rates, lower collateral requirements and lower own financing.

The guarantee program is fulfilled within the Measure 2.7 of the Rural Development (RDP) Programme. Following consultations, the EAFA and NGF EAD have chosen the financial engineering instrument, provided for under Commission Regulation (EC) No.498/2007 (OB, 10 May 2007, L 120) laying down detailed rules for the implementation of Council Regulation (EC) No.1198/2006, to be realised through a fund (accounts) in an account and under the governance of NGF.

In accordance with Commission Regulation (EC) No.498/2007 (Article 35), the financial engineering instrument is established in the form of a separate financial pool within NGF EAD.

In 2010, NAFA provided to NGF the amount of BGN 6,000 thousand under Article 1 of the Financing Agreement. On 28 December 2011 pursuant to Annex 2 an additional contribution of BGN 9,168 thousand was made. On 19 December 2012 Annex 4 of the Financing Agreement for provision of funds for the issuance of guarantees under the Operational programme for development of fisheries sector 2007-2013 was signed between NGF and NAFA. Pursuant to Annex 4, NAFA shall transfer to NGF additional contribution amounting to BGN 15,050 thousand for the realisation of the guarantee scheme. In accordance with Annex 5 signed between NGF EAD and NAFA on 16 January 2014, the Agency has withdrawn the last contribution of BGN 15,050 thousand. By Annex No. 7 dated 06 October 2015 between the parties, the Fund refunded to the Agency the amount of BGN 3,000 thousand from the additionally transferred financial resources.

By Annex 8 dated 03 November 2017, the parties expressed their intention to reuse the resources. NAFA assigned NGF EAD with the task to carry out guarantee activity in favour of micro-, small-, and medium-sized enterprises operating in the Fisheries sector in accordance with article 34, paragraph 4 of Regulation (EC) 498/2007.

By Annex 9 dated 19 June 2018, the parties agreed that the funds provided under the Financial Agreement would be reused by the National Guarantee Fund in activities aiming to facilitate the access to financing of Fisheries sector enterprises and enterprises approved to receive grant under the Maritime and Fisheries Programme 2014-2020. The funds have been granted to finance guarantee activities for a ten-year term. They are held on a deposit or current account at Bulgarian Development Bank EAD.

The guarantee program is free of charge for businesses that benefit from it, while the cost for NGF EAD for its realisation are determined and paid under Article 35 of Commission Regulation (EC) No.498/2007.

As of 31 December 2024, within the OPRDP, NGF EAD has signed agreements with the following banks: KBC (Bulgaria) EAD, First Investment Bank AD, UBB EAD, UniCredit Bulbank AD, Central Cooperative Bank AD, DSK Bank AD, TBI Bank EAD, International Asset Bank AD, Bulgarian American Credit Bank AD, Bulgarian Development Bank EAD and Municipal Bank AD.

The term for inclusion of new loans and bank guarantees (which are scheduled within the Program) matures on 31 December 2023.

Expiry term of the guarantees – 30 September 2025.

Long-term agreement with the Ministry of Agriculture and Food

On 20 December 2011, the National Guarantee Fund EAD and the Ministry of Agriculture and Food (MAF) signed a financial agreement to provide funds for the implementation of guarantees on guarantee schemes under the Rural Development Programme 2007–2013 (RDP). The Guarantee Scheme was established on the grounds of Articles 51–52 of Commission Regulation (EC) No. 1974/2006 dated 15 December 2006 laying down detailed rules for the implementation of Council Regulation (EC) No. 1698/2005 dated 20 September 2005 regarding the support for rural development under EAFRD to facilitate access to financing of beneficiaries and the realisation of the projects under RDP.

MAF provides funding to NGF in BGN amount equivalent to EUR 121,100 thousand (BGN 236,851 thousand), in order to enhance the access to financing, support competitiveness, accelerate the completion of investments, which will be co-finance with funds under the Rural Development Programme (2007-2013) and which are used by the Fund for the issuance of guarantees and counter-guarantees. By Annex No. 2 dated 14 October 2015 signed between the parties, the Fund refunded to the Ministry the amount of BGN 154,586 thousand from the financial resources provided. By Annex No. 3 dated 01 December 2015, signed between the parties, the term of the Agreement was extended until 01 April 2016.

Pursuant to Annex No. 4 dated 29 March 2016 the parties declared that the funds provided under the Financial Agreement should be re-used by the Fund for guarantee activity with the aim to facilitate access to financing for entities approved for aid under the Rural DEVELOPMENT Programme of the Republic of Bulgaria (2014-2020), as also for entities from Livestock breeding sector and Plant production sector. The funds are provided for carrying out Guarantee activity for a term of ten years.

The Fund reimbursed to the Ministry BGN 21,881 thousand of the funds provided under Annex from 03 September 2020 signed between the parties.

The funds were placed in Bulgarian Development Bank EAD.

All amounts are in thousand Bulgarian Levs, unless otherwise stated

32. PROVISIONS

	2024	2023
Provisions for anti-COVID credit guarantees	90,289	111,845
Provisions for credit guarantees NGF	11,718	6,611
Provisions for bank guarantees and letters of credit	-	3,242
Total provisions for guarantees	**102,007**	**121,698**
Litigation provisions	379	3,950
Provisions for unutilized loans and expenses	67	51
	102,453	**125,699**

The following table presents the movement in provisions for guarantees:

	2024	2023
Balance as at 1 January	**121,698**	**133,061**
Accrued provisions for anti-COVID credit guarantees	12,040	20,883
Accrued provisions for bank guarantees and letters of credit	7,034	6,168
Utilised during the year	(10,096)	(9,341)
Reintegrated during the year	(28,669)	(29,073)
Balance as at 31 December	**102,007**	**121,698**

Provisions for anti-COVID credit guarantees represent the expected payments on the guarantees issued by BDB to commercial partner banks under the programme. They are calculated according to a methodology designed in BDB especially for this purpose. The programme is described in Note 37.

Provisions for credit guarantees **of NGF** are the expected payments on the issued guarantees to commercial banks and non-banking financial institutions-partners under NGF's programs. The programme is described in Note 37.

Provisions for bank guarantees represent amounts expected to be paid under guarantees issued by the Group. They are determined using established methodology for ECL calculation in accordance with IFRS 9.

Litigation provisions relate to future payments under lawsuits relating to labour and commercial disputes.

Provisions for unutilized loans are provisions on irrevocable commitments of the Group for the utilisation of funding.

Provisions for expenses represent probable but uncertain payments that may arise for the Group.

All amounts are in thousand Bulgarian Levs, unless otherwise stated

33. LEASE LIABILITIES

	2024	2023
Liabilities under lease contracts	101	215
	101	**215**

34. OTHER LIABILITIES

	2024	2023
Accruals for expenses	2,292	2,374
Payables to suppliers and customers	2,661	205
Payables to personnel and for social security	1,220	1,059
Retirement benefit liabilities	914	705
Tax liabilities	448	274
Charges on debenture loans and portfolio guarantees	45	99
Other creditors	3,218	4,420
	10,798	**9,136**

Accruals for expenses represent amounts related to the reporting period that have been or will be invoiced after finalizing the reporting process.

Payables to suppliers and customers represent mainly payables under deliveries of assets that will be leased as well as payables under other Group's operating deliveries.

Payables to personnel for salaries and social security contributions comprise accruals on compensated absences and social security contributions due thereon as well as current salaries due.

Tax liabilities represent VAT payables, taxes on employee benefits, corporate tax and withholding tax liabilities.

Charges on debenture loans and portfolio guarantees represent prepaid fees for guarantees.

Employee retirement benefits are due by the Group to employees reaching retirement age and are stated at their present value.

In accordance with the Labour Code each employee is entitled to indemnity on retirement amounting to two gross monthly salaries, and if he / she has worked for more than 10 years for the parent company – to six gross monthly salaries at the time of retirement. The parent company estimated the amount of these liabilities by using mathematical models and the services of a certified actuary.

All amounts are in thousand Bulgarian Levs, unless otherwise stated

On the basis of the calculations made, the amount of BGN 914 thousand was included in the consolidated statement of financial position as of 31 December 2024 (31 December 2023: BGN 705 thousand).

	2024	2023
Present value of the liability as of 1 January	**705**	**610**
Current service cost	107	92
Interest expense	36	37
Amounts paid in the period	(8)	(57)
Actuarial loss/(gain) related to provisions for retirement and sickness	(1)	11
Actuarial loss on changes in demographic and financial assumptions and actual experience	75	12
Present value of the liability as of 31 December	**914**	**705**

	Amounts upon retirement by age and length of service	
	2024	**2023**
Actuarial gain as of 1 January	**129**	141
Actuarial (loss) recognized in other comprehensive income for the period	(69)	(12)
Actuarial gain as of 31 December	**60**	**129**

The following actuarial assumptions are used in calculating the present value of the liabilities as of 31 December 2024:

- mortality rate – in accordance with the table prepared on the basis of statistics issued by the National Statistical Institute for the total mortality rate of the population in Bulgaria for the period 2021–2023;
- staff turnover rate – from 1 per cent to 10 per cent depending on five age groups formed;
- rate of early retirement due to illness – from 0.027% to 0.3212% depending on five age groups formed;
- effective annual interest rate for discounting – 4.0% (2023 – 4.5%);
- assumptions for the future level of working salaries in the Bank are based on the Bank's development plan for 2025 – 3% compared to the 2024 level and for 2026 and subsequent years – 3% compared to the previous year level.

The effect for 2024 of the increase and decrease by 1% of the salary growth and the interest rate on the total amount of current service costs and interest, and on the present value of the liability for payment of defined benefits upon retirement, are as follows:

All amounts are in thousand Bulgarian Levs, unless otherwise stated

	Increase by 1% of salary growth	Decrease by 1% of salary growth
Increase / (decrease) of liability	81	(72)
	Increase by 1% of interest rate	**Decrease by 1% of interest rate**
Increase / (decrease) of liability	(71)	81
	Increase by 1% of staff turnover rate	**Decrease by 1% of staff turnover rate**
Increase / (decrease) of liability	(78)	89

35. SHARE CAPITAL

	2024	2023
	Number of shares	*Number of shares*
Ordinary shares issued paid in cash	11,355,000	14,417,735
Capital decrease – transfer to reserves	-	(3,062,735)
Ordinary shares issued paid in cash	**11,355,000**	**11,355,000**

As of 31 December 2024, the capital of the Bank consists of 11,355,000 ordinary registered voting shares with par value of BGN 100 each (2023: 11,355,000 shares with par value BGN 100).

The Bulgarian Development Bank Act provides that not less than 51 per cent of shares forming the Bank’s capital should be owned by the State; the shares of the State amounting to not less than 51 per cent of the registered share capital are non-transferable.

By virtue of Art. 6 para. 4 of the Law on the Bulgarian Development Bank, the shares of the Bank's capital, apart from the Bulgarian state, may be acquired and held by the Development Bank of the Council of Europe, the European Investment Bank and the European Investment Fund, by development banks from EU member states. In these cases, Art. 31 of the Credit Institutions Ac is not applied. In view of the provision of Art. 6 para. 4 of the Law on the Bulgarian Development Bank, the members of the management and control bodies, the procurators and the senior management may not hold shares and may not be provided with options on BDB securities, and in subsequent reporting periods no agreements may arise, as a result of which changes in the relative share of shares held by current shareholders may occur in the future.

	2024	2023
As of 01 January	**1,135,500**	**1,441,774**
Decrease of share capital	-	(306,274)
As of 31 December	**1,135,000**	**1,135,500**

Capital decrease of Bulgarian Development Bank EAD

By decision of 21 July 2022, the Minister of Innovation and Growth, as the sole owner of the capital of Bulgarian Development Bank EAD, decided to reduce the Bank's capital from BGN 1,441,773,500 to BGN 1,135,500,000 through acquisition and invalidation of 3,062,735 own ordinary registered dematerialized voting shares with a nominal value of BGN 100 each, as well as to amend the Bank's Statute in connection with the capital decrease.

By decision of 18 May 2023 Bulgarian National Bank approved the capital decrease of Bulgarian Development Bank EAD and the changes in its Statute based on decision of the Minister of Innovation and Growth of 21 July 2022.

The decisions for capital decrease and change of Bank's Statute were entered into the Commercial Register and the register of non-profit legal entities on 30 May 2023. The change affects neither the value of Group's net assets as of 31 December 2023 or as of subsequent periods nor the amount of regulatory equity.

36. RESERVES

In accordance with the general provisions of the Commercial Act, the parent company (the Bank) shall allocate to Reserve Fund at least 1/10 of its profit after- tax for the year until the reserves reach 10 percent of the share capital as stipulated in the Articles of Association. Pursuant to the Articles of Association of the Bank, the Bank shall set aside to the Reserve Fund at least ½ of its after-tax annual profit until the reserves reach 50 percent of its share capital.

The Reserve Fund may be used by the Group only to cover its current or prior period losses, and not for distribution of dividends, without the authorisation of Bulgarian National Bank.

Moreover, the Credit Institutions Act stipulates that the banks in Bulgaria cannot distribute dividends before accumulating the minimum reserves (mainly the Reserve Fund) required by law or by their Articles of Association, or if the distribution of dividends will result in violation of the regulatory capital adequacy ratios. The requirement under the Bulgarian Development Bank Act is similar.

As of 31 December 2024, the Reserve Fund of the Group amounts to BGN 379,944 thousand (31 December 2023: BGN 318,418 thousand) of which BGN 357,316 thousand is formed by the Parent company.

In accordance with the Bulgarian Development Bank Act, each shareholder of the Bank is allowed to waive the right to a dividend and then the dividend amount is transferred to Additional Reserves.

The Group has formed a special component titled "Reserve for financial assets measured at fair value through other comprehensive income" in equity, in which are accumulated all unrealized gains and losses from revaluation to fair value of the financial assets held at fair value through other comprehensive income available at the end of each reporting period. These gains and losses are transferred to current profit or losses when they are sold/or at maturity of the respective securities and/or at permanent impairment.

All amounts are in thousand Bulgarian Levs, unless otherwise stated

	2024	2023
Revaluation reserve as of 01.01.	**(68,631)**	**(106,953)**
Impairment, net	1,874	(706)
Revaluation	53,732	43,335
Tax	(5,685)	(4,307)
Revaluation reserve as of 31.12.	**(18,710)**	**(68,631)**

37. CONTINGENCIES AND COMMITMENTS

	2024	2023
Contingent liabilities		
Anti-COVID guarantees	286,226	373,894
Bank guarantees and letters of credit	556,032	397,460
Bank guarantees and letters of credit with cash collateral	(489)	(2,742)
Guarantee provisions, recognized in the statement of financial position (Note 32)	(102,007)	(121,698)
Incl. provisions under guarantees for Anti-Covid programmes (Note 32)	(90,289)	*(111,845)*
	739,762	**646,914**
Irrevocable commitments		
Unutilized amount of approved loans	200,548	159,954
Provisions for unutilized loans	(213)	(51)
Unpaid portion of shares of Three Seas Initiative	11,210	7,788
Participation in the SIA investment program	352	479
	211,897	**168,170**
	951,659	**815,084**

In its role as national development bank BDB received mandates from the government for the implementation of financial instruments in support of Bulgarian citizens and businesses affected by the COVID-19 pandemic. They were secured with an increase in the Bank's capital of BGN 700 million and included the following measures:

Measures for individuals and households

By Decision No 257 of 14 April 2020, the Council of Ministers approved the Interest-free loan guarantee program to protect people deprived of the opportunity to work due to the COVID-19 pandemic, with a budget of BGN 200 million, proposed by the BDB. The program will be secured with the increase of the Bank's capital according to Decision No 215 of the Council of Ministers from 2020.

The Interest-free loan guarantee program aims to support individuals on unpaid leave and self-insured who are temporarily unable to work in an emergency state. The program parameters were further amended by Decision 910/10.12.2020 of the Council of Ministers (increasing the maximum amount from BGN 5,000 to BGN 6,900 of loans granted at once or in instalments). The maximum repayment period was 5 years, with a minimum of 6 months and a maximum of 24 months grace period and approved clients didn't have to pay fees, commissions or charges on the loans.

By Decision of the Council of Ministers No 194/05.03.2021, Bulgarian Development Bank EAD was granted the right to increase by up to BGN 100 million (up to a total of BGN 300 million) the amount of the guarantee programme for individuals at the expense of the budget of the Portfolio Guarantees Programme to support the liquidity of enterprises affected by the state of emergency and the Covid-19 pandemic.

By Decision of the Council of Ministers No 506/15.07.2021, the deadline for applying under the Interest-free Loan Guarantee Program to protect people deprived of the opportunity to work due to the COVID-19 pandemic was extended until 31 August 2021 or until the guarantee limits of the commercial partner banks under the Programme are exhausted.

The aggregated result achieved under the Program includes 52,915 loans guaranteed by BDB, with a total value of BGN 254,609 thousand.

As of 31 December 2024, BGN 64,044 thousand portfolio guarantees have been issued to commercial banks. BDB has guaranteed 36,347 loans worth BGN 58,057 thousand. The guarantees paid to the commercial banks and the costs of establishing and collecting the credits due are in the amount of BGN 12,616 thousand, of which BGN 625 thousand have been reimbursed to BDB as of the same date.

Measures for micro, small and medium-sized enterprises

By Decision No 310 of 7 May 2020, the Council of Ministers approved the Portfolio Guarantee Programme to support the liquidity of enterprises affected by the emergency state and the COVID-19 epidemic proposed by BDB, with a budget of BGN 500 million. The program will be secured with the increase of the Bank's capital according to Decision No 215 of the Council of Ministers from 2020.

The Guarantee Programme was part of the government's anti-crisis measures and had a budget of BGN 500 million. The Programme included companies from all sectors especially benefiting those from the most affected areas - trade, services, transport and logistics, tourism, hotel and restaurant management, and others.

In order to apply for loans, the companies had to meet one of the following conditions:

- To be micro, small and medium-sized enterprises, as determined in the manner specified in the Law on small and medium-sized enterprises or large enterprises-commercial companies, whose indicators for personnel and assets and/or turnover exceed the indicators specified in the Law on small and medium-sized enterprises
- That the enterprises were not in a difficult situation as of 31 December 2019, which is established by checking pre-set, normative criteria. Recent changes to the programme introduce a relief from the "Temporary Framework for State Aid" for micro and small enterprises. It is sufficient for them not to have been the subject of insolvency proceedings, under national law and have not received rescue or restructuring aid (meaning rescue or restructuring aid). In addition, if the BDB guarantee includes existing loans, they must not have been non-performing, and the borrower must not be overdue for more than 90 days – in 2019. For existing loans, the borrower must have submitted to the commercial bank -partner forecast estimates and forecast plan for resumption of its activities, which does not require a strictly defined form and details;

Funding and guarantee could be used by companies that had encountered difficulties or had fallen into difficulty after 31 December 2019 due to the outbreak of the COVID-19 epidemic. The difficulty is identified by the borrower himself, and it is sufficient to describe one of the following reasons that led to his difficulties:

- Decrease in turnover after the first quarter of 2020 compared to the same period in 2019 (based on financial statements or documents of the company);
- Existence of receivables from customers, that have not been received/amounts not paid to suppliers after 01 March 2020 (based on financial statements and documentation of the company);
- Terminated import deliveries necessary for the activities of the enterprise – after 01 January 2020, cancelled export contracts (based on documents submitted by the company);
- Cases of illness and self-isolation of employees, total reduction of the number of employees, closed production facilities, premises and offices (based on documents submitted by the company);

- Existence of other circumstances, establishing the difficulties experienced by enterprises due to COVID-19, according to methodology adopted by the commercial banks, which is provided to BDB.

Because the funding covered by the guarantee under the programme was state aid:

- Borrowers were prohibited from financing one and the same expenditure with a loan under the programme and other state/minimum aid. (The same expense means, for example, payment on a specific invoice from 30 November 2020 or payment of rent for a specific office for the month of December 2020, or payment of salaries of specific employees for a specific month.) If the client uses for these specific expenses state/minimum (de minimis) aid, the client cannot use the loan to cover the same costs (prohibition of double financing);
- The borrower must not have infringed the State aid rules and be entered in the specially created "Degendorf Register" https://stateaid.minfin.bg/bg/page/483;
- If the borrower or a related person has benefited from/uses other state /minimum aid for the same type of expenses, as the expenses that he or she wants to be financed by the loan under the programme (e.g., total costs for salaries, total rental costs, total costs for maintenance of facilities), he or she was obliged to declare this to the commercial bank by a declaration according to a model of the programme and should not to allow double financing as mentioned above.

New loans, as well as existing loans, could be included in the programme, but provided that the company is experiencing difficulties in servicing the loans after 31 December 2019 and has no overdue payments over 90 days during the last year. The loans had a maximum amount of BGN 300,000 and BDB covered up to 80% of them.

The banks themselves determined the minimum and maximum repayment period and the grace period for newly granted loans will be up to three years.

During the last quarter of 2020 the Programme was renewed by Decision of the Council of Ministers 979/2020, as follows:

- The loans granted now have an amount up to BGN 1 million for small and medium-sized enterprises and up to BGN 2 million for large enterprises;
- The term of inclusion of loans in the Guarantee portfolio was extended until 31 December 2021;
- The deadline for application under the measure for micro, small and medium-sized enterprises was extended until 30 June 2022;
- The percentage of collateral for the loans changed from 20% to up 50%, according to the amount of financing;
- A reduction of at least 80 basis points on loan interest rates was required;
- The term of the guarantee provided by BDB was extended from 5 to 6 years;
- The guarantee coverage covered investment loans granted by the banks;
- The limit of the guarantee payments by the BDB AD was extended from 30% to 50%.

The Portfolio Guarantees Programme to support the liquidity of enterprises affected by the state of emergency and the Covid-19 pandemic was updated by Decision of the Council of Ministers No 194/05.03.2021 and by Decision of the Council of Ministers No 578/05.08.2021. The programme is aiming to synchronize it with the upgrading mechanism for intervention developed in May 2021 by the Ministry of Economy and the Ministry of Finance, which provides liquid support to enterprises – "Portfolio guarantee to overcome the consequences of COVID-19".

The formation of portfolios under the Program ended on 30.06.2022, and according to final data from the commercial banks - partners in the scheme, 2,842 loans were guaranteed, the original amount of the loans being BGN 630,349 thousand, for which a guarantee was provided by BDB in the amount of 80 % or for BGN 504,279 thousand.

The portfolio status is updated on a quarterly basis. As of 31 December 2024, a total of 1,677 loans amounting to BGN 281,189 thousand were guaranteed. Approved requests for payment of guaranteed sums under the Program amount to BGN 11,347 thousand, and those reimbursed to BDB at the end of 2024 are in the amount of BGN 1,061 thousand.

SIA

On 17 July 2015, Bulgarian Development Bank EAD signed a funds management contract with EIF for accession to the SIA (Social Impact Accelerator) investment program of EIF for investing in social venture funds, with the participation amounting to EUR 1 million over an engagement period of up to 5 years. In 2018, a Consent for extending the investment period of the SIA Fund by 1 year.

The goal of the SIA program is to invest in small and medium-sized enterprises having considerable social impact. EIF is the manager of the program.

As of 31 December 2024 thirty-five contributions to equity were made under the initiative and the balance amounts to EUR 795 thousand equivalent to BGN 1,555 thousand (2023: EUR 755 thousand equivalent to BGN 1,477 thousand), and the carrying amount as of 31 December 2024 amounts to EUR 595 thousand (BGN 11,163 thousand) (as of 31.12.2023: EUR 577 thousand equivalent to BGN 1,128 thousand) (Note 21).

Guarantee programmes for small and medium-sized businesses NAPRED

In 2015, the Bank launched a program for indirect financing of micro, small and medium-sized businesses subject to a maximum of BGN 150,000 thousand. Under the program BDB will be able to assume part of the risk – up to 30 per cent of the amount of the individual sub-loans - on loans granted by partner banks to businesses.

As of 31 December 2024, the Bank has active agreements with three partner banks and the size of the portfolio of guarantees is BGN 1,692 thousand and payment limit BGN 497 thousand (31.12.2023: three partner banks and guarantee portfolio amounting to BGN 2,811 thousand, payment limit BGN 646 thousand).

BDB's programme for indirect financing of SMEs with guarantee facility and counter-guarantee under the EIF COSME+ Programme, with the support of the European Fund for Strategic Investments (Cosme+ Programme)

In 2024 BDB continues to implement the agreements under BDB Programme for Indirect Financing of SMEs with Guarantee Facility and Counter-Guarantee under the COSME + Programme of the European Investment Fund with the support of the European Fund for Strategic Investments with two commercial banks and five non-banking financial institutions. The programme is implemented with the support of European Fund for Strategic Investments for indirect financing of small and medium-sized enterprises with guaranteed facility and counter-guarantee. The COSME Programme implemented by the EIF upgrades the Entrepreneurship and Innovation Program (EIP) established in the period 2007-2013. Its total budget is EUR 2.3 billion for the period 2014-2020. It covers four areas of support - improving access to financing for SMEs in the form of equity and debt instruments; improving market access for SMEs worldwide; improvement of the framework conditions for competitiveness of enterprises and promotion of entrepreneurship.

As of 31 December 2024, the BDB has concluded contracts under the Programme with 7 financial institutions in the total amount of EUR 23,049 thousand, of which two commercial banks and five non-banking financial institutions, entered in the register of the BNB.

As of 31 December 2024, the value of the guaranteed by the BDB sub-loans is BGN 10,705 thousand (EUR 5,473 thousand), and the guaranteed amount – BGN 2,818 thousand (EUR 1,441 thousand).

BDB's programme for indirect financing of SMEs with guarantee facility and counter-guarantee under the EIF COSME

In November 2016, BDB signed a counter-guarantee agreement with limited payments with the European Investment Fund (EIF) under the COSME (Competitiveness of Small and Medium-sized Enterprises) program to support small and medium-sized businesses. The COSME programme is supported by EFSI (European Fund for Strategic Investments). The Bank has the opportunity to cover up to 60% of the risk of loans to SMEs granted by commercial banks and non-bank financial institutions with which it partners. Half of this risk is counter-guaranteed by EIF, with the total amount of the counter-guarantee being EUR 10 million. With the resources guaranteed under the COSME program, BDB's partner banks can grant investment and working capital loans, bank guarantees, as well as revolving loans. The maximum amount of loans granted is EUR 150,000. The repayment period is from 1 to 10 years.

The portfolio size as of 31 December 2024 is EUR 5.5 million, including 53 loans to micro, small and medium-sized enterprises.

Leasing line programme

In 2024, the implementation of the "Bulgarian Bank Program for "Development for Small and Medium-Sized Enterprises - Lessees" continues (Leasing line programme) which is aimed at financing SMEs in the form of financial leasing by providing long-term targeted credit lines to non-banking financial institutions – lessors, registered at BNB under Art. 3a of the Credit Institutions Act. The programme is intended for lending to lease companies, in order to facilitate the access to resources for purchase and leasing of assets, used in the business activity of small and medium-sized enterprises.

As of 31 December 2024 the aggregated data under the Program show 871 supported SMEs - lessees and leasing sub-deals at the total amount of BGN 91,417 thousand with credit lines provided by BDB for on-lending financing in the amount of BGN 60,729 thousand.

BROD programme

The BDB's implementation of the latest product for indirect financing of small and medium-sized enterprises "BROD Programme" continues. The budget of the Programme is EUR 20 million. The cost of financing is up to 6 months. EURIBOR + 3.5% and at 3.5% as a minimum. The partners under the BROD Programme finance SMEs subject to a certain ceiling of interest rate and total annual appreciation, which are in line with the changes in the value of EURIBOR. As of 31 December 2024, the Bank has six active agreements with non-bank financial institutions. The amount contracted under this program is BGN 26,339 thousand, and the outstanding amount is BGN 17,132 thousand.

Pan-European Guarantee Fund

The Pan-European Guarantee Fund was established as part of the overall package of measures of the EU and the European Investment Bank Group to reduce the economic consequences of the COVID-19 pandemic. Its final beneficiaries are mainly small and medium-sized enterprises in the EU and public enterprises, providing important services such as healthcare, medical research and others. In September 2021, BDB signed with EIF a guarantee agreement under the Pan-European Guarantee Fund.

The guarantee agreement allows the Bank to provide direct financing with an EIF guarantee (AAA-rated) with no limit on loss payments, with a coverage of 70% of the loss under guaranteed loan of SME.

In turn, BDB undertakes to provide a financial advantage – a reduction in the risk margin with the coverage of the PEGF guarantee, which is reflected in reduction in the interest rate on each of the guaranteed loans. Customers who are final recipients must comply with certain conditions and requirements related to the PEGF guarantee and the state aid regime.

From the end of September 2021 through financial instruments of the Pan-European Guarantee Fund, BDB presented three new products on the Bulgarian market for small and medium-sized businesses, the sector of creative industries and start-ups in production. The programme, amounting to EUR 40 million at most in volume, is implemented with the Pan-European Guarantee Fund as partner and through it the BDB granted direct loans under easier loan terms.

As of 31 December 2024, the portfolio guaranteed under the agreement amounted to EUR 12.9 million and includes 37 transactions of micro small and medium-sized enterprises (as of 31 December 2023: EUR 18.5 million and 51 transactions).

BDB's programme to support households by financing investments in energy from renewable sources, in implementation of the National Recovery and Sustainability Plan of the Republic of Bulgaria (Framework Conditions)

By decision of the Management Board of BDB EAD with Protocol No 57 dated 13 July 2023, a portfolio guarantee with loss-ceiling was approved for partial coverage of credit risk in bridge financing provided by commercial banks for investments in RES, in support of households under the National Households Support Scheme in The Field of Energy from Renewable Sources of the Ministry of Energy (the Scheme). The initial budget of the Programme is BGN 56 million.

The goal is to facilitate and improve access to bridge financing for RES investments under the Scheme and to reach an optimal number of potential candidates under the Scheme - clients of commercial banks from all over the country. The term of the guarantee is up to 5 years, but not longer than the term of the individual guaranteed loan.

Limit on guarantee payments (Loss-ceiling)

The maximum amount of covered losses under the Portfolio Guarantee under the programme amounts to BGN 16,800 thousand, with the limit of guarantee payments being the maximum amount to which BDB's obligation to pay to each commercial bank is limited, calculated on a portfolio basis by applying the Guaranteed Payment Limit percentage to the Guaranteed Portfolio multiplied by 70%.

Conditions for eligibility of Borrowers and financing under the Programme

Eligible Borrowers:

Applicants approved for funding under the Scheme who have signed a contract under the Scheme with the Monitoring and Reporting Structure (MRS). The borrower under the Programme is allowed to be different from the grant recipient under the Scheme if due to objective circumstances for the financing bank (e.g. old age, reduced working capacity, significant indebtedness, weaker creditworthiness, or other), the Applicant would not receive a bridging loan for financing the investment in RES under the Scheme. In such cases, the applicant approved for financing under the Scheme is jointly and severally liable with the Borrower for the repayment of the loan, and the grant is paid to the recipient's account in the financing bank and should provide collateral for the loan as if the Applicant were the recipient of the loan. Commercial banks should indicate to the BDB the objective circumstances that prevent the provision of credit under the Program in favour of the Applicant.

Type and purpose of financing

Provision of bridging loans for realization of investments in RES, for which a grant has been approved and a contract has been signed with the MRS for financing under the Scheme, namely: 1. Solar installation for domestic hot water supply (DHW installation) or 2. Photovoltaic system up to 10 kWp, which may include electrical energy storage systems (System). The purpose of the financing is stated in the loan agreement under the Programme, which specifically defines the costs eligible for financing. Credit amounts: up to BGN 3,000 for investments in DHW installations; up to BGN 22,000 for investments in systems, loan term - up to 5 years.

As of 31 December 2024, BDB has signed agreements with four commercial banks under the program with a maximum amount of a guaranteed portfolio totaling BGN 14 million.

In addition, the Bank issues bank guarantees and letters of credit to third parties for the performance of their activity.

NATIONAL GUARANTEE FUND

<u>Guarantee programs within the inclusion period</u>

Guarantee scheme 2022-2024

At the beginning of 2022, NGF EAD launched a procedure for the selection of partner - banks under the new guarantee scheme NGF 2022. Only newly granted loans for investment and working capital needs are eligible for inclusion. Under the scheme, NGF EAD guarantees up to 50% of the loan amount, but not more than BGN 1.5 million at the level of related parties. The deadline for including loans in the guaranteed portfolio is 30 June 2025. The guarantee is portfolio based and for amounts over BGN 500 thousand prior written consent from NGF EAD is also required. The guarantee scheme also introduces a maximum limit of payments for each guaranteed portfolio of up to 25%, and NGF EAD reserves the right to exclude loans from the guaranteed portfolio in case of non-compliance with the terms of the scheme. Banks pay a guarantee fee based on the volumes achieved, and borrowers are exempt from fees under the guarantees of NGF EAD.

As of 31 December 2024 agreements were signed with UBB AD, BACB AD, Allianz Bank Bulgaria AD, ProCredit Bank (Bulgaria) AD, Municipal Bank AD, First Investment Bank AD, DSK Bank AD, Eurobank Bulgaria AD and UniCredit Bulbank AD:

- From the beginning of the inclusion period until 31 December 2024, 4,500 loans were guaranteed to 3,915 SMEs with a total amount of BGN 1,011,621 thousand, guarantees at the amount of BGN 485,146 thousand;
- In 2024, 2,461 newly granted loans were guaranteed to 2,162 SMEs with a total amount of BGN 558,323 thousand, guarantees amounting to BGN 272,445 thousand;
- As of 31.12.2024, the guaranteed portfolio is formed of 3,871 loans with a current exposure of BGN 829,805 thousand, portfolio at book value BGN 396,222 thousand;
- Deadline for inclusion of new loans in the guaranteed portfolio – 30.06.2025;
- Deadline for validity of the guarantees – 30.06.2028.

Guarantee scheme 2022 – Leasing

Guarantee scheme NGF 2022 - Leasing. Only newly granted loans for investment and working capital needs are eligible for inclusion. The deadline for including loans in the guaranteed portfolio is 31 December 2023. Under the guarantee scheme, a maximum limit of payments for each guaranteed portfolio of up to 25% has been introduced and NGF EAD reserves the right to exclude loans from the guaranteed portfolio in case of non-compliance with the terms of the scheme. Banks pay a guarantee fee based on the volumes achieved, and borrowers are exempt from fees under the guarantees of NGF EAD.

- From the beginning of the inclusion period until 31 December 2024, 402 leasing transactions were guaranteed to 322 SMEs with a total amount of BGN 51,850 thousand, guarantees in the amount of BGN 22,100 thousand;
- In 2024, 139 new leasing transactions were guaranteed to 103 SMEs with a total amount of BGN 20,180 thousand, guarantees amounting to BGN 9,059 thousand;
- As of 31.12.2024, the guaranteed portfolio is formed by 367 leasing transactions with a current exposure of BGN 35,423 thousand, portfolio at book value of BGN 15,357 thousand;
- Deadline for inclusion of new leasing transactions in the guaranteed portfolio – 31.12.2025;
- Deadline for validity of the guarantees – 31.12.2030.

Guarantee scheme to support beneficiaries under the Rural Development Programme 2007-2013, 2014 – 2020 and enterprises from Crop and animal production Sector – guarantee scheme – Ministry of Agriculture and Food 2016-2018.

This scheme is a joint guarantee scheme with the Ministry of Agriculture and Food and is realized with released funds under the RDP guarantee scheme 2007-2013 amounting to BGN 50 million. In addition, in 2021, jointly with the Ministry of Agriculture and Food, an extension of the program was agreed upon with a deadline for including new loans until 31.12.2027.

- From the beginning of the inclusion period until 31 December 2024, 608 loans were guaranteed to 456 SMEs with a total amount of BGN 279,391 thousand, guarantees amounting to BGN 138,807 thousand;
- In 2024, 16 newly granted loans to 12 SMEs were guaranteed with a total amount of BGN 8,762 thousand, guarantees amounting to BGN 4,381 thousand;
- As of 31 December 2024, the guaranteed portfolio is formed of 182 loans with a current exposure of BGN 51,424 thousand, portfolio at book value BGN 25,712 thousand;
- Deadline for inclusion of new loans in the guaranteed portfolio – 31.12.2027;
- Deadline for validity of the guarantees – 30.09.2032.

<u>Guarantee programs within the inclusion period</u>

Guarantee scheme 2009-2013

In 2023 there are active agreements for portfolio guarantees with 6 banks to which the Fund is a party. The maximum term of guarantees is up to 10 years. The guarantee limit granted to banks for the period of implementation of the guarantee scheme amounts to BGN 146,500 thousand. The total amount of guarantees issued under the program is BGN 168,000 thousand and the guarantees on loans amount to BGN 391,000 thousand. In the period of inclusion, 2,748 loans for the amount of BGN 360,000 thousand were guaranteed and 2,471 SMEs were supported.

During the inclusion period, 2,748 loans to 2,471 SMEs were guaranteed at a total amount of BGN 389,504 thousand, guarantees at the amount of BGN 167,419 thousand. As of 31 December 2024, the guaranteed portfolio was formed of 2 loans with a current exposure of BGN 247 thousand, the guaranteed portfolio at book value is BGN 69 thousand. Deadline for validity of the guarantees – 16.11.2027.

Guarantee scheme 2019-2020

In 2019, NGF EAD launched a procedure for selecting partner banks under the new guarantee scheme NGF 2019. Only newly granted loans for investment and working capital purposes are eligible for inclusion. Under the scheme NGF EAD guarantees up to 50% of the loan amount, but not more than BGN 1.5 million for group of related parties. The term for inclusion of loans in the guaranteed portfolio is 30 September 2020. The guarantee is portfolio-based and amounts of BGN 500 thousand require prior written consent by NGF EAD. Under the new guarantee scheme a limit of payments of up to 25% was introduced for each guaranteed portfolio, where the NGF EAD retains the right to exclude loans from the guaranteed portfolio if they do not meet the requirements of the scheme. The banks will pay a guarantee fee based on volumes reached, and the borrowers are exempt from fees under the NGF EAD guarantees. In the period of inclusion, 1,486 loans for the amount of BGN 450 million were guaranteed, 1,350 SMEs were supported.

- From the beginning of the inclusion period until 31 December 2021, 1,486 loans were guaranteed to 1,341 SMEs with a total amount of BGN 449,814 thousand, guarantees amounting to BGN 185,503 thousand;
- As of 31 December 2024, the guaranteed portfolio was formed of 548 loans with a current exposure of BGN 140,291 thousand, the guaranteed portfolio at book value is BGN 51,416 thousand;
- Deadline for inclusion of new loans – 31.12.2021;
- Deadline for validity of the guarantees – 31.12.2024.

Guarantee scheme under COSME Programme of the European Commission

In December 2016, an agreement was signed between the European Investment Fund (EIF) and the National Guarantee Fund EAD providing an additional EUR 40 million for funding small and medium-sized enterprises in Bulgaria under the COSME Programme of the European Commission.

The funds are provided with the support of the European Fund for Strategic Investments (EFSI), which is the fundament of the Investment Plan for Europe (Juncker Plan). EIF provides a guarantee line of EUR 20 million, based on which NGF EAD will support funding of EUR 40 million to SMEs in Bulgaria struggling to secure the required collateral. Agreements for portfolio guarantees are concluded under this scheme with 5 commercial banks - Bulgarian-American Credit Bank AD, T.B.I. Bank EAD, BDB Microfinancing EAD, First Investment Bank AD, Eurobank Bulgaria AD. The maximum limit is BGN 43,338 thousand. In the period of inclusion, 484 loans for the amount of BGN 87 million were guaranteed, 444 SMEs were supported.

In 2021, the agreement was successfully implemented in accordance with the agreed deadlines.

- From the beginning of the inclusion period until 31 December 2022, 483 loans were guaranteed to 444 SMEs with a total amount of BGN 87,249 thousand, guarantees amounting to BGN 47,240 thousand;
- As of 31 December 2024, the guaranteed portfolio was formed of 171 loans with a current exposure of BGN 22,790 thousand, the guaranteed portfolio at book value is BGN 11,395 thousand;
- Deadline for inclusion of new loans – 31.12.2022;
- Deadline for validity of the guarantees – 31.12.2032.

Guarantee programme to support beneficiaries under Operational Programme Fisheries Sector Development 2007–2013 (OPFSD)

Based on a financial agreement with EAFA from 2011, NGF EAD implements a guarantee scheme in the Fishing sector. The guarantees issued by NGF EAD under this programme are risk-free for the Company as the claims are paid at the expense of the funds provided under OPFSD. NGF EAD has signed agreements with 16 commercial banks under this program. Under the scheme, projects amounting to BGN 46,000 thousand have been implemented, including BGN 33,000 thousand under measure 2.1 (79% of the measure's budget); under measure 2.6, the projects supported amount to BGN 12,000 thousand (77% of the measure's budget). The projects supported under measure 4.1 amount to BGN 500 thousand. 25 beneficiaries were supported.

During the inclusion period, 30 loans to 25 SMEs were guaranteed at a total amount of BGN 30,511 thousand, guarantees at the amount of BGN 20,780 thousand. As of 31 December 2024, the guaranteed portfolio was formed of 1 loan with a current exposure of BGN 24 thousand, the guaranteed portfolio at book value is BGN 19 thousand. Deadline for validity of the guarantees – 30.09.2025.

Guarantee scheme to support beneficiaries under the Rural Development Programme 2007–2013 (RDP)

On the basis of a signed Financial Agreement with the Ministry of Agriculture and Food from 2012, NGF EAD performs guarantee activities in support of beneficiaries of the 2007-2013 RDP. The guarantees issued by NGF EAD under the program are risk-free for the Company, since the claims are paid out of the funds provided under the RDP. The scheme supported 544 beneficiaries under the project implementation program, with 84% of enterprises classified as micro, 14% small and 3% medium-sized enterprises.

As of 31 December 2023, applying a maximum amount of guarantee coverage of 80%, NGF EAD has issued risk-free guarantees and counter-guarantees on loans issued to partner banks for financing approved projects under the Rural Development Program of the Republic of Bulgaria 2007-2013 in the amount of BGN 185,606 thousand (2022: BGN 185,606 thousand) with a total value of loans – BGN 238,112 thousand (2022: BGN 238,112 thousand).

As of 31 December 2024, the guaranteed portfolio was formed of 5 loans with a current exposure of BGN 243 thousand, the guaranteed portfolio at book value is BGN 171 thousand. Deadline for validity of the guarantees – 31.12.2025.

Nature of the instruments and credit risk

These contingent commitments bear off-balance sheet credit risk, because only the fees are recognized in the consolidated financial statements up to the performance or expiration of the term of the commitments. The amounts shown in the table above as guarantees represent the maximum accounting loss that would be recognized at the end of the reporting period, if the counterparties did not fully meet their contractual obligations. The term of many of the contingent liabilities will have expired without being partially or fully advanced.

Therefore, the amounts do not represent expected future cash flows. Collateral for the issuance of ordinary bank guarantees is over 100% and represents mainly blocked deposits with the Bank, mortgaged real estate and insurance policies issued in favour of the Bank. Upon occurrence of conditions for activation of an issued guarantee, the Bank assesses the possibility for recourse receivable from the counterparty and possible realization of the provided collateral.

The guarantees issued by the Parent company (Bank) under the MLSP Guarantee Fund for Microfinancing Project and the issued guarantees under own risk of NGF (subsidiary of BDB) are unsecured. In case of activation of a component of a guarantee issued by the Group, the payment made by it is not assessed as a final loss, as the partner bank has an obligation to take all necessary actions for realization of the received collaterals under the problem loan and to reimburse the respective amount to the Group.

The unpaid part of the par value of the shares of the European Investment Fund held by the Bank becomes due for payment after a special decision for the purpose of the General Meeting of the Fund's shareholders. No such decision has been taken by the date of these financial statements.

All amounts are in thousand Bulgarian Levs, unless otherwise stated

38. CASH AND CASH EQUIVALENTS

	2024	2023
Cash in hand (Note 16)	892	923
Current accounts with the central bank (Note 16)	340,262	127,742
Receivables from banks with original maturity up to 3 months (Note 17)	817,050	468,206
	1,158,204	**596,871**

39. TRANSACTIONS WITH RELATED PARTIES AND COMPANIES UNDER JOINT CONTROL WITH THE STATE

The following table discloses the companies with which the Group carried out transactions in the reporting period. All transactions with related parties are at agreed prices.

Entity/party	Type of control
Ministry of innovation and growth	State Ministry, exercising rights of ownership on the Bank on behalf of the State until 31 March 2025
Ministry of Finance	State Ministry, exercising rights of ownership on the Bank on behalf of the State as of 31 March 2025, issuer of securities
Ministry of Agriculture	State Ministry, depositor
Avtomagistrali EAD	Company under joint control with the State
South Stream Bulgaria AD	Company under joint control with the State
Eco Antracite EAD	Company under joint control with the State
Montazhi –Sofia EOOD	Company under joint control with the State
ICGB AD	Company under joint control with the State
Holding Bulgarian State Railways EAD	Company under joint control with the State
Saint Ekaterina University Multiprofile Hospital for Active Treatment	Company under joint control with the State
Bulgarian Institute for Standardization	Company under joint control with the State
Terem – Holding EAD	Company under joint control with the State
Bulgarian Energy Holding EAD	Company under joint control with the State
Energy Investment Company EAD	Company under joint control with the State
Kintex EAD	Company under joint control with the State
Water Supply and Sewerage EOOD Plovdiv	Company under joint control with the State
TPP Maritsa East 2 EAD	Company under joint control with the State
State Consolidation Company EAD	Company under joint control with the State
Aviosnams AD	Company under joint control with the State
Water Supply and Sewerage Shumen OOD	Company under joint control with the State
Montazhi EAD	Company under joint control with the State
Bulgarian ViK Holding EAD	Company under joint control with the State
Bulgartransgaz EAD	Company under joint control with the State
State Enterprise KABIYUK DP	Company under joint control with the State
MBAL Lozenets EAD	Company under joint control with the State
BDZ – Freight transport EOOD	Company under joint control with the State
Sofia Tech Park AD	Company under joint control with the State
UMBAL Aleksandrovska EAD	Company under joint control with the State

Napoitelni sistemi EAD	Company under joint control with the State

Related party balances in the consolidated statement of financial position as at the end of the reporting period are:

Assets

Entity/party	**Type of balance**	**2024**	**2023**
Ministry of Finance	Financial assets at fair value through other comprehensive income	262,695	280,165
Ministry of Finance	FA at amortized cost – debt securities	10,009	10,049
Companies under joint control with the State	Loans and advances to customers	64,923	221,003
Companies under joint control with the State	Financial assets at fair value through other comprehensive income	21,754	21,201
		359,381	**532,418**

Liabilities

Entity/party	**Type of balance**	**2024**	**2023**
Ministry of Finance	Other borrowings	17,106	16,817
Ministry of Agriculture	Other borrowings	66,371	65,672
Companies under joint control with the State	Liabilities to customers on deposits and other borrowings	423,751	145,968
		507,228	**228,457**

Transactions with related parties:

Entity/party	**Type of relation**	**2024**	**2023**
Ministry of Finance	Fee and commission income	51	13
	Interest income	1,854	2,381
	Interest expenses	(580)	(506)
		1,325	**1,888**
Companies under joint control with the State	Interest income	5,744	14,092
	Fee and commission income	199	218
	Interest expenses	(915)	(150)
		5,028	**14,160**

Commitments and contingencies with related parties:

Entity/party	**Type**	**2024**	**2023**
Companies under joint control with the State	Unutilized amount of a loan approved	8,603	19,558
Companies under joint control with the State	Bank guarantees issued	20,520	15,398
		29,123	**34,956**

All amounts are in thousand Bulgarian Levs, unless otherwise stated

Relations with key management personnel:

Balances with key management personnel	**2024**	**2023**
Payables to customers on deposits	2,151	626
Remuneration payable	48	-

Transactions with key management personnel	**2024**	**2023**
Remuneration and social security contributions	(2, 793)	(2,386)

40. EVENTS AFTER THE DATE OF THE FINANCIAL STATEMENTS

No adjusting events or significant non-adjusting events have occurred after the reporting date until the date of approval of the consolidated financial statements apart from the following non-adjusting events:

Decision on Bulgaria's entry into the eurozone

Following the positive convergence reports of the European Central Bank and the European Commission, the Council of the European Union and the European Parliament voted on 8 July 2025, for Bulgaria to become the 21st member of the eurozone as of 1 January 2026. With this decision, the euro becomes the official currency and legal tender in the Republic of Bulgaria, effective 1 January 2026. The fixed exchange rate is set at 1.95583 leva per euro. The introduction of the euro as the official currency in the Republic of Bulgaria will represent a change in the functional currency of the Group, which will be reported prospectively in the financial statements and does not represent an adjusting event after the reporting period. Membership and the use of the single currency are expected to positively impact Bulgaria's investments and economic development, reduce transaction costs, and ensure predictability of the economic environment. The Group's customers are expected to be positively impacted by this development in the medium term.

Amendments to the Bulgarian Development Bank Act

The 2025 State Budget Law of the Republic of Bulgaria was promulgated in State Gazette (SG) 26/27.03.2025. The Law amends the Bulgarian Development Bank Act, according to which the rights of the State in the General Meeting of the Bank’s shareholders are exercised by the Minister of Finance. The amendment is effective from 31 March 2025.

Changes to the Articles of Association of Bulgarian Development Bank EAD

By decision under Protocol No. RD-02-17-1 of 14.01.2025 of the Minister of Innovation and Growth, in the capacity of exercising the rights of the State as the sole owner of the capital of BDB, amendments and appendixes to the Articles of Association of the Bulgarian Development Bank EAD approved by the Bulgarian National Bank were adopted. The amendments and appendixes are entered in the Commercial Register and the Register of Non-Profit Legal Entities and are effective from 19 February 2025.

Changes in the Supervisory Board of Bulgarian Development Bank EAD

By decision under Protocol No. PR-77 of 30 May 2025 of the Minister of Finance in his capacity as sole owner of the capital of BDB, Mr. Stamen Stamenov Yanev was dismissed as a member of the Supervisory Board of the Bank. This circumstance was entered in the Commercial Register and Register of Non-Profit Entities on 6 June 2025.

By Decision of the 51st National Assembly of 23 May 2025 on the election of the Chairman of the Commission on Protection of Competition (Promulgated, State Gazette, issue 44 of 2025), Mr. Rosen Karadimov was elected as the Chairman of the Commission on Protection of Competition. By Decision under Protocol No. PR-84 of 17 June 2025 of the Minister of Finance in his capacity as the sole owner of the capital of BDB, Mr. Rosen Andreev Karadimov was dismissed as a member of the Supervisory Board of the Bank. This circumstance was entered in the Commercial Register and Register of Non-Profit Entities on 24 June 2025.

By decision under Protocol No. PR-85 of 17 June 2025 of the Minister of Finance in his capacity as sole owner of the capital of BDB, Ms. Goritsa Nikolova Grancharova-Kozhareva and Mr. Lachezar Dimitrov Borisov were elected as members of the Supervisory Board of the Bank. This circumstance was entered in the Commercial Register and Register of Non-Profit Entities on 24 June 2025.

Changes in the Management Board of Bulgarian Development Bank EAD

By decision of the Supervisory Board under Protocol No. 8 of 20.02.2025, Iliya Zapryanov Karanikolov was dismissed as a member of the Management Board of Bulgarian Development Bank EAD and Executive Director. The decision was entered in the Commercial Register and the Register of Non-Profit Legal Entities on 27 February 2025.

Changes in the capital of BDB Microfinancing EAD

By decision of the Management Board of Bulgarian Development Bank EAD under Protocol No. 15 of 18 March 2025, in the capacity of the sole owner of the capital of BDB Microfinancing EAD, a decision was made to increase the capital of BDB Microfinancing EAD by the amount of BGN 15,000,000 by issuing new shares, as well as to make changes to the company's articles of association related to the capital increase. These circumstances were entered in the Commercial Register and the Register of Non-Profit Legal Entities on 8 April 2025.

As of the date of approval of this document, the registered capital of BDB Microfinancing EAD is BGN 29,035,000, distributed in 290,350 shares with nominal value of BGN 100 each. The shares are ordinary, materialized, registered, and indivisible, each share giving the right to one vote. The capital of the company is fully paid in.

Changes in the management bodies of BDB Microfinancing EAD

By decision under Protocol № 31 of 20 May 2025 of the Management Board of Bulgarian Development Bank EAD, in its capacity of sole owner of the capital of BDB Microfinancing EAD, Mr. Iliya Radkov Komitov and Mr. Boyan Stefanov Byanov were dismissed as members of the Board of Directors of BDB Microfinancing EAD. These circumstances were entered in the

Commercial Register and Register of Non-Profit Legal Entities on 3 June 2025.

By decision under Protocol № 31 of 20 May 2025 of the Management Board of Bulgarian Development Bank EAD, in its capacity of sole owner of the capital of BDB Microfinancing EAD, Mr. Ivan Vasilev Hinchovski was elected as member of the Board of Directors of BDB Microfinancing EAD. This circumstance were entered in the Commercial Register and Register of Non-Profit Legal Entities on 3 June 2025.

Changes in the management bodies of National Guarantee Fund EAD

By decision under Protocol № 9 of 18 February 2025 of the Management Board of Bulgarian Development Bank EAD, in its capacity of sole owner of the capital National Guarantee Fund EAD, Mr. Iliya Zapryanov Karanikolov was dismissed as member of the Board of Directors of National Guarantee Fund EAD. This circumstance was entered in the Commercial Register and Register of Non-Profit Legal Entities on 27 February 2025.

By decision under Protocol № 13 of 6 March 2025 of the Management Board of BDB, in its capacity of sole owner of the capital of National Guarantee Fund EAD, Ms. Teodora Petrova Pesheva was elected as member of the Board of Directors of the company. This circumstance was entered in the Commercial Register and Register of Non-Profit Legal Entities on 24 March 2025.

By decision under Protocol № 26 of 23 April 2025 of the Management Board of Bulgarian Development Bank EAD, in its capacity of sole owner of the capital National Guarantee Fund EAD, Mr. Deyan Petrov Kalapchiev was dismissed as member of the Board of Directors of NGF EAD. This circumstance was entered in the Commercial Register and Register of Non-Profit Legal Entities on 7 May 2025.

Changes in the management bodies of BDB Leasing EAD

By decision under Protocol № 4 of 21 January 2025 of the Management Board of the Bulgarian Development Bank EAD, in its capacity of sole owner of the capital of BDB Leasing EAD, Mr. Alexander Simeonov Alexandrov was elected as member of the Board of Directors of the company. This circumstance was entered in the Commercial Register and Register of Non-Profit Legal Entities on 4 February 2025.

Capital increase of Bulgarian Development Bank EAD

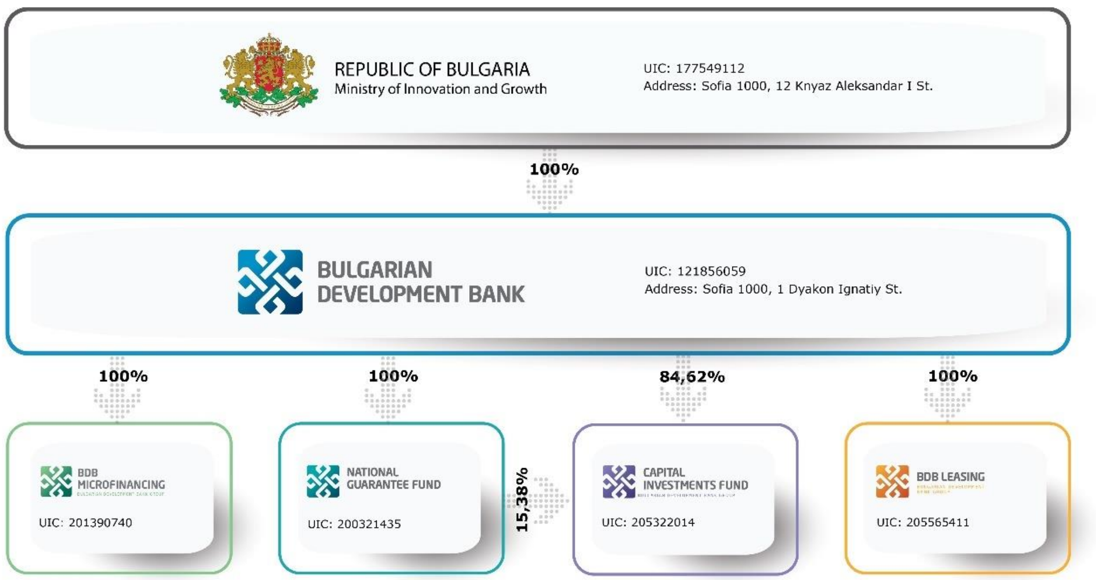
By resolution No. 575/27 August 2025, the Council of Ministers of the Republic of Bulgaria agreed to increase the capital of the Bulgarian Development Bank EAD by BGN 4,000,000,000. The capital increase will be realised through a cash transaction. The funds will be provided as per Decree of the Council of Ministers No. 167 of 27 August 2025. The Bank will issue 40,000,000 new registered dematerialized shares of BGN 100 each, to be purchased by the State. The funds will be used for carrying out the activities, described in the Strategy of BDB for 2024-2026, approved by resolution of the Council of Ministers No. 389/2024.

INFORMATION UNDER ART. 70, PARA. 6 OF THE LAW ON CREDIT INSTITUTIONS

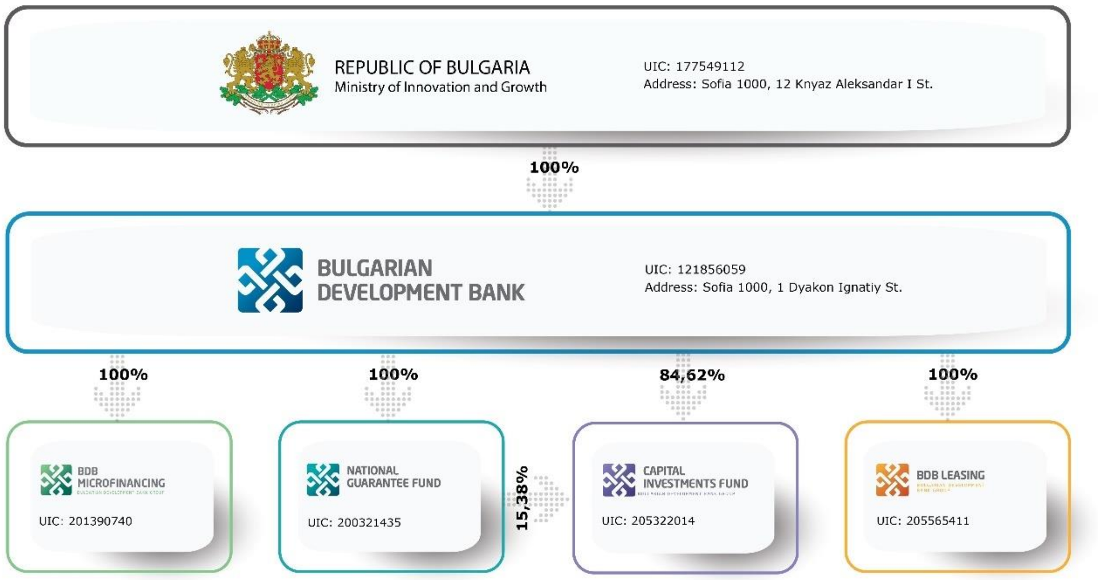
This appendix on a consolidated basis has been prepared in accordance with the requirements of Art. 70, para. 6 of the Law on Credit Institutions (LCI).

1. NAME, DESCRIPTION OF THE ACTIVITY AND LOCATION

The Bulgarian Development Bank Group consists of the Bulgarian Development Bank EAD (BDB) and four companies controlled by it. The ownership structure as of 31 December 2024 is presented below.



As of the date of approval of these financial statements, the following organizational structure of the Group is valid:



In addition, Bulgarian Development Bank holds 100% of the shares of TC Maritsa EOOD and exercises control over the Roadway Group, consisting of Roadway Construction AD and Patstroyengineering AD, Cohoferm OOD and Ponsstroyengineering AD (in bankruptcy). These companies are not part of the strategic planning framework of the BDB Group.

BDB

Bulgarian Development Bank EAD is a sole owned joint-stock company registered with the Commercial register under EIC 121856059, with a seat in the city of Sofia, Sofia City Region, Bulgaria and management address at 1 Dyakon Ignatij Str. The financial year of the Bank ends on 31 December.

Bulgarian Development Bank was established on 11 March 1999 as a joint-stock company in Bulgaria under the name Encouragement Bank AD.

The Bulgarian Development Bank Act was adopted on 23 April 2008 (SG 43/29.04.2008) to regulate the structure and the scope of Bank's activities, including those for its subsidiaries, envisaged for incorporation. By virtue of that law the functions and all rights and obligations were applied to Encouragement Bank AD. Pursuant to a requirement of the law, a General Meeting of the Shareholders was held (26 June 2008) at which the name of the Bank was changed to Bulgarian Development Bank and its Articles of Incorporation were amended in line with the new legal requirements thereto.

The Bank holds a general banking license, issued by Bulgarian National Bank (BNB) on 25 February 1999 with latest update of 16 November 2009 and is allowed to conduct all banking transactions permitted by the Bulgarian legislation. The Bank is also a licensed investment intermediary.

From the very beginning, the Bank was established with a special purpose – to support the implementation of the economic policies of the State by financing the business development of small and medium-sized enterprises (SME), including by supporting their investment and export abilities and initiatives. With the adoption of the Bulgarian Development Bank Act in 2008 this objective was further elaborated in the objectives, principles and scope of the Bank's activities set by the law.

The Bank's lending activity includes:

- pre-export and export financing of SME;
- financing SME operations and projects either through intermediary banks or directly;
- refinancing banks that grant loans to SME;
- financing SME investments abroad;
- participation in public and public-private projects or partnerships of strategic, national and/or regional importance.

The main objectives of the Bank are:

- to promote, encourage and develop the general economic, export and technological potential of SMEs by facilitating their access to finance;
- drawing in and management of medium and long-term local and foreign resources needed for the implementation of economic development in the country;
- implementation of schemes and instruments to finance public investment projects that are priorities for the country's economy;
- fundraising and project management of international financial and other institutions;
- fundraising and grant funding in order to reduce regional misbalances in the country;
- financing of projects of local companies that create export, innovation, high employment and / or value added;

- financing of priority sectors of the economy, in line with the government policy for economic development;
- Financing of companies operating in priority sectors of the economy, in accordance with the adopted government economic development policy, as well as such implementing strategic projects and/or projects of national and/or regional importance.

The bank operates on the territory of the Republic of Bulgaria.

As of 31 December 2024, Bulgarian Development Bank EAD operates from a registered address in the city of Sofia, 1 Dyakon Ignatij Str. The bank has no branches.

National Guarantee Fund

National Guarantee Fund EAD (NGF) is a company established on 12 August 2008 according to the Bulgarian Development Bank Act and was registered in the Commercial Register on 22 August 2008 with UIC 200321435. The company is 100% owned by the Bulgarian Development Bank EAD (BDB). Pursuant to the Law on Credit Institutions (LCI), National Guarantee Fund EAD is a financial institution registered in 2009 by the BNB in the Register under Art. 3, para. 2 of the Law on Credit Institutions (LKI) under number BGF00052. The fund has no branch network.

National Guarantee Fund EAD’s main objective is to provide guarantees for the benefit of small and medium-sized entities (SMEs), thus facilitating their access to financing.

The guarantees issued by the Fund for its own risk can cover up to 50% of the liability. With an amendment of the BDB Act, promulgated in the State Gazette, No. 102 from 21 December 2012, the guarantees issued by NGF EAD with regard of guarantee schemes under the Rural Development Program 2007-2013 and under the Operational Programme Fisheries Sector Development 2007-2013 can cover up to 80% of the liability.

BDB Microfinancing

BDB Microfinancing EAD (BDBM) a sole owned joint-stock company, registered in the Commercial Register and the Register of Non-Profit Legal Entities on 14 January 2011 with seat and management address in Sofia, 1 Dyakon Ignatij Str. The scope of activity is microfinancing, including, but not limited to, granting of microcredits, acquisition from third parties and leasing of industrial equipment, cars and other vehicles, as well as other items /finance lease/, purchase and sale and import of such items, consulting services, commercial representation and mediation of local and foreign individuals and legal entities operating in the country, as well as any other activity not prohibited by law.

BDB Leasing

The scope of activity of BDB Leasing EAD includes finance lease, granting loans with funds that are not raised through public solicitation of deposits or other recoverable funds, all additional activities servicing leasing and crediting.

BDB Leasing EAD offers finance lease of production machinery and equipment, transport vehicles, construction and agricultural machinery, medical equipment, energy equipment, real estate. The assets must be used for the economic activity of the lessee companies.

The company's short- and medium-term strategy is to gradually increase the lease portfolio, while observing a conservative approach when approving new leases and offering individual financing solutions for small and medium-sized enterprises.

The company's mission is to support Bulgarian companies to develop their business, especially in priority sectors and regions, to be an active supporter of the community, to create an environment of sustainable development. The development of the company is also related to supplementing the portfolio of products offered by the companies in the BBR Group.

The company's focus is on the financing of production assets for Bulgarian legal entities, and the financing can be provided at any stage of the development of the companies or their respective business direction.

Capital Investments Fund

The Fund’s scope of activity includes:

- participation in the capital of small and medium-sized enterprises;
- equity investments and other financial instruments issued by small and medium-sized enterprises;
- provision of consulting services regarding the capital structure of small and medium-sized enterprises, consulting and other services related to the transformation of enterprises under Art. 261 of the Commerce Act;
- investment advisory services;
- consulting services on the management of pools of securities of small and medium-sized enterprises;
- participation in the management of companies in which the Fund has invested;
- other activities not expressly prohibited by law.

The fund participates in the capital of small and medium-sized enterprises aiming to increase their competitiveness, to provide capital for research and development, to increase production capacity, to provide financing before raising capital on a regulated market and to utilise funds from European Union funds. Priority is given to small and medium-sized companies in the growth stage, start-up entrepreneurs, innovations.

All amounts are in thousand Bulgarian Levs, unless otherwise stated

2. VOLUME OF THE TURNOVER

For the year ended 31 December 2024 and 31 December 2023, the Bank realised turnover as follows:

	2024	2023
Interest income (note 6)	130,234	124,286
Fee and commission income (note 7)	8,314	7,833
Other operating income	24,782	32,277
Total income	**163,330**	**164,396**

3. AVERAGE NUMBER OF FULL-TIME EMPLOYEES

As of 31 December 2024, the Group has 297 employees (31 December 2023: 319).

4. FINANCIAL RESULT OF THE ACTIVITY BEFORE TAX

For the year ended 31 December 2024, the Group's consolidated financial result before tax amounts to BGN 35,888 thousand (for the year ended 31 December 2023: BGN 29,172 thousand).

5. TAX ON THE FINANCIAL RESULT OF THE ACTIVITY

For the financial year 2024, the taxes accrued on the financial result of the activity amount to BGN 771 thousand (for the financial year 2023: tax revenue at the amount of BGN 226 thousand). See note 14 to the annual consolidated financial statements.

6. RETURN ON ASSETS AS A RATIO OF NET PROFIT TO TOTAL BALANCE

The realized net profit (after tax) for 2024 amounts to BGN 35,117 thousand (for 2023: BGN 28,946 thousand).

The total assets of the Group as of 31 December 2024 are BGN 3,096,428 thousand (as of 31 December 2023: BGN 2,770,861 thousand).

The return on assets as a ratio of net profit to the total balance for 2024 is 1.13% (for 2023: 1.04%).

7. GOVERNMENT SUBSIDIES RECEIVED

The Bank and the companies of the Group did not receive government subsidies in 2024.