# D Commerce Bank AD

# Consolidated Annual Financial Statements and Activity Report for 2025

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# CONSOLIDATED MANAGEMENT REPORT

AND

CORPORATE GOVERNANCE STATEMENT

OF

## D COMMERCE BANK GROUP

for 2025

April 2026

## I. Group Profile

D COMMERCE BANK GROUP (the Group) comprises the parent company (D COMMERCE BANK AD) and its subsidiaries. Details of the Group companies are presented below:

*The parent*

D Commerce Bank AD is a joint-stock company holding a general banking license to perform banking operations in the country and transactions abroad.

The main activity of the bank in 2025 were related to attracting deposits from customers, granting loans to business customers and individuals, servicing customer payments in the country and abroad, trading securities, performing repurchase agreements on the interbank market, dealing in foreign currencies, issuing letters of credit and bank guarantees, and providing other financial services in Bulgaria.

*Subsidiaries*

**D Insurance Broker EOOD**

In 2013 D Commerce Bank AD acquired 100% of the shares of a single-member limited liability company "Visa Consult EOOD". The Bank changed its business name to "D Insurance Broker" EOOD and its registered office address to "D Insurance Broker" EOOD. Sofia, Krasno Selo Region, 8 Gen. Totleben Blvd. The company's business activity is aninsurance brokermediation in the conclusion of insurance and reinsurance contracts and related consulting services. As of 31 December 2025, the company has a registered capital of BGN 5 thousand.

**D Imoti EOOD**

The company was established in October 2013 by D COMMERCE BANK AD. It has its registered office and registered address in the town of. Its registered office and registered office is located in Sofia, Krasno Selo Region, 8, Gen. Totleben Blvd. The subject of activity includes the purchase and sale of real estate, design, furniture, construction of real estate for sale, rental. As of 31 December 2025, the company has a registered capital of BGN 15 400 thousand.

**IVANCHOV STAN EOOD**

The company Ivanchov Stan EOOD was established in 2022 with its registered office and management address in Sofia, Krasno Selo Region, 8 Gen. Totleben Blvd. The subject of activity is real estate management , mediation in real estate transactions and any other activity not prohibited by law. As of 31 December 2025, the company has a registered capital of BGN 10 027 thousand.

**D Leasing EAD**

D Leasing EAD was established in 2014 and is registered as a financial institution with full license from BNB. D Leasing EAD was established as a joint stock company with the sole owner of the capital - D Commerce Bank AD. As of 31 December 2025, the company has a share capital of BGN 2 200 thousand.

**D Invest Park EOOD**

The company D Invest Park EOOD was established in 2021. D Invest Park EOOD is incorporated as a limited liability company with sole owner of capital D Commerce Bank AD. As at 31 December 2025, the company has a registered capital of BGN 15 554 thousand.

**Complex Ivanchov han EOOD**

The company Complex Ivanchov han EOOD Is a subsidiary of D Imoti EOOD. Following the acquisition by D Imoti EOOD of the shares representing the Company's entire share capital, which was registered on 2 December 2025, an amended Act of Association reflecting the change in the sole owner of the capital was filed and announced on the same date. No changes were made in the management and registration of the company As of December 2025 the company has a registered capital of BGN 6 366 thousand.

## 1. Group ownership and management

As of 31.12.2025, the Bank's capital is owned by Mr. Fuat Guven, who directly owns 55.52% of the capital, and the remaining 44.48% through the company FORTERRA EAD with UIC 175194303.

D Commerce Bank AD has a two-tier management system with a Supervisory Board and Management Board. The Supervisory Board (SB) elects the members of the Management Board (MB), approves the empowerment of executive members - Executive Directors, and determines the remuneration of the members of the Board.

As at 31 December 2025, based on Decision (CFSP) 2015/1333 the Supervisory Board of the Bank is composed of:

- Fuat Guven, Chairperson of the SB;
- Bahattin Gurbuz - Member of the SB
- Valeri Borisov Borisov - Member of the SB

As at 31 December 2025, the Management Board of the Bank is composed of:

- Anna Ivanova Asparuhova - Chairperson of the MB and Chief Executive Officer;
- Plamen Ivanov Dermendzhiev - Member of the MB and Executive Officer;
- Valentina Dimitrova Borisova - Member of the MB;
- Zahari Dimitrov Alipiev - Member of the MB;
- Ivaylo Penev Hadzhiev - Member of theMB and Executive Officer.

## 2. Changes in the management and registration of the parent company in 2025

During the period 01.01.2025 – 31.12.2025 the following changes in the management and registration of the Bank were made:

On 13 May 2025, the Supervisory Board of the Bank resolved to release Mr. Martin Ganchev from his positions as a member of the Management Board and Executive Director. The resolution was registered in the Commercial Register and Register of Non-Profit Legal Entities on 09.07.2025.

Valentina Dimitrova Borisova and Plamen Ivanov Dermendzhiev – members of MB both are empowered for Executive Directors based on SB Decision and approved by Bulgarian National Bank (BNB) for taking up the position of the Board of Directors and Executives Directors.

The changes are entered in the Commercial register and register of non-profit legal as follows:

- for Mrs. Valentina Borisova on 09.07.2025;
- for Mr. Plamen Dermenjiev on 28.07.2025.

On 19.09.2025 the Supervisory Board elected Ivaylo Penev Hadzhiev as a member of the Management Board of the Bank. The Management Board empowers Mr Hadjiev to be an executive member (for Executive Director) and the Supervisory Board approves the empowerment. The decisions are taken under condition that the Bulgarian National Bank issued approval in favour of Ivaylo Hadzhiev for taking the position. The approval is issued on 29.10.2025.

On 07.11.2025, Mr. Ivaylo Penev Hadzhiev was registered in the Commercial Register and Register of Non-Profit Legal Entities as a member of the Management Board and Executive Director of D Commerce Bank.

On 30.10.2025, the General Meeting of Shareholders of the Bank adopted amendments to the Articles of Association. Upon receipt of the approval of the Bulgarian National Bank pursuant to Decision No. 559 of the Governing Council of the BNB dated 21.11.2025, the amended Articles of Association were registered and announced in the Commercial Register and Register of Non-Profit Legal Entities on 02.12.2025.

### 3. Information regarding the individuals managing and representing the parent company

As at 31.12.2025, the Bank has five members of the Management Board, four of which are Executive Directors:

- Anna Ivanova Asparuhova
- Plamen Ivanov Dermendzhiev
- Valentina Dimitrova Borisova
- Zahari Dimitrov Alipiev
- Ivaylo Penev Hadzhiev - Member of the Board and Executive Director.

In accordance with the requirements of the Credit Institutions Act, the provisions of the Articles of Association of D COMMERCE BANK AD and the company's commercial registration, the bank is represented by all members of the Board collectively or jointly by two Executive Directors.

The Executive Directors and the members of the Management Board do not have any interest in the share capital of the Bank.

### 4. Changes in the management and registration of subsidiaries in 2025.

Information on changes in the management and commercial registration of subsidiaries during the period 01.01.2025 - 31.12.2025 is presented below:

#### 4.1. D Insurance Broker EOOD

During the period 01.01.2025, there were no changes in the management and registration of the company.

#### 4.2. D Imoti EOOD

During the period 01.01.2025, the capital reduction is registeredas follows: from BGN 19 400 000 to BGN 15 400 000. The value of the shares in the capital is unchanged -BG 5000 for each and the number is reduced from 3 880 to 3 080. Accordingly, the company's account in the Commercial register and register of non-profit legal announced an amended constitutive act reflecting the capital reduction and the number of shares.

**4.2.1. IVANCHOV STAN EOOD**– Subsidiary of D IMOTI EOOD

During the period 01.01.2025, the capital reduction is registered as follows: from BGN 17 027 000 to BGN 10 027 000, the value of the shares in the capital is unchanged. As a result, an amended Constitutive Act reflecting the decrease in the Company's share capital and the revised number of shares was duly registered and announced in the Commercial Register and Register of Non-Profit Legal Entities.

**4.2.2.COMPLEX IVANCHOV HAN EOOD** – Subsidiary of D IMOTI EOOD

After the acquisition of the shares of the capital by the D Imoti EOOD. The company is registered on 02.12.2025, on which date an act of incorporation is announced with amendments concerning the person sole owner of the capital, no changes are made in the management and registration of the company.

### 4.3.D LEASING EAD

During the period 01.01.2025, there were no changes in the management and registration of the company.

### 4.4.D Invest Park EOOD

During the period 01.01.2025, a decrease in the capital of the company was entered in the period 31.12.2025 as follows: from BGN 17 554 000 to BGN 15 554 000, the value of the shares in the capital is preserved. Accordingly, the company's account in the Commercial register and register of non-profit legal announced an amended constituent act reflecting the capital reduction and the number of shares.

## 5. Information regarding the individuals managing and representing the subsidiaries

As of 31.12.2025, the management and representing subsidiaries are as follows:

5.1. D INSURANCE BROKER EOOD - Lyubomir Svetoslav Ivanov - Manager

5.2. D IMOTI EOOD - Yavor Nikolov Terziev and Ivaylo Georgiev Ivanov - Managers, representing the company jointly;

5.3. D LEASING EAD - Ivaylo Georgiev Ivanov, Petya Radeva Valeva, Kostadin Bozhikov Munev - Members of the Board of Directors, and the company is represented jointly by each two of the three members of the Board of Directors;

5.4. D INVEST PARK EOOD - Yavor Nikolov Terziev and Ivaylo Georgiev Ivanov - Managers, representing the company jointly;

5.5. IVANCHOV STAN EOOD - subsidiary of D IMOTI EOOD - Fuat Guven - Manager.

5.6. COMPLEX IVANCHOV HAN EOOD – subsidiary of the D Imoti EOOD – Fuat Guven - Manager.

## 6. Information under Art. 39, item 5, item 6 of the Accounting Act (AA) and Art. 187e and Art. 247 of the Commercial Act (CA)

6.1 under Art. 39, item 6 of the **Accounting Act**

6.2 under Art. 187e of the **Commercial Act**

6.3 under art. 247, para 2 of the **Commercial Act**:

- Item 1 - The total remuneration received in 2025 by the members of the Supervisory Borad and the Management Board of the Bank amounts to BGN 4 307 thousand;
  The remuneration received in 2025 by key management staff of the subsidiaries amounts to BGN 3 061 thousand.
  - Item 2 - No transactions in 2025;
  - Item 3. - There are no restrictions on the rights of the members of the Board to acquire shares and debentures of the Company (the Bank);
  - Item. 4 The interests of the members of the Supervisory Board and the Management Board of the Bank as unlimited partners, holding more than 25% of the capital of other companies, and participating in the management of other companies or cooperatives as procurators, managers or members of the boards are:

**Valeri Borisov Borisov** - Member of the Supervisory Board (for the period from 01.01.2025 to 31.12.2025):

1. Elkabel AD, UIC 102008573- Member of the Supervisory Board;
2. Borisov & Borisov Law Firm," BULSTAT 175640079 - as well as the manager
3. Interus OOD, EIC 83164428 - partner with a share exceeding 25%;

Fuat Guven - Member of the Supervisory Board, elected Chairperson of the Supervisory Board (in the period 1 January 2025 - 31 December 2025):

1. Fortera AD, UIC 175194303, Sofia, 12, "Cherni Vrah" blvd. - ultimate owner of the capital, Chairman of the Board of Directors and Executive Director;
2. Gama Invest AD, UIC 831283821, Sofia, 12, "Cherni Vrah" blvd. - ultimate owner of the capital, Chairman of the Board of Directors and Executive Director;
3. Elkabel AD, UIC 102008573, Burgas, 15, "Odrin" str. -around 95% of the capital and Chairman of the Supervisory Board;
4. Aidatur AD, UIC 836143710, Haskovo, 1, "Atlanticheski" sq. - member of the Board of Directors and Executive Director, ultimate owner of the capital;
5. E.T. Shop Shipka Fuat Güven, Republic of Turkey, Reg. No. of Istanbul Trade Registry 192291, Istanbul, Selimie Iskele Jad. No. 37, Yuskyudar;
6. Emelda Deri Konfexion Tourism Inşaat Sanay Ve Dus Tıcaret Anonim Shirketi, Republic of Turkey, Reg. No. of Istanbul Commercial Registry 281 558, Istanbul, Zeytinburnu, Kazlıçeşme, Demirhane Jaddesi, Beşkardesler Sok 8-10 - majority shareholder and representative;
7. Shop Shipka Fuat Guven EOOD, UIC 175205415, Sofia, 12, "Cherni Vrah" blvd. - the ultimate owner of the capital through Fortera AD, as well as the manager;
8. Emelda EOOD, UIC 175205365, Sofia, 12, "Cherni Vrah" blvd. - ultimate owner of the capital through Fortera AD and manager;
9. Trakia 97 EOOD, UIC 126073031, Svilengrad, sq. Station, Duty Free Zone - final owner of the capital through Kardzhali -Tabak AD and manager;
10. Stil 93 OOD, UIC 831303003 Sofia, 12, "Cherni Vrah" blvd. - ultimate owner of the capital through Trakia 97 EOOD and Fortera AD and manager;
11. Eleforce OOD, UIC 131237742, Sofia, 12, "Cherni Vrah" blvd. – ultimate owner of the capital through Trakia 97 EOOD and manager;
12. Kardzhali-Tabak AD, UIC 108024351, Kardzhali, 1, "Republican" str.- indirect control through Aidatur AD, member of the Management Board and Executive Director;
13. Shipka-Fuat-Guven-Varna OOD, UIC 000100591, Varna, Sts. Constantine and Helena resort complex, Commercial Centre constituting part of Sts. Constantine And Helena – ultimate owner of the capital through Vassilevi Bros OOD and manager;
14. Svilengrad-Gaz AD, UIC 200462966, Svilengrad, Svilena sq., Hotel Svilena, fl. 1, app. 2 - majority shareholder;

15. SHIPKA OIL EOOD /previous business name Svilengrad Gas Service EOOD/, UIC 201025058, Svilengrad, Svilena sq., Hotel Svilena, fl. 1, app. 2 - sole owner of the capital and manager;
16. Vassilevi Bros OOD, UIC 010752510, Sofia, Izgrev Region, 5, Shteryu Atanasov Street – owner of the capital – personally and through Le Roi Enterprises Limited, London, United Kingdom of Great Britain and Northern Ireland, and General Manager;
17. Alfa Deri Confection Tourism Ltd, Turkey, registered in the Commercial Register of the Republic of Turkey, Turkey, Istanbul, Kv. Zeytinburnu, Kazlı Çeşme 8-10, Beşkardeshler 2, - 67% of the capital, managing and representing;
18. Inter Kim Petrol Ve Petrokimiya EOOD, Turkey, Istanbul – 51% of the capital , managing and representing;
19. Plas Kim Petrol Ve Petrokimiya Urulenti Dis Tic OOD, Turkey, Istanbul - 75% of the capital , managing and representing;
20. Beta Turistik Tesis Isletmeciligi Ltd Sti, Turkey, Istanbul - 95% of the capital , managing and representing;
21. Delta Balonchuluk Havandzaluk Turism ve Energy Tidzaret, Turkey, Istanbul – General Manager;
22. Gama Turistrik Tesis Ishl. AS, Turkey, Istanbul – General Manager;
23. AO Fregat, Moscow, Izmaylovo Quarter, 1, Uralska Boulevard, sole owner of the capital, managing and representing;
24. Le Roi Enterprises Limited, London, United Kingdom of Great Britain and Northern Ireland – sole owner of the capital and General Manager;
25. Ivanchov han EOOD, UTC 206801576, Sofia, 12 Cherni Vrah Blvd. - ultimate owner of the capital through Emelda EOOD and representing;
26. "Hunting hills" EOOD, UIC 200521126, seat and address of management: Sofia, 12, Cherni Vrah blvd – ultimate owner of the capital and Manager;
27. FORHUNT AD, UIC 200966005, seat and address of management: Sofia, 12, "Cherni Vrah" blvd.. – sole owner of the capital and representing;
28. “Forhed” AD, UIC 200378646, seat and address of management: Sofia, Izgrev district, "Gen. Shteryu Atanasov" No. 5 - shareholding in the amount of 50/100 of the capital and Chairman of the Board of Directors and Executive Director;
29. “Forland” AD, UIC 200285067, seat and address of management: Sofia, Izgrev district, "Gen. Shteryu Atanasov" No. 5 - shareholding in the amount of 50/100 of the capital and Chairman of the Board of Directors and Executive Director;

30. "FORMEDON" AD, UIC 201762016, registered office and registered address. Sofia, Krasno Selo district, Sofia 8, "Gen. Edward I. Tottleben" Blvd - majority shareholder.

**Plamen Ivanov Dermendzhiev** - Member of the Management Board and Executive Director (for the period 01.01.2025 – 31.12.2025):

1. "FUND FOR SUSTAINABLE URBAN DEVELOPMENT EAD, UIC 202033232- Member of the Supervisory Board.
2. „PD Capital" OOD, UIC 208214054 – partner with a share in the capital of more than 25 %.

Item 5 - To the best of our knowledge, no contracts under Article 240b of the Commercial Law have been concluded in 2025.

## II. Financial performance of the Group

In accordance with Article 39. items 1 and 2 of the Accountancy Act, D COMMERCE BANK GROUP presents financial and non-financial indicators showing the development of the group.

During the year, the Group was able to focus its business strategy mainly on:

- Continuing work to optimise asset and liability management;
- maintaining excellent business relationships and providing competent assistance and support to the Bank's corporate and individual customers in light of the new economic reality;
- further enhancing the quality and efficiency of the banking services and products offered;
- close and continuous monitoring of the quality of the loan portfolio;
- Increasing efficiency in risk management;
- providing a competitive service through the development of information technology and digital channels;
- care for the health and safety of customers and employees;

The Group's financial position in 2025 remains stable andsustainable, with increased efficiency and profitability. Negative economic effects are well addressed, monitored and managed towards their mmitigation and/or elimination.

| Financial results (BGN thousand) | 2024 | 2025 | Change | |
|---|---|---|---|---|
| Net interest income | 73 910 | 61 914 | (11 996) | -16% |
| Net fee and commission income | 10 525 | 10 420 | (105) | -1% |
| Net income from trading operations | 2 453 | 2 217 | (236) | -10% |
| Loss/reversal on financial assets | 1 197 | 4 739 | 3 542 | -296% |
| **Operating income** | **88 085** | **79 290** | **(8 795)** | **-10%** |
| Administrative costs of the activity | (42 913) | (48 166) | (5 253) | 12% |
| Operating income, net | 5 755 | 11 873 | 6 118 | 106% |
| **Profit before income tax** | **50 927** | **42 997** | **(7 930)** | **-16%** |
| Income tax expense | (5 152) | (4 503) | 649 | 13% |
| **Net profit for the year** | **45 775** | **38 494** | **(7 281)** | **-16%** |

| Balance sheet (BGN thousand) | 2024 | 2025 | Change | |
|---|---|---|---|---|
| Total assets | 2 160 598 | 2 134 350 | (26 248) | -1% |
| Loans and advances to customers (gross) | 1 105 920 | 1 305 845 | 199 925 | 18% |
| Loans to banks | 167 526 | 126 127 | (41 399) | -25% |
| Investment securities at fair value through other comprehensive income | 216 826 | 51 624 | (165 202) | -76% |
| Investment securities at amortised cost | 110 216 | 147 268 | 37 052 | 34% |
| Deposits from customer | 1 884 499 | 1 831 627 | (52 872) | -3% |
| Deposits from banks | 10 633 | 9 301 | (1 332) | -13% |
| Equity | 250 430 | 276 987 | 26 557 | 11% |

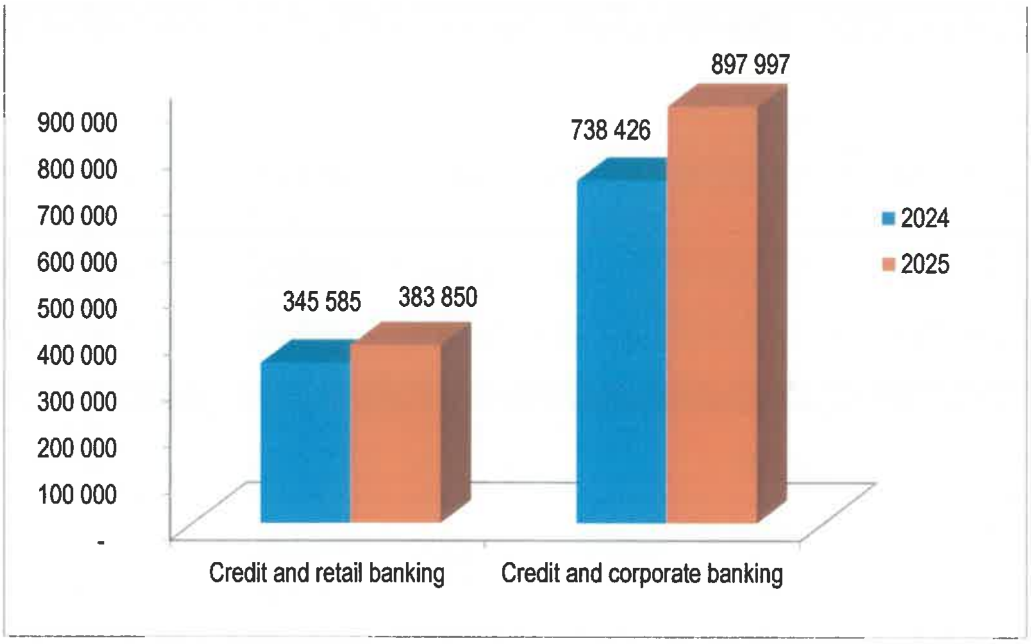
| Kye ratios (%) | 2024 | 2025 | Change |
|---|---|---|---|
| Loans to deposits ratio | 58.7 | 71.3 | 12.6 |
| Balance sheet provisions directly to creditors | 1.9 | 1.2 | - 0.7 |
| Net interest margin | 3.9 | 2.9 | - 1 |
| Ratio of impairment to loans | 0.1 | 0.4 | 0.3 |
| Return on assets | 2.4 | 1.8 | - 0.6 |
| Return of equity | 20.2 | 14.6 | - 5.6 |
| Total capital adecuacy | 21.4 | 21.1 | - 0.3 |

In 2025 the group reports a profit before tax in amount of BGN 42 million with a return on equity of 14.6% and the return on assets of 1.8%.

The total assets of the D Commerce group as of the end of 2025 are in amount of BGN 2 134 million, with a decrease of 1% compared to 2024.

The gross loans and advances to customers increased by 18% or BGN 200 million on an annual basis. The amount of funds raised from customers as at 31.12.2025 is BGN 1 831 million or an increase of 3% on annual basis.

## Loans granted



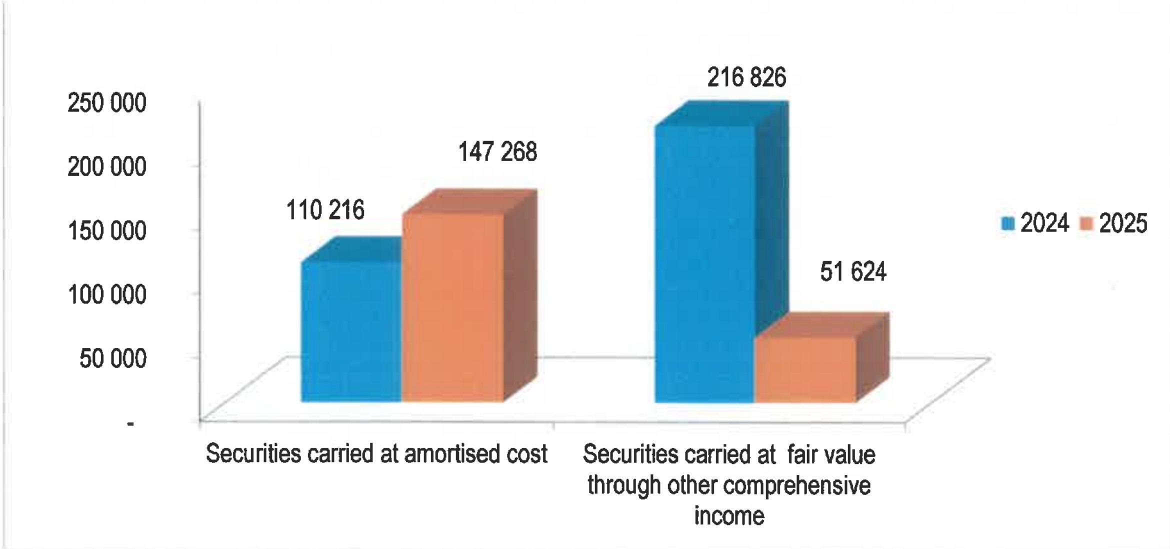

*Corporate banking includes budgetary and public clients (excluding court and adjudicated)

*Retail banking includes citizens and small business clients (excluding court and adjudicated)

In 2025, the Group's corporate loans represent 70% of the Group's gross portfolio. The corporate portfolio is growing at an annual rate of 22% or BGN 160 million.

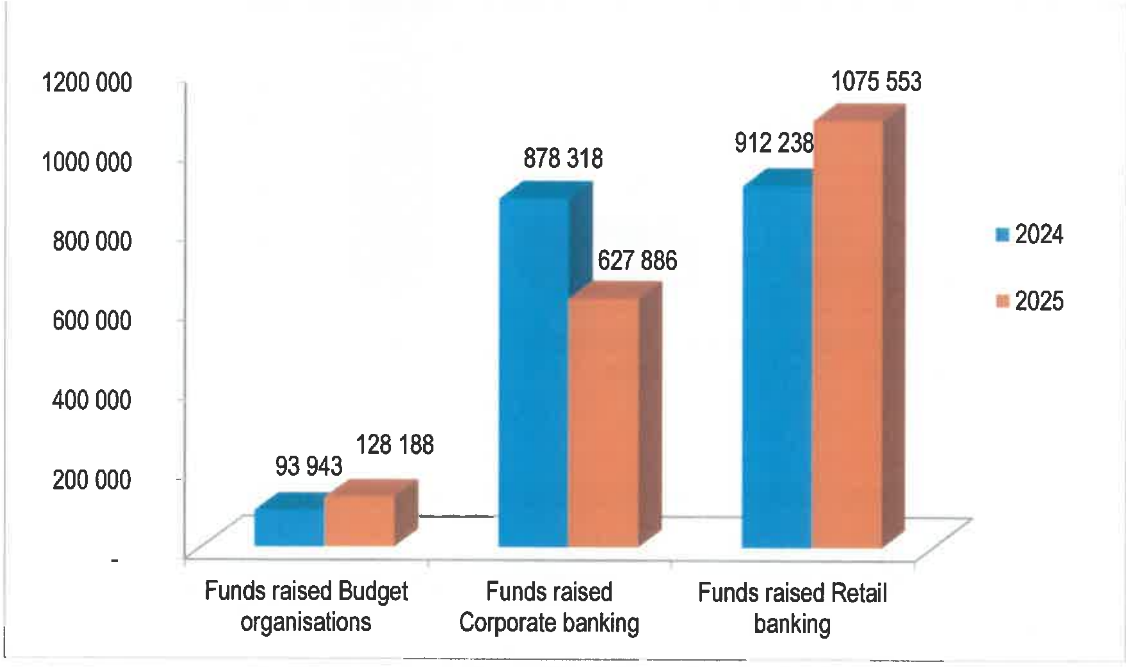
Retail banking loans increased by 11% on an annual basis, driven mainly by an increase in housing loans and consumer loans with a mortgage.

## Securities portfolio



In 2025, the Group through its parent company (the bank) reduced its securities portfolio by BGN 128 million, where securities at amortised cost increased by BGN 37 million and securities at fair value through other comprehensive income decreased by BGN 165 million.

## Attracted funds (Deposits)



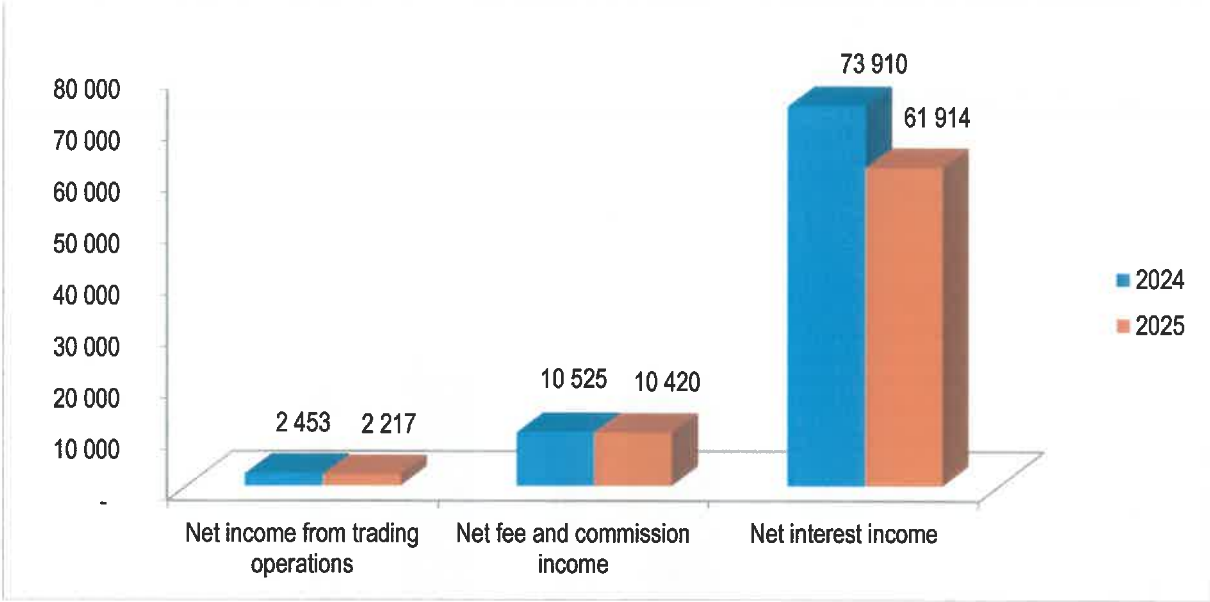

The Group pursues a balanced policy on asset and liability management to optimize the performance.

The Attracted funds in corporate banking reduce on an annual basis by 28.5% or BGN 250 million.

The funds attracted by budget organisations grew by 36.5% annually.

The increase in funds attracted by Retail banking on an annual basis is BGN 163 million or 18%.

## Operating income

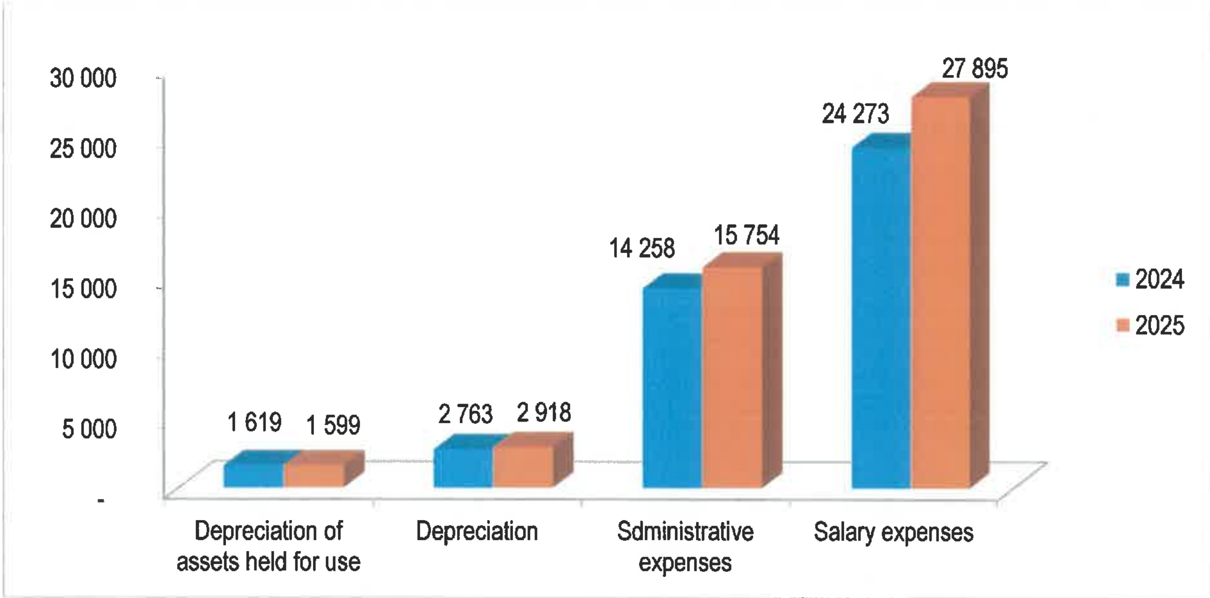



The operating income of the Group excluding impairment of financial assets in 2025 reached BGN 79 million, decreasing by 10% annually.

For the reviewed period net interest income decreased by BGN 62 million, up 16% decrease on an annual basis.

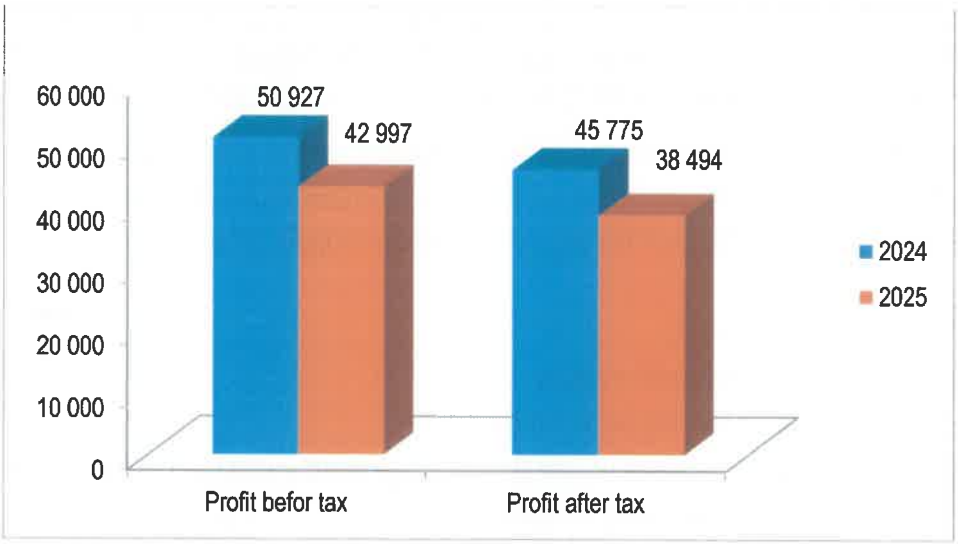
Net fee and commission reached BGN 10.4 million or a1% decrease on an annual basis.

## Operating expenses

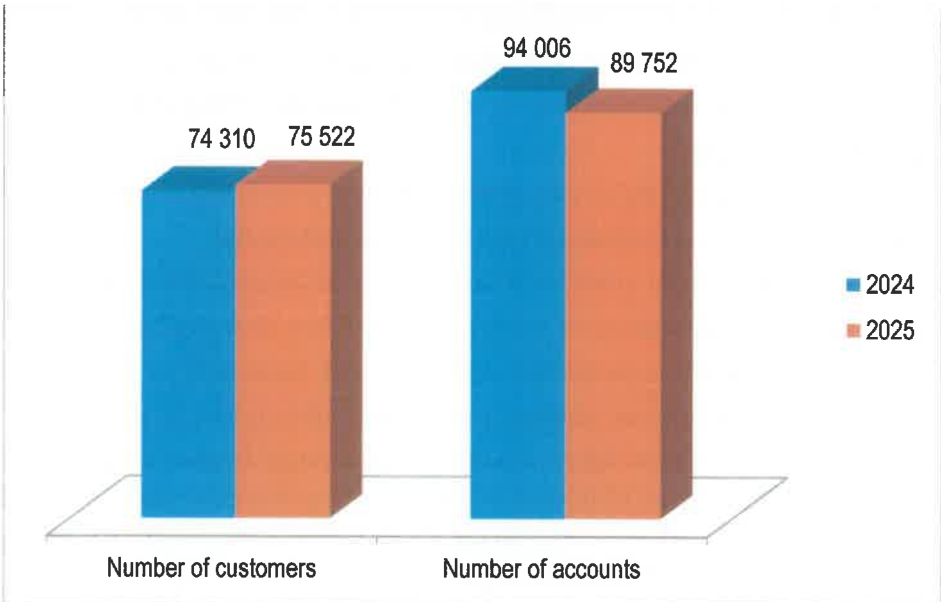


Operating expenses increased by 15% on an annual basis.

## Net result




## Number of customers and accounts




## III. Risk management

In accordance with Art. 39 item 8 of the Accountancy Act, the Group presents its risk management policy and the entity'sd exposure to the relevant risk.

### 1. Credit risk

Credit and counterparty risk is the current or potential risk to earnings and capital arising from an obligor's inability to perform under any contract entered into with the Group and/or inability to act in accordance with contractual terms. Credit risk includes transaction risk, collateral risk (residual risk), country risk and concentration risk. Credit risk arises principally from the Group's lending activities including Corporate Banking and Retail Banking. The Group is exposed to credit risk arising from other activities such as investments in debt securities, trading activities, capital markets and other arrangements. Credit risk is the largest risk faced by the Group. It is managed and controlled through centralised dedicated risk units within the Bank.

Transaction risk relates to individual loans and essentially assesses the likelihood that a borrower will be unable to repay its obligation, as well as the ultimate loss in the event of the borrower's insolvency once the loan collateral is realised and other mitigating factors are applied.

Collateral risk primarily consists of:

- Risk of a sharp decline in collateral values;
- Collateral becomes illiquid and unmarketable;
- Inadequate procedures or failure to follow proper steps confirming the enforceability of security agreements in all relevant jurisdictions.

The risk of deterioration of a borrower's credit rating or financial position is the current or potential risk to the Bank's income and capital arising from the deterioration of the borrower's financial position and/or reduction of the borrower's internal or external credit assessment.

Concentration risk relates to exposures (direct or indirect) that may arise within a single risk category or between different risk categories in the Bank and that could cause losses large enough to threaten the Group's financial condition and/or ability to sustain its core activities or a material change in the Group's risk profile.

The Group identifies concentration risk as one of the important potential sources of large losses that could have a material impact on its financial performance and capital.

Concentration risk is considered both in terms of the Group's on-balance sheet exposures and its off-balance sheet exposures and exposures arising from various financial instruments. Asset concentration risk is closely linked to credit risk, analysed and measured as part of the overall credit risk management process, but can manifest itself in any other type of risk.

The Group structures the levels of credit risk it takes by setting certain limits on acceptable risk in relation to a single borrower or group of borrowers, by industry. Exposure to banks and financial institutions is further limited by sub-limits covering on and off balance sheet exposures. Effective diversification of the Group's loan portfolio is a key priority.

Specific credit risk is managed by the Group's Expected Credit Loss Committee and overseen by the Board. The credit risk management function ensures that appropriate policies are in place and that these policies are consistent with the associated procedures and controls for the ongoing monitoring of each type of credit exposure.

The management of the D COMMERCE BANK AD Group monitors on an ongoing basis the credit risk of concentration of financial assets by sectors of the economy and also by individual counterparties based on established limits. Regulatory limits and intra-bank limits for maximum exposures to one person and economically related persons, including counterparty banks, are assessed and analysed periodically. Total credit exposure to an individual industry as a percentage of total risk-weighted assets is monitored periodically and reviewed by the Group's Board of Directors.

The Group's maximum exposure to credit risk, comprising financial assets recognised in the statement of financial position and contingent liabilities accounted for off-balance sheet, is disclosed in Note 3.1 Credit risk to the Group's 2025 individual annual financial statements.

## 2. Market risk

Market risk is the risk that the value of an instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to individual instruments or their issuer (counterparty), or by factors relating to all instruments traded in the market and the likelihood that those changes will adversely affect the Group's financial position. The most common market risk factors are interest rates, foreign exchange rates, commodity prices, equity prices and other market variables. Market risk can be a function of one, several or all factors and in many cases it can be extremely complex.

One of the objectives of the D COMMERCE BANK AD group is to determine the level of market risk that the institution is prepared to take. Risk appetite in terms of market risk should be assessed with a view to preserving the institution's capital as well as the possibility of exposure to other risks. The main guideline is to maximise returns while keeping exposures to market risk at or below a pre-determined level.

The Group has defined the risk framework in respect of transactions and investments in financial instruments by introducing limits by type of financial instrument, limits by counterparty, limits by country, VaR limit for the securities portfolio, modified duration limit, individual limits. The benchmark reflects the long-term investment strategy in terms of the combination of market and credit risk that management is willing to take to achieve the Group's investment objectives. Market risk management aims to:

- protects the Group against unanticipated market losses and contributes to earnings stability by independently identifying, assessing and understanding the market risks inherent in the business;
- developing transparent, objective and consistent information on market risk as a basis for decision-making;
- set the framework and minimum standard for the control and management of market risk across the Bank;
- Ensuring compliance with the regulatory requirements of domestic and foreign regulators;

- creating a framework that will enable the Group to gain a competitive advantage through risk-based decision making.

The mid-term forecast foresees a smooth stabilisation of the economy and a gradual slowdown in inflation processes. According to BNB's latest forecast for macroeconomic indicators, as of December 2025, the entire forecast horizon is expected that the consumer spending of households will make a major contribution to the growth of economic activity, which reflects forecast growth of labour income in real terms, growth of employment, as well as the increase of net fiscal transfers to households and high credit activity. Joining the euro area is expected to contribute to strengthening the transmission from the monetary policy of the European Central Bank (ECB) to monetary conditions in the country. In 2026 and 2027 the annual growth of the loan to the non-governmental sector is expected to slow down but remain relatively high. At the end of 2026 the BNB forecast inflation to rise to 3.6% (3.5% on average for the year), the biggest contribution is expected to have the prices of services as a result of the growth of private consumption and the preservation of tightened labour market conditions, which contribute to maintaining a high rate of increase in wages. In 2027 inflation at the end of the year, as well as the year-end, is expected to slow down to 3,0% and 3,2% respectively, which will depend mainly on the slowdown of inflation in services in line with the forecast labour cost dynamics per unit.

Due to the current political situation in the country and the withdrawn state budget bill for 2026 there is uncertainty ahead of the forecast resulting from the parameters that will be set in the final budgetary framework for 2026 and in the medium-term budgetary forecast. For 2026 and 2027 risks for lower economic activity are prevailing, mainly resulting from possible less favourable processes in the global environment than those set out in external assumptions. On the part of the internal environment, there is a risk of a lower growth of real GDP in the event of a decrease in the activities of companies in the group of Lukoil. At the same time, increased geopolitical tensions pose risks of a sharp rise in prices of major raw materials such as energy products.

In its new interim economic forecast of January 2026, the International Monetary Fund (IMF) warned that a new rise in trade tensions along with the risk of artificial intelligence correction (AI) are among the biggest threats to global growth in 2026. Global growth forecasts are 3.3% for 2026 and 3.2% for 2027 (a slightly revised upward assessment against the World Economic Perspectives of October 2025). Technology investments, fiscal and monetary support, favorable financial conditions and adaptability of the private sector compensate for changes in commercial policy. Global inflation is expected to fall, but the US will return to its target levels at a slower pace.

Macroeconomic forecasts for the euro area (since December 2025) provide for total inflation in the euro area to be on average 1.9% in 2026, 1.8% in 2027 and 2,0% in 2028. Inflation has been revised upward for 2026, mainly because of the expected slow decline in inflation in services. Economic growth in the euro area is expected to be higher than expected in the September 2025 macroeconomic forecasts mainly as a result of domestic demand,

The Bank fully followed a conservative policy in 2025 with regard to securities investments. The purchases were mainly government securities of the Republic of France, European Union and European stability mechanism, which are highly liquid and at low risk.

### 2.1. Interest rate risk

Interest rate risk is the current and prospective risk to an institution's earnings and economic value arising from adverse movements in interest rates that affects interest rate sensitive instruments.

The Group is exposed to interest rate risk when the interest rate sensitivity of its assets does not match the interest rate sensitivity of its liabilities. Through the management of interest rate risk, the Group seeks to stabilise the difference between interest income and interest expense in order to ensure adequate profitability and high value at an acceptable level of risk.

In managing interest rate risk, the Group complies with guidelines on interest rate risk management in a manner proportionate to the size, complexity and intensity of its business. The main objective of the interest rate risk analysis is to identify the risk areas and in particular the specific sub-types of interest rate risk to which the Group is exposed and to determine whether they are consistent with the financial institution's objectives, strategy and policies. The interest rate risk analysis is performed in relation to all business processes, products and services offered and provided by the Group.

Considering interest rate risk in terms of both income and economic value is of particular importance. Income volatility is a starting point for interest rate analysis, as a significant reduction in income can threaten the level of capital adequacy. However, measuring the effect on economic value (the present value of the Group's expected net cash inflows), provides a more comprehensive view of the potential long-term effects on the Group's overall exposure. The difference between interest rate sensitive assets and interest rate sensitive liabilities in the individual maturity zones is the so-called imbalance method or GAP

Depending on the specific conditions, the following approaches are used to manage interest rate risk using the imbalance method:

- Balance - ensuring parity between the Group's interest sensitive assets and liabilities;
- Restructuring of asset and liability portfolios when cyclical changes in interest rates occur;
- Setting of the interest rates, as well as their type (fixed or variable), on the Group's assets and liabilities depending on the development trends in the domestic and international financial markets.

The Group has developed an accurate and specific methodology for the purpose of assessing the risks arising from potential changes in interest rates that affect both the economic value of equity and the net interest income of the Group's non-trading book activities. The Group has a clear policy setting out aspects of the identification, assessment, management and mitigation of risks arising from potential changes in interest rates and of the evaluation and monitoring of activities.

The Group monitors and assesses the risk of the CSRBB credit spread. Credit spread risk represents the change in the market perception of the credit quality of groups of different credit risk instruments due to changes in expected performance levels or due to changes in market liquidity.

- The Group's exposure to interest rate risk as at 31.12.2025 is disclosed in Annex No 3.2.1. Interest rate risk of the notes to the Group's individual annual financial statements as at 31.12.2025.

## 2.2. Currency risk

Currency risk is the risk of incurring losses related to the Group's foreign currency positions. These positions give rise to specific risk arising from the level of exchange rates of different types of currencies against the local currency. It is determined by the fact that when the Group has an open position in a foreign currency (assets in the currency are not equal to liabilities in the same currency), the process of revaluation of the same generates positive or negative exchange rate differences for the Group. The Group controls foreign exchange risk through strict daily monitoring and a system of limits. The Group has maintained a limited, balanced and excellent managed foreign currency position.

The Group's exposure to foreign currency risk as at 31.12.2025 is disclosed in *Note 3.2.2 Currency and Price Risk* of the notes to the Group's consolidated annual financial statements as at 31.12.2025.

## 2.3. Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its current and potential payment obligations as they fall due without incurring unacceptable losses.

The Group monitors liquidity risk through basic principles, formal criteria and indicators to monitor the liquidity of financial instruments and markets.

To manage risk, the Group maintains highly liquid assets in various currencies at all times. The control and monitoring of total liquidity is carried out on an ongoing basis by the Group Asset and Liability Management Committee (ALMC).

The Group's exposure to liquidity risk as at 31.12.2025 is disclosed in *Note 3.3 Liquidity risk* of the notes to the Group's separate annual financial statements as at 31.12.2025

## 3. Transaction risk

"Transaction risk" means the risk of loss arising from inadequate or poorly functioning internal procedures, people and systems, or from external events, including, but not limited to, legal, model or information and communication technology (ICT) risk, but not including strategic and reputational risk. Identifying the root cause of an event (risk) helps to isolate operational losses from other losses and to understand what action might be appropriate.

In this regard, in March 2025, the Market, liquidity and operational risk control department held an individual training meeting in MS Teams with all the Directors of Financial Centres in the Bank. A presentation on operational risk was presented to the colleges, which drew attention to the main sources of operational risk for the Bank, the examples of operational event given, the process of reporting when an operational event occurred, the reporting by the FC to the department. The meetings focused on the early observation and assessment of all identified potential and real risks, which enables the location of early warning signals regarding risk events that would lead to losses for the Bank.

The bank operates and builds an internal system for analysis and assessment of operational risk involving internal and specialised internal bodies - the Commission for assessing risk events responsible for coordinating operational risk management activities and supporting the process for achieving the effectiveness and effectiveness of the control environment in the bank.

Over the past 2025, operational risk remains one of the most critical risks due to geopolitical events that increase the likelihood of cyberattacks against banks. The most common threats today include ransomware attacks, cyber attacks using artificial intelligence, supply chain attacks, hybrid attacks (ART), and phishing schemes using social engineering. Each of these threats is sophisticated, targeting organisational systems as well as human vulnerabilities. Software infrastructure remains vulnerable to cyber-attacks, including ransomware attacks and threats against third-party service providers.

In 2025 the Group started working towards compliance with Regulation (EU) No 2022/2554 ("DORA") which obliges financial institutions and third country service providers in the EU to strengthen their operational resilience by implementing robust compliance frameworks. This includes effective threat response, incident management and incident response protocols, all of which are linked to the reduction of these advanced кibepxpectations. By aligning with the DORA regulatory standards, the Group also aims to improve threat detection capability, enhance operational resilience, quickly identify unusual activities such as unauthorised access attempts, incident response and monitoring.

The increase in the number and sophistication of cyber-attacks poses serious operational risk management challenges. Technological advances require the Group to continually improve cyber security and other internal controls to create operational resilience and reduce the risk of the Group experiencing significant service disruption.

The efforts of the Bank during the year are primarily aimed at strengthening the security of systems, security assessments and tests, identifying potential vulnerability and regular assessment of the overall security of systems and their components. The risk in the field of information - communication technologies (ICT) and security is addressed in the context of operational risk in the Bank.

The primary objective in managing operational risks is to protect (preserve) the Group's assets and reputation and to ensure organisational and financial optimisation (efficiency). The priority is to implement and enforce European Banking Authority guidelines, in particular the management of operational risk in the areas of information and communication technology and security; to assess operational risks in relation to the payment services provided by the Group; to create conditions for compliance with health, safety and working conditions and equal treatment of employees' interests; to ensure the sufficiency of insurance coverage and compliance with the requirements of the current regulations; to take measures to prevent damage, loss, injury, death, as well as reduce the cost of risk; to provide ways and opportunities for sharing, raising awareness and training of all employees in the group on identifying risks and their impact.

The Risk Event Assessment Committee (RAC) is a specialized internal body of the management of D COMMERCE BANK AD in the area of management and control of operational risk. The analysis shows that the control processes are working and the Group's software coverage reaches the required protection levels.

## IV. Operating activities

### 1. Corporate banking

**Large corporate clients**
**Market trends and competition**

- The year 2025 was marked by the long-awaited decision for our country to adopt the euro area of 01.01.2026. This change of currency in the country leads to a need for a number of changes in systems, organization of work and documents in the Bank, for which a working group with representatives of all units was established.
- In 2025 the gradual increase in interest rates on deposits in the sector continued, and the credit price turned its trend towards a decrease. The latter is due to the gradual decrease in interest rates of the ECB and the FED as a response to controlled inflation in Europe and the US. The slowdown in economic growth in Europe should also be noted as a result of the high interest rates supported by the ECB for intervention of inflation.
- The main index used to pricing the loans to corporate customers in the Bank is 3-month Euribor, which significantly reduced its value to 2% compared to 3.8% in the previous period. This led to a reduction in the net interest margin on loans granted to business customers.
- The gradual reduction in central bank interest rates is expected not to continue during the next one-year period, given the controlled inflation in Europe and the achievement of the objectives set by intervention of the European Central Bank.
- It should be noted that the volume of the Bank's loan portfolio in a sector Corporate banking grew significantly by a sum of over BGN 100 million compared to the previous one-year period, which represents a reexecution of the envisaged budget by 3%
- The most tangible change was noted in the construction sector where the purchase-sales of residential properties continued to be active in larger cities. This also provides for the active development of such projects. In order to protect against the relevant risks of a potential calm in the sector in the coming years, the Bank applies a more conservative approach in financing such investments, such as a careful choice of locations where the investor has developed, a stronger own contribution before granting the loan, a search for risk Migrants such as collateralisation and the co-ordination of companies with other activities, etc.
- The RES sector continues to develop, but at less speed, given the lower price of electricity. In this year, greater interest is seen in investment in electric energy storage batteries, including those with or without a government subsidy.
- Grown agriculture was characterised by a higher volatility of the price of finished production and in this regard a number of farmers retained stocks in search of a higher

profit margin. This poses risks which led the Bank to investigate even more closely and thoroughly the funding of each individual agricultural client.

- Industry with potential for development remains a food industry, light industry, transport and forwarding activity, as well as the agriculture sector defined in the business strategy of the Bank;

**Main goals and objectives**

- A moderate increase in the loan portfolio, in line with sector limits, the risk appetite of the Bank and the need to compensate for the substantial volume of outstanding repayments to existing customers.
- Offering a full package of banking services to credit and non-credit customers with a focus on transaction business and cross-sales aimed at raising revenue from fees and commissions to compensate for the narrowing interest margins;
- Maintain good quality of the loan portfolio and early identification of potential problematic exposures;
- Cross selling jointly with other segments in the Bank;
- Aiming to achieve optimal levels of the deposit resource in order to gradually increase it in order to meet the liquidity needs of the Bank and credit to deposits ratio to decrease gradually.
- Directing credit to customers with sustainable business, export-oriented companies and companies producing goods and services with stable demand;
- Active attraction of a fixed and unlimited resource.

**Steps taken, policies and actions**

- Increased monitoring of the credit portfolio carried out on a quarterly basis
- Making a special effort to closely and qualitatively monitor credit exposures of existing clients, aiming at early identification of the first signs of potential deterioration. Regular detailed monitoring is in place for clients on whose loans the principal and interest deferral mechanisms have been applied due to the pandemic;
- Strictly individual analysis of all aspects of the given credit exposures;
- Cross-selling development to increase profitability without increasing risk;
- Achieve greater flexibility in offering credit products specific to a client's business model;
- A form of control over the duration of the credit process has been introduced with the main objective of reducing the time to conclude a credit transaction;
- Achieving higher quality customer service in this segment;

**Medium business customers**

**Market trends and competition**

- The development of the companies in the mid-cap segment in 2025 is based on their ability to adapt to the ongoing challenges. The introduction of the euro as an official currency in the country, more aggressive competition, given the management of inflation and lowering interest rates on borrowed resources, volatility in energy prices, expected decline in demand for residential properties, etc. A key advantage will be the absorption of funds under European programmes and the expected funds under the Europe Recovery

Fund for investment in new technologies in order to optimize the processes and price of starting products and services;

- The use of banking products and services from the medium business segment continues to be an extremely important business line in the management of the corporate business of banks;
- In order to address the risk of a difficult collection of claims, it is expected to maintain the demand for funding from this segment under working funding, dictated by the need for liquidity for current payments and increased prices of raw materials and materials; In the average segment there is an even more marked need to replace deferred payments to counterparties with immediate payments;
- The main driver of economic development and the sectors with good prospects are to be trade in foodstuffs, agriculture, pharmaceutical industry and housing in larger cities, although the volumes of trade in the latter are beginning to decrease;
- The interest in building RES remains relatively high, not as high as last year, given the normalization of the price of electricity.

**Main goals and objectives**

- The main goal in 2026 will once again be attracting customers using various banking products with the potential for transaction business. The segment will focus on increasing the number of products used by one client and increasing the intensity of banking by customers;
- Detailed monitoring of the health crisis affected customers;
- Increasing the number of customers by providing package services;
- Increase in fees and commissions on credit and non-credit operations to compensate for the reduced interest margin;
- Increasing the number of credits under projects financed under European programmes and making them a major priority;
- Increase in revenue from fees and commissions on credit and non-credit operations;
- Diversification of the portfolio in the different sectors and non-concentration in order to avoid sectoral risk.

**Steps taken, policies and actions**

- The main priority is the improvement of the performance and efficiency of the segment, optimization of the credit process and the services offered to customers;
- In the case of RES funded, an update of the expected electricity price was made, calculating the return on investments.
- Clear focus on a list of potentially good customers and holding meetings with them;
- Introduction of strict control of the credit process to reduce the time for approval and finalisation of credit transactions;
- Regular monitoring of the financial situation of credit customers;
- Organization and conduct of sales trainings;
- Active communication and provision of package services and products for the purpose of more comprehensive entry into a business group.

## 2. Public and budgetary customers

The Public Clients and Financial Institutions Department (PCFI) initiates and coordinates the relations of the D COMMERCE BANK AD Group with external financing institutions, implements the cooperation with budget clients and commercial companies with a predominant state and/or municipal participation in the capital being contracting authorities within the meaning of the Public Procurement Act, the Public Enterprises Act or other applicable legal acts regulating the legal procedure for the implementation of competitive procedures for the selection of a lending or servicing banking institution.

The Department creates and maintains with customers relationships based on mutual trust and consistent policy. The knowledge and compliance of budget managers and public undertakings, their specific working rules, procedures and needs are essential to achieving the success of the work in the segment. Due to differences arising from their nature of activity and the form of management, public and budgetary clients are specific entities requiring an individual approach at each stage.

In 2025, the Department continued its successful cooperation with the customers already attracted while trying to extend the scope of the services provided. The individual approach in our work also contributes to promoting the Bank's products to individuals. The quality of the services provided by the Department also affects the popularity of the Bank, whose brand is even more recognizable and sought for a partner by public undertakings and budget managers.

The qualified service, financing and consulting services provided by the D Commerce Bank AD team lead to beneficial mutual cooperation, as well as to draw up future prospects. Planning and forecasts are possible and reliable given the peculiarities in the management of public customers. The clients of the PKFI Department are primarily financing long-term objectives, which creates conditions for the emergence of new market niches over time. Our team's efforts are also aimed at achieving competitive market levels for financing and general banking services for public customers.

The purposes of 2025, our work was aimed at achieving growth for the Bank in the public and budgetary customers segment, both in terms of loan portfolio and attracted resource and in terms of customer base as numbers and volumes.

In continuation of the 2024 objectives, and throughout 2025, the unit established an organisation and ensured the Bank's participation in almost all the procedures for which an eligible participant appeared. A growth of the loan portfolio was realised on an annual basis of over 20%t, taking into account a minimal default of the budgetary objective. The uncertain political situation in the country affects the investment activity of the representatives of the segment. The government's policy to finance municipal investment projects by means of the central budget has limited the local authorities' activity with regard to the demand for bank funding.

In 2026 the team's efforts will continue to be aimed at multiplying both the effect of attracted customers and opening new opportunities. And in 2026 will continue efforts to deploy the potential for business by buying receivables (cessions) and other credit instruments.

The increase of the customer base by public and budget customers, in addition to the volumes of the business department specific, also contributes to increasing the growth of sales of products to both individuals (the staff of all our clients) and legal entities (their suppliers and counterparties). The active participation in the procedures for the selection of financial institutions for complex banking services of public and budgetary contracting entities creates real prerequisites for increasing the volumes and other segments of banking business such as the servicing of their employees in the full range of products for individual clients.

### 3. Retail banking

In 2025, the Bank continued the successful development of the Retail Banking segment, while focusing on developing the Bank's digital channels, improving service quality and enhancing the satisfaction levels of the Bank's internal and external customers. We successfully continued to combine branch network servicing of existing customers with proactive sales activities for new products and services. We created conditions to attract new customers through various sales campaigns and marketing initiatives. The branch network will continue to be the main sales channel for products and services in 2025. The Bank offers reliable and convenient service at the FC/Office/IRM, providing customised customer solutions according to specific needs and preferences.

We have implemented a fully automated loan process for the review , approval and disbursement of home and mortgage loans to individuals. Included in the process is an assessment of customer creditworthiness with an automated scoring model.

In 2025, the Retail Banking segment continued to develop its core activities as follows:

Ongoing market analysis by asset and liability products types as well as services for individual and legal entities, including fees and commissions. In this regard, we updated product cards, feec and commissionc rates and interest bulletins of individuals Inand legal entities - small business (SB) On the basis of market analyses, five tariff changes have been made in different sections, all in the direction of increases in fees, three amendments of interest bulletins were approved, two in interest rates on fixed-term deposits of individuals and one change of interest rates for legal entities and customers in the public customers segment. Nine changes have been prepared regarding different parameters for credit products for individuals covering financial conditions, general conditions, elimination of fixed interest rates on consumer loans, introduction of credit standards for mortgage loans, etc. risk elements and credit quality requirements.

We developed campaigns for different products of individuals and legal entities - Small Business (SB) and held competitions to stimulate sales to attract customers. During the year the following sales and advertising campaigns - 2 for housing loans, 2 for deposits, 1 for consumer lending, 3 for loans MB, etc. for loans against subsidies and two commercial campaigns for standard loans.

During the year we continued the active imposition of the brand of the Bank and its positioning in the field of housing and mortgage lending. In April we participated in a national seminar Expo My money in Burgas. In June we participated in a seminar and presentation on hpme loans, in cooperation with Creditland, Expo My money and NSNI in Varna. In November, we took part in the X Conference of the NSNPII on the actions of the Bulgarian real estate market. In September we took part in a specialized event for presenting real estate and lending conditions. In October we participated in a seminar on training of credit intermediaries in Plovdiv. With these participations we implemented product positioning of E Bank in the housing lending segment. In the first half of 2025, we continued the focus for working with credit intermediaries and through associations with broad business representation in different fields. We supported the Bank's positioning in housing loans with increased advertising in targeted sites and outside advertising in major cities and the national road network. We also participated in the event for farmers in 2025 - Bata Agro, in order to support lending small business.

In 2025 new process optimization projects were initiated and innovative financial solutions were implemented:

Following the optimization of customer documents, the introduction of electronic files and the introduction of the ability for individuals to sign customer documents with a Qualified Sertificate for Qualified Electronic Signature (QCQES) when selling passive products at the Group's offices, as a next step towards reducing paper printing of documents in 2025, we continued work on the next phase of the Paperless Service project, namely the automation of requests, forms and forms and signing with a QCQES when serving legal entity customers.

In the past year, we increased the volume of new loans at a high quality level of the credit portfolio. We have achieved an annual increase in the loan portfolio in retail banking of 11.2% and in the borrowed funds by 20.6%.

The market for lending products to individuals was highly competitive and there was demand and sales growth in residential lending. In order to maintain good sales momentum and grow the loan book, we continued our home loan campaigns, which we tied to increased cross-selling.

In 2025, changes in interest rates on borrowed funds were infrequent, and we applied a twofold increase in interest rates on retail deposits in line with new market trends. The focus was mainly on deposit products to attract new customers and new money, as well as running a campaign in the period until 30 April 2025 to retain funds raised on maturing deposits through a promotional interest rate premium on a particular product.

In August 2025, we introduced a new product for sale, the Condo Customer Accounts and Condo Package Program. We continued the promotion of the SAVE ACCOUNT regular savings product, attracting BGN 3.5 million.

In 2025, the active offer of loans continued, with additions and amendments to credit products being made over the course of the year:

- A special loan offer was introduced. OUR HOME AND DESIRED HOME, which buy apartments in a building with available and presented a Certificate of energy performance of the building in Class A, A+ or B. It was approved in these transactions that customers could benefit from an additional discount 0,1 % point of the announced interest rates per newsletter.
- Changes were introduced in the products based on new requirements of BNB for credit standards in residential and mortgage loans. Changes include the imposition of restrictions on certain indicators in assessing the creditworthiness and collateralisation of loans to natural persons secured by residential immovable property.

Changes in pricing in followed market trends towards increasing fees and in particular continued the substantial increase in fees for transactions that are conducted through bank lounges. Fees for foreign exchange payments, cash transactions, card transactions and bundled programmes were increased.

In 2025 we achieved implementation of the budget for revenue from fees and commissions from operations in a segment of individuals of 93.1% and in a small business of 94%. The growth compared to the previous year in individuals is 4.5% and in small businesses 0.3%.

The trade focus during the year focused on attracting new business clients with good financial profile and liquidity collateral.

The focus in lending was on developing the loan portfolio of small enterprises with high potential and good collateral. In parallel with the financing of this profile, customers have also expanded the scope of their products and services. In 2025, we took different commercial initiatives, including:

A Commercial financing campaign to attract new agricultural credit against customer subsidies Small business allocated to the Agricultural Campaign 2025. The A Commercial client financing campaign in a small business segment was held in the second and third quarter of 2025 in order to attract new, development and retention of existing customers of the Bank with potential.

In the fourth quarter of 2025 we launched a competition in a branch network for financing Small business customers to boost sales. The competition ended in the first quarter of 2026.
The unstable and uncertain internal and international political environment has had a negative impact on the activity of economic entities and, in particular, in the agribusiness segment Small business. the Group Agrotrans Montana, with credit exposure BGN 6 0338 357 left the Bank and all expressed in a decrease in the growth of the loan portfolio in this segment from 8% in 2024 to -10% in 2025. Attracted funds on payment accounts and fixed-term deposits by customers Small business increased by 11% on an annual basis.

In 2025, sustainable growth of customers using digital banking service was observed In one year, active rights users on the platform have increased by 7 % and the prevailing share remains of individuals. The number of operations performed through the main digital channel marked an increase of 9% compared to 2024.

In 2025, the active users of the platform increased to 23,890 compared to 2024, the total number of 22,411. The total number of users of D Mobile (DM) is 13 038 and continues to grow.

It should be noted that 1/4 of the active customers of the Bank also use the mobile service and the forecast is that their number to increase in proportion to the new functionality we provide. The number of operations carried out through both channels has increased by 15%. The main share of the increased number of operations is in D Mobile
Six new features have been implemented in D Mobile. Two features for opening a Current Account and a Safe Account are implemented through the mobile application. A realization was made in the two channels in connection with the adoption of the euro in Bulgaria.

In 2025, the Bank improved the quality of the services provided by the Contact Centre of the Bank and the End Client Service Borika of D Bank.
Thereby, we continue to provide our clients with 24/7 services on wider topics such as: bank card blocking; assistance in banking card problems; Internet card payments cases; blocking access to the bank's digital channels, assistance in using online based services. The expansion of the activities of Call Center of Borika brings undisputed benefits, both in case of urgent need to block access to digital banking and banking card services and customer satisfaction.

Permanent market analysis by type of asset and liability products as well as services for natural and legal persons, including fees and commissions. In this respect, a change was made to the conditions for inclusion in group sales programmes in relation to credit to natural persons, as well as to the conditions for minimum income of borrowers for offering consumer loans to high-income customers. Interest rates on fixed-term deposit products of natural persons were changed in September 2025.

Market analyses and changes of the rates of the Bank account section and the Cash Operations section of individuals and legal entities were prepared and approved in April 2025. The approved changes are in the direction of an increase in fees. the Bank suspended further changes in tariffs due to regulatory requirements for maintaining the amount of fees in relation to the Law on the introduction of the euro in the Republic of Bulgaria and assessment of the existence of a reputational risk. In connection with the introduction of the euro, changes were made to the Methodology for determining a reference rate for loans to individuals and business customers. the Bank replaced the market index for individuals reference index of market index for individuals-EUR, making changes to the General Credit Terms and Models of Credit Product Contracts. All forms of documents under the asset and liability were updated in relation to the requirements for introducing double visualization in BGN and Euro and subsequently from 01.01.2026 when the euro was introduced.

In 2025, the change in interest rates on attracted funds was a one-off by applying a reduction in interest rates on fixed-term deposits of individuals in line with new market trends. The focus in 2025 was mainly on deposit products to attract new customers and new money, as well as holding a campaign between March and May to increase the volume of the funds attracted.
In the second half of the year, in order to stimulate the attraction of funds, the bank introduced a promotion for temporary removal of the fees for the contributions of the cashier to the accounts of natural persons and a reference to newly opened savings deposits D Bank + between July and December 2025 Promotion for the elimination of fees for contributions to a cashier's account was introduced for business customers in the period 1-31 December 2026.

We continued the promotion of the savings product Safe Account for regular savings, and at the end of the year we provided the opportunity to open Safe ACCOUNTs and the mobile application of the bank. The attracted amounts of the product amounted of BGN 6,7 million.

In 2025 a significant number of projects were completed to improve the functionality of systems related to card service payments and projects related to the provision of new services to customers. The most important projects for the Bank completed in 2025 are the following:

- completed Phase 1 and 2 of the project for full membership of the Bank in the International Card Organization in VISA Int. project. Since 10/2025, the Bank has been a full member of VISA Int., providing the possibility of self-service of payments to our ATM and POS with international Visa cards. An additional project with BORICA AD has been implemented and implemented the part for self-service payments and POS under the bank's license for Mastercard Acquiring. In this respect, a new accounting methodology for card payments, the fees for POS commissions, new General Terms and Conditions, contract and other supporting documents related to services offered to POS and ATM, including new Procedure for working with POS in Financial Center (FC)
- successfully completed project, Phase 1 with Borika AD for migration of all merchants and POS devices of the bank from the ATM and POS service system of Borika Tandem to Way4;
- successfully completed migration of merchants and POS terminals from Central Cooperative Bank CC services to self-service from D Commerce Bank AD;
- successfully completed migration of ATM from BACB to self-service by the bank;
- complete project for delivery and installation in FC of 5 ATM with recycling functionality;
- in 2025 activities were carried out for ATM related to installations of new locations and replacement of more efficient locations: second ATM in the village of Nikola Kozlevo, Shumen, new in the village of Voyvodinovo, Plovdiv and MBAL Ivan Rilski. Sofia, replaced ATM at FC V. Tarnovo, Varna, Lyulin, Doyran and others;
- In 2025, the analysis and update of all fees and card commissions under the rate of the Bank card programme shall be completed. There are also completed addition software developments to BANKER for changes related to prerequisites for credit card reconciliations;
- with regard to the Project introduction of EUR, actions were taken to ensure functional provision of ATM, POS and cards for handling euro, including an additional number of ATM banknote cartridges were provided, as well as a draft with FIME for certification of a change in the profile of the cards issued by the bank in connection with the exchange of currency.
- A Mastercard project for closing BIN 676073 under which Maestro cards are issued was initiated and successfully completed;

The work continues actively on further software developments of the Card System SUKARD and the main accounting programme BANKER related to card payments and services, for which they were prepared and sent to the vendors for further work.

Successfully realized the project for the introduction of euro in a branch network, including the organisation of cash activity, related to the preparation of the bank for the adoption of the euro and activities before 01.01.2026 and after 01.01.2026.

- The replenishment of a branch network with cash in euro that is not in circulation;
- Suppliing clients of the bank - standard replenishment, simplified procedure for charging and selling starter sets of euro coins;
- System preparation for work with module Cash desk after 01.01.2026.

## 4. Financial markets and investments

The funds managed by the Financial Markets and Investments Division (FMID) amounted to about BGN 1 billion in the first half of the 2025 and gradually decreased to around BGN 600 million in the second half of the year, mainly due to a reduction of the attracted resource by public customers. In 2025 the financial result amounted to BGN 17.6 million, which is a failure of the budgetary indicators of BGN 5.3 million, mainly as a result of weaker revenues from transactions on the money market and currency trade. The failure of money market transactions amounted to BGN 1.6 million, with the main factors being the reduced resource for the sale of the interbank market and the successive declines in interest rates in the euro area in 2025. The revenues from foreign exchange trade remained close to the levels of the previous year, but the budget targets were not achieved, with the default of BGN 1 million, mainly due to reduced volume of transactions with key public clients. The failure of securities revenue is BGN 2.7 million and is mainly due to the termination of investments in short-term discount bonds with a residual maturity of up to 30 days and the decrease of interest rates in the euro area. The Financial Markets and Investments Directorate (FMID) continued to carry out its key functions as bank traders with a focus on liquidity provision, fund management, budgetary security and foreign exchange trade on international financial markets. Important focus in the activity in 2025 was the key role of the FMID in preparing for the euro and the successful implementation of the single currency implementation plan

- ***Liquidity***

The Directorate ensures the operational liquidity needed for current payments through active money market operations. In the context of the ongoing monetary easing policy, the European Central Bank lowered the main interest rates several times in 2025, leading to a drop in interbank interest rates to around 2% at the end of the year. The amount of interbank deposits ranged from about BGN 600 million at the beginning of the year to about BGN 200 million at the end of 2025.

- ***Investments***

In 2025 the trend for maintaining high liquidity levels corresponding to the profile of the attracted funds continued. The average amount of the securities portfolio managed by the FMID was around BGN 280 million in the first half of 2025 and decreased to just over BGN 200 million in the second half of the year as a result of the maturity of short-term premium discount bonds of about 80 million BGN. The total portfolio return increased from 3.00% in 2024 to 3.50% in 2025 and the realised securities revenue amount to BGN 5.9 million, which represents a slight increase compared to the previous year.

- ***Budget funds***

In 2025, the amount of the budget funds remained in the range of BGN 86-146 million In accordance to the legal requirements, these funds were secured by Bulgarian government securities (BGS) blocked in the bank's portfolio.

- ***Currency trading (FX)***

In 2025, foreign exchange trading activity was lower than the previous year. Realized income from the purchase and sale of foreign exchange amounted to BGN 2.22 million, which represents a decrease of around BGN 230 thousand compared to 2024 The main reason for this is the change in the activity of key public customers caused by the ongoing military conflicts and the new geopolitical environment, which led to a decrease in the volume of transactions.

***Plan to adopt the euro***

2025 was characterized by intensive preparation to the transition to the euro, in which all structural units of the bank were involved. The main role in the process related to securing the cash as required by the BNB was FMID and the General Cashier as part of the Directorate. In order to ensure smooth transition to the Euro, start-up packages of euro coins were provided by BNB amounting to around EUR 10 million secured by the government securities and additional quantities of around EUR 20 million purchased from the market to ensure the needs of the branch network, financial centres and the ATM network. FMID is actively involved in the working group for the preparation of a new methodology and organization of cash activity in regard to the introduction of the euro from 01.01.2026, including the development of accounting rules for the charging of euro banknotes and euro coins, the sale of starter kits, changes in the system of the Core Banking System - BIS Banker. Based on the preparations and trainings, the process of charging and selling starter kits in euro, as well as the provision of sufficient stocks in the ATM network and in the bank's banks, was implemented without interruption of service and with successful checks by BNB. In parallel with this , the FMIDI is involved in key tests related to the adoption of the euro support of the minimum reserve requirements and deposit facility, integration tests for participation in Eurosystem tender procedures, mobilisation and demobilization of government securities for collateral, migration and testing of trading and settlement systems, as well as preparation and testing for re-valuation of securities and registers in the relevant infrastructures.

However, the weaker results of transactions on the interbank market, FMID maintained relatively stable levels of foreign exchange and securities income, keeping trends from previous years. The commitment of the FMEs and the key role of the Directorate in preparing the bank for the move to the euro and the successful implementation of the single currency implementation plan should also be emphasised.

**Research and development actions**

The Bank has not performed research and development activities in 2025.

## 5. D Insurance broker EOOD

The object of the activity of D Insurance Broker EOOD is to carry out intermediation in the procurement of insurance contracts and related consulting services.

In 2025, the subsidiary entered into 4.4 thousand insurance contracts (including current insurance anexes) in General Insurance and Life insurance.

Total premium income recorded in 2025 amounts to BGN 2 828 thousand.

The realized commissions on the concluded insurance contracts are BGN 674 thousand (for 2025: BGN 567 thousand)

D Insurance broker has concluded contracts with the following insurance companies:

- ZD "Allianz Bulgaria"
- ZAD "Allianz Bulgaria Life"
- ZAD "Armeec"
- ZAD Asset Insurance
- ZD "Bull Ins" AD
- ZAD Bulstrad Life VIG
- ZEAD "Bulstrad VIG"
- ZK Bulgaria Insurance
- "DZI OZ" EAD
- "DZI ZH" EAD
- "Generali Insurance AD
- "ZD Euroins AD
- "ZD Euroins Life" AD
- ZK "Lev Ins"
- "OZK Insurance" AD
- ZK Unica AD
- ZK Unica Life AD
- "Phenix Insurance"
- "Groupama Insurance "EAD

The net accounting profit for 2025 is BGN 414 thousand (2024: BGN 350 thousand)

## 6. D Leasing EAD

D Leasing EAD provides leasing services to both customers of the Group D Commerce Bank and external customers.

As a trading company, one of the objectives of D Leasing EAD is to provide financing activity under maximum market and efficient conditions to form a profit for its shareholder while meeting the constantly changing expectations of its customers. The aim is to continuously develop and update the offered products and services and thus make the leasing company a recognizable financial institution on the leasing market in Bulgaria and enrich the product range offered in the Commerce Bank D group.

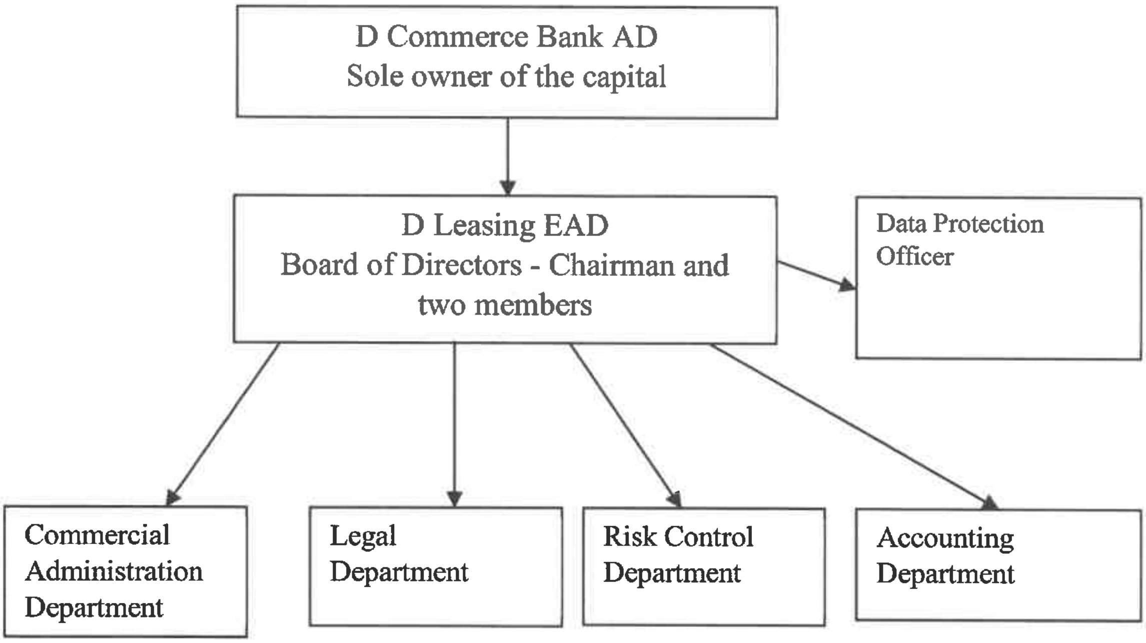
As of 31.12.2025, the assets of the subsidiary amounte to BGN 28,591 thousand. The company provided financing to its target groups in the form of a financial lease in the amount of BGN 27,232 thousand.

The company's liabilities are basically liabilities for concluded credit agreements amounting to BGN 23,384 thousand, as well as BGN 445 thousand in financial leasing obligations for real estates owned by D Commerce Bank AD and subleased to third parties.

The company's equity of BGN 4,145 thousand, of which fixed capital BGN 2,200 thousand, legal reserves BGN 1,258 thousand, accumulated profits BGN 687 thousand.

As of 31.12.2025 net interest income BGN 1,050 thousand

Management structure of D Leasing:




No structural changes occurred in 2025.

## 7. D Imoti EOOD, UIC 202773186

D Imoti – the scope of activity includes purchase and sale of real estate, design, furniture and construction of real estate for sale and rent.

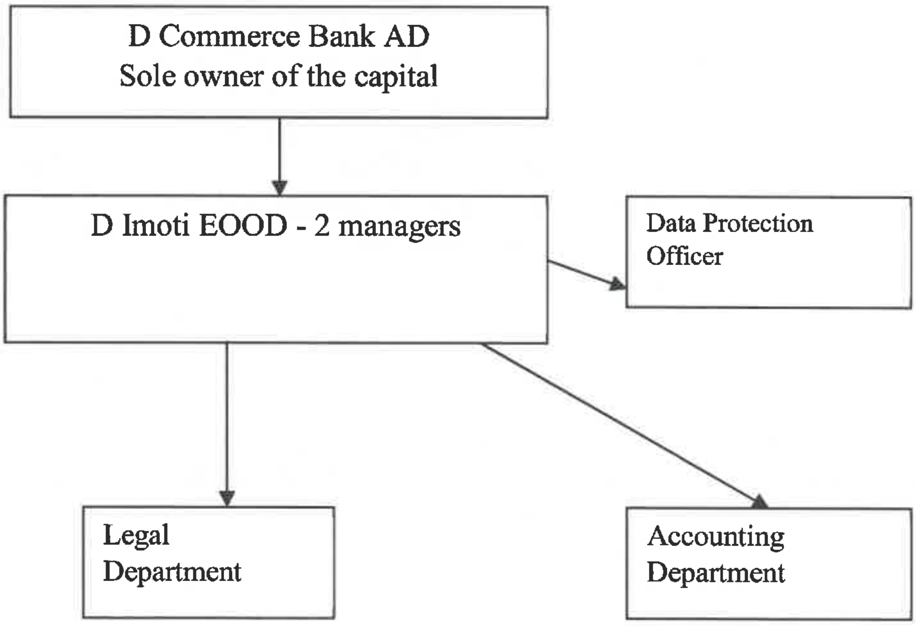
As of 31.12.2025 the company's assets were worth BGN 23,120 thousand, including investment properties BGN 5,829 thousand (renovated Moscow village Dobrich, investment property 75 acres at the entrance of Burgas, agricultural land 103 decare), investment in a subsidiary of 10,027 thousand BGN (buy 100% shares of Ivanchov Stan EOOD, which owns real estate in K Sts. Constantine and Helena, Varna), investment in a subsidiary of 6,366 thousand BGN (buy 100% shares of Complex Ivanchov han EOOD, which owns real estate in Sts. Constantine and Helena, Varna).

The company's liabilities are amounted to BGN 8,016 thousand and represent obligations under a commercial loan from the subsidiary Ivanchov Stan EOOD, amount to BGN 6,454 thousand, which are for the purchase of the shares of Complex Ivanchov han EOOD, as well as BGN 1,433 thousand commitment to Ivanchov Stan EOOD. for outstanding contributions as co-debtor of the loan in D Bank on behalf of D Imoti EOOD.

The equity of the Company amounted of BGN 15,104 thousand, of which fixed capital BGN 15,400 thousand, accumulated losses of previous years BGN 296 thousand, current profit BGN 105 thousand.

As of 31.12.2025 operational income BGN 812 thousand.

Management structure of D Imoti:




No structural changes occurred in 2025.

## 8. D Invest Park EOOD UIC 206722972

D Invest Park - the subjectt of the company's activity is: construction of an industrial zone, establishment and registration of an industrial park within the meaning of the Industrial Parks Act; exploitation, management and development of the industrial park; sale of properties from the industrial area to investors; attracting and stimulating investment in high-tech industries; real estate transactions; management and management of real estate; acquisition, management, valuation and sale of assets and/or their management; consulting and advertising services in the field of real estate; commercial representation and mediation and any other activity not prohibited by law.

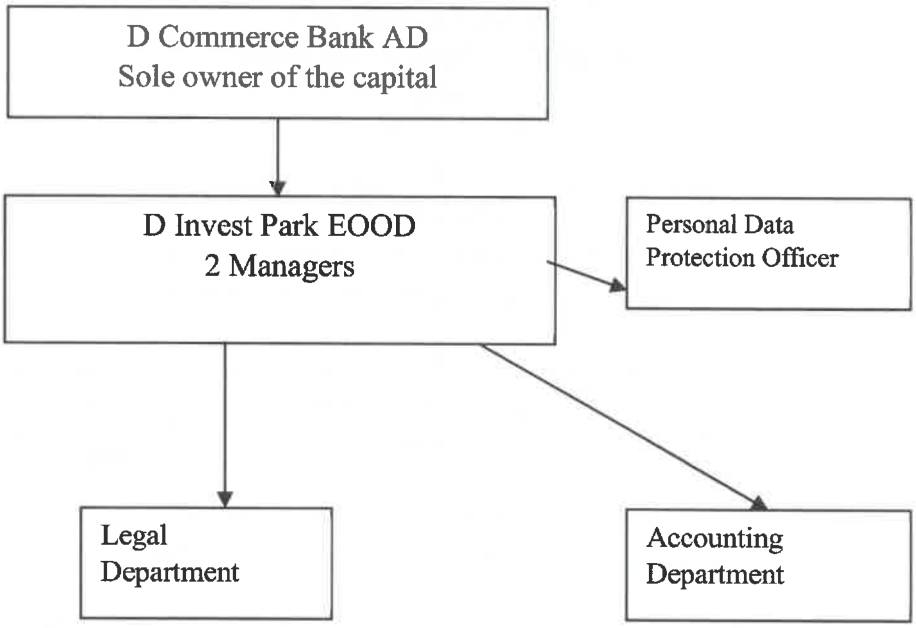
As of 31.12.2025 the assets of the Company are worth BGN 13,801 thousand, they are investment properties BGN 9,065 thousand (Industrial Park village of Hristeni, UPI and banking office in Burgas, UPI and commercial site in Burgas), as well as material stocks (stocks) BGN 2,898 thousand (UPI and offices in Burgas, UPI railway Faculty).

Liabilities of the Company BGN 96 thousand, of which BGN 76 thousand VAT.

The company's equity amounted to BGN 13,705 thousand, of which fixed capital BGN 15,554 thousand, accumulated losses from the previous and current year BGN 2,124 thousand. The loss is from charged impairment of material stock (real estate in Sofia), current profit 275 thousand BGN.

As of 31.12.2025 revenues BGN 1,293 thousand.

Management structure of D Invest Park:




No structural changes occurred in 2025.

### 9. Ivanchov Stan EOOD, UIC 207148740

Ivanchov stan EOOD - the subject of activity of the company is: real estate management, brokerage of transactions with them and any other activity not prohibited by law.

As of 31.12.2025 the company's assets were worth BGN 13,160 thousand. They represent tangible stocks BGN 4,364 thousand /apartments, underground garages, external parking spaces in the Sts. Constantine and Helena, Varna /, commercial loan of D Imoti BGN 6,454 thousand and BGN 1,443 thousand claim from D Imoti for repayment of credit contributions as co-debtor.

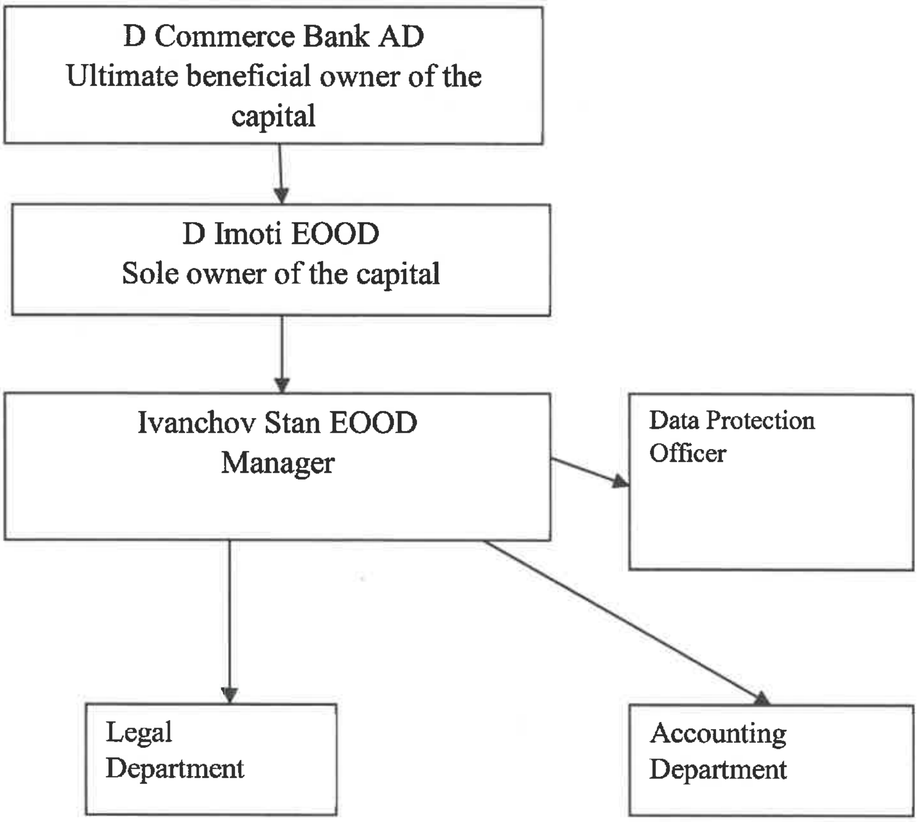
Liabilities of the company of BGN 334 thousand for VAT and guarantee contributions of buyers of apartments.

The company's equity amount of BGN 12.580 thousand, of which fixed capital BGN 10,027 thousand, accumulated profit of previous years BGN 357 thousand, current profit BGN 2,196 thousand.

In 2025 operational income 14,418 thousand BGN from the sale of real estate /apartments, underground garages, outdoor parking spaces/ in the Sts. Constantine and Helena, Varna.

In the reporting year 2025, the Company had no employees appointed to an employment contract.

Management structure of Ivanchov Stan EOOD:




No structural changes occurred in 2025.

## 10. Complex Ivanchov han EOOD, UIC 208566582

Complex Ivanchov han EOOD - The subject of activity of the company is: construction, sale and management of real estate, mediation in transactions with them and any other activity not prohibited by the law.

As of 31.12.2025 the company's assets were valued at BGN 6,389 thousand. They represent investment properties of BGN 6,096 thousand /motel, restaurant and land property in Sts. Constantine and Helena, Varna.

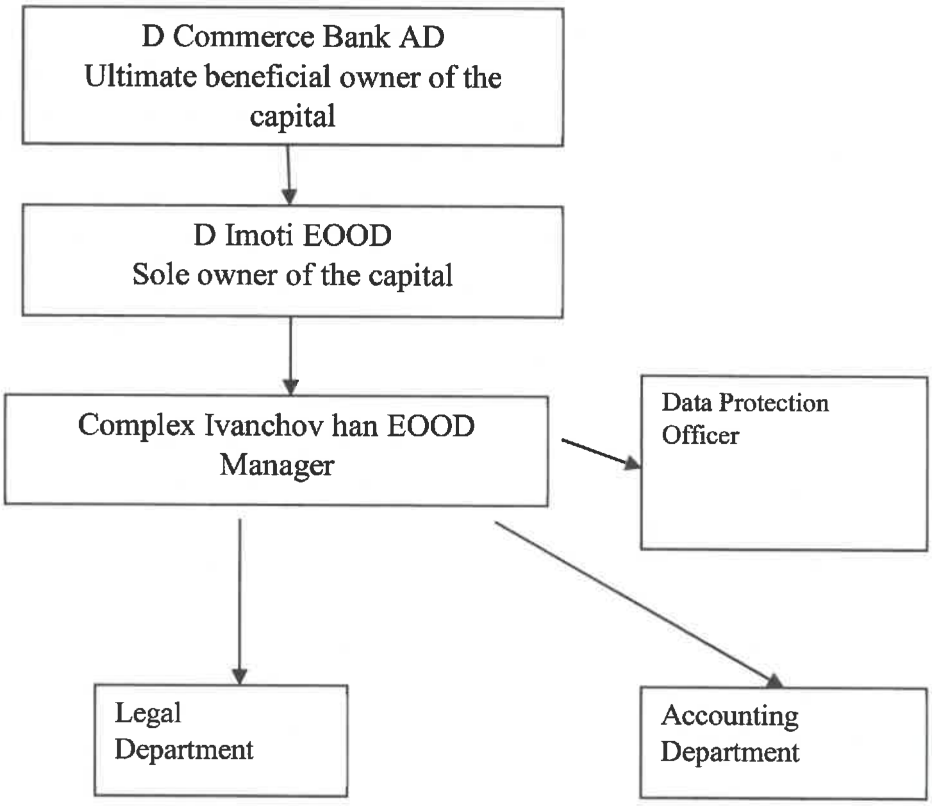
Liabilities of the company of BGN 20 thousand for the guarantee contribution of the tenant of the site.

The equity of the Company amount of BGN 6,369 thousand, of which share capital BGN 6,366 thousand, current profit BGN 3 thousand.

In 2025 operational income 10 thousand BGN from rent of the site.

In the accounting 2025, the Company had no employees appointed to an employment contract.

Management structure of Complex Ivanchov han EOOD:




The company was registered in November 2025.

## V. Development plans

In accordance with Article 39(4) of the Accountancy Act, the Group presents the expected strategic development in 2026.

In 2026, the D COMMERCE BANK AD group expects to focus its efforts on :
Sustainable growth and development of the Group;

- Modernization of existing and creation of new products and services to match customer needs;
- Further develop alternative distribution channels to attract additional business, initiatives and sales campaigns, marketing support;
- Improving internal organisation to reach market standards in terms of processes and approvals for credit transactions;
- Intensive employee training and excellent customer service;
- Simplification and digitalization of core front and back office processes;
- Investments in technical and application infrastructure
- Finalisation of strategic projects already launched for the Group

## VI. Events after the date of the financial statements in accordance with Art. 39 (3) of the Accounting Act

Under the Euro Adoption Law in the Republic of Bulgaria, with effect from 1 January 2026, the euro becomes an official currency and legal tender in Bulgaria. The official exchange rate is set at BGN 1.95583 for 1 euro. The adoption of the euro as an official currency in the Republic of Bulgaria constitutes a change in the functional (accounted for) currency of the Group, which will be reflected prospectively and does not constitute an event arising after the end of the reporting period requiring a correction in the financial statements for the year ending 31 December 2025, the Group does not expect any significant effects either from the overvaluation of the initial balances on 1 January 2026 in euro or from the process of changing the functional (accounted) currency.

On 28 February 2026 a joint US and Israel operation began against strategic targets in Iran. As a result, leading financial markets around the world are experiencing turmoil, uncertainty because of the conflict and a lasting impact on energy prices. The impact of the war in the Middle East on the global economy will depend on its duration and on the damage to infrastructure and industries in the region, in particular whether the spikes in energy prices will be short-term or lasting. The conflict can have a serious impact on the global economy on a number of indicators. The group shall monitor and assess the possible consequences and effects of the conflict for the Group, its activities, assets and prospects on an ongoing basis.

As of 1 February 2026, Ms. Anna Ivanova Asparuhova is no longer a member of the Management Board of the Bank. Mr. Nikolay Georgiev Spasov, registered in the Commercial Register on 19 March 2026, was appointed Chief Executive Officer (CEO).

No corrective events or other significant non-corrective events occurred between the date of the consolidated financial statement and the date of its authorisation to issue, except for the events described.

Nikolay Spasov
Chief Executive Officer
D COMMERCE BANK AD

D COMMERCE BANK AD
SOFIA

Date: 30.04.2026

Plamen Dermendzhiev
Executive Officer
D COMMERCE BANK AD

## CORPORATE GOVERNANCE STATEMENT

The Group D Commerce Bank (the group) consists of D Commerce Bank JSC (mother/bank) and its four subsidiaries - D Leasing EAD, D Insurance Broker EOOD, D Property EOOD, D Invest Park EOOD, Ivanchov Stan EOOD and Complex Ivanchov Han EOOD.

Composition and functioning of the Governing Body of D COMMERCE BANK AD in the person of the Supervisory Board and the Management Board and the Committees of the Governing Body.

*The parent (the Bank)*

D COMMERCE BANK AD has a two-tier form of management.

The General Meeting of Shareholders elects the Supervisory Board, which in turn elects the members of the Management Board, the Chief Executive Officer, the Executive Directors and the members of the Management Board.

Role and responsibilities of **the Management Body** in the person of the **Supervisory Board** and the **Management Board**.

The Governing Body has ultimate and overall responsibility for the Group and determines, exercises control over and is responsible for the application of the organisational rules and regulations governing internal governance in the Group, ensuring its effective and prudent management.

The duties of the governing body are clearly defined, distinguishing between the duties of the Management Board - the management (executive) function and the Supervisory Board - the control (non-executive, supervisory) function.

The responsibilities and duties of the Supervisory Board and the Management Board are detailed in the following documents.

- Articles of Association of Commercial Bank D AD
- Rules on the scope of the powers and responsibilities of the administrators and of persons holding key positions in the Group;
- Rules governing the decision-making procedure in D COMMERCE BANK AD
- Regulations for the work of the Management Board of D COMMERCE BANK AD, approved by the Supervisory Board of D COMMERCE BANK AD
- Rules of Procedure of the Supervisory Board as Risk Committee
- Rules of Procedure of the Supervisory Board as Selection Committee
- Rules of Procedure of the Supervisory Board as Remuneration Committee
- Policy for selection and evaluation of the members of the Management Board and the Supervisory Board
- Remuneration Policy
- Corporate Governance Policy of the D COMMERCE BANK AD Group

- Organizational rules of D COMMERCE BANK AD
- Articles of Association of D Leasing EAD
- Articles of Association of D Insurance Broker EOOD
- Articles of Association of D Imoti EOOD
- Articles of Association of D Invest Park EOOD
- Statute of Ivanchov Stan EOOD
- Statute Complex Ivanchov HAN EOOD

All members of the Governing Body are fully aware of the structure and responsibilities of the Governing Body and the division of tasks between the different units of the Governing Body and its committees. In order to have appropriate checks and balances in place, decision-making should not be dominated by a single member or a small subset of members. The control and management functions of the governing body shall interact effectively with each other. The two functions shall provide each other with sufficient information to enable them to fulfil their respective roles.

The governing body is responsible for determining, approving and controlling the implementation of:

a. the overall business strategy and key policies of the institution within the applicable legal and regulatory framework, taking into account the long-term financial interests and solvency of the Group;

b. the overall risk strategy, including the institution's risk appetite and its risk management framework and measures, to ensure that the governing body devotes sufficient time to risk issues;

c. an adequate and effective internal governance and internal control framework that includes a clear organisational structure and well-functioning independent internal risk management, regulatory compliance and audit units that have the necessary authority, status and resources to perform their functions;

d. the amount, type and allocation of internal and regulatory capital to adequately cover the Group's risks;

e. the Group's liquidity management objectives;

f. a remuneration policy that complies with applicable law;
g. arrangements to ensure that individual and collective assessments of the suitability of the governing body are carried out effectively, that the composition and succession planning of the governing body are appropriate and that the governing body performs its functions effectively;

h. selection and suitability assessment procedure for persons holding key positions;

i. rules designed to ensure the internal functioning of each committee of the governing body, when established, which provide details of:

- the role, composition and tasks of each of them;
- appropriate information flow, including documentation on recommendations and conclusions, and reporting levels between each Committee and the Governing Body, competent authorities and other parties;

j. risk-taking culture, which refers to the institution's risk awareness and risk-taking behaviour;

k. a corporate culture and values that promote responsible and ethical behaviour, including a code of conduct or similar instrument;

L. policy on conflicts of interest at institutional and staff level;

m. rules designed to ensure the reliability of accounting and financial reporting systems, including ensuring financial and operational controls and compliance with legal requirements and relevant standards;

n. credit risk management and culture processes, mechanisms and methodologies; credit risk appetite, strategy and limits; credit risk policies and procedures; credit decision making policies and procedures; credit risk management and internal control frameworks.

o. a Non- Performing loans (NPL) strategy aimed at a time-bound reduction of NPLs, presenting the Group's approach and objectives with regard to the effective management of NPLs in order to maximise recoverability and minimise the number of NPLs;

n. effective and efficient internal control processes for the NPL collection framework to ensure full alignment between the NPL strategy and operating plan on the one hand and the Group's overall business strategy and risk appetite on the other;

The governing body shall oversee the process of disclosure and communication with external stakeholders and competent authorities;

All members of the management body shall be informed of the overall business, financial and risk position of the institution, taking into account the economic environment, and of decisions taken that have a significant impact on the institution's business;

**Chief Executive Officer** - oversees the overall operations of the Group and the activities of the other Executive Directors and members of the Board. Responsible for the implementation of the decisions taken by the Board and the Supervisory Board.

**Executive Directors and Members of the Management Board** - organize the work on the proper implementation of the adopted risk management policy and compliance with the established limits for the activities for which they are directly responsible, supervise the work of the individual structural units in terms of risk analysis and assessment.

**Committees of the Group Governing Body**

The Group has committees which support the activities of the Group's Governing Body.

Each Committee shall carry out its work on the basis of Rules for its activities which have been adopted by the Management Board and approved by the Supervisory Board.

**Committees of the Supervisory Board**

The Group Supervisory Board acts as the **Risk Committee**, advising and providing guidance to the Group Management Board in relation to the Group's overall current and future risk strategy and risk appetite and assisting in overseeing its implementation by senior management. The Board, as the Risk Committee, may use such human and other resources as it considers necessary and appropriate to carry out its work, including external experts to obtain advice. The Supervisory Board shall perform the functions of the Risk Committee as required by the Credit Institutions Act and Regulation 7 of the Bulgarian National Bank on the organisation and management of risks in banks. In carrying out its functions as the Risk Committee, the Supervisory Board shall adhere to the rules previously adopted for the Supervisory Board's work as the Risk Committee.

The Group's Supervisory Board performs the functions of a **Selection Committee** and organises and carries out its activities in accordance with the provisions of the Credit Institutions Act, Regulation (EU) No 575/2013 and Regulation No 20 of the Bulgarian National Bank on the approval of members of the management board (board of directors) and supervisory board of a credit institution and requirements in relation to the performance of their functions, the EBA Guidelines on the assessment of the suitability of members of the management body and persons holding key positions (EBA/GL/2021/06). In carrying out its functions as Selection Committee, the Supervisory Board shall adhere to the pre-agreed rules for the operation of the Supervisory Board as Selection Committee.

The Supervisory Board of the Group performs the functions of the **Remuneration Committee** in accordance with the requirements of the Credit Institutions Act and Regulation 4 of the Bulgarian National Bank on remuneration requirements in banks. In carrying out its functions as the Remuneration Committee, the Supervisory Board adheres to pre-agreed rules for the operation of the Supervisory Board as the Remuneration Committee.

**Audit Committee** - Operates under the provisions of the Independent Financial Audit Act. The Audit Committee oversees the financial reporting process to ensure transparency, fairness and honest presentation of the Group's financial statements. It monitors the effectiveness of the Group's internal controls, internal control system and risk management system. The Audit Committee reviews and monitors the independence of the statutory auditors, oversees the statutory audit process of the Group's annual and consolidated financial statements and the sustainability report, takes into account the auditor's reports and informs the Supervisory Board of D COMMERCE BANK AD of the results of the statutory audit.

**Committees, standing bodies of the Governing Board**

**Asset and Liability Management Committee** - a liquidity management body competent to prepare action plans in the event of unforeseen cash outflows due to unexpected events or adverse circumstances, taking into account the possible impact of alternative scenarios on the Group or the market as a whole, as well as a combination thereof; performs ongoing monitoring and analysis of the Group's capital adequacy and, if necessary, proposes to the Board a draft decision on changing the structure of assets and liabilities and opportunities for their diversification; reviews all policies, rules, procedures and limits relating to the management of all types of risk and proposes them to the Management Board for approval, analyzes the current state of assets and liabilities of D Commerce Bank AD, monitors the risks associated with the liquidity management of the Group and the market for financial instruments and proposes specific measures in the event of deviation from the adopted limits or in emergency situations.

**Credit Committee** - a permanent collective body whose main activity is aimed at assessing the credit risk arising from specific credit transactions or general credit exposure of a person or a group of related parties and approving the parameters thereof within the scope of its competences, and with its proposals and decisions assists in increasing the credit portfolio through effective selection of credit transactions. Analyses the quality of the loan portfolio and its development trends.

**Expected Credit Loss Determination Committee** - a specialised advisory and supervisory body to the Group's Board, whose main activity is aimed at minimising the Group's risk of loss through the system of monitoring, assessment, classification and provisioning of risk exposures; determination of expected credit losses in accordance with IFRS 9 and categorisation of risk exposures in accordance with Regulation (EU) No. 5752013 general objectives and tasks of the Group, and through its proposals and decisions assists the Board in the effective management of the Group's credit exposures.

**Risk Event Assessment Committee** - a specialized internal body of the management of D COMMERCE BANK AD in the field of operational risk management and control; takes decisions on final registration of operational events, assesses any losses incurred, analyzes the data recorded in the accounting records.

**Complaints, Signals and Objections Committee** a permanent internal banking body responsible for handling complaints, signals and objections submitted to D COMMERCE BANK AD, by discussing, analyzing and making decisions on cases referred to it.

**The Data Protection Officer** has a duty to monitor compliance with the General Data Protection Regulation and to inform and advise employees of their legal obligations in relation to the processing of personal data. He also provides advice and monitors the data protection impact assessment process in accordance with the principles set out in the Regulation. Act as a point of contact and cooperate with the supervisory authority, the Data Protection Commission, taking due account of the risks associated with the processing operations and taking into account the nature, scope, context and purposes of the processing.

**Coordination Group** on the implementation of measures against money laundering, terrorist financing and specialised regulatory control, Committee on working conditions.

**Diversity policy applied to administrative, management and supervisory bodies**

The Policy for Ensuring Diversity in the Selection of the Members of the Board of Directors of D COMMERCE BANK AD describes the legal requirements for the members of the Board of Directors, including the executive members of the Management Board of the Group, presents the requirements aimed at ensuring diversity in the selection of the members of the Management Board of Directors of the Group, sets out and details the criteria that need to be met and the qualities that the members of the management body of the Group need to possess.

**Remuneration management**

The Group operates a Remuneration Policy adopted by the Supervisory Board, following a proposal by the Board of D COMMERCE BANK AD. The Policy establishes the principles for the formation of remuneration in the Group, which must be consistent with the scale of the business, the business strategy, the achievement of objectives and medium-term financial results, values, accepted ethical standards and the long-term interests of shareholders, promoting sound and effective risk management, not encouraging excessive risk-taking and concentrations.

Remuneration management ensures equal opportunities for all staff regardless of their gender in terms of their career development and monitors the development of the gender pay gap separately for identified staff and members of the Governing Body.

**Key features of the entity's internal control and risk management systems in relation to the financial reporting process**

The internal control system of the financial reporting and accountability of D COMMERCE BANK AD was developed as a result of studies of good reporting and control practices in Bulgaria and of large international groups, as well as in compliance with national legal requirements, including for listed companies and groups. It is in a continuous process of monitoring by the management and of further development and improvement.

The Group's internal control system for financial reporting and accountability is a set of behavioural and technical principles, rules, tools, procedures and control activities that are specifically designed and tailored to the Group's specific business, operations and reporting system. It is aimed at:

- ensuring ongoing monitoring and targeting of reporting activities in relation to their objectives and the expectations of its various users, and achieving their necessary effectiveness and efficiency, including in the use of the resources employed; and
- Ensuring adequate and timely addressing of identified business risks that impact financial, management and operational reporting.

In particular, it is designed in a way to create comfort to the management that:

- The Group complies with applicable legal requirements in the areas of accounting, reporting and other directly related areas, and in particular the requirements of the Accountancy Act and International Financial Reporting Standards;
- the Group complies with the instructions and guidelines of senior management in respect of reporting and documentation;
- the required efficiency and effectiveness of the financial accounting process, including consolidation and documentary substantiation;
- there is a high degree of security in the safeguarding and maintenance of the Group's assets, including the prevention of fraud and error; and
- there is provision of reliable, quality and timely financial and operational information for internal and external users.

The main components of the internal control system on financial reporting and accountability include:

- adopting and adhering to the ethical principles and rules of conduct that have been adopted by the Code of Ethics of D COMMERCE BANK AD and with respect to financial reporting and accountability and all related processes, procedures and actions of all Group personnel;
- developing and defining an optimal structure of units involved in financial reporting processes, with clearly defined responsibilities and delegations, powers and duties, including through written internal documents;
- developing policies for the selection, training and development of staff involved in accounting and financial reporting processes;
- developing, implementing and maintaining control procedures and rules for each stage of the accounting, financial reporting and accountability processes, with priority given to the phased introduction of formalised written procedures; and
- developing procedures to identify, monitor and manage accounting, financial reporting and accountability risks, including the development of adequate measures and actions to minimise them;
- developing and maintaining an adequate organisation of the information system, including controls for access, input, processing and retrieval of data, changes to the system, allocation of responsibilities of those involved in the system, and preservation and protection of the integrity and authenticity of the data in the system.

**Control environment**

The Group develops and refines a robust and comprehensive internal control framework that includes control functions with the necessary authority and access to independently perform the duties of the structural and ancillary units they oversee and control. All Group processes, including risk management processes, are structured according to the "three lines of defence", which include the business units, risk management and compliance functions, as well as internal audit. The control functions are independent of the operational units they monitor and control, and are organisationally independent of each other as they perform different functions. The internal control framework complies with applicable requirements in this area, incl. Regulation No 10 of the BNB on the organisation, management and internal control in banks and the EBA Guidelines on internal governance under (EBA/GL/2021/05). D COMMERCE BANK AD has a Conflicts of Interest Disclosure Policy in place and a process in place for the timely identification, management, prevention or mitigation of existing and potential conflicts of interest.

*Ethical principles and rules related to accounting, financial reporting and accountability processes*

The management of the different levels of the D COMMERCE BANK AD Group has introduced and constantly monitors the observance of ethical values such as integrity, independence and objectivity as the foundations of the professional behaviour of all persons involved in the accounting and financial reporting processes of the Group. They are the framework against which the control environment is built and have influenced the effectiveness of the design, administration and ongoing monitoring of the other components of internal control in the area of accounting and financial reporting. Integrity and ethical conduct are a product of the Group's established general ethical and behavioural standards. These are clearly communicated to all finance, accounting and control personnel, and they are continually reinforced in practice.

The ethical principles that guide professional conduct and that should be observed by all persons directly or indirectly involved in accounting and financial reporting processes are: objectivity; impartiality; independence; conservatism; transparency; methodological soundness; consistency and the use of independent experts. These principles are applied at all stages of financial reporting in: the selection of accounting policies; accounting closure; the preparation and application of accounting estimates; and the preparation of public and management financial statements, other public reports and documents containing financial information.

The Code of Conduct regulates and relates to the professional conduct of employees, the relationship between employees and the Group's customers, the relationship between individual employees, the protection of the Group's interests, the prevention of conflicts of interest and the means of resolving them should they arise. The Code of Ethics aims to:

- to define the ethical standards of the professional activities of employees;
- to propose norms of behaviour that will help employees manage their actions in areas where conflicts may arise between morale, the tasks set and the individual culture of employees;
- to create unity by overcoming conflicts and disputes;
- to create a good atmosphere between all employees, helping to share experiences and build and develop professionalism.

By complying with the rules of conduct set out in this Code and accepted by all employees, the Group's positive image is built and strengthened. The rules of conduct contained in this Code are an integral part of the daily activities of the Group's employees, as compliance with the ethical rules of conduct is a guarantee of the legality of the employees' actions and protection against unfounded accusations by the Group's customers. Employee activities are conducted in accordance with the principles of legality, loyalty, honesty, impartiality, responsibility and accountability. In selecting candidates for employment with the Group, consideration is given to the presence of qualities that meet the requirements of professional ethics. Each person entering the Group undertakes to duly perform, to the best of their ability, the responsibilities assigned to them.

*Authorities responsible for the separate components of the overall accounting and financial reporting process in the group*

*Parent company (the Bank)*

The bodies that have certain responsibilities and authority over the financial reporting process and other related processes are: the Bank's Management Body in the person of the Supervisory Board and the Management Board, the Chief Economist - Director of Planning, Control, Financial Reporting and General Accounting, and the Head of Internal Audit. Their roles and responsibilities can be summarised as follows:

- **The governing authority of the Bank**, represented by the Supervisory Board and the Management Board, adopts and confirms: the accounting policies and changes thereto for each reporting period; the accounting estimates developed as of the date of each reporting period, including the methodology applied; the financial statements and reports and other public documents containing financial information; the functions, organization and responsibilities of all structural units and their managers engaged in the processes of and related to financial reporting; the development, implementation and ongoing ongoing monitoring of the functioning of the different components of the internal control system; receives timely information from the activities of the Internal Audit Department.

- **Chief Economist, Director of Planning, Control, Financial Reporting and General Accounting**
  - ✓ Organises and manage the accounting and reporting activities of the Bank - supervise and methodologically guide the current accounting, responsible for the development and implementation of accounting and reporting methodologies and techniques; responsible for the closing process and preparation of all accounting estimates, propose and develop accounting policies and changes thereto, monitor ongoing changes in IFRS.
  - ✓ carries out the overall organization, methodological support and implementation of the process related to the preparation of the Bank's stand-alone and consolidated financial statements, including the ongoing control, instruction, monitoring and analysis of the financial statements for the purpose of consolidation of the group companies of D COMMERCE BANK AD, communicates with regulatory authorities, prepares analyses, forecasts and management reporting information, contacts internal and external expert bodies, consulting and auditing companies.

- **The Internal Audit Department** performs an independent assessment of the activities related to the preparation of the Bank's financial statements and the effectiveness of and compliance with the internal controls in place over the various routine and non-routine processes. It monitors and supports the achievement of the Bank's objectives and targets. Assist in the efficient, effective and economical use of resources and in the implementation of adequate controls for the various risks. Assist in safeguarding the value of the Bank's assets. Ensure the legality of the activities, and that the policies, plans, internal rules and procedures are strictly followed. Express an opinion on the adequacy of the internal control and risk management systems of the organization's processes, as well as monitoring and reporting systems and their adequacy and effectiveness.

*Subsidiaries*

*D Leasing EAD - the* bodies that have certain responsibilities and authority over the financial reporting process and other related processes are the Board of Directors and the Chief Accountant, respectively.

*D Insurance Broker EOOD - the* bodies that have certain responsibilities and authority over the financial reporting process and other related processes are the Manager and the Chief Accountant.

*D Imoti EOOD* is managed and represented by a manager - *the* bodies having certain responsibilities and authority over the financial reporting process and other related processes are the manager and the chief accountant.

*D Invest Park EOOD* is managed and represented by a manager - *the* bodies having certain responsibilities and authority over the financial reporting process and other related processes are the manager and the chief accountant.

*Ivanchov Stan EOOD* is managed and represented by a manager - *the* bodies that have certain responsibilities and authority over the financial reporting process and other related processes are the manager and the chief accountant, respectively.

*Complex Ivanchov han EOOD* is managed and represented by a manager - *the* bodies that have certain responsibilities and authority over the financial reporting process and other related processes are the manager and the chief accountant, respectively.

*Human resource policies and practice in the finance and accounting departments*

The Group has in place policies and rules and established practices relating to the management of human resources involved in the financial reporting process and other related processes. In addition to the need for specialised education in the financial and accounting field, the emphasis in recruitment is primarily on relevant professional experience, with the additional requirement of very good computer literacy and the personal qualities necessary to ensure accuracy, timeliness and correctness in the performance of the business. In the selection of candidates for each specific position in the Group's financial and accounting units, the requirements set out in the job descriptions of the individual positions, such as education and the relevant qualification degree obtained, as well as professional experience in a similar position in a bank, are the guiding factors in terms of professional qualities.

The personal qualities that meet the requirements of the Group's Code of Ethics are of significant importance, which defines the ethical standards of professional behavior of employees, norms of conduct that will help them manage their actions in areas where conflicts may arise between morality, the tasks set and the individual culture of employees, the creation of a good atmosphere between all employees, conducive to the sharing of experience and the building and development of professionalism.

The personnel management policies also include those related to continuous additional professional training, updating and expanding the knowledge and skills of hired specialists, deepening their expertise and long-term retention in the team.

The Group annually updates and adopts an annual plan for upcoming training, structured by topic and by employee area. Mandatory trainings are conducted when regulations, IFRS, tax laws and other directly relevant to the work are changed. The aim of this policy is to update and increase the expertise of employees and improve their skills in order to ensure correctness and compliance and increase their efficiency in the performance of their duties.

The employee training and upskilling strategy is an integral part of the Group's business strategy and is aimed at enhancing quality and performance. The process of exchanging best practices in the professional field - within the Group and through a network of professional contacts with external training institutions is a key instrument in the Group's Human Resources Management and Development Policy.

*Risk assessment process related to the financial reporting of the Group*

The Board of Directors and Chief Economist of D COMMERCE BANK AD play a key role in the process of continuously identifying, monitoring and controlling business risks, including identifying and controlling the effects of those risks that also directly affect individual processes and objects of the accounting, financial reporting and reporting of D COMMERCE BANK AD. Together, they provide the overall monitoring of the risk management process.

Risk factors relevant to reliable financial reporting include external and internal events, transactions and circumstances that may occur and adversely affect the Group's ability to create, maintain and process accounting and operating data in a manner that ensures reliable financial reporting, statements and reports. The Group has defined the following factors as key:

- external risks are defined as: changes in the Group's business and market environment and the products and services it offers; competitors' activities; changes in the legal and regulatory framework; changes in key suppliers or customers/customer groups; malicious or malicious actions by outsiders; rapid corporate and Group growth; and developments in companies in which it holds significant investments in the form of participations and/or loans granted.

- internal risks include: changes in the Group's technical infrastructure, in the way and intensity of use of available assets and resources; the introduction of new products and services; new accounting policies and IFRS; changes in the personnel of the departments responsible for financial reporting; changes in information systems; errors in the performance and/or insufficient knowledge or skills of staff, rapid expansion of activities; the application of multiple estimates - especially the application of fair values and the calculation of recoverable

Risk factors that are recurring in nature and/or are related to the application of accounting policies and estimates are monitored on an ongoing basis by the Planning, Control, Financial Reporting and General Accounting Department, who propose management decisions and the proper reflection of their effects in the financial statements. New risk factors are identified, assessed and developed by the Director of Planning, Control, Financial Reporting and General Accounting. Where necessary, independent consultancy support is also used, including for the application of new IFRS. The overall oversight of the financial reporting risk management process is carried out by the Group Management Board.

*Authorities responsible for the control functions over the financial reporting process*

Supervisory Board - reviews the annual financial statements and profit distribution proposals and presents the annual report on the Group's activities to the sole owner of the capital.

The Audit Committee independently monitors the implementation of financial reporting processes, the accounting policies applied and the effectiveness of the Group's internal control system, including risk management, as well as the performance and results of external and internal audit.

*Information system*

*Parent*

D COMMERCE BANK AD's information system includes infrastructure (physical and hardware components), software, people, procedures and data.

The information system relevant to the objectives and process of financial reporting comprises methods and documentation that:

identify and record all valid transactions and operations;

- describe transactions and operations in sufficient detail to permit their appropriate classification for financial reporting purposes in a timely manner;
- measure the value of transactions and operations in a manner that permits their appropriate monetary value to be reflected in the financial statements;
- determine the time period in which transactions and operations occurred to allow their recording in the appropriate accounting period;

- appropriately present the transactions and operations and related disclosures in the financial statements in accordance with the requirements of the reporting framework.
- Provides detailed log files of user actions for control purposes;

Various departments within the Information Technology Directorate are responsible for the sound and risk-free operation of the Group's information systems.

Their functions are distributed according to their assumed functional characteristics as follows:

- IT Operations - Structure directly responsible for the ongoing maintenance of the application systems used in the Group , interfaces between them. Conducting development tests. Deployment of releases;
- IT Development - Structure directly responsible for the implementation of the Change Management process through which changes are implemented in the Group's application systems. Conducting development tests ;
- IT Infrastructure - Structure supporting the Group's hardware, communications and server infrastructure - production and test environments;
- IT Help Desk - A structure designed to provide a first line of support to internal users of IT services.
- Data Warehouse (DWH) Support Team - A structure designed to provide support for the Group's DWH data warehouse

***Information security***

The Office is responsible for strategic planning, management, coordination and control of cybersecurity and information security activities in the Bank. The main responsibility of the Directorate is the development, implementation and maintenance of policies, standards and technological solutions aimed at protecting information assets, information systems, network infrastructure and digital services of the organisation, in accordance with the applicable regulatory requirements and good practices in the field of information security.

Within its activities, the Directorate manages, administers and maintains key means of protecting the information infrastructure, including network firewalls, e-mail protection systems (E-mail Security Gateway), as well as specialised solutions for managing and controlling the printing activity. These technologies provide control over network traffic, protection of communication channels and limiting risks associated with unauthorised access and leaking of information.

The Directorate is also responsible for the security of digital channels provided by the Bank D **Online and D Mobile** through the deployment, configuration and administration of Web **Application Firewall (WAF).** These systems provide protection of web-based applications and services against a wide range of cyber threats, including the exploitation of vulnerability, malicious traffic and attempts at unauthorised access.

In addition, the Directorate manages and administers anti-virus and anti-malware protection of the Bank through centralised end-user protection solutions (Enpoint Protection). These systems provide continuous monitoring, detection and prevention of malware, including viruses, Trojan horses, ransumware and other forms of malicious code. The anti-virus protection covers both the employees' end workstations and the server infrastructure of the Bank. Centralized security policy management, automated updates of signatures and the use of pro-active protection mechanisms ensure timely identification, blocking and limitation of potential threats that could compromise the organisation's information systems and data.

In addition to cybersecurity activities, the Directorate also performs monitoring and prevention functions related to financial operations. In this regard, continuous monitoring of card transactions shall be carried out in order to identify suspicious or potentially fraudulent operations in due time.

The Directorate administers and manages a specialized anti-frod system for card operations, which implements rules, scenarios and analytical mechanisms for assessing transaction behaviour. These systems allow automated detection of anomalies, risk assessment and taking timely preventive action to limit financial abuse.

In parallel, the Directorate also monitors transfers carried out through banking systems using specialized software solutions for anti-frod control. They analyse transaction models, implement mechanisms to detect atypical or high-risk operations and support the timely identification and prevention of fraud attempts.

By implementing these organisational, process and technological measures, the Directorate-General for Information and Security shall contribute to maintaining a high level of protection of the information environment, the security of banking services and the sustainability of the critical information systems of **the Bank. Bank Security** Directorate organizes and controls all activities related to the physical security of bank assets.

***Chief Economist, Director Planning, control, financial reporting and accounting***

*Chief Accountant, directly subordinated to the Chief Economist, and functions related to direct accounting reporting*

Under the direct authority of the Accounting Officer are the Deputy Accounting Officer, Heads of Departments and experts. Structurally, the Accounting Methodology and Tax Unit, the Accounting Department, the Budget Orders, Nostro Accounts and Settlements Unit and the Custody Department report to the Accounting Officer. In accordance with the functional description, the Directorate covers and implements the Group's full accounting and reporting function, internal accounting control. The Chief Accountant's responsibilities also include the consistent application of the accounting policies developed, the development and application of the internal chart of accounts; reporting methodologies, ongoing bookkeeping; the ongoing accounting analysis and control of reporting data and documentation; the preparation and/or processing of inputs for accounting estimates together with the experts involved, as well as the reporting of identified variances and inconsistencies to the Board of Directors; and compliance with regulatory requirements in the area of accounting

The Group's accounting policies are updated as necessary and are subject to the approval of the Management Board and the Supervisory Board. The updated accounting policy is published through the internal disclosure system for updated and new policies.

The choice of reporting framework is defined based on the requirements of the Accountancy Act. D COMMERCE BANK AD applies International Financial Reporting Standards (IFRS

Accounting Standards) as adopted by the European Union. Ongoing monitoring of the correct application of IFRS Accounting Standards is performed by the Chief Economist. Further confirmation of the correctness of application is obtained from the external auditors.

*Functions related to planning, control and financial reporting, directly subordinated to the Chief Economist at the parent company*

The functions relating to planning, control and financial reporting are distributed in the following departments of the Direction Planning, Control, Financial Reporting and General Accounting.

The Budgeting and Planning Department develops annual and medium-term plans for the Group's business development and budget, and to monitor the implementation of the set business objectives and the execution of the annual budget. Develops annual budgeting system by profit centers, products and segments. Prepares analysis and reports on the banking system and comparison of key Group metrics against market levels (market share, interest rates, etc.).

The Management Information and Control of Revenue and Expenditure Division implements the process of controlling the reported revenue, volumes and achievement of budget targets for the year. Participates in the development of methodological rules and procedures for setting business objectives, revenue, expenditure and investment. Prepares daily reports on the financial position of the Group's performance indicators for management purposes as well as monthly reports on the Group's financial position. Manages the Group's cost control process as well as the spending of the budget for the year. Oversee the Group's budgeted investment spending for the year.

The Strategic Development Department prepares information and analytical reviews, reports on macroeconomic developments, political and other events and their impact on the Group's business and plans.

The Financial Reporting Department prepares annual financial statements under IFRS, annual financial statements for local needs, for the FGBF, the FSC, the BSE, for International Financial Institutions providing external financing. Participates in the preparation of various types of reports in relation to supervisory purposes, BNB regulations, banking statistics, balance of payments. Involved in the development of the Group's internal regulations as well as in the improvement of the planning methodology. Makes proposal to optimize the Group's asset structure. Organize, coordinate, manage and control the overall activity of collecting, summarizing, analyzing and disseminating the statistical and financial information required by law for the Group.

The preparation of the Group's financial statements for public use is the result of a comprehensive period-end accounting process. This process is formalised through management approved policy and instruction documents. They involve the performance of certain actions and procedures and, where appropriate, the preparation of certain documents by persons in the *Planning, Control, Financial Reporting and General Accounting Department* or other responsible persons and these actions and procedures are aimed at: performing inventories; analysing accounts; sending confirmation letters; determining best estimates such as depreciation, amortisation, revaluation, impairment and accruals that are based on reasonable assumptions; researching and analysing certain legal documents (contracts, courses cases, opinions of legal advisors); research and evaluation of expert reports (evaluators, actuaries, internal auditors, other internal experts and officials); preparation of reports and financial consolidation packages; preparation, analysis and discussion of draft financial statements.

*Control activities*

Control actions that are provided for in the internal process controls developed and implemented include: performance and results reviews; information processing; physical controls; and segregation of duties and responsibilities.

General controls relevant to financial reporting can be categorized as procedures related to ongoing and periodic reviews and analyses of financial measures and inputs. These include reviews and analyses of actual reported performance data against budget, forecast, prior periods, against the system as a whole, and against the target group. They may also typically include suggestions for optimizations or revisions to specific budgets.

The controls assigned to the Group's information systems comprise both application controls and general IT controls, which are policies and procedures that help to ensure the continued proper functioning of information systems. Typical controls over application programs that are embedded are: checking the mathematical accuracy of records, maintaining and reviewing accounts and timesheets, automated controls such as input checks and numbering consistency checks and non-automated exception report tracking. General IT controls include: controls over program changes, controls that restrict access to programs or data, controls over the implementation of new releases of packaged application software, and controls over system software that restrict access to or ongoing monitoring of the use of system auxiliary functions that could alter financial data or records without leaving a trail for subsequent tracking.

The physical controls applied cover:

- measures for the physical security of assets - secure facilities and premises, as well as special conditions for access to assets and documents;
- a special procedure for approving access to computer programs and data files;
- periodic inventories - procedures for organising and conducting inventories by physically counting/weighing stocks/sending appropriate letters to confirm and reconcile with the amounts reflected in the control inventories and accounting records/registers.

Internal controls have been developed and implemented for the management, organisation and execution of the main routine processes (procurement and sales), as well as for the processes for the preparation and acceptance of complex estimates (depreciation, amortisation, impairments, revaluations, actuarial calculations and long-term provisions). These are aimed at:

authorising the individual transaction and the primary documents issued; reviewing and verifying the documents issued and the assets involved in the transaction; subsequent recalculation and comparison with other documents (contracts, requisitions, confirmations, price lists, etc.) and persons; and separating the duties and responsibilities of the officials involved at each step of the relevant process to ensure mutual control between them, and to reduce the possibilities of allowing any one person to be in a position both to perform and to

The Group is in the process of continuously expanding formalised control procedures and activities.

*Ongoing monitoring of the controls*

An important priority objective of management, in the person of the Chief Economist, is to establish and maintain continuous and effective internal controls. Management's ongoing monitoring of controls includes assessing whether they are operating as intended and whether they are being appropriately modified to reflect changes in conditions. Ongoing monitoring of controls may include activities such as management's review of whether internal management reports are prepared in a timely manner and whether key data in those reports reconcile with third-party confirmation and its projections, internal auditors' assessment of compliance by employees with policies and procedures for implementing routine processes, and oversight of compliance with ethical standards or generally accepted business practices. Ongoing monitoring is performed to ensure that controls continue to operate effectively over time.

Internal auditors, as well as employees performing supervisory, monitoring or control functions, also contribute to the ongoing monitoring of the entity's internal process controls through their assessments of individual controls or groups of controls. Typically, they periodically provide such information, in the course of their duties and functions, and their judgments on the operation of certain internal controls, focusing significant attention on evaluating their effectiveness, communicating information to the appropriate persons to identify strengths and weaknesses of internal controls, and making recommendations for their improvement.

The Supervisory Board may examine any action relating to the Group's business, examine the Group's books and records at any time and ascertain the Group's condition.

The Audit Committee oversees the effectiveness of the Group's internal controls and risk management system, the recommendation, appointment of the Group's registered auditor (external auditor) and the assessment of its independence, the Group's policy on compliance with regulatory requirements relevant to the fair and honest presentation of the financial statements.

Ongoing monitoring activities include the use of information from external parties to point out problems or highlight areas in need of improvement. Such parties include customers, suppliers, the supervisory regulator in the form of the BNB, the regulatory authority in the form of the FSC. Also, in carrying out ongoing monitoring activities, management always takes into account communication with external auditors related to internal controls and the weaknesses and recommendations identified by them.

The Group is not an issuer of securities and does not plan to undertake public listing. It is not subject to the Corporate Governance Code in relation to the requirements of Art. 100(n) para. 8 item (1) and (2) of the Securities Act.

Nikolay Spasov
Chief Executive Officer
D COMMERCE BANK AD

Date: 30.04.2026

Plamen Dermendzhiev
Executive Officer
D COMMERCE BANK AD

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# INDEPENDENT AUDITORS' REPORT

## To the shareholders of D Commerce Bank AD

## Report on the Audit of the Consolidated Financial statements

### Opinion

We have audited the consolidated financial statements of D Commerce Bank AD (the "Bank") and its subsidiaries (collectively "D Commerce Bank Group" or "The Group"), containing the consolidated statement of financial position as of December 31, 2025, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and the explanatory notes to the consolidated financial statements containing material information about the accounting policy and other explanatory information.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2025 and of its financial results from operations and cash flows for the year 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 section of our report entitled "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements". We are independent of the Group within the meaning of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by International Ethics Standards Board for Accountants (IESBA Code) applicable to audits of consolidated financial statements of public-interest entities, together with the ethical requirements relevant to audits of consolidated financial statements of public-interest entities in Bulgaria. We have also fulfilled our other ethical responsibilities in accordance with these requirements and IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of greatest significance in the audit of the financial statements for the current period. These matters were considered as part of our audit of the consolidated financial statements as a whole and the formation of our opinion thereon, and we do not provide a separate opinion on these matters.

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

We have identified the matter described below as a key audit matter.

<table>
<tr><th>Key audit matter</th><th>How this key audit matter was addressed in our audit</th></tr>
<tr><td colspan="2">Impairment for expected credit losses on loans and advances to customers<br><br>As of December 31, 2025, the consolidated financial statement includes:<br><br>• Gross value of loans granted and advances to customers including finance lease receivables in the amount of BGN 1,305,845 thousand (December 31, 2024: BGN 1,105,920 thousand) and impairment loss for expected credit losses ("ECL") in the amount of BGN 15,022 thousand (December 31, 2024: impairment loss for ECL: BGN 20,705 thousand), as presented in Note 14 to the consolidated financial statement;<br><br>• Net impairment reversal on loans and advances to customers, recognized in the consolidated statement of profit or loss and other comprehensive income in the amount of BGN 4,615 thousand (2024: BGN 1,418 thousand), as presented in Note 7 to the consolidated financial statements report;<br><br>Disclosures are included in the following notes to the consolidated financial statements:<br><br>• 2.11.1.7 "Impairment of financial assets"<br>• 2.24.1.2 "Determination of expected credit losses by type of financial assets"<br>• 3.1 "Credit Risk"<br>• 14 „ Loans and advances to customers"<br>• 7 "Net reversal on impairment of financial assets"</td></tr>
<tr><td>Loans and advances to customers represent a significant part (60%) of the Group's total assets as of December 31, 2025.<br><br>As described in Note 3.1, the Group applies an impairment model based on expected credit losses (ECL) of loans and advances to customers on an individual and collective (portfolio) basis, in accordance with IFRS 9 "Financial Instruments".<br><br>Determining the impairment for credit losses on loans and advances to customers through the application of the ECL impairment model is related to the use of complex assumptions, calculations and judgments by the Group's management regarding the classification of loans and advances to customers with credit losses, and in determining the amount of expected credit losses. The key assumptions, judgments and parameters in determining the ECL are related to the development of quantitative and qualitative indicators for:</td><td>In this area, our audit procedures included, among others:<br><br>• Inquiries, walk-throughs and obtaining an updated understanding of the process for monitoring and determining the impairment for credit losses on loans and advances to customers at the Group.<br><br>• Review of documents and the methodology applied by the Group, the internal policy and procedures, and the impairment model used, as well as of the changes made in the current year related to them. Inquiries to the Group's experts responsible for credit risk modelling and management of credit risk.<br><br>• Review and assessment of internal procedures and key process-level controls</td></tr>
</table>

- monitoring and identifying a significant deterioration in the credit quality of the exposures, the presence of low and/or significantly increased credit risk and, respectively, exposures with objective evidence of impairment - for the distribution of individual credit exposures by stages (Stage 1: Exposures without significant increase in credit risk; Stage 2: Exposures with a significant increase in credit risk but without available objective evidence of impairment and Stage 3: Exposures with objective evidence of impairment);

- determining the underlying assumptions for "probability of default" (PD), loss given default (LGD) and "exposure at default" (EAD). A higher degree of approximation, judgment and estimation uncertainty is inherent in the calculations of expected credit losses on loans and advances on a collective (portfolio) basis in Stage 1 and Stage 2, which is dependent on the extent to which the Group has adequate and sufficient supporting historical information to test the assumptions used and calibrate the accuracy of the "probability of default" (PD) and loss given default" (LGD) estimates in the impairment model;

- including information on the future development of macro-economic factors in the determination of the approximate estimates of ECL;

- the assumptions and judgments applied by the management in the review of individually significant credit impaired exposures in Stage 3, mostly related to the set of probable scenarios of the amounts and timing of future cash flows and final results, as well as for future collateral collectability.

Due to the significance of the above-mentioned circumstances: a) the materiality of the loans and advances to customers as a reporting object for the consolidated financial statements of the Group, as well as b) the complexity of the process, multiple significant judgments and assumptions, and the high degree of inherent uncertainty in the estimates of expected credit losses embedded in the impairment model of loans and advances to customers on an

for application of the impairment policy and model, including documentation of the model, as well as for monitoring, frequency and accuracy of updating, and for the reasonableness of applied parameters and macro indicators.

- Obtaining an updated understanding, assessing the design and application, and, accordingly, testing the operating effectiveness of certain key controls relevant to the audit, the monitoring process, staging, and determination of the amount of impairment for credit losses on loans and advances to customers. We involved our information technology (IT) experts in testing and evaluating the general IT controls of the Group's internal information system used in the process of monitoring loans and advances to customers and determining expected credit losses.

- Assessing the consistency in the application and the appropriateness of the methodology, the specific models for identifying credit losses and calculating the impairment, incl. of the key assumptions and judgments used therein, in accordance with the requirements of IFRS 9.

A reasonableness analysis and assessment were carried out of the following:

- the relevance of the criteria for establishing a significant increase in credit risk;
- the appropriateness of the allocation of exposures by stages according to the classification criteria defined by the Group;
- the calculations of PD "probability of default" and LGD "loss given default" indicators by checking the assumptions used in the expected credit losses model;
- the approach of incorporating predictive information into models.

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| individual and collective (portfolio) basis, in accordance with the requirements of IFRS 9, we have identified this matter as a key audit matter. | When performing these procedures, we included specialists for credit risk assessment.<br><br>• Independent recalculation, including checking the mathematical accuracy and logic of certain parameters used in the impairment calculation for individual sub-portfolios, as well as performing procedures, on a sample basis, on the relevant input data<br><br>• Tracking the calculation of expected credit losses by the Group for the purpose of accrual of impairment for credit losses as of December 31, 2024, including data input, data processing and calculation. An independent recalculation of the expected credit losses of the loans was made and the results were traced back to the calculation performed by the Group.<br><br>• Perfroming detailed tests, on risk-based samples, of loans to corporate and individual customers in all stages, to assess the adequacy and accuracy of the calculated impairment for credit losses. For the relevant exposures in the sample, the following audit procedures were performed:<br>- analysis of the financial position and results of borrowers, and review of information and documents related to loan servicing;<br>- review of collateral valuation reports for the relevant exposures, as for certain collaterals we used valuation experts to advise on the applied assumptions and methods in the valuations of the realizable value of the collaterals;<br>- analysis and assessment of the main assumptions and judgments made by the Group's management in the calculation of credit losses on individual exposures in Stage 3;<br>- test recalculations of certain parameters in the model and of the amount of expected credit losses at a collective level of the Stage 1 loans and Stage 2 loans in the sample. |

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| | • Perform analytical procedures based on detailed data to assess the interrelationships of trends in the impairment loss expense compared to the trends in the development of the Group's loan portfolio.<br><br>• Assessment of the adequacy, completeness and relevance of the Group's disclosures related to the impairment for credit losses on loans and advances to customers. |

**Other information other than the consolidated financial statements and the auditor's report thereon**

Management is responsible for the other information. The other information consists of an activity report, including information about the Group's activities, including a corporate governance statement, prepared by management in accordance with Chapter Seven of the Accounting Act and other applicable legal requirements, but does not include the consolidated financial statements and our audit report on it.

Our opinion on the consolidated financial statements does not extend to the other information and we do not express any form of assurance opinion about it, unless and to the extent expressly stated in our report.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and thereby evaluate whether that other information is materially inconsistent with the consolidated financial statements or with our knowledge obtained during the audit, or otherwise appears to contain material misstatement.

If, based on the work we have performed, we conclude that there is a material misstatement in that 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 these consolidated financial statements in accordance with IFRS accounting standards applicable in the EU and for such system of internal control as management determines is necessary to ensure the preparation of financial statements that are free from material misstatement, whether or not are due to fraud or error.

In preparing the consolidated financial statements, management is responsible for evaluating the Group's ability to continue as a going concern, disclosing, where applicable, matters related to the going concern assumption and using the going concern basis of accounting, unless management does not intend to liquidate the Group or cease its operations, or if management has no practical alternative but to do so.

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Those charged with governance are responsible for supervising 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 auditor's report that includes our auditor's opinion. A reasonable degree of assurance is a high degree of assurance, but it is not a guarantee that an audit performed in accordance with ISAs will always detect a material misstatement where it exists. Misstatements may arise as a result of fraud or error and are considered material if they could reasonably be expected, alone or in aggregate, to influence the economic decisions of consumers made on the basis of that individual financial report.

As part of an audit in accordance with ISA, we use 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 that results from fraud is greater than the risk of not detecting a material misstatement that results from error because fraud may involve collusion, forgery, intentional omissions, statements to mislead the auditor, as well as ignoring or override of internal control.
- obtain an understanding of internal control relevant to the audit in order to develop audit procedures that are appropriate in the particular 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.
- reach a conclusion about 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 relating to events or conditions that could 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 auditor's report to the disclosures in the consolidated financial statements related to that uncertainty or, if those disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease functioning as a going concern.
- evaluate the overall presentation, structure, and content of the consolidated financial statements, including disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that achieves fair presentation.
- we plan and perform the audit of the Group in order to obtain sufficient and 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's financial statements. We are responsible for the direction, supervision, and review of the audit work performed for the purposes of the Group audit. We bear sole responsibility 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.

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure of information 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 performing our audit and for our audit opinion, as per the requirements of the IFAASRA applicable in Bulgaria. When accepting and performing the joint audit engagement, in respect to which we are reporting, we are also directed by the Guidelines for performing joint audits, issued on 13 June 2017 by the Institute of Certified Public Accountants in Bulgaria and by the Commission for Public Oversight of the Registered Auditors in Bulgaria.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

### Additional reporting matters under the Accounting Act

In addition to our responsibilities and reporting in accordance with ISAs, described above in the Information Other than the Consolidated Financial Statements and Auditors' Report Thereon section, in relation to the management report and the corporate governance statement, we have also performed the procedures added to those required under ISAs in accordance with the "Guidelines Regarding New Extended Reports and Communication by the Auditor" of the professional organisation of Registered Auditors in Bulgaria – Institute of Certified Public Accountants (ICPA). These procedures refer to testing the existence, form and content of this other information to assist us in forming an opinion about whether the other information includes the disclosures and reporting provided for in Chapter Seven of the Accountancy Act applicable in Bulgaria and Art. 100(m), paragraph 8, where applicable, of the Public Offering of Securities Act.

### Opinion in connection with Art. 37, para. 6 of the Accounting Act

Based on the procedures performed, our opinion is that:

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

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**Reporting according to Art. 10 of Regulation (EU) No. 537/2014 regarding the requirements of Art. 59 of the Law on the Independent Financial Audit**

According to the requirements of the Law on the Independent Financial Audit in connection with Art. 10 of Regulation (EU) No. 537/2014, we hereby additionally report the information stated below.

- Baker Tilly Klitou and Partners EOOD and RSM BG OOD were appointed as statutory auditors of the Group's consolidated financial statements for the year ended on December 31, 2025, by the General Shareholders' Meeting held on September 19, 2023, for a period of three years.
- The audit of the Group's consolidated financial statements for the year ending on December 31, 2025 represents the ninth full uninterrupted statutory audit engagement carried out by Baker Tilly Klitou and Partners EOOD and the fourth full uninterrupted statutory audit engagement carried out by RSM BG OOD.
- We hereby confirm that the auditor's opinion expressed by us is consistent with the additional report, provided to the Audit Committee of the Bank, in compliance with the requirements of Art. 60 of the Law on the Independent Financial Audit and Assurance of Sustainability Reporting Act.
- We hereby confirm that we have not provided the prohibited non-audit services referred to in in Art. 64 of the Independent Financial Audit and Assurance of Sustainability Reporting Act.
- We hereby confirm that in conducting the audit we have remained indpendent of the Bank and its subsidiaries.

**Audit company № 129**
**Baker Tilly Klitou and Partners EOOD**

**Galina Lokmadjieva-Nedkova**
**Registered auditor, responsible for the audit**

**Managing Director**
**Baker Tilly Klitou and Partners EOOD**

**30 April 2026**

**5 Stara Planina Str., floor 5**
**Sofia 1000, Bulgaria**

**Audit company № 173**
**RSM BG OOD**

**Mariana Mihaylova, PhD**
**Registered auditor, responsible for the audit**

**Mariana Mihaylova, PhD**
**Managing Director**
**RSM BG OOD**

**30 April 2026**

**9, Professor Fridtjof Nansen street, floor 7**
**1142 Sofia, Bulgaria**

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## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
**for the year ending December 31, 2025**

| | *Notes* | **2025 BGN'000** | **2024 BGN'000** |
|---|---|---|---|
| Interest income | | 72,238 | 82,434 |
| Interest expense | | (10,324) | (8,524) |
| **Net interest income** | *4* | **61,914** | **73,910** |
| Fee and commissions income | | 13,273 | 13,183 |
| Fee and commissions expense | | (2,853) | (2,658) |
| **Net fee and commission income** | *5* | **10,420** | **10,525** |
| Net trading income | *6* | 2,217 | 2,453 |
| Net reversal on impairment of financial assets | *7* | 4,739 | 1,197 |
| **Operating income** | | **79,290** | **88,085** |
| Operating income, net | *8* | 11,873 | 5,755 |
| | | | |
| **Administrative operating expenses** | | | |
| Personnel expenses | *9* | (27,895) | (24,273) |
| Depreciation and amortization | *9,17,18,19* | (4,517) | (4,382) |
| Other administrative operating expenses | *9* | (15,754) | (14,258) |
| | | **(48,166)** | **(42,913)** |
| **Profit before profit tax** | | **42,997** | **50,927** |
| Income tax expense | *10* | (4,503) | (5,152) |
| **Net profit for the year** | | **38,494** | **45,775** |

The notes from 1 to 32 are an integral part of the consolidated financial statements.

The consolidated financial statements on pages 1 to 109 were approved for issue by the Management Board of the bank and signed on 30.04.2026 by:

D COMMERCE BANK AD
Commerce
D Bank
SOFIA

Nikolay Spasov
*Chief Executive Officer*

Plamen Dermendzhiev
*Executive Officer*

Milena Duneva
*Preparer*

In accordance with the independent audit report:
Baker Tilly Klitou & Partners EOOD
Registered under No 129
in the Register of Registered Auditors

RSM BG OOD
Registered under No 173
in the Register of Registered Auditors

Dr. Mariana Mihaylova,
*Registered auditor responsible for the audit*

Galina Lokmadzhieva - Nedkova
*Registered auditor*
*Responsible for the audit and*
*Managing Director*

Dr. Mariana Mihaylova
*Managing Director*

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**
**for the year ending December 31, 2025**

| | | | |
|---|---|---|---|
| **Components of the other comprehensive income:** | | | |
| ***Components that will not be reclassified subsequently to profit or loss:*** | | | |
| Revaluation reserve of land and buildings | | 761 | 10,305 |
| Subsequent measurement of defined benefit pension plan liabilities | *26* | (61) | (17) |
| | | **700** | **10,288** |
| ***Components that may be reclassified subsequently to profit or loss:*** | | | |
| Net gain on debt securities at fair value through other comprehensive income | | 1,662 | 2,479 |
| | | **1,662** | **2,479** |
| **Other comprehensive income for the year, net of tax** | *11* | **2,362** | **12,767** |
| **TOTAL COMPREHENSIVE INCOME FOR THE YEAR** | | **40,856** | **58,542** |

The notes from 1 to 32 are an integral part of the consolidated financial statements.

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*Responsible for the audit and*
*Managing Director*

Dr. Mariana Mihaylova
*Managing Director*

GROUP COMMERCE BANK D AD

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**
**as at 31 December 2025**

| | *Notes* | 31 December 2025 BGN'000 | 31 December 2024 BGN'000 |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and balances with the Central Bank | *12* | 403,130 | 473,611 |
| Loans to banks | *13* | 126,127 | 167,526 |
| Loans and advances to customers | *14* | 1,290,823 | 1,085,215 |
| Investmment securities at fair value through other comprehensive income | *15* | 51,624 | 216,826 |
| Investment securities at amortized cost | *16* | 147,268 | 110,216 |
| Investment property | *17* | 15,030 | 12,718 |
| Property and equipment and right of use assets | *18* | 60,809 | 59,692 |
| Intangible assets | *19* | 4,765 | 4,710 |
| Current tax receivables | *20* | 13,365 | 205 |
| Other assets | *21* | 21,409 | 29,879 |
| **TOTAL ASSETS** | | **2,134,350** | **2,160,598** |
| | | | |
| **LIABILITIES** | | | |
| Deposits from banks | *22* | 9,301 | 10,633 |
| Deposits from customers | *23* | 1,831,627 | 1,884,499 |
| Current tax liabilities | *24* | 330 | 45 |
| Deferred tax liabilities | *25* | 1,333 | 890 |
| Other liabilities | *26* | 14,772 | 14,101 |
| **TOTAL LIABILITIES** | | **1,857,363** | **1,910,168** |
| | | | |
| **EQUITY** | | | |
| Share capital | | 90,064 | 90,064 |
| Reserves | | 149,166 | 114,912 |
| Retained earnings | | 37,757 | 45,454 |
| **TOTAL EQUITY** | *27* | **276,987** | **250,430** |
| | | | |
| **TOTAL LIABILITIES AND EQUITY** | | **2,134,350** | **2,160,598** |

The notes from 1 to 32 are an integral part of the consolidated financial statements.
The consolidated financial statements on pages 1 to 109 were approved for issuance by the Management Board of the bank and signed on 30.04.2026 by:

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*Responsible for the audit and*
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*Registered auditor responsible for the audit*

Dr. Mariana Mihaylova
*Managing Director*

## CONSOLIDATED STATEMENT OF CASH FLOWS
## for the year ending December 31, 2025

| | *Notes* | 2025 BGN'000 | 2024 BGN'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit before taxes | | 42,997 | 50,927 |
| *Adjustments for non-cash transactions* | | | |
| Net impairment (reversal) of financial assets | *7* | (4,739) | (1,197) |
| Depreciation and amortisation | *9* | 4,310 | 4,180 |
| Depreciation of investment properties | *9,17* | 207 | 202 |
| Net interest income | *4* | (61,914) | (73,910) |
| Impairment of investment properties | | - | 11 |
| Impairment of materials for resale | | - | 13 |
| Dividend income | | (68) | (26) |
| Proceeds from revaluation of properties contributed to a subsidiary and sale of properties | | (356) | (698) |
| Income from sale of tangible assets, intangible assets and materials | | (1,115) | (2,173) |
| **Cash flows used in operating activities before changes in operating assets and liabilities** | | **(20,678)** | **(22,671)** |
| *Changes in operating assets* | | | |
| (Increase)/Decrease in investment securities at fair value through other comprehensive income | | 162,368 | (149,858) |
| Increase in loans and advances granted to customers | | (192,048) | (44,123) |
| Increase in other assets | | (2,608) | (1,241) |
| *Changes in operating liabilities* | | | |
| Increase in deposits from customers | | (55,070) | 448,916 |
| Increase in other liabilities | | 5,137 | 935 |
| Dividends received | | 68 | 27 |
| Interest received | | 63,294 | 82,304 |
| Interest paid | | (8,949) | (1,430) |
| Net cash flows from/(used in) operating activities before income tax | | (48,486) | 312,859 |
| Income tax paid | | (4,218) | (5,152) |
| **Net cash flows from/(used in) operating activities** | | **(52,704)** | **307,707** |

The notes from 1 to 32 are an integral part of the consolidated financial statements.
The consolidated financial statements on pages 1 to 109 were approved for issuance by the Management Board of the bank and signed on 30.04.2026 by:

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Dr. Mariana Mihaylova
*Managing Director*

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## CONSOLIDATED STATEMENT OF CASH FLOWS
### for the year ending December 31, 2025

| | | | |
|---|---|---|---|
| **Cash flows from investment activities** | | | |
| Purchase of property and equipment | | (7,323) | (7,166) |
| Proceeds from sale of property and equipment | | 514 | 1,428 |
| Proceeds from sales of investment properties | | 5,871 | 6,556 |
| Purchases of intangible assets | | (3,390) | (1,018) |
| Purchases of securities at amortised cost | | (70,421) | (664,330) |
| Proceeds at maturity of securities at amortised cost | | 34,489 | 681,545 |
| **Net cash flows from/(used in) the investment activity** | | **(40,260)** | **17,015** |
| **Cash flows from financial activities** | | | |
| Payments to banks | | (430) | (13,100) |
| Payments of lease liabilities | | (4,187) | (1,665) |
| Paid dividend | | (14,299) | (12,000) |
| **Net cash flows used in financial activities** | | **(18,916)** | **(26,765)** |
| **Net change in cash and cash equivalents** | | **(111,880)** | **297,957** |
| **Cash and cash equivalents at the beginning of the year** | *28* | **641,137** | **343,180** |
| **Cash and cash equivalents at the end of the year** | *28* | **529,257** | **641,137** |

The notes from 1 to 32 are an integral part of the consolidated financial statements.
The consolidated financial statements on pages 1 to 109 were approved for issuance by the Management Board of the bank and signed on 30.04.2026 by:

D COMMERCE BANK AD
D Commerce Bank
SOFIA

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*Chief Executive Officer*

Plamen Dermendzhiev
*Executive Officer*

Milena Duneva
*Preparer*

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*Registered auditor responsible for the audit*

Dr. Mariana Mihaylova
*Managing Director*

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
## for the year ending December 31, 2025

| | *Notes* | Share capital | Statutory reserves | Reserve for financial assets at fair value through other comprehensive income | Revaluation reserve of land and buildings | Retained earnings | Total |
|---|---|---|---|---|---|---|---|
| | | BGN'000 | BGN'000 | BGN'000 | BGN'000 | BGN'000 | BGN'000 |
| **Balance as at 1 January 2024** | | **90,064** | **82,310** | **(7,051)** | **-** | **38,565** | **203,888** |
| *Changes in equity for 2024* | | | | | | | |
| Distribution of profits for: | | - | 26,869 | - | - | (38,869) | (12,000) |
| ** reserves* | | - | *38,869* | - | - | *(38,869)* | - |
| *** Dividend paid* | | - | *(12,000)* | - | - | - | (12,000) |
| Total comprehensive income for the year, including: | | - | - | 2,479 | 10,305 | 45,758 | 58,542 |
| * net profit for the year | | - | - | - | - | *45,775* | *45,775* |
| ** revaluation of land and buildings* | | - | - | - | *10,305* | - | *10,305* |
| ** other components of comprehensive income, net of tax* | | - | - | *2,479* | - | *(17)* | *2,462* |
| **Balance as at 31 December 2024** | *27* | **90,064** | **109,179** | **(4,572)** | **10,305** | **45,454** | **250,430** |
| *Changes in equity for 2025* | | | | | | | |
| Distribution of profits for: | | - | 31,831 | - | - | (46,130) | (14,299) |
| ** reserves* | | - | *46,130* | - | - | *(46,130)* | - |
| *** Dividend paid* | | - | *(14,299)* | - | - | - | (14,299) |
| Total comprehensive income for the year, including: | | - | - | 1,662 | 761 | 38,433 | 40.856 |
| ** net profit for the year* | | - | - | - | - | *38,494* | *38,494* |
| ** revaluation of land and buildings* | | - | - | - | *761* | - | *761* |
| ** other components of comprehensive income, net of tax* | | - | - | *1,662* | - | *(61)* | *1,601* |
| **Balance as at 31 December 2025** | *27* | **90,064** | **141,010** | **(2,910)** | **11,066** | **37,757** | **276,987** |

The notes from 1 to 37 are an integral part of the consolidated financial statements.

The consolidated financial statements on pages 1 to 109 were approved for issuance by the Management Board of the bank and signed on 30.04.2026 by:

D COMMERCE BANK AD
Commerce
Bank
SOFIA

Nikolay Spasov
*Chief Executive Officer*

Plamen Dermendzhiev
*Executive Office*

Milena Duneva
*Preparer*

In accordance with the independent audit report.

Baker Tilly Klitou & Partners EOOD
Registered under No 129
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Galina Lokmadzhieva - Nedkova
*Registered auditor,*
*Responsible for the audit and*
*Managing Director*

RSM BG OOD
Registered under No 173
in the Register of Registered Auditors
Dr. Mariana Mihaylova,
*Registered auditor responsible for the audit*

Dr. Mariana Mihaylova
*Managing Director*

## 1. CORPORATE INFORMATION ABOUT THE GROUP

D Commerce bank Group (the Group) consists of D Commerce bank AD (the Group/parent company) and its four subsidiaries – D Leasing EAD, D Insurance Broker EOOD, D Imoti EOOD and D Invest Park EOOD. The Group also includes Ivanchov Stan EOOD and Ivanchov Han EOOD complex (100% owned by D Imoti EOOD), which are indirectly owned by the parent company.

### *1.1. General information*

*Parent Company*

D Commerce Bank AD (formerly Demirbank (Bulgaria) AD) was established on 15 April 1999 as a joint-stock company. The registered address of the Bank is: 8, Gen. E. I. Totleben Blvd., Sofia. D Commerce Bank AD is a universal bank with a full license to provide banking services in the country and abroad, in domestic and foreign currency, and to perform all other transactions under art. 2, Para 1 and 2 of the Credit Institutions Act.

*Subsidiaries*

*D Leasing EAD*

D Leasing is registered in the Commercial Register at the Registry Agency on 29 July 2014 as a sole owner joint-stock company. 100% of the share capital is held by D Commerce Bank AD. Company's headquarter and registered address is: 8, Gen. Totleben Blvd., Sofia.

*D Insurance Broker EOOD*

D Insurance Broker EOOD is a sole owner limited liability company. Sole owner of the capital is D Commerce Bank AD. The circumstances related to the acquisition of 100% of Company's capital by the Bank were entered in the Commercial Register kept at the Registry Agency on 31 July 2013.
Company's seat and registered office is: 8, Gen. Totleben Blvd., Krasno Selo Region, Sofia.

*D Imoti EOOD*

D Imoti EOOD is a sole owner limited liability company, registered in the Commercial Register at the Registry Agency on 14 October 2013. The sole owner of Company's capital is D Commerce Bank AD. Company's seat and registered office is: 8, Gen. Totleben Blvd., Krasno Selo Region, Sofia.

*D Invest Park EOOD*

D Invest Park EOOD is a sole owner limited liability company, registered in the Commercial Register at the Registry Agency on 15 November 2021. The sole owner of the capital is D Commerce Bank AD. Company's seat and registered office is: 8, Gen. Totleben Blvd., Krasno Selo Region, Sofia.

*Ivanchov Stan EOOD*

Ivanchov Stan is a a sole owner limited liability company, registered in the Commercial Register at the Registry Agency on 09.12.2022.

*Complex Ivanchov Han EOOD*

Complex Ivanchov Han EOOD is a a sole owner limited liability company, registered in the Commercial Register at the Registry Agency on 26.11.2025. The sole owner of the capital is D Imoti EOOD, a subsidiary of D Commerce bank AD.

### *1.2. Ownership and management*

*Parent Company*

As of 31.12.2025, the capital of the Group (parent company) is owned by Mr. Fuat Guven, who directly owns 55.52% (31.12.2024: 55.52%) of the capital, and the remaining 44.48% (31.12.2024: 44.48%) - through the company Fortera AD with UIC 175194303. The Group has a two-tier management system – with a Management Board (MB) and a Supervisory Board (SC).

As of 31.12.2025, the management of the bank, represented by the Management Board, consists of (five) members, namely: Anna Ivanova Asparuhova – Chairperson of the Management Board and Chief Executive Officer; Plamen Ivanov Dermendzhiev – Executive Director and Member of the Management Board; Valentina Dimitrova Borisova – Executive Director and Member of the Management Board; Ivaylo Penev Hadjiev – Executive Director and Member of the Management Board and Zahari Dimitrov Alipiev – Member of the Management Board.

As of 31.12.2025, the persons entrusted with the general management of the parent company (the Group), represented by the Supervisory Board, are 3 (three), namely: Fuat Guven - Chairman of the National Assembly, Valeri Borisov - Member of the National Assembly, Bahatin Gürbüz - Member of the National Assembly.

In accordance with the requirements of the Credit Institutions Act, the provisions of the Statute of D Commerce bank AD and the court registration of the Group, it is represented by all members of the Management Board together or jointly by two Executive Directors. As of 31 December 2025, the Executive Directors of the Group are: Anna Ivanova Asparuhova – Chairperson of the Management Board and Chief Executive Officer; Plamen Ivanov Dermendzhiev – Executive Director and Member of the Management Board; Valentina Dimitrova Borisova – Executive Director and Member of the Management Board; Ivaylo Penev Hadzhiev – Executive Director and Member of the Management Board.

The parent company (the Group) has an audit committee that monitors the work of its external auditors, internal audit activities, risk management and accounting activities and financial reporting.

The Audit Committee has the following composition: Toma Stoilov – Chairperson, Vasilka Ivanova – Member, Ekaterina Mangafova – Kapincheva – Member.

*Subsidiaries*

The group is the sole owner of all four subsidiaries – D Leasing EAD, D Insurance Broker EOOD, D Imoti EOOD and D Invest Park EOOD. The Group also includes Ivanchov Stan EOOD and Ivanchov Han EOOD complex (100% owned by D Imoti EOOD), which are indirectly owned by the parent company.

*D Leasing EAD*

The management of D Leasing EAD represented by the Board of Directors as of 31.12.2025 consists of: Ivaylo Georgiev Ivanov, Petya Radeva Valeva and Kostadin Bozhikov Munev. The Company is represented jointly by each of the three members of the Board of Directors.

*D Insurance Broker EOOD*

The company is managed and represented by Lyubomir Svetoslavov Ivanov – manager.

*D Imoti EOOD*

The company is managed and represented by the managers Yavor Nikolov Terziev and Ivaylo Georgiev Ivanov.

*D Invest Park EOOD*

The company is managed and represented by the managers Yavor Nikolov Terziev and Ivaylo Georgiev Ivanov.

*Ivanchov Stan EOOD*

The company is managed and represented by Fuat Güven.

*Complex Ivanchov Han EOOD*

The company is managed and represented by Fuat Güven.

As of 31.12.2025, the total number of staff in the Group was 428 employees (31.12.2024: 424 employees).

### *1.3. Group structure and scope of activity*

*1.3.1. The* structure of the group includes D Commerce bank AD as a parent company and the subsidiaries listed below:

| | Country | Participation as of 31.12.2025 % | Participation as of 31.12.2024 % |
|---|---|---|---|
| D Invest Park EOOD | Bulgaria | 100% | 100% |
| D Imoti EOOD | Bulgaria | 100% | 100% |
| D Leasing EAD | Bulgaria | 100% | 100% |
| D Insurance Broker EOOD | Bulgaria | 100% | 100% |
| Ivanchov Stan EOOD - indirectly | Bulgaria | 100% | 100% |
| Complex Ivanchov Han EOOD - indirect | Bulgaria | 100% | - |

The table below provides information on the date of the parent company's acquisition of control of the subsidiary concerned:

| | Date of Acquisition of control |
|---|---|
| D Invest Park EOOD | 15.11.2021 |
| D Leasing EAD | 29.07.2014 |
| D Insurance Broker EOOD | 09.07.2013 |
| D Imoti EOOD | 14.10.2013 |
| Ivanchov Stan EOOD | 09.12.2022 |
| Complex Ivanchov Han EOOD | 26.11.2025 |

*1.3.2. Scope of activity*

*Parent Company*

The parent company (the Group) holds a banking license issued by the Central Bank of Bulgaria, the

Bulgarian National Bank (BNB), and can carry out all banking operations permitted by Bulgarian law.

The Group's main activity in 2025 is related to attracting deposits from customers, providing loans to business clients and individuals, servicing payments to customers in the country and abroad, securities transactions, performing repo transactions on the interbank market, transactions with foreign currency, issuing letters of credit and guarantees and other financial services in Bulgaria.

*Subsidiaries*

*D Leasing EAD* is a financial institution within the meaning of Art. 3a of the Credit Institutions Act and is entered in the register of financial institutions at the BNB by Order No BNB-135013/01.12.2014.

The main subject of activity of the company includes the execution of the following types of transactions: financial leasing, guarantee transactions, money brokerage, acquisition of loan receivables and other forms of financing (factoring, forfeiting, etc.), acquisition of participations in a credit institution or in another financial institution, granting loans with funds that have not been raised through public attraction of deposits or other repayable funds.

*E Insurance Broker EOOD* is engaged in insurance brokerage or mediation for the conclusion and execution of insurance and/or reinsurance contracts and related consulting services (after obtaining a license), as well as other activities and transactions not prohibited by law, excluding security and similar activities.

*D Imoti EOOD* is engaged in the purchase and sale of real estate, design, furnishing and construction of real estate for the purpose of sale, rental.

*D Invest Park EOOD* is engaged in the construction of an industrial zone, the establishment and registration of an industrial park within the meaning of the Industrial Parks Act, the operation, management and development of the industrial park.

*Ivanchov Stan EOOD*

Ivanchov Stan EOOD is engaged in real estate management, mediation in transactions with them and any other activity not prohibited by law.

*Complex Ivanchov Han EOOD*

Complex Ivanchov Han EOOD is subject to real estate management, mediation in transactions with them and any other activity not prohibited by law.

The Group and its subsidiaries carry out their activities entirely on the territory of the Republic of Bulgaria.

***1.4. Group structure***

As of 31.12.2025, the Group has opened 40 structural units, including head office, 30 financial centers, 4 offices and 6 outsourced workplaces, located in separate cities of the country.

***1.5. Legal environment***

The Group's activities are regulated by the Credit Institutions Act and related regulations, and the

BNB supervises and controls compliance with banking legislation.

## 2.KEY POINTS OF THE GROUP'S ACCOUNTING POLICY

### *2.1. Basis for the preparation of the consolidated financial statements*

The consolidated financial statements of D Commerce bank AD are prepared in accordance with the International Financial Reporting Standards (IFRS), which consist of: financial reporting standards and interpretations of the IFRS Interpretation Committee (IFRS), approved by the International Accounting Standards Board (IASB), and International Accounting Standards and the interpretations of the Standing Interpretation Committee (IFRS), approved by the International Accounting Standards Committee (IASB), which effectively enter into force on 1 January 2025, and which have been adopted by the Commission of the European Union. IFRSs, adopted by the EU, are the generally accepted name of the framework with general purpose – accounting base, equivalent to the framework introduced with the definition under § 1, item 8 of the Additional Provisions of the Accounting Act under the name "International Accounting Standards" (IAS).

For the current financial year, the Group has adopted all new and/or revised standards and interpretations issued by the International Accounting Standards Board (IASB) and respectively. by the IFRS Interpretation Committee that were relevant to its business.

The consolidated financial statements are prepared in accordance with the going concern principle.

The following new standards, changes to standards and clarifications approved for application by the EC are not binding for the annual period starting on 1 January 2025 and have not been applied in the preparation of these consolidated financial statements. The Group plans to implement these changes when they come into force.

***Standards, clarifications and changes to standards that have not been applied before – approved for application by the EC***

(a) IFRS 18 Presentation and Disclosure in Financial Statements (issued on 9 April 2024, effective 1 January 2027)

IFRS 18 replaces IAS 1 Presentation of Financial Statements. The main changes to the requirements are summarized below.

*More structured profit or loss statement*

IFRS 18 introduces new definitions of subtotals of 'operating profit' and 'profit or loss before financing and income tax', as well as requiring that all income and expenses be allocated to three new distinct categories based on the company's core business activities: operational, investment and finance.

Under IFRS 18, companies will no longer be allowed to disclose operating expenses only in the explanatory notes. The company will have to present operating costs in a way that provides the "most useful structured summary" of its costs:

- by economic elements;
- by functional characteristics; or
- by using mixed presentation.

If operating costs are presented on a functional basis, then new disclosures shall apply.

*Measures of management effectiveness – disclosed and audited*

IFRS 18 also requires certain "non-generally accepted accounting principles" measures to be reported in financial statements. It introduces a narrow definition of management performance measures, requiring them to be:

- subtotal of revenues and expenditures;
- used in public communications outside the financial statements; and
- reflect management's position on the financial presentation.

For each management performance measure presented, entities must explain in a note to the financial statements why the measure provides useful information, how it is calculated, and make the relationship to an amount determined in accordance with IFRS.

*Greater granularity of information*

The new standard includes improved guidance on how businesses group information in financial statements. This includes guidance on whether the information is included in the main elements of the financial statements or further disaggregated in the explanatory annexes.

Entities are not encouraged to refer to items in the financial statements as 'other' and are required to disclose more information if they continue to do so.

*Other changes applicable to the main elements of the financial statements*

IFRS 18 identifies operating profit as the starting point for the indirect method of presenting cash flows from operating activities and eliminates the possibility of classifying cash flows from interest and dividends as operating activities in the statement of cash flows (this differs for companies with certain main business lines). It also requires goodwill to be presented on a separate line in the statement of financial position.

*Passing*

In its annual financial statements prepared for the period in which the new Standard is first applied, an entity shall disclose, for the comparative period immediately preceding that period, an reconciliation for each line in the profit or loss statement between the restated amounts presented in application of IFRS 18 and the amounts previously presented in application of IAS 1.

(b) Volume 11 of annual improvements (issued on 18 July 2024, in force from 1 January 2026)

(c) Nature-dependent electricity contracts — Amendments to IFRS 9 and IFRS 7 (issued on 18 December 2024, effective 1 January 2026)

(d) Amendments to the Classification and Measurement of Financial Instruments — Amendments to IFRS 9 and IFRS 7 (issued on 30 May 2024, effective 1 January 2026)

The Bank does not expect these changes to have a material effect on the financial statements when implemented.

***Standards and clarifications that have not yet been approved for implementation by the EC***

Management considers it appropriate to disclose that the following new or revised standards, new clarifications and changes to existing standards that have already been issued by the International Accounting Standards Board (IASB) as of the reporting date, but have not yet been approved for implementation by the EC and are therefore not taken into account in the preparation of these individual financial statements. The dates of entry into force of these changes will depend on the decision on approval for implementation of the EC.

**The following amendments and improvements to standards are not expected to have a material effect on the Bank's consolidated financial statements:**

IFRS 19 Subsidiaries Not Publicly Reported: Disclosures (issued on 9 May 2024, effective 1 January 2027);

Amendments to IAS 21 Effects of Exchange Rate Changes: Conversion to Hyperinflationary Presentation Currency (issued on 13 November 2025, effective 1 January 2027);

Amendments to IFRS 19 Subsidiaries Not Publicly Reporting: Disclosures (issued on 21 August 2025, effective 1 January 2027).

### *2.2. Comparative data*

The Group presents comparative information in this consolidated financial statements for one previous year.

Where necessary, comparative data shall be reclassified (and recalculated) to achieve comparability to changes in performance in the current year.

### *2.3. Assessment basis*

The group's consolidated financial statements are prepared on the basis of historical price, excluding financial instruments carried at fair value through other comprehensive income, which are measured on a fair value basis.

### *2.4. Functional currency and presentation currency*

The functional currency and reporting currency of presentation in the group's consolidated financial statements is the Bulgarian lev. Since January 1, 1999, with the introduction of the euro, the fixed legal ratio of the two currencies has been BGN 1.95583:EUR 1.

The Group keeps its accounting registers in Bulgarian lev (BGN), which it accepts as its reporting currency for presentation. The data in the consolidated financial statements and the annexes thereto are presented in thousands of BGN, unless something else is explicitly indicated.

### *2.5. Application of estimates*

The presentation of financial statements in accordance with International Financial Reporting Standards requires group management to make the best estimates, accruals and reasonably reasonable assumptions that have an effect on reported values of assets and liabilities, income and expenses, and the disclosure of contingent receivables and liabilities at the reporting date. These estimates, accruals and assumptions are based on the information which is available at the date of the financial statements, therefore the Group's future actual results could be different from those (with uncertainties being more significant in a financial crisis). Objects that imply a higher degree of subjective judgment or complexity of, or where the assumptions and estimates are material for the financial statements, are disclosed in *Note No 2.24.*

### *2.6. Definitions and principles of consolidation*

#### *2.6.1. Definitions*

*Parent Company*

The parent company is that investor company that controls one or more other companies (enterprises). Possession of control means that an investor is exposed to, or is entitled to, variable returns from his or her participation in the investee's company and has the ability to influence the amount of that return through its powers over the investee.

The parent company is D Commerce bank AD (*Note 1*).

*Subsidiary*

A subsidiary is such a company, or other form of undertaking, that is controlled directly or indirectly by the parent company.

Subsidiaries are: D Leasing EAD, D Insurance Broker EOOD, D Imoti EOOD and D Invest Park EOOD. (*Note No. 1*). The parent company indirectly owns 100% of the capital of Ivanchov Stan EOOD and Complex Ivanchov Khan EOOD through D Imoti EOOD.

*2.6.2.Principles of consolidation*

The consolidated financial statements include the financial statements of the parent company D Commerce bank AD and the subsidiaries D Leasing EAD, D Insurance Broker EOOD, D Imoti EOOD, Ivanchov Stan EOOD, Complex Ivanchov Han EOOD and D Invest Park EOOD, prepared as of 31 December, which date is the date of the Group's financial year.

The financial statements of the subsidiaries for the purposes of consolidation are prepared for the same reporting period as those of the parent company and under the same accounting policies.

*Consolidation of a subsidiary*

The subsidiary is consolidated from the date on which effective control is acquired by the Group (finally, by the parent) and ceases to consolidate from the date on which control is deemed to be transferred outside the Group (finally, by the parent).

The subsidiary is consolidated using the full consolidation method and the financial statements of the parent company and the subsidiary are combined line by line, applying the same accounting principles and unified accounting policy. The parent company's investments are eliminated against its share in the subsidiary's equity. All intra-group operations and estimates have been eliminated, incl. unrealised intra-group gain or loss.

*Acquisition of a subsidiary*

The purchase and sale method is used for the acquisition of a subsidiary (undertaking) of the Group. The cost of acquisition (consideration given) includes the fair value at the date of exchange of the assets given, liabilities incurred or assumed and equity instruments issued by the acquirer in exchange for obtaining control of the acquiree. It also includes the fair value of any asset or liability that is the result of a contingent consideration arrangement. The actual costs incurred in connection with the acquisition are recognised and expensed directly in current expenses in the period in which they are incurred.

All identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are initially measured at their fair values at the date of exchange. Any excess of the acquisition price of the subsidiary (entity) over the acquirer's share of the fair value of the net identifiable assets acquired, liabilities and contingent liabilities assumed is treated and recognised as goodwill. If the acquirer's share of the fair value of the net identifiable assets acquired exceeds the cost of the business combination, that excess is recognised immediately in the Group's consolidated statement of profit or loss and other comprehensive income. Any non-controlling interest in a business combination is measured on the basis of the acquiree's 'proportionate share of net assets'.

Where the business combination to acquire a subsidiary is achieved in stages, at the acquisition date all previous investments held by the acquirer are remeasured to fair value, with the resulting effects of this remeasurement recognised in the Group's current profit or loss, including any previously reported effects in other comprehensive income are recycled.

*Disposal/(sale) of a subsidiary*

In the event of a sale or other loss (transfer) of control of a subsidiary:

- The assets and liabilities (including goodwill, if any) of the subsidiary shall be derecognised at the carrying amount at the date of the loss of control;
- The non-controlling interest in that subsidiary is derecognised at its carrying amount in the consolidated statement of financial position at the date of loss of control;
- The consideration received is recognised at the fair value of the transaction, event or operation that resulted in the loss of control;
- Any components of equity representing unrealised gains or losses shall be reclassified to profit or loss, or transferred directly to accumulated profits, in accordance with the requirements of the relevant IFRS under whose rules those components of equity fall;
- Any resulting difference is recognised as a 'gain or loss' on the disposal (sale) of a subsidiary in the consolidated statement of comprehensive income (in current profit or loss) attributable to the parent.

*Transactions with non-controlling interests*

Transactions with non-controlling interests are treated by the Group as transactions with parties holding equity instruments of the Group. The effects of sales of shares of the parent company, without loss of control, to holders of non-controlling interests are not treated as components of the Group's current profit or loss but as movements in the components of its equity. Conversely, in the case of purchases by the parent company, without the acquisition of control, of additional shares of the non-controlling interest holders, any difference between the amount paid and the corresponding proportion of the carrying amount of the subsidiary's net assets acquired is recognised directly in the consolidated statement of equity, usually in the accumulated profits reserve.

When the Group ceases to have control over a subsidiary or significant influence over an associate, any remaining investment is remeasured at fair value at the date of loss of control/significant influence. The difference between the carrying amount and fair value is recognised in current profit or loss. Any amounts previously recognised in other comprehensive income are transferred to profit or loss as if the investment had been fully disposed of.

### *2.7. Foreign exchange transactions*

On initial recognition, each transaction in a foreign currency is accounted for in the functional currency (Bulgarian lev) by applying to the foreign currency amount the exchange rate at the time of the transaction. Cash and cash equivalents, loans and receivables, investments in securities, deposit liabilities and other monetary liabilities denominated in a foreign currency are recorded in the functional currency using the exchange rate published by the BNB on a daily basis. As at 31 December they are valued in BGN using the closing exchange rate of the BNB.

Non-monetary statement of financial position items initially denominated in a foreign currency are reported in the functional currency using the historical exchange rate at the date of the transaction and are not subsequently remeasured at the closing rate.

The effects of exchange differences associated with the settlement of foreign currency transactions at exchange rates, or the recording of foreign currency transactions at exchange rates that are different from those at which they were originally recognised, are included in the statement of profit or loss and other comprehensive income (in profit or loss for the year) as they arise in '*net trading income*'.

### *2.8. Interest income and expense*

Interest income and interest expense are recognised in profit or loss and other comprehensive income (in profit or loss for the year) on an accruals basis for all interest-bearing financial instruments to the extent that it is probable that the economic benefits will flow to the group and the income can be reliably measured.

*Interest income* includes: realised interest income on debt securities carried at fair value through other comprehensive income, realised interest income on debt securities carried at amortised cost, interest on deposits with other banks, interest on loans and advances to customers and interest on leases, including fees and commissions on loans and advances to customers, which are an integral part of the effective income of the financial instrument.

*Interest expense* includes: interest on deposits from banks, interest on deposits from customers, interest on other long-term borrowings, and interest on lease obligations.

#### *2.8.1. Effective interest method*

In accordance with IFRS 9, the effective income method is used in recognising interest income and expense for all financial instruments at amortised cost and at fair value through other comprehensive income.

The effective interest rate is defined as that rate that exactly discounts future inflows and outflows expected to be generated over the life of a financial instrument, or over a shorter period if appropriate, to its net acquisition cost. The calculation of the effective interest rate shall take into account all contractual terms of the financial instrument, including fees and other inherent costs, that are directly attributable to the instrument and are substantially part of the effective interest rate, but excluding future credit losses. Interest income and interest expense include amortisation of any discount or premium or other differences between the original cost of interest-bearing instruments and their maturity value, calculated on the basis of the effective interest rate.

#### *2.8.2. Recognition of interest income*

For financial assets classified in Stage 1 (classification risk group 'regular exposures') and Stage 2 (classification risk group 'impaired exposures'), interest income is recognised based on the effective interest rate on the gross carrying amount of the instrument.

For financial assets classified in Stage 3 (classification risk group 'credit-impaired exposures'), interest income is recognised based on the effective interest rate on the amortised cost of the instrument. When the financial asset recovers (improvements occur) and is no longer measured as credit-impaired and there is an observable available cash flow, then the recognition of interest income is again made on a gross basis.

The Group holds financial assets (current accounts with other banks) with negative yields. Accrued interest on these assets is presented in the statement of profit or loss and other comprehensive income (in profit or loss for the year) as interest expense and is further disclosed in *Note 4*.

### *2.9. Fee and commission income and expense*

Fee and commission income for banking and non-banking services is recognised in the period or at the time of performance in accordance with the terms of the transfer of control of the service.

Fees and commissions on bank guarantees are recognised on a systematic basis over the life of the exposure, ensuring comparability with the cost of providing the service. Fees on credit commitments that are more likely than not to translate into a loan are deferred for recognition until origination and are included in the calculation of the effective interest rate.

The cost of fees and commissions relating to the servicing of nostro accounts and other accounts with banks are normally recognised at the time the service to which they relate is rendered/consumed, unless they are consumed in a period, in which case they are recognised for the period on a systematic basis.

### *2.10. Gains or losses on trading operations*

The results of trading operations include: interest income on securities held for trading, including dividends thereon; gains or losses on transactions in securities held for trading, foreign exchange gains or losses on foreign currency transactions, and net gains or losses on remeasurements of foreign currency assets and liabilities.

### *2.11.Financial instruments*

#### *2.11.1. Financial assets*

##### *2.11.1.1. Recognition of financial assets*

It is customary for the Group to recognise financial assets in the statement of financial position on the 'trade date', the date on which it commits to purchase the underlying financial assets. This includes transactions under a regulated framework - purchases and sales of financial assets that involve the settlement of the transaction and the transfer of the assets in a generally accepted manner established by law or convention in the relevant market. Loans and advances from customers are recognised when the funds are transferred to the customer's account. Accordingly, the Group recognises a liability to customers when funds are received by the Group.

##### *2.11.1.2. Initial measurement of financial assets*

All financial assets are initially measured at fair value plus direct transaction costs, except for financial assets at fair value through profit and loss. Trade and other receivables are measured at their invoice value (transaction price).

When the fair value of financial instruments at initial recognition differs from the transaction price, then the group recognises in current profit or loss the following conditions:

(a) if the fair value is determined using a valuation technique based on inputs that are observable by market participants, the difference is recognised as early as day 1 in current profit or loss; and

(b) if the fair value is determined using a valuation technique based on inputs that are not observable, the difference is not recognised in current profit or loss until the inputs become observable or the financial instrument is retired.

*2.11.1.3. Classification and subsequent measurement of financial assets*

The Group classifies and subsequently measures all its financial assets in the following three categories: financial assets at amortised cost, financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss. The classification of financial assets is based on the business model for their management and the characteristics of the contractual cash flows.

*Business model for the management of financial assets*

The business models that underpin the management and classification of the Group's financial assets are directly correlated and aligned with the defined strategy and development plans and the objectives of the core banking activities, normal transactions and operations and risk profile. They are defined at the level of a group of financial assets that are managed in the same way to achieve a specific business objective. Where a type of financial instrument comprises individual financial assets for which the specific approach and management characteristics may differ, as may the acquisition strategy and the holding objective, the Group may define more than one business model for that type of instrument by identifying sub-portfolios with different classification and reporting. Depending on its strategy and risk profile, the Group has established the following business models for managing its financial assets:

1) *A business model whose purpose is to hold assets to collect contractual cash flows.* Key features of the model include:

- financial assets that are managed to collect agreed payments over the life of the instrument;
- the focus of monitoring and reporting to management and those directly responsible is on the credit quality of the instrument, the extent of credit risk and the negotiated return for that asset class. Additionally, in the context of this focus, the Group also monitors their fair value;
- Historical analysis or data does not identify (frequent or large) sales that are inconsistent with business objectives;
- sales of financial assets related to credit risk mitigation, credit concentration, liquidity testing (demonstration) or contingencies (including of significant value) arising from stressed liquidity situations are excluded and assumed not to be inconsistent with the defined business model.

2) *Business model whose purpose is both collecting contractual cash flows and sale of financial assets. The main characteristics of this model include:* financial assets that are also used to manage current liquidity;

- their scope and type is also consistent with the objective of managing total return, maximising performance in the liquidity provision process, and maintaining the necessary balance of inflows and outflows for the Group;
- Historically, more frequent and higher volume sales of assets in this group have been observed and assumed, to the extent that they represent a key factor in achieving the business model objective.

2) *A business model whose objective is to generate cash flows through the sale of an asset. The main features of the model include:*

- financial assets for which the Group has the intent and business reason to monitor their fair value on an ongoing basis, which is the basis for decisions to enter into purchase and sale transactions;
- there is evidence of active buying and selling activity;
- the contractual cash flows from the asset are not made up solely of principal and interest payments;
- the collection of contractual cash flows from such assets are only ancillary to achieving the primary objective of realising cash flows and good levels of profitability from their sale.

*Characteristics and testing of contractual cash flows of financial assets*

Establishing (testing) the characteristics and terms of contractual cash flows (SPPI) is the second factor in determining the classification of any financial instrument. This process is a test of a set of selected characteristics of the expected contractual cash flows of the transaction that are key to the financial instrument. The objective is to identify assets for which the contractual cash flows contain solely payments of principal and interest (SPPI test).

For the purposes of this test, the principal amount is defined as the fair value of the instrument at the date of initial recognition and is subject to change over the life of the instrument. Also, the most significant element of interest that is examined in the test is the consideration of the time value of money and credit risk that is accounted for in it. In making the valuations under the SPPI test, the Group makes a number of assumptions and judgements and takes into account a series of factors, particularly the variability of cash flows and the risks of the relevant exposure.

The process of establishing the characteristics of the contracted cash flows includes:

- identifying and grouping financial assets relevant to the business model;
- Identification of sub-portfolios of instruments covered by standardised products for which available information and/or review of product documentation (charts) clearly indicates compliance with the SPPI test;
- for homogeneous portfolios, the SPPI test is based on a review of the applicable terms and conditions of internal rules, terms and conditions and contracts, and/or an expert assessment;
- In other cases, the SPPI test is performed by individually reviewing the characteristics at the individual contract level.

The Group has established the following frequency in identifying and testing the characteristics of the contractual cash flows:

- one-off test, on 01.01.2018, upon enforcement of IFRS 9 - for financial assets existing at this date;
- upon introducing new standardised banking products at product documentation (card) level;
- upon occurrence of a new instrument and/or product arises, in the case of specific rules or rules that derive from the standart ones set in internal rules, price list, general terms, conditions and contracts.

*2.11.1.3.1 Financial assets at amortised cost*

The Group reports in this category: cash in current accounts and deposits with the Central Bank; deposits from banks; loans and advances to customers, the portfolio of debt securities held to maturity on a priority basis and other operating receivables.

The Group classifies and subsequently measures a *financial asset at amortised cost* in the *financial assets* group if both of the following conditions are met: (a) the asset is held within a business model whose objective is to collect the contractual cash flows, and (b) under the contractual terms of the financial asset, cash flows arise on specified dates that are the only payments of principal and interest on the outstanding principle amount.

These financial assets are measured in the consolidated statement of financial position at amortised cost using the effective interest method less any recognised accumulated impairment for expected credit losses (allowance). Interest income thereon is measured and recognised based on the effective interest method (*Note 2.11.7*). It is presented in the consolidated statement of profit or loss and other comprehensive income (in profit or loss for the year) within *interest income*.

Loans and advances that initially originated in the Group are recognised upon the actual granting of the cash or upon provision of other financial or non-financial assets to customers and are initially measured at fair value which is usually equal to the value of the cash and/or other assets provided.

Loans and advances acquired by the Group are recognised upon obtaining substantially all the risks and rewards have been received and are initially measured at the amount of consideration paid or the fair value of the transferred asset, if it differs therefrom.

*2.11.1.3.2 Financial assets at fair value through other comprehensive income*

The Group classifies debt and equity instruments in the *financial assets at fair value through other comprehensive income* category. Their fair value is determined by applying different valuation models permitted by IFRS 13: quoted market prices, adjusted market prices or discounted cash flow based models.

The Group subsequently classifies and measures a debt financial asset in the *financial assets at fair value through other comprehensive income* group if both of the following conditions are met: (a) the asset is held within a business model whose objective is both the collection of contractual cash flows and a sale; and (b) under the contractual terms of the financial asset, cash flows that are solely payments of principal and interest on the outstanding principal amount of that instrument occur on specified dates.

The Group may irrevocably elect to classify an equity financial asset in the group of *financial assets at fair value through other comprehensive income* on initial recognition if it meets the definition of an equity instrument within the meaning of IAS 32 and the intention is for a long-term holding with specific business purposes. Such classification is made at the level of the individual instrument.

Unrealised gains and losses arising from changes in the fair value of debt and equity securities classified in the financial assets at fair value through other comprehensive income group are recognised directly in a separate component of equity in the statement of changes in equity (*reserve of financial assets at fair value through other comprehensive income*) through other comprehensive income until the financial asset is sold or determined to be impaired. Then, for (a) debt securities, accumulated gains or losses included in prior periods in equity are recognised in the statement of profit or loss and other comprehensive income for the period (in profit or loss for the year) under the caption '*net trading income*', and (b) equity securities, accumulated gains and losses are not recycled through current profit or loss but are transferred directly to retained earnings.

Debt securities at fair value through other comprehensive income are subject to impairment for credit losses, on a monthly basis. The provision for impairment (allowance) for expected credit losses is presented in the statement of current profit or loss and other comprehensive income under the caption *impairment expense on financial assets* and as an adjustment against the *allowance for financial assets* at fair value through other comprehensive income in the statement of equity. Equity instruments are not impaired.

Over the period of holding the debt securities classified as at fair value through other comprehensive income, the Group recognises interest income using the effective interest method (*Note 2.11.1.7*).

Dividends on equity securities classified as financial assets at fair value through other comprehensive income are recognised and accounted for in the statement of profit or loss and other comprehensive income (profit or loss for the year) within '*other operating income, net*' at the time when the Group is deemed to have acquired the right to those dividends.

*2.11.1.3.3 Financial assets at fair value through profit or loss*

The Group classifies *financial assets at fair value through profit or loss as* held for trading and financial assets designated on initial recognition as at fair value through profit or loss or financial assets that are mandatorily required to be measured at fair value under IFRS 9. Financial assets are classified as held for trading if they are acquired for the purpose of selling or reacquiring in the short term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

The management initially measures a financial instrument at fair value through profit or loss if, and only if, doing so would eliminate or significantly decrease the accounting mismatch that would arise from recognising gains and losses on different measurement basis for certain assets and liabilities for which a correlation exists between measurements. The identification is performed on the individual instrument level.

The Group does not have a practice of investing in financial assets in order to generate profit from market fluctuations and margins.

*2.11.1.4.Reclassification of financial assets*

The Group does not reclassify its financial assets after initial recognition, except in extraordinary circumstances related to a change in their management business model. The reclassification of financial assets is applied prospectively from the date of the change and:

(a) upon reclassification of financial assets at amortised cost to financial assets at fair value through other comprehensive income, the fair value is determined at the date of reclassification and any gain or loss on the difference between the amortised cost and fair value is recognised in other comprehensive income. The effective interest rate and the measurement of expected credit losses are not adjusted as a result of the reclassification.

(b) upon reclassification of financial assets at amortised cost to financial assets at fair value through profit or loss, fair value is determined at the date of reclassification and any gain or loss arising from the difference between amortised cost and fair value is recognised in profit or loss.

(c) upon reclassification of financial assets at fair value through other comprehensive income to financial assets at amortised cost, the fair value of the asset at the reclassification date is assumed to be its "established" amortised cost. The cumulative gain or loss accumulated in other comprehensive income shall be removed from equity (reserve of financial assets at fair value through other comprehensive income) and adjusted against the fair value of the financial asset at the date of reclassification. The financial asset is measured at the date of reclassification as if it had always been carried at amortised cost, with the adjustment affecting other comprehensive income but not affecting current profit or loss. The effective interest rate and the measurement of expected credit losses are not adjusted as a result of the reclassification.

(d) upon reclassification of a financial asset at fair value through other comprehensive income to financial assets at fair value through profit or loss, that asset continues to be measured at fair value. The cumulative gain or loss in other comprehensive income is recycled from equity (reserve of financial assets at fair value through other comprehensive income) to current profit or loss.

*2.11.1.5. Repurchase agreements*

The Group enters into securities contracts under agreements to resell/repurchase similar securities on a predetermined future date at an agreed-upon fixed price (repurchase agreements). Securities purchased under agreements to resell (reverse repo) at a specific future date are not recognised in the consolidated statement of financial position. The paid amounts are recognised as receivables under repurchase agreements with customers and/or banks secured by the underlying securities. The difference between the purchase price and the resale price is treated as interest and accrued over the period of the agreement using the effective interest rate method.

Securities sold under repurchase agreements (repos) continue to be regognised in the statement of financial position as assets at fair value through profit and loss or as available-for-sale assets. The proceeds from the sale of the securities are reported as liabilities under repo-deals. The difference between the sale price and the repurchase price is treated as interest expense and accrued over the period of the agreement on an effective interest method basis.

*2.11.1.6. Derecognition of financial assets*

Financial assets are derecognised from the Group's consolidated statement of financial position when: a) the contractual rights to receive cash (flows) from those assets have expired; or b) the contractual rights have been transferred by the Group or the Group holds them but has assumed an obligation to transfer the cash flows received from it to a third party without undue delay (so-called "pass-through" arrangement). A transfer results in derecognition when (a) the Group has transferred substantially all the risks and rewards of the asset to the transferee, or (b) it has neither transferred nor retained substantially all the risks and rewards but it has, however, transferred control of the asset. It is assumed that the Group has transferred control only if the recipient has the practical possibility to freely dispose the asset and sell it to third party.

If the Group continues to hold substantially all the risks and rewards of the ownership of a transferred financial asset, or has retained control, it continues to recognise the asset in the consolidated statement of financial position to the extent that it is involved in the instrument, but also recognises associated liability for the consideration received. Both the assets and the liabilities are measured so as to the most adequately assess the continuing rights and obligations of the Group. If the continuing involvement is in the form of a guarantee over the transferred asset, it is measured in accordance with the financial guarantee policy and, if in the form of put or call options, at their fair value.

*2.11.1.6.1 Modification due to material change in terms and conditions*

The Group modifies a financial asset when the terms and conditions are renegotiated to the extent that it can be said to be effectively a new asset and the difference is recorded as a gain or loss on derecognition to the extent that the impairment loss is not already recorded. Newly created assets are classified as Stage 1 for the purposes of the expected credit loss (ECL) calculation. When the modification of a financial asset results in the derecognition of the existing financial asset and subsequent recognition of the modified financial asset, the modified asset is considered new.

In assessing whether to write off an asset, the Group also considers the following additional factors: a change in the currency of the loan, a change in the counterparty, whether the change is such that the instrument would no longer meet the SPPI test criteria (solely payments of principal and interest).

*2.11.1.7 Impairment of financial assets*

*Expected credit losses approach*

The expected credit loss approach is based on the concept that they determine and record the credit loss for financial instruments at each reporting date in an amount equal to the expected credit loss over the life of the instrument if the credit risk of that financial instrument has increased significantly since initial recognition. If, at the reporting date, the credit risk of a financial instrument has not increased significantly since initial recognition, the entity shall measure a loss allowance for that financial instrument in an amount equal to 12 months of expected credit losses. For this purpose, the Group has developed its own set of criteria for determining whether an increase in credit risk exists. The 12-month expected loss represents the portion of the lifetime expected credit loss that would result from default events related to the relevant instrument that are reasonably likely to occur within a 12-month period from the balance sheet date. Both lifetime and 12-month expected credit losses are calculated on an individual or collective basis, depending on the specifics of each portfolio of financial instruments.

For the purposes of applying the impairment requirements for financial assets, the Group has adopted the Impairment of Changes in Credit Quality, Determination of Expected Credit Losses under IFRS 9 and Categorisation of Risk Exposures under Regulation (EU) No 575/2013 policy, which is the framework of principles, criteria, rules and approaches for determining expected credit losses. The Group applies an individual model and a collective impairment model based on the specific characteristics of the type of financial instrument and its risk characteristics, developed on the basis of the common approach established by IFRS 9. The analysis of changes in the credit quality of financial assets from their initial recognition determines their risk classification in three main stages, as well as the subsequent recognition of impairment:

Stage 1 (regular exposures) - financial instruments are classified with no indication of an increase in credit risk from the original assessment. The Group recognises a 12-month impairment for expected credit losses for financial assets classified in Stage 1. Interest income is recognised using the effective interest method on the gross carrying amount of the asset.

Stage 2 (defaulted exposures) - classifies financial instruments with a significant increase in credit risk but no objective evidence of actual impairment/reasons for incurred losses (exposure is not in default). The Group recognises impairment for expected credit losses over the life of the instrument on classification in Stage 2. Interest income is recognised using the effective interest method on the gross carrying amount of the asset.

Stage 3 (credit-impaired exposures) - financial instruments are classified not only with a significant increase in credit risk, but also with objective evidence of actual impairment (exposures for which there is a "default"). The Group recognises impairment for credit losses over the life of the instrument on classification in Stage 3. Interest income is recognised using the effective interest method, but on the net carrying amount of the instrument, i.e. after deducting the allowance for impairment for credit losses.

Purchased or originated credit impaired ("POCI") financial asset - recorded at fair value at the date of initial recognition. Interest income is recognised at the effective interest rate adjusted for credit losses. The Group recognises an additional impairment/(recovery) for expected credit losses on these instruments to the extent that they are triggered by a subsequent change in judgment about them.

The expected credit loss on a financial instrument is established as the difference between the contractual cash flows and any cash flows the bank expects to receive, discounted to approximate the original effective interest rate. Expected cash flows also include cash flows from the sale of collateral held or other credit enhancements that are an integral part of the terms of the contract.

Impairment for expected credit losses is recognised in three stages.

When no material increase in credit risk has occurred since the initial recognition of the asset, the allowance for impairment is based on the expected credit loss that would result from default events that are probable of occurring within the next 12 months (12-month expected credit loss).

For exposures for which there has been a significant increase in credit risk since initial recognition, an impairment provision is recognised for the credit loss expected over the remaining life of the exposure, regardless of when the default occurs (expected credit loss over the life of the instrument). Therefore, the assessment of credit risk and the identification of a significant change in credit risk from the original period of origination are key considerations in the determination and calculation of the allowance for credit losses. Thus, the change in the provision (allowance) for credit losses reflects not the level of credit risk in general, but its relative change at the reporting date, and the assessment involves a number of assumptions and assumptions.

When, in subsequent periods, the credit quality of the financial instrument improves so that there is no longer an increased credit risk related to the initial recognition of the asset, the provision (allowance) for impairment is adjusted so that it again reflects expected credit losses for 12 months.

The Group's criteria for significant increases in credit risk and default risk by type of financial asset are disclosed in Note 2.25.1.2.

Key risk parameters in determining expected credit losses at the financial instrument type level include:

Exposure at default (EAD) - an estimate of the amount of exposure at the future time of default, taking into account any future changes in exposure after the balance sheet reporting date, principal and interest payments, future drawdowns on credit commitments and accrued interest on outstanding payments;

Probability of Default (PD) - an estimate of the likelihood that a counterparty will default on contractual terms related to the repayment of debt over a specified time horizon;

Loss Given Default (LGD) - an estimate of the loss in the event that a default event occurs at a specified time. It is measured by the difference between the contractual cash flows due and those that the creditor would expect to receive, including from the realisation of collateral;

Liquidation value (LV) - the bank's best estimate of the recoverable amount of the collateral at the valuation date, given market conditions in a scenario where the bank immediately commences foreclosure proceedings (net cash flow from an immediate sale at the valuation date);

Discount factor - is a factor for finding the present values of the expected cash flows under the credit facilities. In determining the present value of expected cash flows, the Bank uses the original (original) effective interest rate.

Historical dependencies of model components and certain macroeconomic indicators to account for the impact of future economic forecasts on the quality of its loan portfolio.

In 2024, the group calculates PD based on annual migration matrices. With each calendar year, the periods of the migration matrices are increased by one (one matrix) averaged migration matrices from behavioral and application ratings of individual and corporate customers and calculates a 30 year PD (Lifetime PD). For the Lifetime PD, the Group applies the PD from the second year depending on the remaining period of the client's exposure. Two separate matrices are used for legal entities and individuals. When loading the matrices into the FLI (forward-looking information) module, two macroeconomic indicators are used for unemployment, which is used for the matrix for individuals, and house price index, for the matrix for legal entities.

The elements in determining expected credit losses on financial instruments are summarised as follows:

The 12-month expected credit loss (ECL) for regular exposures (Stage 1) is calculated according to the following formula:

ECL = (EAD secured part x PD12m x LGD) + (EAD unsecured part x PD12m x LGD)

Where:

EAD secured portion - this is the portion of the exposure at the time of impairment that is secured by the liquidation value of eligible collateral

EAD unsecured portion - this is the portion of exposure at the time of impairment that is unsecured by the liquidation value of eligible collateral

The expected credit loss (ECL) to the end of life of the financial instrument for exposures with impaired servicing (Stage 2) is calculated according to the following formula:

ECL = (EAD secured portion x PDlifetime x LGD) + (EAD unsecured portion x PDlifetime x LGD)

The expected credit loss (ECL) to the end of the life of the financial instrument for credit-impaired exposures (Stage 3) is calculated according to the following formula:

ECL = EAD x PDlifetime x LGD individually

The net effect of changing the estimate of expected credit losses on financial instruments is presented in the consolidated statement of profit or loss and other comprehensive income (profit or loss for the year) under the caption 'net impairment loss on financial assets'. Any reversal of impairment losses on credit losses is recognised to the allowance and current profit or loss in the period of reversal.

For financial assets at amortised cost, the accumulated expected credit loss decrease the gross carrying amount of the instrument in the consolidated statement of financial position. For debt instruments at fair value through other comprehensive income, the expected credit loss is the portion of the negative change in fair value resulting from increased credit risk. As these assets are presented at fair value in the consolidated statement of financial position, the net change in fair value is presented within equity (reserve of financial assets at fair value through other comprehensive income) through other comprehensive income, including the effect of impairment.

Upon subsequent derecognition of the instrument, the accumulated impairment is recognised within profit or loss for the period.

*Valuation of collaterals*

In order to substantially reduce its credit risk on financial assets, the Group requires collateral from its customers. They can be different - cash, real estate mortgages and other collateral.

For the purpose of calculating expected credit losses, the fair value of the collateral of the respective financial instrument is determined upon initial recognition and subsequently – on an annual basis. In the formula, the fair value is additionally adjusted by a set of coefficients to reflect the risks of disposal and the time value of money. The methods and models used to determine fair value are: the comparative (market) approach, the capitalisation of future cash flows approach and the updated production cost approach. To the greatest extend, the Group uses market data to value financial assets held as collateral. Other financial assets for which the market value cannot be determined are valued using models. Non-financial collateral, such as real estate, is recognised based on valuations provided by independent appraisers. In the case of real estate properties for retail and small business customers, the Group applies an annual indexation based on NSA public statistical information on price changes by city and region. Indexation for residential properties is applied only when the price change does not indicate an annual decline greater than 10%.

The Group has maintained its policy from previous years regarding the acquisition of collateral against debt. At the date of acquisition, it is determined whether an asset will be used in internal operations or held for sale. Depending on the specific intentions, it is classified as either property, plant and equipment or investment property or other assets acquired from collateral.

The valuation of collateral, including assets acquired against debt, is normally subject to an annual review by independent appraisers and, in the period of two valuations, to a mandatory internal review by the Group's appraisers.

### *2.11.2. Financial liabilities and equity instruments*

The Group's financial liabilities include: liabilities to banks and customers for deposits attracted, funds attracted under credit and other contracts, lease liabilities and other current liabilities.

The Group classifies its liabilities, debt instruments and equity instruments as either financial liabilities or equity depending on the nature and terms of the contract with the relevant counterparty relating to those instruments. The Group determines the classification of its financial liabilities as incurred. All financial liabilities held by the Group are classified as financial liabilities subsequently measured at amortised cost.

The differences arising from changes in own credit risk for financial instruments designated for fair value through profit or loss are recorded in the fair value reserve of financial assets through other comprehensive income, with no subsequent reclassification to profit or loss and other comprehensive income.

They are initially recognised in the consolidated statement of financial position at fair value, net of direct transaction costs, and subsequently at amortised cost using the effective interest method.

Interest expense is recognised currently in profit or loss and other comprehensive income (profit or loss for the year) on a systematic basis over the period of the instrument.

Financial liabilities are derecognised when the obligation is discharged, cancelled or expires.

### *2.11.3. Netting of financial assets and financial liabilities*

Financial assets and financial liabilities are netted, and the net amount is carried to the Group's consolidated statement of financial position only if a legally enforceable right exists to offset the recognised amounts and if there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

### *2.11.4. Financial guarantees and undrawn commitments*

Contingent liabilities are liabilities incurred as a result of past events, the existence of which can only be confirmed by the occurrence or non-occurrence of one or more uncertain future events that are not wholly within the Group's control or it is probable that an outflow of resources will be required to settle the obligation. The Group provides, in the ordinary course of business, bank guarantees in the nature of credit substitutes, performance bonds, bid bonds, customs bonds, letters of credit to its customers. It treats these as conditional commitments until the occurrence of an event that gives rise to an actual obligation for it to make payment to a counterparty of its customer in whose favour the relevant guarantee is issued. Such an event is a demand on the Group for payment of the commitment.

Financial guarantees are recognised initially (to the *provision*) at fair value, being the fee (premium) received. Subsequently, the Group's liability for each financial guarantee is measured at the higher of (a) the amount initially recognised less any amortised portion recognised in profit or loss and (b) the impairment for expected credit losses (as defined in IFRS 9).

The net effect of the change in the estimate of expected credit losses on financial guarantees, letters of credit and unused commitments is presented in the statement of profit or loss and other comprehensive income (profit or loss for the year) under the caption *'net impairment loss on financial assets' and* the allowance for expected credit losses is presented as a provision in the statement of financial position.

The fee collected for bank guarantees issued is amortised on a straight-line basis over the period of the guarantees and presented in the statement of profit or loss and other comprehensive income under the caption "fee and commission income".

The undrawn loan facilities and letters of credit are commitments for which over a certain time period the Group commits to grant to its client a loan under conditions agreed in advance.

The nominal amount of financial guarantees, undrawn loan facilities (where the loan is agreed at market conditions) and letters of credit is not recognised and carried to the consolidated statement of financial position. This amount, together with the recognised losses, is disclosed in the notes to the consolidated financial statements (Note 30).

***2.11.5. Derivative instruments***

The Group has no derivative instruments as at 31 December 2024 and 31 December 2023.

***2.12. Leases***

At lease start date, which is the earlier of the date of the lease agreement or the date the parties commit to the principal terms of the lease, the Group analyses and assesses whether a contract constitutes or contains the elements of a lease. A contract constitutes or contains a lease if it transfers, for consideration, the right to control the use of an asset for a specified period of time.

A transfer of control over the use of the asset occurs when the Group, as the customer, simultaneously receives:

- The right to direct the use of a certain asset – to determine how and for what purpose the asset should be used during the period of use;
- The right to obtain essentially directly and indirectly all economic benefits from use of the asset over its period of use – by using, holding or sub-leasing the asset.

***2.12.1.1 The Group as a lessee***

The Group applies the requirements of IFRS 16 for all leases in its capacity as lessor and for all leases in its capacity as lessee, with the exception for contracts for software license for the purpose of operations, leases with a lease term of 12 months or less and leases of low value assets, which are recognised directly as current expenses in the comprehensive statement of comprehensive income on a straight-line basis over the lease term.

The Group has not elected to apply the practical expedient of IFRS 16, which allows a lessee, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component. For contracts that contain a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

*Initial recognition*

The Group recognises a 'right-of-use' asset and a 'lease liability' in the statement of financial position on the commencement date of the leases (the date on which the underlying asset is available for use by the lessee Group).

***Right of use assets***

Right of use assets are initially presented at acquisition cost, which includes the amount of the initial measurement of the lease liability, any initial direct costs, costs for dismantling and removing the underlying asset, restoring the site on which the asset is located or restoring the underlying asset, as well as any lease payments made at or before the commencement date, less any lease incentives received.

Upon subsequent measurement of right-of-use assets, the Group applies the requirements of IAS 16, by using the acquisition price model less depreciation and impairment accrued. The Group depreciates the right-of-use asset to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. If ownership of the asset is transferred under the lease by the end of the lease term, the Group shall depreciate it to the end of the useful life.

Any adjustments to the lease liability also adjust the right-of-use asset, and if it is fully depreciated, they are stated as current expenses within current profit or loss.

Right-of-use assets are tested for impairment in accordance with IAS 36 *Impairment of Assets*, by applying an impairment determination and reporting policy analogous to the one for property, plant, and equipment. The recoverable amount of right-of-use assets is the higher of the fair value less disposal costs, or value in use. To determine assets' value in use, future cash flows are discounted to their present amount, by applying a pre-tax discount rate reflecting the market conditions and time value of money and the risks inherent to the respective asset. Impairment consolidated statement of comprehensive income as other administrative and operating expenses.

Right-of-use assets are presented within "property and equipment and right-of-use assets" in the consolidated statement of financial position, and depreciation thereof – within depreciation and amortization expenses in the consolidated statement of comprehensive income.

***Lease liability***

The Group recognises lease liabilities at the commencement date, measured at the present value of the lease payments that are not paid at this date. They include:

- fixed lease payments (including in-substance fixed payments), less any lease inceptives receivable;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the exercise price of the purchase options, if the lessee is reasonably certain to exercise this option;
- payments of penalties for terminating the lease, of the lease term reflects the exercise of an option to terminate the lease;
- the amount expected to be payable by the Group to lessor under residual value guarantees.

Variable lease payments that do not depend on an index or a rate, but are dependent on performance or use of the underlying asset, are not included in the measurement of the lease liability and the right-of-use asset. They are recognised as current expenses in the period when the event or circumstance resulting in these payments arises and are stated within other administrative and operating expenses, within profit or loss for the year.

Lease payments are discounted using the interest rate implicit in the lease, of that rate can be readily determined, or the Group's incremental borrowing rate, which it would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The Group applies as a differential interest rate the interest rates on fixed-term deposits according to its interest rate bulletin, corresponding to the terms and types of counterparties to the lease contracts.

Lease payments (instalments) contain a certain ratio of the finance cost (interest) and the respective portion of the lease liability (principle). Interest costs for the lease are presented in the statement of comprehensive income (within profit or loss for the year) for the lease period on a periodic basis, so as to achieve constant periodic rate of interest on the remaining balance of the lease liability, and are presented as “interest costs”.

Lease liabilities are stated within the consolidated statement of financial position within “other liabilities”.

The Group subsequently measures the lease liability by:

- increasing the carrying amount to reflect the interest on the lease liability;
- reducing the carrying amount to reflect the lease payments made;
- remeasuring the carrying amount to reflect any reassessment or lease modifications of the lease;
- residual value guarantees are reviewed and if necessary, adjusted, at the end of each reporting period.

The Group remeasures the lease liabilities (and makes corresponding adjustments to the related right-of-use assets) whenever:

- the lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- the lease payments change due to changes in an index or rate or a change in expected payment under a residual value guarantee, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged (original) discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used);
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of modification.

***Short-term leases and leases of low value assets***

The Group has elected the exemption from recognition of right-of-use assets and lease liabilities under IFRS 16 for low-value leases, constituting ATM rental, which the Group considers to be at a low value when new and are independently used at the Group without dependence or close relation to other assets.

Payments related to short-term leases and leases of low-value assets are recognised directly as current expenses in the statement of comprehensive income (within profit or loss for the year) on a straight-line basis over the lease term.

#### *2.12.1.2. The Group as a lessor*

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease; all other leases are classified as operating leases.

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

*Operating lease*

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

The underlying asset which is subject to the lease shall remain and be stated within the Group's consolidated statement of financial position.

*Financial leasing*

The Group recognises and presents the assets held under finance leases in its consolidated statement of financial position as lease receivables whose amount is equal to the net investment in the lease. Lease receivables are stated in the consolidated statement of financial position within loans and advances to customers.

The Group recognises finance income (lease interest) over the lease term based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the lease. Interest income is included in the consolidated statement of comprehensive income (within profit and loss for the year) as finance income based on the Effective Interest Rate Method.

When the contract contains both lease and non-lease components, the Group applies IFRS 15 to allocate the total consideration between the separate components.

### *2.13. Property, equipment and right of use assets*

#### *2.13.1. Property and equipment*

Group's property and equipment (tangible fixed assets) are presented in the consolidated financial statements at acquisition cost (cost) less the accumulated depreciation and any impairment losses in value.

*Initial measurement*

Upon their initial acquisition, property and equipment are valued at acquisition cost (cost), which comprises the purchase price, including customs duties and any directly attributable costs of bringing the asset to working condition for its intended use. Directly attributable costs include the cost of site preparation, initial delivery and handling costs, installation costs, professional fees for people involved in the project, non-refundable taxes etc.

The Group has set a value threshold of BGN 150, below which the acquired assets, regardless of having the features of fixed assets, are treated as current expense at the time of their acquisition.

*Subsequent measurement*

From 01.01.2024 after initial recognition, the Group applies a fair value revaluation model for land and buildings. All other classes of fixed assets are recognised at cost or cost less accumulated depreciation and impairment losses.

The fair value of land and buildings is determined based on valuations made by licensed external appraisers and evidence based on real estate market prices. The main valuation methods used include:

- The cost approach and related methods: 'Depreciated replacement cost' and 'Depreciated replacement cost'
- The income approach and related methods: 'Discounted cash flow method' and 'Capitalisation method'
- The market approach : the "Method of Market Comparisons (Analogues)".

The frequency of revaluations depends on changes in the fair values of the items subject of valuation within property, plant and equipment. When the fair value of a revalued asset differs materially from its carrying amount, a further revaluation is required. Some items of property, plant and equipment experience significant and volatile changes in fair value, thus necessitating annual revaluation. Such frequent revaluations are unnecessary for items of property, plant and equipment with only insignificant changes in fair value. Instead, it may be necessary to revalue the item only every three or five years.

The revaluation model – the corrected amount is written off as accumulated against the gross carrying amount of the asset. At the date of the revaluation the accumulated depreciation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account accumulated impairment losses. Subsequent accumulated impairment losses are also taken into account. If an asset's carrying amount is increased as a result of a revaluation, the increase shall be recognised in other comprehensive income and accumulated in equity under the heading of revaluation surplus. However, the increase shall be recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss. If an asset's carrying amount is decreased as a result of a revaluation, the decrease shall be recognised in profit or loss. However, the decrease shall be recognised in other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of that asset The decrease recognised in other comprehensive income reduces the amount accumulated in equity under the heading of revaluation surplus.

*Depreciation methods*

The Group uses the straight-line method of depreciation of property and equipment. The useful lives by asset group have been determined in accordance with: physical wear and tear, equipment specificity, future use intentions and estimated obsolescence and are as follows:

| | years | % |
|---|---|---|
| ▪ Buildings | 65 | 1,5 |
| ▪ Machinery, Computer Equipment and Equipment | 6,7-7 | 15-50 |
| ▪ Inventory | 6,7 | 15 |
| ▪ Cars | 4 | 25 |
| ▪ Improvements to rented premises - for the term of the rental contract | | |

The determined shelf life of the equipment shall be reviewed at the end of each year and, if significant deviations from future expectations for the life of the assets are identified, it shall be adjusted prospectively.

*Subsequent costs*

Repair and maintenance costs are recognised as current expenses as incurred. Subsequent costs incurred in relation to property, plant and equipment having the nature of replacement of certain components and significant parts or improvements and restructuring, are capitalised in the amount of the respective asset whereas the residual useful life is reviewed at the capitalisation date. At the same time, the non-depreciated part of the replaced components is derecognised from the amount of the assets and is recognised in the current expenses for the period of restructure.

*Impairment of assets*

The carrying amounts of property and equipment in the consolidated statement of financial position are reviewed for impairment when events or changes in circumstances indicate that they might permanently differ from their recoverable amount. If any such indications exist that the estimated recoverable amount of an asset is lower than its carrying amount in the consolidated statement of financial position, the latter is adjusted to the recoverable amount of the asset. The recoverable amount of property and equipment is the higher of the fair value less costs to sell or the value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market conditions and assessments of the time value of money and the risks, specific to the particular asset. Impairment losses are recognised in the consolidated statement of profit or loss and other comprehensive income (within profit or loss for the year) on the line item *"other administrative and operating expenses"*.

*Gains and losses on disposal (sale)*

Property and equipment are derecognised from the consolidated statement of financial position when they are permanently withdrawn from use and no future economic benefits are expected therefrom or on disposal, upon transfer of control to the asset's recipient.

Gains and losses arising from the disposal of assets are determined as the difference between the disposal proceeds determined pursuant to IFRS 15, and the carrying amount of the asset in the consolidated statement of financial position at the disposal date. Gains and losses on disposal are recognised in the consolidated statement of profit or loss and other comprehensive income (within profit or loss for the year) on the line item *'other operating income, net'*.

*2.13.2. Right-of-use assets*

Right-of-use assets are presented together with property and equipment in the statement of financial position and the accounting policy applied is disclosed in *Note 2.12.1.1.* The Group uses the straight-line method of depreciating right-of-use assets over the life of the lease.

*2.14. Investment properties*

The Group treats as investment property real estate owned thereby representing buildings and parts of buildings rented out, land adjacent to the rented buildings, and such acquired and held for permanent investment purposes.

The Group acquires properties which have served as collateral on non-performing loans by classifying them as investment property, when its intention is to rent them out on a long-term basis or because of expected future increases in the value of the property due to its particular qualities and advantages.

*Initial measurement*

Investment property is initially measured at cost. The cost of a purchased investment property comprises its purchase price and any directly attributable expenditure – professional fees, broker commissions, property transfer taxes, etc. The initial measurement includes all permanently attached tangible fixed assets and other assets without which the investment property would not be suitable for its designation. The acquisition cost of investment properties acquired as collateral on non-performing loans is usually the price determined at the public sale or the bilaterally agreed price.

*Subsequent measurement*

Investment properties are presented in the consolidated statement of financial position at acquisition cost (cost) less accumulated amortisation and any impairment losses in value.

Any *subsequent costs* related to an investment property are stated in increase of its carrying amount when leading to an increase in the expected economic benefits compared to the initially determined ones. All other subsequent costs on property maintenance are recognised as current expenses when incurred.

*Depreciation methods*

The Group uses the *straight-line method for depreciation* of the buildings included in its group of investment property. The useful life of buildings, components of investment properties is assessed in the range of 25 to 65 years. Land is not depreciated.

Transfers to, or from, the group of 'investment property' is made only when there is a change in the pattern of use of the particular property.

*Impairment of assets*

The carrying amounts of property and equipment in the consolidated statement of financial position are reviewed for impairment when events or changes in circumstances indicate that they may differ permanently from their recoverable amounts. If any such indications exist that the estimated recoverable amount of an asset is lower than its carrying amount in the consolidated statement of financial position, this amount is adjusted to the recoverable amount of the asset. Impairment losses are recognised in the consolidated statement of profit or loss and other comprehensive income (within profit or loss for the year) on the line item *'other administrative and operating expenses'*.

*Gains and losses from sale*

Investment properties are derecognised from the consolidated statement of financial position when they are permanently withdrawn from use and no future economic benefits are expected therefrom or on disposal, upon transfer of control to the recipient.

Gains or losses arising from the disposal of investment property are determined as the difference between the net disposal proceeds, determined pursuant to IFRS 15, and the carrying amount of the asset at the disposal date. They are stated net on the line item *'other operating income, net'* in the consolidated statement of profit or loss and other comprehensive income (within profit or loss for the year).

### *2.15. Intangible assets*

Intangible assets are stated in the consolidated financial statements at acquisition cost (cost) less accumulated amortisation and any impairment losses in value.

*Amortisation methods*

The Group applies the straight-line amortisation method for the intangible assets with determined useful life by group of assets as follows:

| | Years | % |
|---|---|---|
| ▪ Software products | 5,10 | 20-10 |
| ▪ Licenses | 6,7 | 15 |

*Impairment of assets*

The carrying amount of the intangible assets is subject to review for impairment when events or changes in the circumstances indicate that the carrying amount might exceed their recoverable amount. Then the impairment loss is included as an expense in the consolidated statement of profit or loss and other comprehensive income (within profit or loss for the year) on the line item *'other administrative and operating expenses'*.

*Gains and losses on disposal (sale)*

Intangible assets are derecognised from the consolidated statement of financial position when they are permanently withdrawn from use and no future economic benefits are expected therefrom or on disposal, upon transfer of control to the recipient. The gains or losses arising from the disposal of an item of intangible assets are determined as the difference between the consideration received, determined pursuant to IFRS 15, and the carrying amount of the asset at the disposal date. They are recognised on a net basis in the consolidated statement of profit or loss and other comprehensive income (within profit or loss for the year) on the line item *'other operating income, net'*.

### *2.16. Non-current assets held for sale*

Non-financial assets are classified as held for sale if their carrying amount is expected to be recovered through sale, rather than through continued use in the Group's operations. Usually these assets have been initially accepted by the Group as collaterals and are subsequently acquired by the Group as a result of 'debt for ownership' exchange from borrowers that are not repaying their liabilities in accordance with the contractual terms and conditions of the loan.

Non-current assets classified in this group are available for immediate sale in their present condition. They are classified in this category only when the Group's management has a clear intent and a priority to sell them in the foreseeable future (within 1 year) and has started procedures to actively seek buyers.

Assets classified as held-for-sale are presented in the consolidated statement of financial position separately and are measured at the lower of their carrying amount (initially, acquisition cost) and their fair value less the estimated direct costs to sell. Any impairment recognised is presented on the line item *'other* *administrative and operating expenses'* in the consolidated statement of profit or loss and other comprehensive income (within profit or loss for the year).

Assets in this classification group are not depreciated.

### *2.17. Assets acquired from collateral*

Assets representing property and equipment, acquired against debt as full or partial repayment of a loan are initially measured at acquisition cost, including the attributable transaction costs.

Following initial recognition these assets are measured at the lower of their carrying amount and their net selling price.

Assets acquired through collateral are presented in the consolidated statement of financial position on the line item *'other assets' (Note 21).* Gains and losses related to the realisation of these assets are presented in the consolidated statement of profit or loss and other comprehensive income (within profit or loss for the year) on the line item *'other operating income, net'.*

### *2.18. Provisions*

Provisions are recognised when the Group has a present constructive or legal obligation as a result of a past event and it is likely that the settlement of this obligation is related to a resource outflow. Provisions are estimated on the basis of management's best estimate at the date of the statement of financial position of the costs necessary to settle the relevant liability. The estimate is discounted when the maturity of the obligation is long-term.

### *2.19. Pension and other obligations to staff under social and labour legislation*

The employment and social security relations with the Group's personnel are based on the provisions of the Labour Code and the effective social security legislation in Bulgaria.

#### *Short-term income*

Short-term benefits in the form of remuneration, bonuses and social payments and benefits (due for payment within 12 months after the end of the period when the employees have rendered the service or have satisfied the required terms) are recognised as an expense in the consolidated statement of profit and loss and other comprehensive income (within profit or loss for the year), unless a particular IFRS requires capitalisation thereof to the cost of a particular asset during the period when the service has been rendered and/or the requirements for receipt of the benefits have been met, and as a current liability (less any amounts already paid and deductions due) at their undiscounted amount.

At each consolidated financial statements date, the Group assesses the expected accumulating compensated absences, which amount is expected to be paid as a result of the unused entitlement to accumulating leave. The measurement includes the estimated amounts of employee's remuneration and the statutory social security and health insurance contributions due by the employer thereon.

***Income on termination***

The major duty of the Group as an employer in Bulgaria is to make the mandatory social security contributions for the hired employees to the Pensions Fund, the Supplementary Mandatory Pension Security (SMPS) Fund, to the General Diseases and Maternity (GDM) Fund, the Unemployment Fund, the Labour Accident and Professional Diseases (LAPD) Fund, the Guaranteed Receivables of Workers and Employees (GRWE) Fund and for health insurance. The rates of the social security and health insurance contributions are defined in the Social Security Code (SSC), and in the Law on the Budget of State Social Security and the Law on the Budget of National Health Insurance Fund for the respective year. The contributions are split between the employer and employee in line with rules of the Social Security Code (SSC).

There is no established and functioning private voluntary social security scheme at the Group companies. The contributions, payable by the Group companies under defined contribution plans for social security and health insurance, are recognised as a current expense in the statement of profit or loss and other comprehensive income (within profit or loss for the year) unless a particular IFRS requires this amount to be capitalised to the cost of an asset, and as a current liability at their undiscounted amount along with the accrual of the respective employee benefits to which the contributions refer and in the period of rendering the underlying service.

According to the Labor Code, the Group, in its capacity as an employer, is obliged to pay its staff compensation in the amount of the gross remuneration of the relevant employee for two months upon termination of the employment relationship with him due to retirement. In the event that the employee has acquired in the Group or in the same group of enterprises ten years of work experience in the last twenty years, the compensation is in the amount of the gross remuneration for six months. By their nature, these schemes are unfunded defined benefit plans.

The calculation of the amount of these liabilities requires the participation of qualified actuaries in order to be able to determine their current value at the date of the financial statement, on which they are presented in the statement of financial position, and respectively the change in their value is presented in the statement of profit or loss and other comprehensive income such as: a) current and past service costs, interest costs and the effects of layoffs and settlements are recognized immediately, in the period in which they arise, and presented in current profit or loss, under the item "expenses for personnel", and b) the effects of subsequent valuations of liabilities, which essentially represent actuarial gains and losses, are recognized immediately, in the period in which they arise, and are presented to the other components of comprehensive income, in the line item "subsequent valuations of defined benefit pension plans". Actuarial gains and losses arise from changes in actuarial assumptions and experience.

At the date of each annual financial statement, the Group appoints certified actuaries who issue a report with their calculations of its long-term obligations to staff for termination of employment benefits on retirement. For this purpose, they apply the credit method of estimated units. The present value of the defined benefit obligation is calculated by discounting the future cash flows that are expected to be paid within the maturity of this obligation and using the interest rates of government long-term bonds with a similar term quoted in Bulgaria, where it operates and the Group itself.

***Termination benefits***

In accordance with the local provisions of the employment and social security regulations in Bulgaria, the Group in its capacity as an employer is obliged to pay certain types of indemnities upon termination of the employment contracts prior to retirement.

The Group recognises employee benefit obligations on employment termination before the normal retirement date when it is demonstrably committed, based on a publicly announced plan, including for restructuring, to terminating the employment contract with the respective individuals without possibility of withdrawal or in case of formal issuance of documents for voluntary redundancy. Termination benefits due more than 12 months are discounted and presented in the consolidated statement of financial position at their present value.

### *2.20. Profit taxes*

The current income taxes of the Group are determined in accordance with the requirements of the Bulgarian tax legislation – the Corporate Income Taxation Act (CITA). The nominal income tax rate in Bulgaria for 2025 is 10% (2024: 10%).

Deferred income taxes are determined using the liability method for all temporary differences of the Group as at the date of preparation of the consolidated financial statements between the carrying amounts of the assets and liabilities and their tax bases.

Deferred tax liabilities are recognised for all taxable temporary differences, with the exception of those originating from recognition of an asset or liability, which has not affected the accounting and the taxable profit/(loss) at the transaction date.

Deferred tax assets are recognised for all deductible temporary differences and the carry-forward of unused tax losses, to the extent that it is probable they will reverse and a taxable profit will be available or taxable temporary differences might occur, against which these deductible temporary differences can be utilised, with the exception of the differences arising from the recognition of an asset or liability, which has affected neither the accounting nor taxable profit /(loss) at the transaction date.

The carrying amount of all deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is probable that they will reverse and sufficient taxable profit will be available or taxable temporary differences will occur in the same period, to allow the deferred tax asset to be deducted or offset.

Deferred taxes, related to items directly credited or charged as other components of comprehensive income or as an equity item in the consolidated statement of financial position, are also reported directly in the respective component of the comprehensive income or the equity item in the statement of financial position.

Deferred tax assets and liabilities are measured at the tax rates and on the bases that are expected to apply to the period and type of operations when the asset is realised or the liability – settled (repaid) on the basis of the tax laws that have been enacted or substantively enacted, and at tax rates of the country (Bulgaria) under the jurisdiction of which the respective deferred asset or liability is expected to be recovered or settled.

As of 31.12.2025, the Group's deferred income taxes have been measured at the rate applicable for 2024, which is 10% (31.12.2024: 10%).

### *2.21. Cash and cash equivalents*

For the purposes of the consolidated statement of cash flows cash and cash equivalents comprise cash on hand, cash at current accounts with other banks, placements with other banks – payable at sight and/ or with original maturity of up to 3 months, as well as unrestricted balances with the Central Bank.

### *2.22. Share capital and reserves*

The Group is a joint-stock company and it is obliged to register in the Commercial Register a certain amount of ***share capital***, which should serve as a security for the receivables of the Group's creditors. Shareholders are liable for the obligations of the Group up to the amount of the capital share held by each of them and may claim refunding of this interest only in liquidation or bankruptcy proceedings.

The share capital represents the non-distributable capital of the Group and is presented at the nominal value of the issued shares.

The Group and the joint-stock companies from the Group are obliged to set aside a ***Reserve Fund (statutory reserve)*** in accordance with the requirements of the Commercial Act on distribution of the profit *(Note 27)*.

***The financial assets at fair value through other comprehensive income reserve*** is formed by the difference between the carrying amount of financial assets at fair value through other comprehensive income and their fair values at the date of remeasurement.

The revaluation reserve is transferred to the current profit and loss in the consolidated statement of profit or loss and other comprehensive income, when the financial assets are sold or in case of lasting and prolonged impairment. As from 1 January 2018, the revaluation reserve of equity instruments upon their derecognition is not recycled in the consolidated statement of profit or loss and other comprehensive income within the current result for the period.

***Revaluation reserve of land and buildings***

From 01.01.2024 after initial recognition, the Group applies a fair value revaluation model for land and buildings. If the revaluation results in an increase in the value of the asset, the increase, net of tax, is recognised in other comprehensive income and accumulated as Revaluation Reserve. It is recognised in profit or loss and other comprehensive income to the extent that it reverses the negative revaluation of the same asset previously recognised in profit or loss and other comprehensive income. When the carrying amount of an asset is reduced as a result of a revaluation, the reduction is recognised in other comprehensive income to the extent of the positive revaluation reserve. If the credit balance of the revaluation reserve is insufficient, the balance of the impairment is recognised in profit or loss.

Dividends on ordinary shares are recognised as a liability and reduced against accumulated profits when there is a resolution of the General Meeting of Shareholders.

### *2.23. Fair value measurement*

Certain of the Group's assets and liabilities are measured and presented on a recurring basis and/or only disclosed at fair value for financial reporting purposes. These are:

(a) for the purpose of measurement and presentation at fair value in the financial statements:

- ✓ *financial assets* - securities at fair value through other comprehensive income;
- ✓ *land and buildings*

*(b)* for the purpose of fair value disclosures in the financial statements:

- ✓ *financial instruments* - carried at amortised cost in accordance with IFRS 9: securities at amortised cost; amounts due from banks, loans and advances to customers; amounts due from banks and amounts due to customers;

- ✓ *non-financial assets* - investment properties; assets held for sale.

The Group also determines the fair value of the collaterals obtained thereby.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between independent market participants at the measurement date. Fair value is an exit price and is based on the assumption that the sale transaction will take place either in the principal market for this asset or liability or in the absence of a principal market – in the most advantageous market for the asset or liability. Both the designated as a principal market and the most advantageous market are markets to which the Group must have an access.

Fair value is measured from the perspective of using the assumptions and judgments that potential market participants would use when pricing the respective asset or liability assuming that market participants act in their economic best interest.

In measuring the fair value of non-financial assets, the starting point is always the assumption what would be the highest and best use of the particular asset for the market participants.

The Group has developed internal rules and procedures for measuring the fair value of various types of assets and liabilities.

The Group applies various valuation techniques that would be relevant to the specific features of the respective conditions and for which it has sufficient available inputs while trying to use at a maximum the publicly observable information, and respectively, to minimize the use of unobservable information.

It uses the three acceptable approaches – *the market approach, the income approach and the cost approach* – whereas the most frequently applied valuation techniques include direct and/or adjusted quoted market prices, market comparables (analogues) and discounted cash flows.

If an active market exists, the Group uses direct quoted (unadjusted) prices to determine the fair value of the respective financial instrument.

If the market for the respective financial instrument is not active the Group establishes its fair value using a particular valuation technique. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flows analyses and option pricing models. The valuation technique chosen makes maximum use of market inputs, relies as little as possible on estimates specific to the Group, incorporates all factors that market participants would consider in setting a price, and is consistent with the accepted economic methodologies for pricing of financial instruments. Inputs to the valuation techniques reasonably represent market expectations and measures for risk-return factors inherent in the financial instrument. The Group calibrates the valuation techniques and tests their validity using prices from observable current market transactions in the same instrument or based on other available observable market data.

Fair values reflect the credit risk of the instrument and include adjustments to account for the credit risk of the Group and the counterparty, where appropriate. Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties, to the extent that the Group believes a third-party market participant would take them into account in pricing a transaction.

The definition of the fair value of non-financial assets is carried out periodically (annually). The Group uses the expertise of external independent licensed valuators in determining the fair value of its investment properties for the purpose of disclosures in the consolidated financial statements. The selection of valuators is made on the basis of the following criteria: applied professional standards, professional experience and knowledge, reputation and market status. The need for rotation of the external valuators is assessed periodically. The application of the valuation approaches and techniques as well as the inputs used in all cases of fair value measurements are subject to mandatory discussion and agreement between the external expert valuators and the respective officers in charge within the Group. The final fair value measurements are subject to approval by the Group. The fair values of assets held for sale is their selling price agreed between the Group and the respective buyers.

All assets and liabilities that are measured and/or disclosed in the consolidated financial statements at fair value, are categorised within the following fair value hierarchy, namely:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 — Valuation techniques that use inputs other than directly quoted prices but are observable, either directly or indirectly, including where the quoted prices are subject to significant adjustments; and
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The Group applies fair values determined at all three levels of the fair value hierarchy.

For assets and liabilities that are recognised at fair value in the consolidated financial statements on a recurring basis, the Group assesses at the date of preparation of each set of financial statements whether transfers between the fair value hierarchy levels are required for an asset or liability depending on the inputs available and used as at that date.

For the purposes of fair value disclosures, the Group aggregates the respective assets and liabilities on the basis of their nature, basic characteristics and risks as well as of the fair value hierarchical level (*Note 2.24.2.1 and Note 2.24.2.2*).

***2.24. Critical accounting judgements in applying the Group's accounting policies. Key estimates and assumptions of high uncertainty.***

Upon preparation of the Group's consolidated financial statements, the management needs to make a number of judgements, estimates and assumptions that have a direct impact on the values of the reported revenue, expenses, assets and liabilities, respectively of indicators in the disclosures thereto, including of conditional liabilities. The uncertainties related to these assumptions and judgements may result in significant adjustments to the carrying amounts of the assets and liabilities concerned.

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 as follows:

### *2.24.1. Estimated credit losses*

#### *2.24.1.1.Determination of expected credit losses for financial assets with low credit risk*

Instruments with low credit risk are considered to be the instruments for which the risk of default is low, the counterpart's ability to fulfil contractual conditions is stable, and long-term adverse changes in economic conditions and unlikely to change the ability to repay debts. For due from banks and debt instruments measured at amortised cost or at fair value through other comprehensive income, the Group companies assume at the reporting date that the probability of default is unlikely, and therefore determine 12-month credit losses for these instruments. If in subsequent reporting periods the criteria for low credit risk are no longer met, the Group companies analyse the change in the credit risk compared to initial recognition in order to determine the need of lifetime credit losses. Designating instruments as low credit risk ones requires judgement. Upon making this judgement, the Group companies use all the reasonable, grounded and relevant information accessible without making unnecessary costs or efforts.

#### *2.24.1.2.Determination of expected credit losses by type of financial assets*

Determining expected credit losses on financial assets is an area that requires significant assumptions regarding future economic conditions and the behaviour of counterparts, clients and debtors (for instance, the probability of counterparts not performing their obligations, and the resultant losses). In order to apply these assumptions, the Group's management makes a number of important judgements, such as:

- Determining criteria for identification and assessment of significant increase in credit risk;
- Selection of appropriate models and assumptions to measure expected credit losses;
- Forming groups of similar financial assets (portfolios) for the purpose of measuring expected credit losses;
- Establishing and assessing the interrelation between historical default rates and the behaviour of certain macro indicators in order to reflect the effects of forecasts thereon in the future calculation of expected credit losses.

The Group has developed an overall Policy for assessment of changes in credit quality and determining expected credit losses from financial instruments, including models and specific techniques, assumptions and relations between the values used in the formulas, pursuant to IFRS 9. It classifies its risk assets in three risk stages depending on changes in the credit risk following the initial recognition of the asset, respectively determines 12-month credit losses if there is no change in the credit quality (Stage 1) and lifetime credit losses (Stages 2 and 3) if there is a significant increase in the credit risk. Upon determining how significantly the credit risk has increased compared to the initial recognition of the asset, the Group uses all the reasonable and grounded information accessible without making unnecessary costs or efforts.

The loss given default is an estimate of the damages the Group would suffer upon default and is based on the difference between the contractual cash flows and the cash flows it actually expects to receive, including from collaterals and other loan facilities. The significant judgement which is made upon determining the time and amount of expected cash flows by periods, including upon determining the amount of collateral and the factors that impact the amount of cash flows. The management forms its judgements based on historical experience of losses from assets with inherent credit risk, and the types of circumstances resulting in impairment, similar to those in the current portfolio, in order to determine future cash flows. Additionally, upon determining the amount of expected credit losses, the Group also uses forecast information about expected future changes in certain macroeconomic conditions and indicators, and assumptions for regression links of how changes in these indicators would impact the probability of default.

The Group's calculations of expected credit losses are the result of complex models comprising a set of basic assumptions for the selection of the respective input variables and their interrelation. The elements of the models of expected credit losses which require significant assumptions and judgements are:

- Criteria to assess if there is a significant increase in credit risk, and their specific application, especially based on qualitative characteristics;
- Developing the model of expected credit losses, including selection and application of specific formulas and data;
- Establishing specific links and calculating average indicators for probability of default for the separate internal risk groups (portfolios) of exposures or individual exposures;
- Selection of forecast macroeconomic indicators to be applied in the formulas to calculate expected credit losses;

*2.24.1.2.1. Modelling and risk parameters upon determining expected credit losses related to amounts due from banks*

The Group applies the general approach established by IFRS 9 for determining expected credit losses related to amounts due from banks. A rating model has been adopted. Expected credit losses are determined on an individual level (at the level of separate financial instrument-counterpart). The change in the credit risk assessment of the financial instrument is measured by means of a set of criteria.

The Group usually uses the publicly available information on the ratings of bank counterparts given by internationally recognised rating agencies such as Moody's, Standard & Poor's and Fitch. In 2021 the Group improved its model in the part for financial instruments without a credit rating from Moody's, Fitch and Standard & Poor's.

For them, the credit rating of another recognised organisation is considered – "ABKO" (BCRA for Bulgarian banks, etc.). This is done in accordance with the requirements of COMMISSION IMPLEMENTING REGULATION (EU) 2016/1799 of 7 October 2016 laying down implementing technical standards with regard to the mapping of credit assessments of external credit assessment institutions for credit risk in accordance with Articles 136(1) and 136(3) of Regulation (EU) No 575/2013 of the European Parliament and of the Council. In prior years, financial instruments without such credit rating were assessed based on the stage of credit quality of exposures according to the respective central government of the jurisdiction where the institution was incorporated. Starting from 2021, when there is no ABKO credit rating, credit quality is determined, as follows: first of the parent (if there is one), and in the other cases, the expert assessment of the competent risk unit is applied based on individual analysis and review of the external credit rating of institutions from the same jurisdiction, operating in the same economic sector with similar financial and risk indicators and a similar business model. For financial instrument whose credit rating cannot be determined, PD is used for an SG category based on public information of Moody's external credit rating agency. The financial instruments with "investment-grade" external credit rating of the counterpart are assumed to have low credit risk, respectively, 12-month expected credit losses are calculated for them.

In 2024 the Group has implemented a change to the Impairment policy related to credit quality and determining the Expected Credit Losses Policy as per IFRS 9 and categorisation of risk exposures under Regulation (EU) No. 575/2013, in the event of a decline within one year of more than two notches in the official external credit ratings awarded by the following international rating agencies. 135 of Regulation (EU) No 575/2013), resulting in the financial instrument receiving a sub-investment grade rating, may be a stand-alone indicator of elevated credit risk and for categorisation into Stage 2 or Stage 3.

The criteria adopted by the Group for occurrence of significant increase in credit risk and risk of default compared to initial recognition of the financial instrument include: a) *automatic criteria*: days past due, difficult communication (exchange) resulting to probable default, insolvency of the counterparty; and b) *additional criteria* (only activated in combination with the automatic criteria): any decrease in the official external credit rating of the counterparty compared to the initial rating given by the respective international rating agencies.

The Group uses public information to determine the main risk parameters – probability of default (PD) and loss given default (LGD), based on the External Credit Rating Agency Moody's (Annual Default Study: Corporate Default and Recovery Rates и Sovereign Default and Recovery Rates). For financial instruments classified at Stage 3, LGD is determined depending on the presence of collateral and the expected cash flows agreed with the counterpart in an out-of-court settlement, by considering and weighing different scenarios.

The expected 12-month credit loss (ECL) for performing (regular) exposures under amounts due from banks (Stage 1) is calculated based on the following formula:

ECL = EAD*PD*LGD

The expected lifetime credit losses (ECL) for under-performing exposures (Stage 2) and credit-impaired exposures (Stage 3) is calculated based on the following formula:

ECL = EAD*PD*Lifetime**LGD

*2.24.1.2.2 Modelling and risk parameters upon determining expected credit losses related to loans and advances to customers*

The Group applies the general approach established by IFRS 9 for determining expected credit losses related to loans and advances to customers based on internal policies, rules, models and calculation techniques. A monthly review and analysis is performed of all loans to assess the risk exposures, by analysing any new events, circumstances and facts.

Expected credit losses are determined on an individual (exposure and/or connected group of exposures) and collective basis (sub-portfolios). Upon performing the calculations and analysis, consideration is made of the presence or absence of objective indicators for significant increase (decrease) in credit risk and risk of default.

Such indicators are those events which occur following the initial recognition of the exposure and which impact expected future cash flows from the exposure. The Group currently monitors mainly the following indicators to assess change in the credit risk, by using internal and external information, namely: days past due, restructuring measures, analysis of the borrower's financial indicators, relations with the Group, debts to other banks, presence of distraints, reputation risk, etc. In 2025, the Group continues to make a more detailed review of the quantitative criteria for credit risk including monitoring trends of deterioration in financial indicators in companies' interim financial statements.

The criteria adopted by the Group to assess the occurrence of a significant increase in the credit risk and risk of default compared to the risk level upon initial recognition of the financial instrument are related to the product's specifics, respectively the characteristics of the portfolio, upon using accessible, grounded and reasonable information. The criteria adopted by the Group are grouped into two groups: a) *automatic criteria*: days past due, restructuring measures and financial indicators (where applicable) and b) *additional criteria:* commenced forced execution by other counterparts of the borrower or by the state; insolvency or liquidation proceedings initiated; significant change in main indicators and coefficients for financial analysis; delay in the borrower's repayments to other institutions by over 90 days; default of obligations to meet certain financial indicators according to the initial approval of the disbursed loan. The determination of expected credit losses on risk exposures shall be made on a collective basis (at the sub-portfolio level with common risk characteristics) for loans classified in Stage 1 and Stage 2. The main criteria for segmenting the sub-portfolios for collective impairment purposes include: comparability of product and/or risk parameters; internal customer segmentation determined by the amount of funding requested and the annual sales revenue generated; repayment method and type of collateral; amount of total exposure per customer.

The credit exposures classified in Stage 3 are assessed on an individual basis.

The main risk parameters in the application of the model to determine expected credit losses include:

➢Exposure at default (EAD) – estimate of the amount of exposure at the future point of default, by taking into consideration and accounting for expected changes in the exposure after the balance sheet's date, payments of principal and interest, drawdowns and interest accrued on payment default;

➢Discount factor – in determining the present value of expected cash flows, the Group uses the original effective interest rate. For exposures in its portfolio for which no information is available about the initial interest rate, the effective interest rate as at 31 December 2024 is applied.

➢Probability of default (PD):

*Determining of 12 month PD*

- The combined effect of three scenarios on averaged migration matrices from ratings of individual and corporate customers calculates a 30-year PD(Lifetime PD). For 12 months. PD The Group applies the PD for the first year.

-Individually Rated Exposures - for exposures to counterparties that have been assigned an external rating, the value of 12 m. PD is determined based on public data on the correlation between the rating and the probability of default in the next 12 months.

*Determination of PD for the lifetime of the loan (Lifetime PD).*

-The combined effect of three scenarios on averaged migration matrices from ratings of individual and corporate customers calculates a 30-year PD(Lifetime PD). For the Lifetime PD, the Group applies the PD from the second year depending on the remaining period of the client's exposure.

For exposures in Stage 3, the lifetime PD is assumed to be 100%.

For overdrafts and credit cards, the Group determined lifetime PD based on analysis and previous experience of the average remaining lifetime of loans in these sub-portfolios. For overdrafts and credit cards, the Group has assumed that this lifetime is 1,080 days.

For exposures in Stage 3, the lifetime PD is assumed to be 100%.

- Loss Given Default (LGD)

The LGD parameters for collectively impaired credit exposures in Stage 1 and Stage 2 is determined based on historical information including all loans which have at least once initial default date. The analysis surveys the amount of amounts accumulated and not collected over a period of as from the first day of default of the loan transaction, excluding the periods in which the loan was performing. The parameter is calculated as a ratio between the net present value of cash inflows in loans in default as from the date of initial default. Cash inflows include repayment of principals, interest, charges, realisation of collaterals and execution costs. Cash inflows are discounted with the effective interest of each loan transaction as at the date of default. The LGD parameter is determined separately for each sub-portfolio.

The LGD parameter for credit exposures at Stage 3 is determined on an individual level, by considering the effect of the collateral received and the expected cash flows agreed with the borrower in an out-of-court settlement, where applicable. To determine the LGD value, the Group determines the realisable amount of the collateral, assuming as such its liquidation value.

- Macroeconomic forecast indicators

To reflect the effect of current and forecast economic conditions upon determining expected credit losses, the Group performs additional adjustment of the historically calculated PD indicators (12-month PD and lifetime PD) for the effect and impact of certain macro indicators for a three-year period, for which a regression link has been established.

The main macroeconomic indicators included in the impairment model for loans to customers are as follows:

- Harmonised Index of Consumer Prices (HICP)
- Unemployment rate

The expected 12-month credit loss (ECL) for regular exposures on loans and advances to customers (Stage 1) is calculated according to the following formula:

$ECL = (EAD \text{ secured part} \times PD_{12m} \times LGD) + (EAD \text{ unsecured part} \times PD_{12m} \times LGD)$

The expected credit loss (ECL) to the end of life of a financial instrument - loans and advances to customers - for exposures with impaired servicing (Stage 2) is calculated according to the following formula:

$ECL = (EAD \text{ secured part} \times PD_{lifetime} \times LGD) + (EAD \text{ unsecured part} \times PD_{lifetime} \times LGD)$

The expected credit loss (ECL) to the end of the life of the financial instrument - loans and advances to customers - for credit-impaired exposures (Stage 3) is calculated according to the following formula:

$ECL = EAD \times PD_{lifetime} \times LGD$ individually

As at 31.12.2025 and 31.12.2024 the Group has no purchased originated credit impaired (POCI) exposures in default.

In 2024, the Group updated the policy to determine the expected credit loss separately for the secured and unsecured portion of the exposure in 2024.

*2.24.1.2.3. Modelling and Risk Parameters in Determining Expected Credit Losses Related to Debt Securities at Amortised Cost*

The Group applies the general approach established by IFRS 9 for determining expected credit losses related to debt securities measured at amortised cost. A rating model has been adopted. Expected credit losses are determined on an individual level (at the level of separate financial instrument-counterpart). The change in the credit risk assessment of the financial instrument is measured by means of a set of criteria adopted by the Group.

The Group usually uses the publicly available information on the ratings of bank counterparts given by internationally recognised rating agencies such as Moody's, Standard & Poor's and Fitch. In 2021 the Group improved its model in the part for financial instruments without a credit rating from Moody's, Fitch and Standard & Poor's. For them, the credit rating of another recognised organisation is considered – ABKO (BCRA for Bulgarian banks, etc.). This is done in accordance with the requirements of Commission Implementing Regulation (EU) 2016/1799 of 7 October 2016 laying down implementing technical standards with regard to the mapping of credit assessments of external credit assessment institutions for credit risk in accordance with Articles 136(1) and 136(3) of Regulation (EU) No 575/2013 of the European Parliament and of the Council. In prior years, financial instruments without such credit rating were assessed based on the stage of credit quality of exposures according to the respective central government of the jurisdiction where the institution was incorporated. As of 2023, in the absence of a credit assessment by an ABCO, credit quality is assigned in the following sequence - first to the parent company (where available) and in other cases an expert assessment by the competent risk unit is applied based on an individual analysis and review of external credit assessments of institutions in the same jurisdiction operating in the same economic sector with similar financial and risk characteristics and a similar business model. For financial instruments where it is not possible to assign a credit rating, a PD for the SG category based on Moody's external credit rating agency public information shall be used.

When financial instruments have an "investment-grade" external credit rating of the issuer, they are assumed to have low credit risk, respectively, 12-month expected credit losses are calculated for them. For those with lower credit rating, additional analyses are performed related to the issuer, the characteristics of the financial instrument, the process of trade in the financial instrument and other monitoring indicators. In 2024, the Group introduced a change to the Impairment of Changes in Credit Quality, Determination of Expected Credit Losses Policy under IFRS 9 and Categorisation of Risk Exposures Policy under Regulation (EU) No. 575/2013, namely in the event of a decline within one year of more than two notches in the official external credit ratings assigned by the following international rating agencies: Moody's, Standard & Poor's, Fitch or an equivalent credit assessment (assigned or approved by an external credit assessment agency under Art. 135 of Regulation (EU)№ 575/2013), resulting in the financial instrument receiving a sub-investment grade rating, may be an independent indicator of elevated credit risk and for categorisation in Stage 2 or Stage 3.

The criteria adopted by the Group for occurrence of significant increase in credit risk and risk of default compared to initial recognition of the financial instrument include: a) *automatic criteria*: days past due, difficult communication (exchange) resulting to probable default and/or proposal for new or restructured debt or new package of securities to reduce the initial liability; insolvency of the issuer; change in the payment terms imposed by the sovereign and resulting in a decrease in the financial liability; and b) *additional criteria* (only activated in combination with the automatic criteria): any decrease in the official external credit rating of the counterpart compared to the initial rating of the issuer given by the respective international rating agencies.

The Group uses public information to determine the main risk parameters – probability of default (PD) and loss given default (LGD), based on the External Credit Rating Agency Moody's (Annual Default Study: Corporate Default and Recovery Rates и Sovereign Default and Recovery Rates). The Recovery Rates for debt financial instruments reflect the degree to which the principal and interest of a debt instrument in default can be recovered. The recovery rates make it possible to forecast the loss given default, calculated as minus 1 recovery rate. For financial instruments classified at Stage 3, LGD is determined depending on the presence of collateral and the expected cash flows agreed with the counterpart in an out-of-court settlement, by considering and weighing different scenarios.

The expected 12-month credit loss (ECL) for performing (regular) exposures – debt securities (Stage 1) is calculated based on the following formula:

ECL = PD *LGD *EAD

The expected lifetime credit losses (ECL) for under-performing exposures debt securities (Stage 2) and credit-impaired exposures – debt securities (Stage 3) is calculated based on the following formula:

ECL = EAD*PD*Lifetime**LGD

The model is based on a transaction matrix of ratings and macroeconomic time series. The ratings are established based on a macroeconomic profile, financial profile and qualitative indicators. The macroeconomic time series include indicators such as unemployment rate and spread to risk free yield. The model has been validated by means of back testing to calculate the accuracy coefficient, model stability, etc.

*2.24.1.2.5. Modelling and risk parameters upon determining expected credit losses related to other financial assets*

The Group applies the general approach to determine expected credit losses from other financial assets.

*2.24.1.2.6. Modelling and risk parameters upon determining expected credit losses related to financial guarantees granted, letters of credit and undrawn commitments*

The Group applies the general approach as per IFRS 9 to determine expected credit losses from financial guarantees granted, letters of credit and undrawn commitments. Upon determining expected credit losses related to undrawn commitments, a credit conversion factor is used, calculated based on historical information covering a ten-year period.

The Group performs a monthly review of the guarantees and letters of credit issued, analysing any new events, circumstances and facts following their issue date.

The Group has adopted an LGD equal to zero, based on a historical five-year analysis to observe insignificance of the amounts of guarantees and letters of credit claimed and paid.

For 2025 and 2024, there is no recorded effect of the change in the estimate of expected credit losses for financial guarantees.

### *2.24.2. Fair value measurement*

#### *2.24.2.1. Measurement of the fair value of financial instruments*

***(a) financial instruments measured at fair value***

Investment securities held by the Group and measured at fair value through other comprehensive income representing: a) debt securities is fixed or determinable payments and fixed maturity (corporate and government securities); b) corporate shares or interests in the equity of other entities (minority interests) are measured and presented at fair value in the consolidated statement of financial position (Level 1). The measurement policy adopted by the Group estimates the average price based on the 'ask' and 'bid' quotes on the last working day of the reporting period (year), published in an international information system for financial instruments, eliminating the highest and the lowest quotes (extreme values).

***b) Financial instruments not measured at fair value in the consolidated financial statements***

The Group classifies financial instruments measured at amortised cost in the consolidated financial statements, for which fair value disclosures are required, in the following categories: *cash and balances with the Central Bank; due from banks; loans and advances to customers; securities at amortised cost; other financial assets; due to banks and customers, and other financial liabilities.*

The Group determines the fair value of these groups of financial assets and liabilities using the following techniques and assumptions:

*Cash and balances with the Central Bank*

This item includes cash on hand and balances on current accounts with BNB, including the minimum statutory reserves.

The fair value of *cash on hand* coincides with their carrying and nominal amounts. The Group classifies this item's fair value as Level 1 in the fair value hierarchy.

The fair value of *balances on current accounts with BNB*, including the *minimum statutory reserves* is close or coincides with their carrying (amortised) amount. The Group classifies these items as Level 2 in the fair value hierarchy.

*Loans to banks*

Loans to banks include inter-banking deposits and nostro accounts.

The fair value of floating or fixed rate items with an original maturity *up to* 3 months, coincides or is close to their carrying (amortised) amount.

The fair value of floating or fixed rate items and original maturity *over* 3 months is determined using the discounted cash flows method applying average current interest rates quoted on the money market for instruments with similar risk and maturity.

The Group classifies *loans to banks* at Level 2 of the fair value hierarchy.

*Loans and advances to customers*

Loans and advances to customers are presented net, less the accumulated impairment. The definition of the fair value of *loans and advances to customers* is based on valuation models, such as discounted cash flows techniques and it is classified by the Group at Level 3 of the fair value hierarchy.

The inputs to the valuation techniques include the estimated cash flows over the life of the loan and average interest rates for the respective term and currency published by BNB. For loans classified as loss the Group recognises the discounted carrying amount of the loan as their fair value.

*Investment securities at amortised cost*

The fair value of *investment securities at amortised cost*, representing debt securities with fixed or determinable payments and fixed maturities (government securities – bonds and corporate bonds) is based on average market quotes in an active market and it is classified at Level 1 in the fair value hierarchy. It is determined by the Group as the average of the 'ask' and 'bid' quotes on the last working day of the reporting period (year), published in an international information system for financial instruments, eliminating the highest and the lowest quotes (extreme values).

*Other financial assets*

The other financial assets include mainly receivables under a lease agreement and payments under card transactions.

The fair value of these items coincides with or is close to their carrying (amortised) amount as far as they are of short-term nature.

The Group classifies *other financial assets* at Level 3 of the fair value hierarchy.

*Liabilities to banks*

Liabilities to banks include placements (deposits) and borrowings in the form of loans.

The fair value of floating or fixed rate items with an original maturity *up to* 3 months, coincides with or is close to their carrying (amortised) amount.

The fair value of floating or fixed rate items and original maturity *over* 3 months is based on the discounted cash flows using average interest rates quoted in the money market for instruments having similar risk, currency and maturity.

The Group classifies the fair value at Level 2 of the fair value hierarchy.

*Liabilities to customers*

The amounts due to customers include funds attracted from individuals, legal entities and municipalities in the form of term deposits and current accounts.

The fair value of floating or fixed rate items with an original maturity *up to* 3 months, coincides with or is close to their carrying (amortised) amount. The fair value of floating or fixed rate items with original maturity *over* 3 months is calculated using the discounted cash flows technique applying average interest rates for the respective term and currency published by BNB.

The Group classifies the fair value of these assets at Level 2 of the fair value hierarchy.

*Other financial liabilities*

The other financial assets include mainly transfers for execution, guarantees under assignment agreements and letters of credit and estimate accruals.

The fair value of these items coincided with or is close to their carrying (amortised) amount as far as they are of short-term nature.

The group classifies *other financial liabilities* in Level 3 of the fair value hierarchy.

The table below presents the carrying and fair values of financial instruments, including their levels in the fair value hierarchy.

| As of 31.12.2025 | | Book value | | | Fair value | | | |
|---|---|---|---|---|---|---|---|---|
| | *Note* | Financial instruments at amortised cost | Financial instruments at fair value through other comprehensive income | Total | Level 1 | Level 2 | Level 3 | Total |
| | | BGN '000 | BGN '000 | BGN '000 | BGN '000 | BGN '000 | BGN '000 | BGN '000 |
| **Financial assets measured at fair value** | | | | | | | | |
| Securities carried at fair value through other comprehensive income | 15 | - | 51,624 | 51,624 | 51,624 | - | - | 51,624 |
| **Financial assets not measured at fair value** | | | | | | | | |
| Cash and balances with the Central Bank | 12 | 403,130 | - | 403,130 | 56,499 | 346,631 | - | 403,130 |
| Loans to banks | 13 | 126,127 | - | 126,127 | - | 126,127 | - | 126,127 |
| Loans and advances to customers | 14 | 1,290,823 | - | 1,290,823 | - | - | 1,333,706 | 1,333,706 |
| Securities carried at amortised cost | 16 | 147,268 | - | 147,268 | 147,625 | - | - | 147,625 |
| Other financial assets | 21 | 5,566 | - | 5,566 | - | - | 5,566 | 5,566 |
| **Total** | | 1,972,914 | 51,624 | 2,024,538 | 255,748 | 472,758 | 1,339,272 | 2,067,778 |
| **Financial liabilities that are not measured at fair value** | | | | | | | | |
| Deposits from banks | 22 | 9,301 | - | 9,301 | - | 9,301 | - | 9,301 |
| Deposits from customers | 23 | 1,831,627 | - | 1,831,627 | - | 1,831,839 | - | 1,831,839 |
| Other financial liabilities | 26 | 12,214 | - | 12,214 | - | - | 8,775 | 8,775 |
| **Total** | | 1,853,142 | - | 1,853,142 | - | 1,841,140 | 8,775 | 1,849,915 |

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

| As of 31.12.2024 | | Book value | | | Fair value | | | |
|---|---|---|---|---|---|---|---|---|
| | Note | Financial instruments at amortised cost | Financial instruments at fair value through other comprehensive income | Total | Level 1 | Level 2 | Level 3 | Total |
| | | BGN '000 | BGN '000 | BGN '000 | BGN '000 | BGN '000 | BGN '000 | BGN '000 |
| **Financial assets measured at fair value** | | | | | | | | |
| Securities carried at fair value through other comprehensive income | 15 | - | 216,826 | 216,826 | 216,826 | - | - | 216,826 |
| **Financial assets not measured at fair value** | | | | | | | | |
| Cash and receivables from the Central Bank | 12 | 473,611 | - | 473,611 | 32,248 | 441,363 | - | 473,611 |
| Bank receivables | 13 | 167,526 | - | 167,526 | - | 167,526 | - | 167,526 |
| Loans and advances to customers | 14 | 1,085,215 | - | 1,085,215 | - | - | 1,099,185 | 1,099,185 |
| Securities carried at amortised cost | 16 | 110,216 | - | 110,216 | 110,179 | - | - | 110,179 |
| Other financial assets | 21 | 2,214 | - | 2,214 | - | - | 2,214 | 2,214 |
| **Total** | | 1,838,782 | 216,826 | 2,055,608 | 359,253 | 608,889 | 1,101,399 | 2,069,541 |
| **Financial liabilities that are not measured at fair value** | | | | | | | | |
| Liabilities to banks | 22 | 10,633 | - | 10,633 | - | 10,633 | - | 10,633 |
| Obligations to customers | 23 | 1,884,499 | - | 1,884,499 | - | 1,885,537 | - | 1,885,537 |
| Other financial liabilities | 26 | 12,280 | - | 12,280 | - | - | 12,280 | 12,280 |
| **Total** | | 1,907,412 | - | 1,907,412 | - | 1,896,170 | 12,280 | 1,908,450 |

### *2.24.2.2. Determination of the fair value of non-financial assets*

*(a)fair value of assets held for sale*

The fair value of the assets held for sale is determined by the group on the basis of the expected selling price of the relevant assets, for which there is a high degree of certainty that they will be realised in the short term (up to 1 year). Assets for sale are categorised in Level 3 of the fair value hierarchy.

*(b) fair value of investment property*

The fair value of the investment properties has been calculated with the assistance of independent licensed appraisers external to the group. It is categorised as a Level 3 fair value based on the inputs to the valuation technique used. The fair value determined is the sum of the weighted values resulting from the application of separate measurement methods. The following valuation techniques and methods were used: market approach, revenue approach and cost approach. Significant non-observable inputs in determining the fair value of investment property include: cost of managing the property, defined as a percentage of its gross annual income; rate of return on income from the property; adjustment coefficients in respect of similar market transactions.

The table below presents the carrying and fair values of non-financial assets classified in Level 3 of the fair value hierarchy:

| Non-financial assets | Application | Book value | Fair value | Book value | Fair value |
|---|---|---|---|---|---|
| | | | Level 3 | | Level 3 |
| | | 31.12.2025<br>BGN '000 | 31.12.2025<br>BGN '000 | 31.12.2024<br>BGN '000 | 31.12.2024<br>BGN '000 |
| Investment properties | 17 | 15,030 | 26,686 | 12,718 | 21,799 |
| Land and buildings | 18 | 48,971 | 49,674 | 48,834 | 49,439 |
| **Total** | | 64,001 | 76,360 | 61,552 | 71,238 |

***2.24.3. Actuarial calculations***

Actuarial calculations based on assumptions related to mortality, personnel turnover rate, future salary levels and discount factor, which the management has accepted as reasonable and adequate to the Group, have been used to determine the present value of long-term retirement benefit obligations to personnel (*Note № 27*).

***2.24.4. Leases***

***2.24.4.1. Determining whether a contract contains lease or lease components***

Upon identification and classification of a lease or a lease component of a contract, the Group determined whether the contract contains an identifiable asset and whether it transfers the right of control over this asset for the contract term. The Group has identified the contracts for rent of office premises as containing lease components. The Group obtains economic benefits from the use of the premises and determined the manner, time, place and degree of use of the offices.

***2.24.4.2 Determining the term of leases with renewal and termination options - as lessee***

The Group determines the lease term as the non-cancellable period of the lease, together with both: a) periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and b) periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

Upon determining the term of leases, the Group's management determines whether it is reasonably certain that it would exercise the extension/termination option, considering all relevant facts and circumstances that create an economic incentive for the lessee to exercise the option to extend the lease, or not to exercise the option to terminate the lease, such as significant enhancement to the underlying asset, significant adaptation and customisation of the underlying asset, costs related to termination of the lease and costs for the lease, relocation and identification of another asset, the importance of the underlying asset for the Group's operations, etc.). Extension options (or the periods after the termination option) are only included in the lease term if it reasonably certain they will be extended (or will not be terminated). The Group reassesses the assessment of options upon the occurrence of a significance event or a significant change in circumstances that is within the Group's discretion and may impact the assessment.

After the commencement date, the Group reassesses the lease term upon the occurrence of a significant event or a significant change in circumstances that is within its control and affects whether the Group is reasonably certain to exercise an option not previously included in its determination of the lease term, or not to exercise an option previously included in its determination of the lease term.

The termination options are included in the term lease when the Group is reasonably certain it will not exercise these options.

***2.24.4.3. Interpretation of what constitutes a penalty when determining lease terms***

The Group accounts for several leases (cancellable) which do not have a specific lease term, and the term continues until any of the parties – lessee or lessor, terminates them. Some of the leases contain a termination notice period – for instance, not more than three months; respectively, the contract may not require any of the parties to pay amounts upon termination, as well as contracts with an option for multiple re-negotiation – which include an initial period and an unlimited number of re-negotiations after the initial period, unless terminated by either of the parties. With respect to these two types of contracts, the Group applies a wider interpretation of "penalty", based on reasonably substantiated economic incentive or factors of deterring nature or acting as a sanction (for instance: significant costs to find an alternative underlying asset, significant relocation costs, significance of the underlying asset for the Group's operation, etc.) For these two types of contracts, the Group's aim is that the lease term corresponds to its realistic judgement on the period of use of the underlying asset.

#### *2.24.4.4. Determining the incremental interest rate of leases in which the Group is a lessee*

In the cases when the Group is a lessee and cannot readily determine the interest rate to discount lease liabilities, it uses the incremental borrowing rate it would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of- use asset in a similar economic environment.

#### *2.24.4.5. Review for indicators for impairment of right of use assets*

As at the date of the financial statements, the Group's management performs an impairment review of right-of-use assets. If indicators exist that the approximate recoverable amount is lower than their carrying amount, the latter is impaired to the recoverable amount of assets.
The Group has reviewed and determined that there are no indicators of impairment as at 31 December 2024.

### *2.25. Custodial services*

The Group performs safekeeping on clients' behalf in its capacity as investment intermediary. Such assets are not recognised in the consolidated statement of financial position, since the Bank does not have control thereon.

## 3. RISK MANAGEMENT POLICY DISCLOSURES

In the ordinary course of its business activities, the Group is exposed to a variety of financial risks the most important of which are credit risk, market risk (including interest rate and currency risk) and liquidity risk. The general risk management is focused on the difficulty to forecast financial markets and to minimise the potential adverse effects that might affect the financial performance and position of the Group. Financial risks are currently identified, measured and monitored through various control mechanisms introduced in order to establish adequate prices for the bank services and types of products and funds borrowed thereby, as well as to assess adequately the market circumstances of its investments and the forms for maintenance of free liquid funds through preventing undue risk concentration. The Group manages its business transactions according to the type of risk involved and on the basis of the different categories of trading instruments held.

*Risk management structure*

The main units which are directly responsible for risk management in the Group include:

***Supervisory Board*** – performs overall supervision of risk management as well as the functions of a Risk

Committee;

***Management Board*** – responsible for the overall risk management approach and for approving risk management strategies and principles;

***Assets and Liability Management Committee*** – analyses the current position of the Bank's assets and liabilities, monitors the risks related to the Bank's liquidity management, foreign currency risk, and the financial instruments market and proposes specific measures in case of variance from the set limits;

***Credit Committee and Committee on Determining Expected Credit Losses*** – current analysis of credit transactions from the perspective of credit risk management;

***Risk Events Assessment Committee*** – takes decisions for the ultimate registration of occurred events, makes assessment of the losses, analyses registered data;

***Executive Directors*** – exercise operating control over all banking transactions with a view to comply and maintain currently the set limits for the particular types of risks;

The Central Bank exercises additional supervision on the risk management in the Group by requesting periodic reports and subsequent control on the observance of the regulatory set maximum exposure levels to particular types of risks.

*Measurement and management of major risks*

The management of the Group has approved various internal rules and methodologies for risk measurement based on statistical models and/or on empirical observations, analyses and judgements based on historical experience of the trends and relations between different factors and conditions.

Control over and management of the risks is structured mainly on the basis of limits set by type of operation. These limits reflect the Group's strategy and its market position, as well as the level of the specific risk that the Group defines as being acceptance for its operations.

Periodically, reports are drawn up on the specific types of risk for subsequent analysis and possible correction of the already determined limits for individual types of operations and transactions.

### *3.1. Credit risk*

Credit risk is the risk that the customers / counterparties will fail to pay to the Group any amounts due in full and in due time.

The management of the specific credit risk is performed by the Committee on Determining Expected Credit Losses of the Group and is supervised by the Management Board. The credit risk management function ensures that appropriate policies are established and the compliance of these policies with the related current monitoring procedures and controls for each type of credit exposure.

***Receivables from banks***

The Group manages the credit risk regarding bank counterparts by adopting an investment benchmark framework setting limits for exposures thereto. The limits are formed by means of a complex assessment based on: 1) official external credit rating by the following international rating agencies: Moody`s, Standard & Poor`s, Fitch, or an equivalent creditworthiness rating (given by or approved by the

External Credit Rating Agency pursuant to Art. 135 of Regulation 575/2013); 2) periodic financial analysis of the bank's condition based on audited financial statements; 3) results of stress tests carried out by regulators, asset quality test; 4) other public information.

***Loans to clients***

Exposure to credit risk portfolio is managed through regular analysis of the borrower's ability to meet their principal and interest repayment obligations and through the mechanisms of establishing appropriate lending limits. Credit risk is reduced in part also by requesting and obtaining different types of collateral.

The monitoring process and review of the quality of the loan portfolio is defined in the periodic (quarterly) monitoring guidelines of the Group. Such monitoring is aimed at establishing whether there are changes in the business and status of business customers and the extent to which the requirements set upon the approval of the transaction are complied with. The review of the quality of the credit portfolio is performed on a monthly basis.

The Group has made a comprehensive risk assessment and believes that the credit risk increase criteria included in the ECL models under IFRS 9 sufficiently predict the risk assessment of customers for the following reasons:

According to changes in credit quality, loan exposures are classified at three stages, as disclosed in *Note 2.11.1.7.*

*Policy and process of determining losses from impairment of loans to clients*

The references herein below show where in these consolidated financial statements there are disclosures about the policies and process established by the Group to measure and impair risk exposures related to loans to clients according to IFRS 9 Financial Instruments:

- Explanation of the Group's system for internal assessment of risk exposures – individual and collective impairment approach (*Note 2.11.1.3.1* and *Note 2.11.1.7)*;
- How the Group determines, calculates and monitors a significant increase in credit risk and risk of default for individually and collectively assessed exposures (*Note 2.11.1.7* and *Note 2.25.1.2.2)*;
- Details about the calculation of expected credit losses at each stage of impairment *(Note 2.11.1.7* and *Note 2.24.1.2.2).*

*Definition of default and recovery*

The Group assumes that a default has occurred when:

1/ There is little probability that the debtor will repay its debt in full, unless the Group undertakes at least one of the following actions:

- forced realisation of the collateral;
- non-recognition of interest income;
- making specific credit adjustment resulting from identified significant deterioration of credit quality occurring after the Book took on exposure to the debtor;

- sale of the loan payable with a significant economic loss in relation to the loan;
- agreement for forced restructuring of the loan payable which may result in a decrease in the amount of the payable, by means of significant remittal or deferral of the payment of principal, interest, or, where applicable, fees;
- initiating a procedure to declare the debtor insolvent/bankrupt or a similar procedure related to the debtor's loan payable;
- the debtor has requested or has been declared insolvent or has sought other similar protection, and this would result in a delay in the repayment or in a default of the loan payable to the Bank or to any of its subsidiaries.

2/ The debtor has delayed payment of principal, interest or fees for over 90 days.

An exposure is no longer classified as "default" if each of the following conditions is met:

- the Group considers there are no longer prerequisites for extending the default status for an exposure that was previously non-performing, when at least 3 months have passed from the point at which the default conditions were no longer met;
- the Group considers the debtor's behaviour over the monitoring period;
- the Group considers the debtor's financial position over the monitoring period;
- after the expiry of the monitoring period, an assessment should be carried out, and if the Group still considers it is very unlikely that the debtor repays in full, without selling a collateral, the exposures should continue to be classified as default until the Group considers that the improvement in the credit quality is actual and permanent;
- the conditions should also be met with respect to new exposures to the debtor, in particular when prior default exposures to the same debtor were sold or written-off.

*Exposure at default*

Exposure at default is the gross carrying amount of the financial instrument which is the object of impairment calculation. The Group determined the probability of default over the instrument's lifetime. In order to calculate EAD for a loan at Stage 1, the Group assesses the probability of default over the next 12 months. For financial assets at Stages 2 and 3, the Group assesses the probability of default over the instruments' lifetimes. Based on the Group's model, the calculated PD are applied for each of the stages.

*Loss given default*

Loss given default (LGD) is the ratio of loss from the exposure due to the counterpart's default, to the amount of exposure at default. In order to determine the LGD parameter, the Group calculates the potential loss which would occur is an exposure is in default and the only source of collection is realisation of the collaterals. The loss is measured as the difference between the exposure at default (EAD) and the realisable value of the collateral and is presented as a percentage of EAD. The LGD parameter is determined individually for each exposure at Stage 3 of the loan portfolio. Regarding Stage 1 and Stage 2, the Group applies LGD on a collective base according to the standardised framework to assess LGD. LGD values are reviews at least once per year by the Group's specialised credit risk department.

*Significant increase in credit risk*

At each reporting date the Group assesses if the credit risk has significantly increased following initial recognition, respectively it determines the change in risk resulting from default by comparing its level at the date of the financial statements to the risk level upon the initial recognition of the credit exposure.

Additionally, the Group currently performs regular monitoring and assessment of the credit risk level for all financial instruments in the scope of impairment under IFRS 9 using the following *obligatory criteria*: a) delays by over 30 days; b) restructuring measures applied; c) deterioration on key financial criteria for the Group, and *additional criteria*: a) indebtedness by over 90 days at other institutions; b) distraints, and other monitoring criteria in a report.

*Grouping financial assets assessed on a collective basis*

The Group companies group financial assets assessed on a collective basis by means of segmentation into sub-portfolios with common risk characteristics. The main parameters which are considered in the judgement to form "uniform" portfolios with common risk characteristics include: a) comparability of product and/or risk parameters; b) internal client segmentation based on the amount of funding requested and the annual sales revenue generated; c) repayment method and type of security; and d) amount of the total exposure by client.

*Categorisation of credit exposures - renegotiated and restructured exposures*

A renegotiated exposure for the Group is an instrument with respect to which the Group has made changes in the initial conditions of the debtor which do not lead to a significant change in the loan's cash flows and do not provide greater benefit to the debtor, and the loan is not treated as restructured pursuant to Implementing Regulation 1278/2015 – articles 163-183. The exposure is not identified as underperforming and there are no grounds to consider that the Group will not be able to collect the principal and interest. There are no circumstances demonstrating aggravation of the debtor's financial condition that would result in an impossibility to pay their debt to the Group. The management monitors renegotiated loans on a continuous basis in order to ensure that all criteria have been met and that it is probable that future payments would not fall past due. The loans continue to be subject to individual or collective impairment. After the renegotiation of the terms and conditions any impairment is calculated using the original effective interest rate as calculated before the changes in the terms and conditions. Following renegotiation the loans are classified in the classification risk group to which they were allocated before the renegotiation.

- A restructured exposure for the Group is a contract with respect to which restructuring measures have been applied. A restructuring measure is a facility provided by the Group to a debtor that faces or is likely to face difficulties in meeting their financial obligations. The facility may incur a loss for the Group and constitutes one of the following actions:
- change in the conditions of the debt payable that would not have been made if the debtor did not have difficulties in meeting their financial obligations;
- full or partial debt re-financing that would not have been made if the debtor did not have difficulties in meeting their financial obligations.

At least the following cases are considered exposure restructuring measures:

- the new contractual conditions are more favourable for the debtor than the previous ones, when the debtor encounters or may encounter difficulties in meeting their financial obligations;
- the new contractual conditions are more favourable for the debtor than the contractual conditions the Bank offered to debtors with a similar risk profile at the point when the debtor encounters or may encounter difficulties in meeting their financial obligations;
- under the initial contractual conditions the exposure was classified as non-performing (default) before the change in the contractual conditions or would have been classified as non-performing (default) if the contractual conditions were not changed;
- the measure results in full or partial waiver of the debt;
- the Group permits the execution of contractual clauses allowing the debtor to change contractual conditions, and the exposure was classified as non-performing (default) before the execution of these clauses or would have been classified as non-performing (default) if the clauses had not been executed;
- at the point of granting the loan or approximately at this point the debtor made principal or interest payments under another debt to a Group company that would have been classified as a non-performing (default) exposure if the payments had not been made;
- the change in the contractual conditions includes repayments made by selling a collateral, when this change is a facility.

Restructured loans are subject to individual or collective impairment. The original effective interest rate on the loan is used for the purpose of calculation of the individual impairment.

The classification as restructured exposure is discontinued when the following conditions are met:

- the restructured exposure is considered to be performing, including when re-classified from "non-performing", after the analysis of the debtor's financial position shows that it no longer meets the conditions to be classified as non-performing;
- the minimum 2-year trial period has expired from the date on which it was considered that the restructured exposure was performing;
- within at least half of the trial period, regular payments have been made of substantial amounts, on average to repay principal or interest;
- none of the debtor's exposures is past due for more than 30 days at the end of the trial period.

*Internal process for assessment and classification of credit exposures*

According to the internal assessment process and pursuant to Regulation (EU) 575/2013 of the European Parliament and the Council of EU dated 26 June 2013, the Group divides its client portfolio into performing loans (those for which no default has been identified) and non-performing loans (those for which a default has been identified). The performing exposures of the Group are those exposures which meet the following criteria:

- The debtor has no past due payables to the Group, or if there are past due principal, interest or fee (which constitutes interest income), the period is not more than 90 days;
- The Group believes that it is probable that the debtor may not repay in full its loan payables without subsequent collateral disposal.

The non-performing exposures of the Group are those exposures which meet the following criteria:

- The Group believes that it is unlikely that the debtor repays the payables in full unless additional actions are taken thereby;
- The debtor has principal, interest or fee past due by over 90 days.

***Debt and equity securities***

The Group uses the ratings of external credit agencies such as Standard&Poor's, Moody's, Fitch to manage the risk of exposures to debt and equity securities. The active management of risk from investments in securities is performed by introducing an investment framework – Benchmark. It constitutes a system of limits and investment restrictions of security portfolios and investments in bank counterparts over a respective time period. The benchmark is an optimal solution to an optimisation problem given the investment limits and the choice made. The benchmark reflects the long-term investment strategy regarding the combination between market and credit risk that the management is willing to undertake in order to achieve the Group's investment objectives.

***Financial guarantees, letters of credit and undrawn loans***

The primary purpose of instruments in the form of guarantees and letters of credit is to ensure that funds are available to the customer as required. Guarantees and letters of credit which represent irrevocable commitments that the Group will make payments in the events that a customer cannot meets its obligations to a third party, carry the same credit risk as loans. Documentary and commercial letters of credit, which are written undertaking by the Group on behalf of a customer, authorise a third party to draw drafts on the Group up to a stipulated amount by observing specific terms and conditions. They are secured by a definite quantity of goods and therefore carry less risk than a direct borrowing.

The unutilised portions of authorised credit agreements in the form of loans, guarantees or letters of credit represent commitments of the Group. With respect to credit risk the Group is potentially exposed to loss in an amount equal to the total undrawn commitments. However, the likely amount of the loss is less than the total unused commitments since most of these types of commitments require the customer to maintain specific credit standards. The Group monitors on a current basis the utilisation of the loan as longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

***Maximum exposure to credit risk***

The exposure to credit risk arising from financial assets recognised in the statement of financial position is as follows:

| Financial assets | 31.12.2025<br>BGN '000 | 31.12.2024<br>BGN '000 |
|---|---|---|
| Cash and balances with the Central Bank | 403,130 | 473,611 |
| Loans and advances to banks | 126,127 | 167,526 |
| Loans and advances to customers | 1,290,823 | 1,085,215 |
| Investment securities at fair value through other comprehensive income | 51,624 | 216,826 |
| Investment securities at amortised cost | 147,268 | 110,216 |
| Other financial assets | 5,566 | 2,214 |
| **Total financial assets** | **2,024,538** | **2,055,608** |

The exposure to credit risk arising from contingent commitments reported off-balance sheet is as follows:

| | 31.12.2025<br>BGN '000 | 31.12.2024<br>BGN '000 |
|---|---|---|
| Bank guarantees and letters of credit | 20,353 | 20,960 |
| Unused amount of authorised loans | 141,663 | 127,040 |
| | **162,016** | **148,000** |
| **Maximum credit risk** | **2,186,604** | **2,203,608** |

As at 31 December, the maximum credit risk exposure, the coverage of the maximum credit exposure with the collateral accepted by the bank, measured at fair value and the net credit risk exposure by type of financial assets, are presented as follows:

| 31.12.2025 | Maximum exposure to credit risk | Coverage of the maximum credit exposure with the collateral accepted by the bank, measured at fair value | | | | Net exposure to credit risk |
|---|---|---|---|---|---|---|
| | | *Cash* | *Real Estate* | *Other eligible collateral* | *Generally acceptable collateral* | |
| | BGN'000 | BGN'000 | BGN'000 | BGN'000 | BGN'000 | BGN'000 |
| Cash and balances with the Central Bank | 403,130 | - | - | - | - | 403,130 |
| Loans and advances to banks | 126,127 | - | - | - | - | 126,127 |
| Loans and advances to customers | 1,290,823 | 11,759 | 936,389 | 25,254 | 973,402 | 317,471 |
| Investment securities at fair value through other comprehensive income | 51,624 | - | - | - | - | 51,624 |
| Investment securities at amortised cost | 147,268 | | | | | 147,268 |
| Other financial assets | 5,566 | | | | | 5,566 |
| **Total** | **2,024,538** | **11,759** | **936,389** | **25,254** | **973,402** | **1,051,186** |

| 31.12.2024 | Maximum exposure to credit risk | Coverage of the maximum credit exposure with the collateral accepted by the bank, measured at fair value | | | | Net exposure to credit risk |
|---|---|---|---|---|---|---|
| | | *Cash* | *Real Estate* | *Other eligible collateral* | *Generally acceptable collateral* | |
| | BGN'000 | BGN'000 | BGN'000 | BGN'000 | BGN'000 | BGN'000 |
| Cash and balances with the Central Bank | 473,611 | - | - | - | - | 473,611 |
| Loans and advances to banks | 167,526 | | | | | 167,526 |
| Loans and advances to customers | 1,085,215 | 10,385 | 763,023 | 21,384 | 794,792 | 290,423 |
| Investment securities at fair value through other comprehensive income | 216,826 | - | - | - | - | 216,826 |
| Investment securities at amortised cost | 110,216 | - | - | - | - | 110,216 |
| Other financial assets | 2,214 | - | - | - | - | 2,214 |
| **Total** | **2,055,608** | **10,385** | **763,023** | **21,384** | **794,792** | **1,260,816** |

*Loans to banks*

The table below presents the receivables from banks as of 31.12.2025 and 31.12.2024, based on the counterparty rating published by the rating agency Moody's.

| | 31.12.2025<br>BGN '000 | 31.12.2024<br>BGN'000 |
|---|---|---|
| Aa1 to A3 | 63,614 | 142,632 |
| Baa1 to Ba3 | 62,513 | 24,888 |
| Unrated | - | 6 |
| | **126,127** | **167,526** |

In accordance with Regulation (EU) No 575/2013 of the European Parliament and of the Council, dated 26 June 2013, exposures to bank institutions for which a credit assessment by a nominated External Credit Assessment Institution (ECAI) is not available shall be assigned the credit quality of the respective central government of the jurisdiction – in this case being Republic of Bulgaria with a credit rating Baa2.

*Loans and advances to customers*

The table below provides information on the carrying amount of loans and advances, the coverage of the maximum loan exposure by the collateral accepted by the Group measured at fair value and the net exposure to credit risk as at 31 December allocated to the internal risk groups of the Group:

| 31.12.2025 | Book value | Category under IFRS 9 | | | Coverage of the maximum credit exposure with the collateral accepted by the bank, measured at fair value | | | | Net exposure to credit risk |
|---|---|---|---|---|---|---|---|---|---|
| | | *Stage 1* | *Stage 2* | *Stage 3* | *Cash* | *Real Estate* | *Other eligible collateral* | *Generally acceptable collateral* | |
| | BGN'000 | BGN'000 | BGN'000 | BGN'000 | BGN'000 | BGN'000 | BGN'000 | BGN'000 | BGN'000 |
| **Standard exposures** | 1,263,568 | 1,164,127 | 99,441 | - | 11,681 | 910,225 | 24,996 | 946,902 | 316,716 |
| **Non-performing exposures** | 27,255 | - | - | 27,255 | 78 | 26,164 | 258 | 26,500 | 755 |
| | **1,290,823** | **1,164,127** | **99,441** | **27,255** | **11,759** | **936,389** | **25,254** | **973,402** | **317,471** |
| ***including:*** | | | | | | | | | |
| ***Exposures to enterprises*** | *975,707* | *855,949* | *94,277* | *25,481* | *10,146* | *671,368* | *25,254* | *706,768* | *268,989* |
| ***Exposures to individuals*** | *315,116* | *308,178* | *5,164* | *1,774* | *1,613* | *265,021* | - | *266,634* | *48,482* |

**31.12.2024**

| | Book value | Category under IFRS 9 | | | Coverage of the maximum credit exposure with the collateral accepted by the bank, measured at fair value | | | | Net exposure to credit risk |
|---|---|---|---|---|---|---|---|---|---|
| | | *Stage 1* | *Stage 2* | *Stage 3* | *Cash* | *Real Estate* | *Other eligible collateral* | *Generally acceptable collateral* | |
| | BGN'000 | BGN'000 | BGN'000 | BGN'000 | BGN'000 | BGN'000 | BGN'000 | BGN'000 | BGN'000 |
| **Standard exposures** | 1,053,941 | 966,589 | 87,352 | - | 10,292 | 734,898 | 21,126 | 766,316 | 287,625 |
| **Non-performing exposures** | 31,274 | - | - | 31 274 | 93 | 28,125 | 258 | 28,476 | 2,798 |
| | **1,085,215** | **966,589** | **87,352** | **31,274** | **10,385** | **763,023** | **21,384** | **794,792** | **290,423** |
| ***including:*** | | | | | | | | | |
| ***Exposures to enterprises*** | *817,646* | *704,136* | *83,883* | *29,626* | *9,567* | *539,553* | *21,384* | *570,504* | *247,142* |
| ***Exposures to individuals*** | *267,569* | *262,453* | *3,469* | *1,648* | *818* | *223,470* | - | *224,288* | *43,281* |

*Collaterals*

The Group accepts as collaterals various types of real estate such as residential, commercial and administrative, hotels and other estate, and in some cases production buildings, vacant land or agricultural land. The value of the mortgaged property in most cases fully covers the loan amount. The accepted collaterals are initially measured at their current fair value, which is determined by independent, certified appraisers in accordance with a list approved by the Group's management, or by the Group's internal appraisers. In the course of periodic reviews of the loan status the accepted collateral is revalued following the same procedure. In the cases of real estate properties for retail and small business customers, the Group applies annual indexation based on public NSA statistical information regarding the change in prices by cities and regions. The indexation of residential properties is only applied when the change in prices does not indicate an annual decrease greater than 10%.

Other collateral includes pledges over movable property, surety and promissory notes. The Group requires 100% coverage when the collateral is surety or promissory note, while pledges over movable property are accepted as a supplement to the main collateral

The table below presents the fair value of ***all collateral types held*** by the bank as at 31 December 2025 and as at 31 December 2024:

| | Loans and advances to customers | |
|---|---|---|
| | **31.12.2025 BGN '000** | **31.12.2024 BGN '000** |
| **Individual and portfolio-provisioned loans:** | | |
| Mortgages on real estate | 213,213 | 218,938 |
| Cash deposits | 4,536 | 5,546 |
| Other collateral | 2,298,079 | 2,176,349 |
| | **2,515,828** | **2,400,833** |
| **For overdue but unprovisioned loans:** | | |
| Mortgages on real estate | 93,344 | 71,189 |
| Cash deposits | 120 | 4 |
| Other collateral | 245,329 | 180,845 |
| | **338,793** | **252,038** |
| **For overdue and unprovisioned loans:** | | |
| Mortgages on real estate | 2,026,559 | 1,580,221 |
| Cash deposits | 19,323 | 13,779 |
| Other collateral | 4,341,192 | 3,227,506 |
| | **6,387,074** | **4,821,506** |

*Credit exposures to corporates*

The credit exposures to companies are subject to collective or individual assessment of credit risk and impairment testing. The creditworthiness of a company tends to be the most relevant indicator of credit quality of a loan exposure to it. However, collateral provides additional security and the Group requires from its customers to provide it. The Group accepts collaterals in the form of first ranking mortgage of real estate, rights over all of their assets, as well as other guarantees and titles.

The Group periodically analyses the collateral provided in terms of possible changes in their value due to alteration in the market conditions, regulatory framework or because of subsequent disposal arrangements of the borrower with respect to the collateral. If these valuation changes lead to breach in the requirements as to the sufficiency of the collateral, the Group requires extra collateral security in a certain period of time.

The Group considers all individual cases and assesses the risks related to the options for renegotiation of the original terms and conditions of concluded agreements upon request by the counterparty. These terms and conditions are usually related to: extension of the terms for utilisation of loans because of non-compliance with the schedules of the construction works or the investment project, increase / decrease in the authorised loan amount, interest rates, especially with regard to loans with floating interest rate or the repayment schedules in view of the amounts of specific repayment instalments and individual maturities, and in certain cases – changes in the accepted collateral.

*Credit exposures to individuals*

*Residential mortgage lending*

The table below presents credit exposures from mortgage loans to customers – individuals – by range of the loan-to-value (LTV) ratio. LTV is calculated as the ratio of the gross amount of the loan to the value of the collateral. The gross amount does not include any impairment allowances. The valuation of the collateral excludes future costs to acquire and sell the collateral. The value of the collateral for residential mortgage loans is based on the collateral value at the origination of the loan, updated based on assessment of residential property changes.

| | 31.12.2025 BGN '000 | 31.12.2024 BGN '000 |
|---|---|---|
| **Loan to value (LTV) ratio** | | |
| Less than 50% | 80,006 | 60,732 |
| Over 50% to 70% | 60,806 | 58,227 |
| Over 70% to 90% | 37,485 | 35,149 |
| Over 90% to 100% | 592 | 2,691 |
| More than 100% | 3,945 | 2,096 |
| **Total** | **182,834** | **158,895** |

*Internal risk groups of the loans and advances to customers*

The tables below provide information on the gross carrying amount of loans and advances granted, expected credit loss and amortised value after impairment as at 31 December, broken down by internal risk groups of The group and impairment Stages:

| **31.12.2025** | **Stage 1 collective base** | **Stage 2 collective base** | **Stage 3 individual base** | **Total** |
|---|---|---|---|---|
| | BGN '000 | BGN '000 | BGN '000 | BGN '000 |
| Serviced Exposures | 1,167,055 | 102,789 | - | 1,269,844 |
| Non-performing exposures | - | - | 36,001 | 36,001 |
| *Expected credit loss* | *(2,928)* | *(3,348)* | *(8,746)* | *(15,022)* |
| **Amortised value after impairment** | **1,164,127** | **99,441** | **27,255** | **1,290,823** |

| **31.12.2024** | **Stage 1 collective Base** | **Stage 2 collective Base** | **Stage 3 individual base** | **Total** |
|---|---|---|---|---|
| | BGN '000 | BGN '000 | BGN '000 | BGN '000 |
| Serviced Exposures | 971,292 | 90,246 | - | 1,061,538 |
| Non-performing exposures | - | - | 44,382 | 44,382 |
| *Expected credit loss* | *(4,703)* | *(2,894)* | *(13,108)* | *(20,705)* |
| **Amortised value after impairment** | **966,589** | **87,352** | **31,274** | **1,085,215** |

The table below presents information on the gross carrying amount of the loans and advances granted, the accrued impairment and the amortised amount after impairment as at 31 December, broken down by the group's internal risk groups and delinquencies:

| **31.12.2025** | **Performing and non-provisioned** | **Individually provisioned** | **Portfolio provisioned** | **Overdue but unprovisioned** | **Total** |
|---|---|---|---|---|---|
| | BGN '000 | BGN '000 | BGN '000 | BGN '000 | BGN '000 |
| **Serviced Exposures** | 780,612 | - | 473,645 | 15,587 | 1,269,844 |
| **Non-performing exposures** | 1,307 | 14,007 | - | 20,687 | 36,001 |
| ***Expected credit loss*** | - | *(8,746)* | *(6,276)* | - | *(15,022)* |
| **Amortised value after impairment** | **781,919** | **5,261** | **467,369** | **36,274** | **1,290,823** |

| **31.12.2024** | **Performing and non-provisioned** | **Individually provisioned** | **Portfolio provisioned** | **Overdue, but not provisioned** | **Total** |
|---|---|---|---|---|---|
| | BGN '000 | BGN '000 | BGN '000 | BGN '000 | BGN '000 |
| Serviced Exposures | 608,749 | - | 442,349 | 10,440 | 1,061,538 |
| Non-performing exposures | 3,620 | 22,638 | - | 18,124 | 44,382 |
| *Expected credit loss* | - | *(12,926)* | *(7,590)* | *(189)* | *(20,705)* |
| **Amortised value after impairment** | **612,369** | **9,712** | **434,759** | **28,375** | **1,085,215** |

The carrying amount of the *Performing and non-provisioned loans and advances of customers* As of December 31, distributed by number of days, the delay is as follows:

| ***Number of days overdue*** | **31.12.2025** BGN '000 | **31.12.2024** BGN '000 |
|---|---|---|
| *up to 30 days* | *11,904* | *9,935* |
| *30-60 days* | *5,341* | *5,844* |
| *60-90 days* | *4,845* | *1,354* |
| *90-180 days* | *35* | *2,985* |
| *over 180 days* | *14,149* | *8,257* |
| ***Book value*** | ***36,274*** | ***28,375*** |

The table below presents an analysis of the carrying amount of loans granted and advances to customers with restructuring measures applied:

| **31.12.2025** | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
|---|---|---|---|---|
| | **BGN '000** | **BGN'000** | **BGN '000** | **BGN '000** |
| Restructured financial assets | - | 8,887 | 16,570 | 25,457 |
| *of which restructured in 2025* | - | *1,021* | *5,509* | *6,530* |

| | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
|---|---|---|---|---|

**31.12.2024**

| | | | | |
|---|---|---|---|---|
| | **BGN '000** | **BGN'000** | **BGN '000** | **BGN '000** |
| Restructured financial assets | 100 | 8,999 | 17,938 | 27,037 |
| *of which restructured in 2024.* | - | *8,323* | *8,140* | *16,463* |

*Debt and equity securities measured at fair value through other comprehensive income*

The table below presents the carrying amount of debt and equity securities measured at fair value through other comprehensive income, grouped by the rating of the relevant security published by Moody's as at 31 December 2025 and 31 December 2024:

| | **31.12.2025 BGN'000** | **31.12.2024 BGN'000** |
|---|---|---|
| Aaa | - | 107,506 |
| Aa1 to A3 | - | 48,896 |
| Baa1 to Ba3 | 51,154 | 60,076 |
| Unrated | 470 | 348 |
| | **51,624** | **216,826** |

*Debt securities measured at amortised cost* in the amount of BGN 147,268 thousand. are rated Baa1 (BGN 126,242 thousand are rated Baa1 and BGN 21,026 thousand are rated Baa3), determined according to the rating of the respective security published by Moody's rating agency.

***Credit risk - concentration***

*Bank receivables*

The Group is currently monitoring the risk of concentration to individual counterparties on the basis of established limits. They are defined as follows:

- ✓ Total limit to bank-counterparty – determined on the basis of the official rating of the bank assigned by internationally recognised credit rating agencies. It includes limits of the following types of transactions: deposit limit, forex limit, trade / portfolio limit;
- ✓ Internal rating of the countries and bank-counterparties – determined on the basis of Methodology for Defining the Internal Credit Rating of Countries and Bank-counterparties developed by the Group through assessment of their financial position;

The determination and control on meeting and compliance with limits to banks for part of the overall risk management system of the Group. Concentration is monitored by means of:

✓ Determining the level of potential risk of forming permissible risk exposure of unsecured amounts due to counterpart banks;

✓ Determining limits to fix the amount of forming permissible risk exposure of unsecured amounts due to each counterpart bank depending on its creditworthiness;

✓ Determining limits to fix the amount of forming permissible risk exposure of unsecured amounts – foreign bonds issued by foreign banks, financial institutions and foreign corporations with whom the Bank does (not) maintain a correspondence model;

✓ Determining limits to fix the amount of forming permissible risk exposure by types of financial instruments;

✓ Determining limits to fix the amount of forming permissible risk exposure of unsecured amounts – sovereign bonds granted against collateral (repo transactions) of banks registered in Bulgaria with whom the Group does (not) maintain a correspondence model;

The concentration of counterparty risk on bank receivables is presented in the table below:

| | 31.12.2025 BGN '000 | % | 31.12.2024 BGN '000 | % |
|---|---|---|---|---|
| Loans to Bulgarian banks | 121,039 | 96% | 161,812 | 97% |
| Loans to foreign banks | 5,106 | 4% | 5,738 | 3% |
| **Total before impairment** | **126,145** | 100,00% | **167,550** | 100% |
| Impairment for credit losses | (18) | | (24) | |
| **Total** | **126,127** | | **167,526** | |

*Loans and advances to customers*

The management of the Goup currently monitors the credit risk of concentration of loans and advances to customers by economic sectors, and by counterparts based on approved limits. They are determined as follows:

- ✓ Limit for maximum exposures to a single person or economically related parties – determined with respect to credit exposures to customers – non-financial institutions within the meaning of Art. 395 of Regulation (EU) 575/2013;
- ✓ Limit by lending target industry and the respective main activity of borrowers – determined based on analysis and findings regarding the specific sectors that Group finances in accordance with its strategy (condition, perspectives, yield, development trends in the short- and long-term) and the level of classified loans for the respective target industry and the respective main activity of the borrower;
- ✓ Limits on the term –determined based on analysis and findings regarding statistical data presented by BNB on the distribution of loans by maturity, maturity structure of liabilities and the expectations of the Group regarding the development of its deposit business and classified exposures;
- ✓ Limits by amount – determined based on analysis and findings regarding statistical data presented by BNB on the distribution of loans by amount, strategy of the Group for the development of its market position and the level of classified exposures;
- ✓ Limits by currency – determined based on statistical data presented by BNB on the distribution of loans by currency, structure of liabilities by currency and the level of classified loans by currency.

The regulatory limits and the internal bank limits for maximum exposures to a single person and economically related parties, including to banks-counterparties, are assessed and analysed periodically and are reported to the Group's Management Board.

The concentration of credit risk by target lending industry is presented in the table below:

| | 31.12.2025 BGN '000 | % | 31.12.2024 BGN '000 | % |
|---|---|---|---|---|
| Trading and services | 140,009 | 11% | 128,192 | 12% |
| Individuals and households | 293,564 | 22% | 241,131 | 22% |
| Agricultural production and trade | 215,513 | 17% | 135,957 | 12% |
| Construction - buildings | 69,631 | 5% | 84,861 | 8% |
| Production | 80,092 | 6% | 83,253 | 7% |
| Tourism | 36,353 | 3% | 44,200 | 4% |
| Insurance/Leasing/Finance | 39,095 | 3% | 34,653 | 3% |
| Trade fuels/energy carriers | 42,679 | 3% | 31,200 | 3% |
| Pharmaceuticals, health care | 71,380 | 5% | 54,787 | 5% |
| Construction – roads, facilities, networks | 31,564 | 2% | 24,442 | 2% |
| State and local government | 88,855 | 7% | 94,346 | 8% |
| Transport and communication | 22,421 | 2% | 18,159 | 2% |
| RES – photovoltaic power plants | 22,762 | 2% | 28,484 | 2% |
| Scrap trade | 23,908 | 2% | 28,382 | 3% |
| Other | 128,019 | 10% | 73,873 | 7% |
| **Total before impairment** | **1,305,845** | 100% | **1,105,920** | 100% |
| Impairment | (15,022) | - | (20,705) | - |
| **Total** | **1,290,823** | | **1,085,215** | |

The concentration of credit risk by main subject of activity of clients is presented in the table below:

| | 31.12.2025 BGN '000 | % | 31.12.2024 BGN '000 | % |
|---|---|---|---|---|
| Trade | 163,665 | 13% | 151,623 | 14% |
| Citizens and households | 316,297 | 24% | 269,233 | 24% |
| Construction | 143,935 | 11% | 131,620 | 12% |
| Light industry | 32,639 | 3% | 34,174 | 3% |
| Tourism | 66,734 | 5% | 59,903 | 5% |
| Real Estate/Leasing | 104,626 | 8% | 79,356 | 7% |
| Agriculture | 92,647 | 7% | 97,810 | 9% |
| Insurance/Finance | 6,569 | 1% | 5,649 | 0% |
| Public | 100,747 | 8% | 94,257 | 9% |
| Heavy industry | 30,685 | 2% | 25,966 | 2% |
| Healthcare/Pharmacy | 79,501 | 6% | 62,851 | 6% |
| Energy | 73,446 | 6% | 7,644 | 1% |
| Waste/Wastewater | 5,228 | 0% | 6,307 | 1% |
| Transport | 38,890 | 3% | 33,625 | 3% |
| Wood/Paper/Packaging | 1,515 | 0% | 1,779 | 0% |
| Means of transport | 6,466 | 1% | 3,928 | 0% |
| Services | 4,879 | 0% | 3,167 | 0% |

| | | | | |
|---|---|---|---|---|
| Telecommunications | 8,546 | 1% | 10,053 | 1% |
| Computers & Technology | 161 | 0% | 673 | 0% |
| Publishing activity | 11,787 | 1% | 13,196 | 2% |
| Culture/Entertainment | 760 | 0% | 957 | 0% |
| Hotels & Restaurants | 149 | 0% | - | 0% |
| Others | 16,023 | 1% | 12,149 | 1% |
| **Total before impairment** | **1,305,845** | 100% | **1,105,920** | 100% |
| Impairment | (15,022) | | (20,705) | |
| **Total** | **1,290,823** | | **1,085,215** | |

The table below presents information on concentration in the group's large credit exposures as at 31 December:

| | **31.12.2025** | | **31.12.2024** | |
|---|---|---|---|---|
| | BGN'000 | *% of capital* | BGN'000 | *% of capital* |
| Largest total credit exposure* | 46,317 | *18,32%* | 42,988 | *19,72%* |
| Total amount of the five largest credit exposures* | 204,567 | *80,89%* | 163,335 | *74,95%* |
| Total amount of all credit exposures* - more than 10% of the capital | 322,907 | *127,69%* | 237,310 | *108,89%* |

** With related clients included - by Gross book value and off-balance sheet commitment*

A large exposure is any exposure that represents 10 percent or more of the capital base of the bank group, defined within the meaning of Regulation 575/2013.

Debt and equity securities

In order to minimize the concentration in the securities portfolios, the group has adopted limits determined depending on the credit risk, type, size and issuer of the financial instruments.

The types of securities that the group handles include:

- ✓ Central government debt instruments (debt instruments issued by national central banks);
- ✓ Debt instruments of local and regional governments (debt instruments of government agencies and supranational institutions);
- ✓ Debt instruments of credit institutions;
- ✓ Debt instruments of other issuers
- ✓ Corporate shares;

For each of them, the group has adopted limits on their maximum exposure.

The concentration of the types of debt and equity securities held by the group, determined by issuer, is presented in the table below:

| | 31.12.2025 BGN '000 | % | 31.12.2024 BGN '000 | % |
|---|---|---|---|---|
| **Issued by the Government of the Republic of Bulgaria** | **177,396** | *89%* | **160,383** | *49%* |
| **Issued by foreign governments and government agencies** | **21,026** | *11%* | **156,402** | *48%* |
| Republic of France | - | | 48,896 | |
| Republic of Romania | 21,026 | | - | |
| European Union | - | | 107,506 | |
| **Other - Republic of Bulgaria** | **470** | *3%* | **10,257** | *3%* |
| **Total** | **198,892** | *100%* | **327,042** | *100%* |

A summary analysis of credit risk exposures by type of financial asset and off-balance sheet commitment, industry segment, geographical feature and credit risk assessment Stages is presented in the table below:

| **31.12.2025** | *Stage 1 Individual* | *Stage 1 Collective* | *Stage 2 Individual* | *Stage 2 Collective* | *Stage 3 Individual* | *Total* |
|---|---|---|---|---|---|---|
| **Portfolio** | | | | | | |
| Investment securities measured at fair value through other comprehensive income | 51,624 | - | - | - | - | 51,624 |
| Investment securities at amortised cost | 147,268 | - | - | - | - | 147,268 |
| Loans to banks | 126,127 | - | - | - | - | 126,127 |
| Loans and advances to customers | - | 1,164,127 | - | 99,441 | 27,255 | 1,290,823 |
| Unutilised commitments under loan agreements | - | 134,342 | - | 7,275 | 46 | 141,663 |
| Guarantees and letters of credit | - | 14,607 | - | 5,746 | - | 20,353 |
| **Industry Segment** | | | | | | |
| Finance | 126,597 | 11,588 | - | - | - | 138,185 |
| Government | 198,422 | 87,522 | - | 1,244 | - | 287,188 |
| Citizens and households | - | 286,534 | - | 4,333 | 1,774 | 292,641 |
| Trade | - | 151,380 | - | 23,717 | 3,080 | 178,177 |
| Construction | - | 210,215 | - | 22,932 | 12,059 | 245,206 |
| Fuels | - | 64,360 | - | 329 | 378 | 65,067 |
| Production | - | 126,533 | - | 14,963 | 8,905 | 150,401 |
| Services | - | 226,046 | - | 31,923 | 1,050 | 259,019 |
| **Region** | | | | | | |
| Supranational | | | | | | - |
| Europe | 323,208 | 1,161,408 | - | 99,441 | 27,255 | 1,611,312 |
| America | 1,645 | - | - | - | - | 1,645 |
| Asia | 166 | 2,770 | - | - | - | 2,936 |

| 31.12.2024 | *Stage 1 Individual* | *Stage 1 Collective* | *Stage 2 Individual* | *Stage 2 Collective* | *Stage 3 Individual* | *Total* |
|---|---|---|---|---|---|---|
| **Portfolio** | | | | | | |
| Investment securities measured at fair value through other comprehensive income | 216,826 | - | - | - | - | 216,826 |
| Investment securities at amortised cost | 110,216 | - | - | - | - | 110,216 |
| Loans to banks | 167,526 | - | - | - | - | 167,526 |
| Loans and advances to customers | - | 966,590 | - | 87,350 | 31,275 | 1,085,215 |
| Unutilised commitments under loan agreements | - | 122,310 | - | 4,705 | 25 | 127,040 |
| Guarantees and letters of credit | - | 17,502 | - | 3,046 | 412 | 20,960 |
| **Industry Segment** | | | | | | |
| Finance | 167,873 | 6,233 | - | - | 659 | 174,765 |
| Government | 316,785 | 92,061 | - | 1,505 | - | 410,351 |
| Citizens and households | - | 235,207 | - | 3,353 | 1,648 | 240,208 |
| Trade | 9,910 | 139,502 | - | 23,282 | 6,299 | 178,994 |
| Construction | - | 131,090 | - | 20,254 | 8,149 | 159,493 |
| Fuels | - | 56,338 | - | 2,374 | 371 | 59,083 |
| Production | - | 141,213 | - | 10,196 | 12,218 | 163,626 |
| Services | - | 164,946 | - | 26,386 | 1,930 | 193,263 |
| **Region** | | | | | | |
| Supranational | | | | | | - |
| Europe | 493,483 | 964,011 | - | 87,350 | 31,275 | 1,576,119 |
| America | 689 | - | - | - | - | 689 |
| Asia | 396 | 2,579 | - | - | - | 2,975 |

### *3.2.Market risk*

Market risk is the risk of adverse movements in the level of interest rates, foreign currency exchange rates and the prices of equity instruments. These movements may affect the Group's profitability.

The Group manages the portfolios of financial instruments owned thereby considering the changing market conditions. The market risk exposure is managed in accordance with the risk limits as determined by the Group's management through purchase and sale of financial instruments or by opening of hedging positions.

#### *3.2.1 Interest rate risk*

Banking activity within the parent leads to continuous maintenance of positions sensitive to the movement of market interest rates, which impacts its financial position and cash flow dynamics. Interest rate risk is the possibility of a potential change in the net interest income or the net interest rate margin and the market value of equity due to changes in the total market interest rate levels.

Interest rates on assets and liabilities denominated in Bulgarian Levs are usually based on the movements of the basic interest rate determined by BNB. Interest rates on assets and liabilities denominated in Euro are based on the quotations of the European Central Bank.

In case of floating rate assets and liabilities, the Group is exposed to the risk of changes in the basic interest points, which serve for the definition of interest rates, being the difference between the characteristics of floating rate indices, such as the basic interest rate, the six-month LIBOR or different types of interest. The risk management policy is aimed at optimising the net interest income and achieving market interest rate levels consistent with the Group's strategy.

Risk management procedures are related to the current maintenance of a reasonable interest margin between the applicable interest rates for borrowings and to active bank transactions and are applied in the context of the Group sensitivity to interest rate fluctuations.

The Group monitors continuously interest rate movements in foreign currencies, the mismatch in interest rate levels and in the maturity structure of its assets and liabilities. It also monitors price changes and the yields of traded government securities. Interest rate risk is actively monitored by the Analyses, Risk Management and Liquidity Departments in order to ensure compliance with the market risk limits. Assets and Liabilities Management Committee monitors currently interest rate risk to which the Group is exposed and takes decisions as to changes in the interest rates.

The following table summarises the Group's interest rate risk. It includes information on the carrying amount of Group's financial assets and liabilities based on the contractual interest rates and their maturity structure and sensitivity to changes in the interest rates by period.

| | | Financial assets and liabilities | | | | | |
|---|---|---|---|---|---|---|---|
| **31 December 2025** | **Book value** | **Up to 3 months.** | **3 - 6 months** | **6 - 12 months** | **1 - 5 years** | **Over 5 years** | **Interest-free** |
| | **BGN '000** | **BGN '000** | **BGN '000** | **BGN '000** | **BGN '000** | **BGN '000** | **BGN '000** |
| Cash and balances with the Central Bank | 403,130 | 403,130 | - | - | - | - | - |
| Loans to banks | 126,127 | 126,127 | - | - | - | - | - |
| Loans and advances to customers | 1,290,823 | 1,276,689 | 2,780 | 1,657 | 5,509 | 4,188 | - |
| Securities measured at fair value through other comprehensive income | 51,624 | 662 | - | 24 | 50,468 | - | 470 |
| Securities at amortised cost | 147,268 | 7,914 | 133 | 35,145 | 94,512 | 9,564 | - |
| Other financial assets | 5,566 | - | - | - | - | - | 5,566 |
| **Total assets** | **2,024,538** | **1,814,522** | **2,913** | **36,826** | **150,489** | **13,752** | **6,036** |
| Deposits from banks | (9,301) | (9,301) | - | - | - | - | - |
| Deposits from customers | (1,831,627) | (1,109,229) | (142,138) | (222,269) | (357,991) | - | - |
| Other financial liabilities | (12,214) | (377) | (352) | (760) | (3,146) | (242) | (7,337) |
| **Total liabilities** | **(1,853,142)** | **(1,118,907)** | **(142,490)** | **(223,029)** | **(361,137)** | **(242)** | **(7,337)** |
| **Difference** | **171,396** | **695,615** | **(139,577)** | **(186,203)** | **(210,648)** | **13,510** | **(1,301)** |

*Interest rate sensitivity analysis*

| 31 December 2024 | Book value | Financial assets and liabilities Up to 3 months. | 3 - 6 months | 6 - 12 months | 1 - 5 years | Over 5 years | Interest-free |
|---|---|---|---|---|---|---|---|
| | BGN '000 | BGN '000 | BGN '000 | BGN '000 | BGN '000 | BGN '000 | BGN '000 |
| Cash and balances with the Central Bank | 473,611 | 473,611 | - | - | - | - | - |
| Loans to banks | 167,526 | 167,526 | - | - | - | - | - |
| Loans and advances to customers | 1,085,215 | 1,069,088 | 3,847 | 1,988 | 5,296 | 4,996 | - |
| Securities measured at fair value through other comprehensive income | 216,826 | 157,064 | 9,909 | 24 | 29,348 | 20,133 | 348 |
| Securities at amortised cost | 110,216 | 25,438 | 10,013 | 66 | 72,708 | 1,991 | - |
| Other financial assets | 2,214 | - | - | - | - | - | 2,214 |
| **Total assets** | **2,055,608** | **1 892 727** | **23,769** | **2,078** | **107,352** | **27,120** | **2,562** |
| Deposits from banks | (10,638) | (10,638) | - | - | - | - | - |
| Deposits from customers | (1,884,499) | (1,247,784) | (103,474) | (191,558) | (341,683) | - | - |
| Other financial liabilities | (12,280) | (262) | (320) | (595) | (2,087) | (565) | (8,451) |
| **Total liabilities** | **(1,907,417)** | **(1,258,684)** | **(103,794)** | **(192,153)** | **(343,770)** | **(565)** | **(8,451)** |
| **Difference** | **148,191** | **634,043** | **(80,025)** | **(190,075)** | **(236,418)** | **26,555** | **(5,889)** |

### *Sensitivity of the financial result to changes in interest rates*

The table below shows the sensitivity of the bank in case of possible changes of 0.10 and 0.20 percentage points in the interest rate, calculated on the basis of the average monthly structure of interest-sensitive assets and liabilities maintained by the bank and assuming that the influence of other variables is ignored. The effect is measured and presented as an impact on the after-tax financial result and on equity.

| Currency of interest-sensitive assets and liabilities | Increase / (decrease) of interest rate | Effect on the financial result after tax 2025 | Effect on equity 2025 |
|---|---|---|---|
| | | BGN '000 | BGN '000 |
| BGN | 10 bp/(10 bp) | 810/(810) | 810/(810) |
| Other currencies | 10 bp/(10 bp) | 266/(266) | 266/(266) |
| BGN | 20 bp/(20 bp) | 1,620/(1,620) | 1,620/(1,620) |
| Other currencies | 20 bp/(20 bp) | 531/(531) | 531/(531) |

| Currency of interest-sensitive assets and liabilities | Increase / (decrease) of interest rate | Effect on the financial result after tax 2024 | Effect on equity 2024 |
|---|---|---|---|
| | | BGN '000 | BGN '000 |
| BGN | 10 bp/(10 bp) | 696/(696) | 696/(696) |
| Other currencies | 10 bp/(10 bp) | 240/(240) | 240/(240) |
| BGN | 20 bp/(20 bp) | 1389/(1389) | 1389/(1389) |
| Other currencies | 20 bp/(20 bp) | 478/(478) | 478/(478) |

### *3.2.2. Currency and price risk*

*Currency risk*

Foreign exchange risk is the risk of the impact of fluctuations in prevailing exchange rates on the financial position and cash flows of the group as a result of open foreign exchange positions. The net position in each currency is constantly monitored by the management of the group and the Financial Markets and Investments Directorate, as well as by the members of the Assets and Liabilities Management Committee. The Group is exposed to foreign exchange risk when conducting transactions in financial instruments denominated in foreign currency. After the introduction of the Currency Board in the Republic of Bulgaria, the Bulgarian lev is pegged to the euro, therefore there is no open exchange rate risk associated with the euro, and the movements in the exchange rates of the lev against currencies outside the Eurozone have an impact on the indicators in the reports. Foreign exchange risk is the risk of the negative impact of fluctuations in prevailing exchange rates on the financial position and cash flows of a bank. The group's policy is that the main part of the assets and liabilities are denominated in euros or BGN. Read The group does not carry out material transactions and does not hold open positions in currencies other than euros.

The Financial Markets and Investments Directorate manages the assets and liabilities of the group within the defined limits for achieving the set goals and indicators for return on investments. The size of the bank's open foreign exchange position in individual currencies is monitored on a daily basis and the necessary actions are taken to minimize the possible losses for the group from changes in exchange rates. The analyses show that the group is exposed to minimal currency risk, as it maintains daily limited open positions on the individual types of currency, other than the euro, which has a fixed exchange rate against the Bulgarian lev. The following table summarises the group's exposure to foreign exchange risk. It includes the financial instruments and contingent liabilities and liabilities of the group by carrying amount, categorized by type of currency.

| **31 December 2025** | **In US dollars** | **In EUR** | **In BGN** | **In other currencies** | **Total** |
|---|---|---|---|---|---|
| | **BGN'000** | **BGN'000** | **BGN'000** | **BGN'000** | **BGN'000** |
| **Financial assets** | | | | | |
| Cash and balances with the Central Bank | 1,564 | 107,191 | 294,185 | 190 | 403,130 |
| Loans to banks | 23,421 | 100,745 | 422 | 1,539 | 126,127 |
| Loans and advances to customers | 591 | 327,057 | 963,175 | - | 1,290,823 |
| Securities measured at fair value through other comprehensive income | - | 51,188 | 436 | - | 51,624 |
| Securities at amortised cost | - | 42,933 | 104,335 | - | 147,268 |
| Other financial assets | 830 | 2,329 | 2,407 | - | 5,566 |
| **Total assets** | **26,406** | **631,443** | **1,364,960** | **1,729** | **2,024,538** |
| | | | | | |
| Deposits from banks | - | - | 9,301 | - | 9,301 |
| Deposits from customers | 25,070 | 512,630 | 1,292,185 | 1,742 | 1,831,627 |
| Other financial liabilities | 1,351 | 5,167 | 5,688 | 8 | 12,214 |
| **Total financial liabilities** | **26,421** | **517,797** | **1,307,174** | **1,750** | **1,853,142** |

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

| | | | | | |
|---|---|---|---|---|---|
| **Net balance sheet foreign exchange position** | **(15)** | **113,646** | **57,786** | **(21)** | **171,396** |
| Off-balance sheet foreign exchange position | - | 8,923 | 493 | - | 9,416 |
| Open currency position | (15) | - | - | (21) | (36) |
| Contingent liabilities and commitments | - | **40,982** | **121,034** | - | **162,016** |

| **31 December 2024** | **In US dollars** | **In EUR** | **In BGN** | **In other currencies** | **Total** |
|---|---|---|---|---|---|
| | **BGN'000** | **BGN'000** | **BGN'000** | **BGN'000** | **BGN'000** |
| **Financial assets** | | | | | |
| Cash and balances with the Central Bank | 2,437 | 27,948 | 442,857 | 369 | 473,611 |
| Loans to banks | 23,564 | 82,582 | 59,668 | 1,712 | 167,526 |
| Loans and advances to customers | 669 | 308,852 | 775,694 | - | 1,085,215 |
| Securities measured at fair value through other comprehensive income | - | 216,512 | 314 | - | 216,826 |
| Securities at amortised cost | - | 12,293 | 97,923 | - | 110,216 |
| Other financial assets | 867 | 722 | 625 | - | 2,214 |
| **Total assets** | **27,537** | **648,909** | **1,377,081** | **2,081** | **2,055,608** |
| Deposits from banks | - | 334 | 10,299 | | 10,633 |
| Deposits from customers | 27,528 | 467,279 | 1,387,611 | 2,081 | 1,884,499 |
| Other financial liabilities | 156 | 479 | 11,639 | 6 | 12,280 |
| **Total financial liabilities** | **27,684** | **468,092** | **1,409,548** | **2,087** | **1,907,412** |
| **Net balance sheet foreign exchange position** | **(147)** | **180,817** | **(32,467)** | **(6)** | **148,197** |
| Off-balance sheet foreign exchange position | 160 | 175,865 | - | - | 176,025 |
| Open currency position | 13 | - | - | (6) | 7 |
| Contingent liabilities and commitments | - | 32,925 | 115,075 | - | 148,000 |

With respect to monetary assets and liabilities in foreign currency that are not hedged, the bank maintains an acceptable net exposure by buying and selling foreign currency at spot rates when it deems appropriate.

***Currency sensitivity analysis***

Currency sensitivity is determined by the change in the exchange rates of the currencies in which the bank maintains open positions. As of the reporting date, this is mainly the US dollar. The sensitivity analysis of The group relative to changes in foreign exchange rates is made on the basis of the condition and structure of foreign currency assets and liabilities and the open foreign exchange position as of December 31. The effect of currency sensitivity in the case of a 10 % increase/decrease in the current exchange rates of the Bulgarian lev against the US dollar and against other foreign exchange exposures based on the structure of foreign exchange assets and liabilities as of 31 December and assuming that the influence of other variables is ignored is measured and presented as an impact on the financial result after tax and on equity.

The influence of the US dollar and other currencies at a 10% increase in their exchange rates against the Bulgarian lev is negligible on the bank's profit (after tax).

Management is of the opinion that the above-mentioned analysis of the currency sensitivity based on the balance sheet structure of foreign currency assets and liabilities also reflects the currency sensitivity of the group during the year.

***Price risk of securities***

Price risk is one of the market risks that is associated with a decrease in the value of the investment as a result of adverse changes in market price levels. The main factors influencing prices are macroeconomic, reflecting the overall state of the issuer, the political situation, the specifics of the industry, the expectations of the local and international market and its participants, based both on real information and on purely subjective circumstances. A sharp decline in the price of securities would be unfavorable in several respects, both the realization of financial losses and the possible deterioration of liquidity, loss of market positions. The Group manages this type of risk by including in the portfolio various types of securities and only securities of first-class issuers, with medium and high credit quality. In each decision to purchase financial instruments, as well as periodically thereafter, the formal liquidity criteria of the financial instruments shall be examined in accordance with the internal rules of the group.

***3.3.Liquidity risk***

Liquidity risk is the risk at which the group cannot meet its liabilities when they are due as a result of withdrawals from depositors, cash claims from contractual commitments or other cash outflows. Such cash outflows would reduce the bank's available cash to provide loans to customers, commercial activities and investments. In exceptional circumstances, the lack of liquidity may be reflected in reductions in the statement of financial positions and the sale of assets, or in the potential inability of the group to meet its loan commitments. The risk of the bank's group being unable to meet its liabilities is inherent in all banking operations and may be affected by various group-specific or broader market events, including, but not limited to, credit events, systemic shocks and natural disasters.

The liquidity management process of the group is carried out under the supervision of the Financial Markets and Investments Department and includes:

- providing funds on a daily basis by controlling future cash flows in order to meet resource needs. This includes raising funds at maturity of available resources or when borrowing from clients.
- control of liquidity ratios from the statement of financial position against internal or regulatory requirements; and
- management of the concentration and maturity profile of the group's liabilities.

Monitoring and reporting takes the form of measuring and forecasting cash flow to the next day, week or month, as these are key periods for liquidity management. The starting point for these assessments is an analysis of the agreed maturity of the financial liabilities and the expected date for the collection of financial assets.

The Group shall develop appropriate policies to ensure the following:

- maintaining sufficient liquid assets to cover the relevant liabilities;

- a reasonable ratio of medium-term assets financed by medium-term liabilities; and
- daily liquidity controls.

The Group's Management Board designates the Assets and Liabilities Management Committee (AMC) as the responsible authority for liquidity, market, interest rate and foreign exchange risk management.

AMC is a permanent collective body responsible for the management of assets and liabilities, as well as for the development and use of the liquidity management system of the group of Commerce bank D AD. As a liquidity management authority, it is competent to prepare action plans in the event of unforeseen cash outflows due to unexpected events or adverse circumstances, taking into account the possible impact of alternative scenarios in relation to the group or the market as a whole, as well as a combination thereof. AMAC analyzes all liquidity reports, stress tests and liquidity crisis scenarios in accordance with the requirements of the banking legislation and the Liquidity Management Rules. The Committee monitors the statements on currency structures by assets and liabilities, statements on open positions and the risk structure of the securities portfolio.

The liquidity requirements for guarantees issued are significantly lower compared to the amount of commitments, as the group does not normally expect a third party to withdraw the funds under the contract. The total outstanding agreed amount of these commitments does not always represent future cash needs, as a large proportion of these commitments will expire or be terminated without being funded.

The Financial Markets and Investments Directorate at the bank controls the uncovered medium-term assets, the level and type of unused credit commitments, the use of overdrafts and the impact of off-balance sheet liabilities such as guarantees and stand-by letters of credit.

Sources of funding are regularly monitored in order to maintain diversity by currency, geographical location, suppliers, product and term.

The table below presents the values in percentages of the short-term liquidity ratio

| | **2025** | **2024** |
|---|---|---|
| | **%** | **%** |
| As of December 31 | 327.90% | 544,14% |
| Average value for the period | 462.57% | 408,70% |
| Highest for the period | 658.80% | 544,14% |
| Lowest for the period | 327.90% | 305,24% |

The table below presents the maturity structure of financial assets and liabilities by carrying amount and the bank's off-balance sheet liabilities at 31 December by residual maturity:

| **31 December 2025** | **Book value** | **Less than 1 month** | **From 1-3 months** | **From 3 months to 1 year** | **From 1 - 5 years** | **Over 5 years** |
|---|---|---|---|---|---|---|
| | **BGN '000** | **BGN '000** | **BGN '000** | **BGN '000** | **BGN '000** | **BGN '000** |
| Cash and balances with the Central Bank | 403 130 | 403 130 | - | - | - | - |
| Loans to banks | 126 127 | 67 450 | 58 677 | - | - | - |
| Loans and advances to customers | 1 290 823 | 48 915 | 39 881 | 280 745 | 563 991 | 357 291 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Securities measured at fair value through other comprehensive income | 51 624 | 470 | - | - | 51 154 | - |
| Securities at amortised cost | 147 268 | - | 6 963 | 34 928 | 95 662 | 9 715 |
| Other financial assets | 5 566 | - | 5 566 | - | - - | - |
| **Total assets** | **2 024 538** | **519 965** | **111 087** | **315 673** | **710 807** | **367 006** |
| Deposits from banks | 9 301 | 966 | 832 | 2 973 | 4 530 | - |
| Deposits from customers | 1 831 627 | 1 333 797 | 104 609 | 305 231 | 80 455 | 7 535 |
| Other financial liabilities | 12 214 | 125 | 7 588 | 1 113 | 3 146 | 242 |
| **Total liabilities** | **1 853 142** | **1 334 888** | **113 029** | **309 317** | **88 131** | **7 777** |
| **Unused loan commitments and contingent commitments** | **162 016** | **60 627** | **13 676** | **43 735** | **43 650** | **328** |

| **31 December 2024** | **Book value** | **Less than 1 month** | **From 1-3 months** | **From 3 months to 1 year** | **From 1 - 5 years** | **Over 5 years** |
|---|---|---|---|---|---|---|
| | **BGN '000** | **BGN '000** | **BGN '000** | **BGN '000** | **BGN '000** | **BGN '000** |
| Cash and receivables from the Central Bank | 473,611 | 473,611 | - | - | - | - |
| Loans to banks | 167,526 | 167,526 | - | - | - | - |
| Loans to and advances to customers | 1,085,215 | 18,007 | 43,407 | 217,884 | 465,745 | 340,172 |
| Securities available for sale | 216,826 | 156,749 | - | 9,910 | 30,010 | 20,157 |
| Securities held to maturity | 110,216 | 24,978 | - | 9,880 | 73,359 | 1,999 |
| Other financial assets | 2,214 | - | 2,214 | - | - | - |
| **Total assets** | **2,055,608** | **840,871** | **45,621** | **237,674** | **569,114** | **362,328** |
| Deposits from banks | 10,633 | 383 | 726 | 2,395 | 4,355 | 2,774 |
| Deposits from customers | 1,884,499 | 1,508,386 | 74,897 | 236,735 | 61,892 | 2,589 |
| Other financial liabilities | 12,280 | 128 | 7,413 | 1,039 | 3,269 | 431 |
| **Total liabilities** | **1,907,412** | **1,508,897** | **83,036** | **240,169** | **69,516** | **5,794** |
| **Unused loan commitments and contingent commitments** | **148,000** | **82,666** | **2,448** | **39,688** | **21,572** | **1,626** |

The group's financial assets and liabilities and off-balance sheet liabilities are presented below, grouped by residual maturity determined according to the agreed maturity at the date of the statement of financial position. The table is based on undiscounted cash flows and the earliest date on which the liability is due.Unused loan commitments and contingent commitments are presented at the off-book value of the commitment.

| **31 December 2025** | **Less than 1 month** | **From 1-3 months** | **From 3 months to 1 year** | **From 1 - 5 years** | **Over 5 years** | **Total** |
|---|---|---|---|---|---|---|
| | **BGN '000** | **BGN '000** | **BGN '000** | **BGN '000** | **BGN '000** | **BGN '001** |
| Cash and receivables from the Central Bank | 403 130 | | - | - | - | 403 130 |
| Loans to banks | 67 352 | 58 775 | - | - | - | 126 127 |
| Loans and advances to customers | 124 920 | 47 534 | 316 008 | 620 422 | 417190 | 1 526 074 |

| | | | | | | |
|---|---|---|---|---|---|---|
| | 470 | 96 | 33 | 52 101 | - | 52 700 |
| Securities available for sale | | | | | | |
| Securities held to maturity | 125 | 6 999 | 37 712 | 103 936 | 11 366 | 160 138 |
| Other financial assets | - | 5 566 | - | - | - | 5 566 |
| **Total assets** | **595 997** | **118 970** | **353 753** | **776 459** | **428 556** | **2 273 735** |
| Liabilities to banks | 905 | 446 | 5 977 | 688 | 2 490 | 10 506 |
| Obligations to customers | 1 349 971 | 105 324 | 308 878 | 73 155 | 520 | 1 837 848 |
| Other financial liabilities | 287 | 7 492 | 1 113 | 3 146 | 242 | 12 280 |
| **Total liabilities** | **1 351 163** | **113 262** | **315 968** | **76 989** | **3 252** | **1 860 634** |
| **Unused loan commitments and contingent commitments** | **60 627** | **13 676** | **43 735** | **43 650** | **328** | **162 016** |

| **31 December 2024** | **Less than 1 month** | **From 1-3 months** | **From 3 months to 1 year** | **From 1 - 5 years** | **Over 5 years** | **Total** |
|---|---|---|---|---|---|---|
| | **BGN '000** | **BGN '000** | **BGN '000** | **BGN '000** | **BGN '000** | **BGN '000** |
| Cash and balances with the Central Bank | 473,611 | - | - | - | - | 473,611 |
| Loans to banks | 167,526 | - | - | - | - | 167,526 |
| Loans and advances to customers | 67,575 | 50,055 | 252,058 | 523,791 | 397,716 | 1,291,197 |
| Securities available for sale | 156,749 | 191 | 10,145 | 32,748 | 20,246 | 220,079 |
| Securities held to maturity | 25,036 | 236 | 10,956 | 76,407 | - | 112,635 |
| Other financial assets | - | 2,214 | - | - | - | 2,214 |
| **Total assets** | **890,497** | **52,696** | **273,159** | **632,946** | **417,962** | **2,267,262** |
| Liabilities to banks | 558 | 1,209 | 5,128 | 3,748 | 1,056 | 11,699 |
| Obligations to customers | 1,520,337 | 75,030 | 236,467 | 56,741 | - | 1,888,575 |
| Other financial liabilities | 303 | 8,371 | 1,039 | 3,269 | 431 | 13,413 |
| **Total liabilities** | **1,521,198** | **84,610** | **242,634** | **63,758** | **1,487** | **1,913,687** |
| **Unused loan commitments and contingent commitments** | **82,666** | **2,448** | **39,688** | **21,572** | **1,626** | **148,000** |

### *3.4.Trusted assets of custody*

The bank, as part of the group, is registered as an investment intermediary and performs operations for clients in accordance with the requirements of Ordinance 38 of the Financial Supervision Commission. The bank has an approved policy in relation to its trust operations for clients, which has been prepared on the basis of the requirements of Articles 28-31 of Ordinance 38 of the Financial Supervision Commission.

The Bank shall maintain records and conditions regarding the holding of financial instruments and cash in such a way as to enable it to immediately distinguish at any time the assets held for one client from the assets of the other clients and from the bank's own assets. The Bank, as an investment intermediary, takes due care for:

- the choice of a depository institution in which to keep the financial instruments of its clients and when determining the terms of the contract with it;
- carrying out a periodic review and assessment of the depository institution and the terms of the contract concluded with it in relation to the safekeeping of its clients' financial instruments, at least once a year.

### *3.5.Equity management*

Since 2014, the CRD IV package (Directive 2013/36/EU and Regulation (EU) No 575/2013) has been in force, which includes calculation and reporting requirements in relation to capital requirements and financial information. The scope, frequency and deadlines for providing this information to the regulatory authority are established by Regulation (EU) No 680/2014 of 16 April 2014. As a result, the regulatory capital requirements of the group of D Commerce bank AD are based on the provisions of CRD IV package, Reporting Requirements under Regulation (EU) No. 680/2014 – Equity and Capital Requirements – COREP.

*(1) Regulatory capital*

The group's regulatory equity consists of the following elements:

- Tier 1 capital (the entire amount is classified as Common Equity Tier 1), which consists of issued capital, premium reserves and total reserves reduced by the following deductions – goodwill, intangible assets and other regulatory adjustments related to elements that are included in the accounting capital or assets of the bank, but are treated differently to regulate capital adequacy.
- Tier 2 capital: revaluation reserves of immovable property used for banking activities, reduced by regulatory adjustments related to elements that are included in the book's account capital or assets, but are treated differently to regulate capital adequacy.

The total capital adequacy ratio cannot be less than 16.90% (minimum total capital adequacy ratio – 8%, precautionary capital buffer – 2.5%, systemic risk buffer – 3%, countercyclical capital buffer applicable to credit risk exposures in the Republic of Bulgaria – 2%, additional capital requirement from the supervisory review and evaluation process – 1.40%).

*Equity indicators*

| **Equity (capital base)** | **Basel III 31.12.2025 BGN '000** | **Basel III 31.12.2024 BGN '000** |
|---|---|---|
| **Common equity Tier 1** | | |
| Paid equity instruments | 90,064 | 90,064 |
| Reserves | 149,574 | 109,179 |
| Other Comprehensive Income Accrued | 8,079 | 5,733 |
| Acceptable profit or loss | 12,396 | 18,724 |
| ***Reductions in Common Equity Tier 1:*** | - | - |
| Intangible assets | (4,765) | (4,710) |
| Other transitional adjustments to Common Equity Tier 1 | - | - |
| Common equity Tier 1 instruments of financial sector entities where the institution has significant investments | - | - |
| Common equity Tier 1 instruments of non-financial sector undertakings where the institution has significant investments | - | - |

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

| | | |
|---|---|---|
| Instruments of Tier 2 capital of financial sector undertakings where the institution does not have significant investments | - | - |
| Excess of the amount to be deducted from the Additional Tier 1 Equity items over the Additional Tier 1 Capital | - | - |
| Insufficient coverage for non-performing exposures | (2,468) | (1,051) |
| **Total** | **252,880** | **217,939** |
| | | |
| **Tier II capital** | | |
| **Equity** | **252,880** | **217,939** |

| **Risk-weighted assets** | **31.12.2025 BGN '000** | **31.12.2024 BGN '000** |
|---|---|---|
| *Amount of risk-weighted balance sheet exposure* | 1,005,395 | 852,630 |
| *Amount of off-balance sheet risk-weighted exposure* | 110,749 | 53,256 |
| **Total risk-weighted assets for credit risk** | **1,116,144** | **905,886** |
| **Total amount of risk exposures for operational risk** | **82,975** | **108,313** |
| **Total amount of risk exposures** | **1,199,119** | **1,014,199** |

| **Capital ratios** | **31.12.2025** | **31.12.2024** |
|---|---|---|
| Total capital adequacy ratio | 21,09% | 21,49% |
| Tier 1 capital adequacy ratio | 21,09% | 21,49% |

The policy of the group of Commerce bank D AD on capital management and distribution is determined by the Management Board. The allocation of capital between the different operations and activities has the task of optimizing the profitability of the allocated capital. The process is carried out under the guidance of the Assets and Liabilities Management Committee, reviewing the levels of credit, market and operational risk assumed by the group.

## 4. NET INTEREST INCOME

*Net interest income*, includes:

| | 2025<br>BGN '000 | 2024<br>BGN '000 |
|---|---|---|
| **Interest income** | | |
| Loans and advances to customers | 56,672 | 58,437 |
| Securities at amortized cost | 4,564 | 3,990 |
| Securities carried at fair value | 1,296 | 1,276 |
| Loans to banks | 9,706 | 18,731 |
| | **72,238** | **82,434** |
| **Interest Expense** | | |
| Deposits from customers | (10,164) | (8,253) |
| Deposits from banks | (80) | (212) |
| Interest on assets for use | (80) | (59) |
| | **(10,324)** | **(8,524)** |
| **Net interest income** | **61,914** | **73,910** |

## 5. NET FEE AND COMMISSION INCOME

*Net income from fees and commissions*, includes:

| | 2025<br>BGN '000 | 2024<br>BGN '000 |
|---|---|---|
| **Revenue from fees and commissions** | | |
| Cash operations and money transfers | 4,962 | 4,964 |
| Communication fees | 3,755 | 3,739 |
| Fees and commissions on loans | 714 | 745 |
| Servicing of client accounts | 3,474 | 3,391 |
| Bank guarantees and letters of credit | 220 | 214 |
| Others | 148 | 130 |
| | **13,273** | **13,183** |

| | 2025<br>BGN '000 | 2024<br>BGN '000 |
|---|---|---|
| **Fees and commissions costs** | | |
| Fees on electronic debit cards | (2,321) | (2,207) |
| Servicing of nostro accounts in other banks | (321) | (326) |
| Cash Release | (97) | (33) |
| Securities transactions | (84) | (64) |
| Others | (30) | (28) |
| | **(2,853)** | **(2,658)** |
| **Net fee and commission income** | **10,420** | **10,525** |

## 6.NET TRADING INCOME

*Net income from trading operations*, includes:

| | 2025<br>BGN '000 | 2024<br>BGN '000 |
|---|---|---|
| Net profit from foreign currency operations | 2,161 | 2,494 |
| Net gain/(loss) on revaluation of foreign exchange assets and liabilities | 56 | (41) |
| **Net income from trading operations** | **2,217** | **2,453** |

## 7.NET LOSS/(REVERSAL) ON IMPAIRMENT OF FINANCIAL ASSETS

*Net reversal of impairment of financial assets*, Includes:

| | 2025<br>BGN '000 | 2024<br>BGN '000 |
|---|---|---|
| *Loss/(reversal) impairment of loans and advances* | *4,833* | *(6,527)* |
| *Loss/(reversal) impairment of loans and advances* | *(9,448)* | *7,945* |
| Net change in impairment losses and non-collection of loans and advances | *(4,615)* | 1,418 |
| Net change in impairment loss on nostro accounts and interbank deposits | *(97)* | (173) |
| Net Loss/(reversal) impairment for expected credit losses on securities at fair value through other comprehensive income | *(40)* | 3 |
| Net (reversal) impairment for expected credit losses on other financial assets | *(14)* | (16) |
| Loss/(reversal) impairment of other financial receivables | *27* | (35) |
| **Net Loss/(reversal) impairment of financial assets** | **(4, 739)** | **1,197** |

***The net loss/(reversed) impairment on loans and advances* to customers is as follows:**

| | 2025<br>BGN '000 | 2024<br>BGN '000 |
|---|---|---|
| Impairments on loans on an individual basis, net | (3,222) | (2,822) |
| Impairments on loans related to total credit risk on a portfolio basis | (1,393) | 1,404 |
| | **(4,615)** | **(1,418)** |

## 8. OTHER OPERATING INCOME, NET

***Other income from activities*** of the Group include:

| | 2025<br>BGN '000 | 2024<br>BGN '000 |
|---|---|---|
| Rental income for investment properties | 402 | 245 |
| Revenue from the sale of non-financial services | 524 | 485 |
| *Income from the sale of investment properties* | 7,365 | 879 |
| *Book value of sold investment properties* | (4,683) | (498) |
| Profit from the sale of investment properties | **2,682** | **381** |
| *Proceeds from the sale of other assets* | 514 | 1,428 |
| *Book Value of Other Assets Sold* | (158) | (730) |
| Profit from the sale of other assets | **356** | **698** |
| *Proceeds from the sale of leased assets* | 621 | 6,812 |
| *Book amount of leased assets* | (621) | (6,812) |
| *Revenue from the sale of machinery and equipment* | (4) | - |
| *Book value of machinery and equipment* | (4) | - |
| *Revenue from the sale of goods* | 14,434 | - |
| *Book value of goods sold* | (9,196) | - |
| Other operating income | 2,679 | 3,946 |
| | **11,873** | **5,755** |

## 9.OTHER ADMINISTRATIVE OPERATING EXPENSES

*The administrative costs of the activity* include:

| | 2025<br>BGN '000 | 2024<br>BGN '000 |
|---|---|---|
| Personnel costs | 27,895 | 24,273 |
| Depreciation expense | 4,517 | 4,382 |
| Other administrative costs | 15,754 | 14,258 |
| | **48,166** | **42,913** |

*Staff costs* include:

| | 2025<br>BGN '000 | 2024<br>BGN '000 |
|---|---|---|
| Current remuneration | 23,090 | 20,112 |
| Social security contributions | 4,010 | 3,507 |
| Accrued amounts for long-term staff liabilities upon retirement | 137 | 141 |
| Accrued amounts for unused leave | 658 | 513 |
| **Total** | **27 895** | **24,273** |

| ***Other administrative costs*** include: | 2025 BGN '000 | 2024 BGN '000 |
|---|---|---|
| Rent | 98 | 254 |
| Other taxes and fees | 3,298 | 2,924 |
| Annual contribution to the Bank Deposit Insurance Fund and the Bank Resolution Fund | 929 | 1,842 |
| Communications & IT Services | 4,273 | 3,194 |
| Security and collection activities | 1,381 | 1,206 |
| Materials | 855 | 903 |
| Consulting, audit and legal services | 986 | 826 |
| Maintenance of office, office equipment, cars | 701 | 594 |
| Advertising and representative events | 801 | 727 |
| Insurance | 225 | 159 |
| Business trips | 71 | 92 |
| Membership | 62 | 204 |
| Other costs | 1,159 | 348 |
| Office cleaning | 465 | 358 |
| SMS notification | 387 | 331 |
| Sponsorship and donation | 2 | 241 |
| Valuation Services | 61 | 55 |
| Provisions in a court case | - | - |
| **Total** | 15,754 | **14,258** |

The Bank Deposit Insurance Fund determines the premium contributions due for each bank, taking into account its risk profile and the amount of insured deposits in the bank for the previous year, calculated as an average value of the amount of insured deposits at the end of each quarter. Premium contributions can be annual, extraordinary, annual premium installments in a reduced amount.

The amounts charged in 2025 for the services provided by the registered auditors for mandatory joint independent financial audit are BGN 234 thousand. excluding VAT (2024: BGN 183 thousand).
In 2025, the Group has charged amounts for other services provided by the registered auditors are 72 thousand. excluding VAT (2024: BGN 45 thousand).

The contracts for independent financial audit for 2025 and reporting in accordance with the requirements of Art. 76, para. 7, item 1 and para. 8 of the Credit Institutions Act and Art. 5 of Ordinance 14 of the BNB of 4 February 2010 on the content of the audit report for supervisory purposes on the organization of the internal control systems of the D Commerce bank AD Group for the year ending 31 December 2025 were concluded at the end of 2025.

## 10.INCOME TAX EXPENSE

The main components of the tax expenditure for the periods ending December 31 are:

| | 2025<br>BGN'000 | 2024<br>BGN'000 |
|---|---|---|
| **Consolidated statement of profit or loss and other comprehensive income (profit or loss for the year)** | | |
| Current profit tax expense for the year – 10% (2024.: 10%) | (4,684) | (5,357) |
| Occurrence and reversal of temporary differences | 181 | 205 |
| **Total profit tax expense reported in the profit or loss statement and other comprehensive income (in profit or loss for the year)** | **(4,503)** | **(5,152)** |

| | 2025<br>BGN'000 | 2024<br>BGN'000 |
|---|---|---|
| ***Reconciliation of profit tax expense determined to the accounting result*** | | |
| *Accounting profit for the year* | 45,032 | 51,529 |
| Income taxes – 10% (2024: 10%) | (4,503) | (5,153) |
| | - | - |
| *From unrecognized amounts on tax returns related to:* | | |
| Magnifications | (42) | (28) |
| Discounts | 42 | 29 |
| **Total profit tax expense reported in the profit or loss statement and other comprehensive income (in profit or loss for the year)** | **(4,503)** | **(5,152)** |

## 11.OTHER COMPREHENSIVE INCOME

| *Other comprehensive income* includes: | ***2025<br>BGN '000*** | ***2024<br>BGN '000*** |
|---|---|---|
| ***Components that will not be reclassified in profit or loss*** | | |
| Increase in the revaluation reserve of land and buildings (*Note No27*) | 761 | 10,305 |
| Follow-on plans with defined pension benefits (*Note No 26)* | (61) | (17) |
| | **700** | **10,288** |
| ***Components that can be reclassified in profit or loss:*** | | |
| Net change in the fair value of financial assets available and for sale: | 1,702 | 2,482 |
| Net impairment change for expected credit losses on debt securities at fair value through other comprehensive income | (40) | (3) |
| | **1,662** | **2,479** |
| **Total comprehensive income for the year** | **2,362** | **12,767** |

## 12.CASH AND BALANCES WITH CENTRAL BANK

*Cash and balances from the Central Bank* include:

| | **31.12.2025**<br>**BGN '000** | **31.12.2024**<br>**BGN '000** |
|---|---|---|
| Cash in cash (*Note 28*) | 56,499 | 32,248 |
| Receivables from the Central Bank (*Note 28*), including: | 346,631 | 441,363 |
| *Current account* | *177,631* | *213,147* |
| *Minimum required reserve in BGN* | *169,000* | *228,216* |

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

| | | |
|---|---|---|
| | **403,130** | **473,611** |

The Bulgarian National Bank may charge interest in BGN on the required minimum reserves and excess reserves in an amount determined by the Governing Council of the BNB. The interest rate on excess reserves may be negative unless the excess reserves are imposed as a result of a supervisory measure.

## 13. LOANS TO BANKS

The gross carrying amount, credit loss adjustment and amortised value of bank receivables, by type, as of 31 December are as follows:

| | **31.12.2025** | **31.12.2024** |
|---|---|---|
| | **BGN '000** | **BGN '000** |
| Term deposits | 120,750 | 161,390 |
| Checking accounts and deposits at sight | 5,395 | 6,161 |
| *Local Banks* | *450* | *806* |
| *Foreign banks* | *4,945* | *5,355* |
| Expected credit loss | (18) | (25) |
| | **126,127** | **167,526** |

As of 31.12.2025 and as of 31.12.2024, the receivables from banks are classified in Stage 1. Expected credit losses are calculated on an individual basis (*(Note No. 7)*.

The movement in the adjustment for *expected credit losses* of receivables from banks is as follows:

| | **2025** | **2024** |
|---|---|---|
| | **BGN'000** | **BGN'000** |
| Balance on January 1 | (25) | (11) |
| Change in impairment for expected credit losses recognised in profit or loss for the year | 324 | 504 |
| Change in impairment for expected credit losses recognised in profit or loss for the year | (317) | (518) |
| Balance on December 31st | (18) | (25) |

## 14. LOANS AND ADVANCES TO CUSTOMERS

As of December 31, the book value of the loans and advances to customers includes:

| | **31.12.2025** | **31.12.2024** |
|---|---|---|
| | **BGN '000** | **BGN '000** |
| Loans | 1,267,213 | 1,066,400 |
| Financial lease receivables | 38,632 | 39,520 |
| | **1,305,845** | **1,105,920** |
| Impairment of loans and receivables under financial leasing | (15,022) | (20,705) |

| | | |
|---|---|---|
| | **1,290,823** | **1,085,215** |

The table below presents the gross carrying amount of loans and financial lease receivables granted by type of client:

| **Analysis by customer type** | **31.12.2025** | **31.12.2024** |
|---|---|---|
| | **BGN '000** | **BGN '000** |
| **Enterprises** | **981,424** | **829,048** |
| **Individuals** | | |
| - Custom | 133,309 | 110,150 |
| - Housing mortgage loans | 182,963 | 158,895 |
| **Total natural persons** | **316,272** | **269,045** |
| **Farmers** | **8,149** | **7,827** |
| | **1,305,845** | **1,105,920** |

The movement of the adjustment for credit losses on the granted loans and advances to customers and receivables under financial leasing is as follows:

| | **Stage 1** (collective impairment) | **Stage 2** (collective impairment) | **Stage 3** (individual impairment) | **2025** | **2024** |
|---|---|---|---|---|---|
| | **BGN '000** | **BGN '000** | **BGN '000** | **BGN '000** | **BGN '000** |
| **Balance on January 1** | **(4 703)** | **(2 894)** | **(13 108)** | **(20 705)** | **(22 754)** |
| Impairment accrued | (1 380) | (1 842) | (1 611) | (4 833) | (6 527) |
| Recovered impairment | 3 085 | 1 465 | 4 898 | 9 448 | 7 944 |
| Written off | 70 | (77) | 1 075 | 1 068 | 632 |
| **Balance on December 31st** | **(2 928)** | **(3 348)** | **(8 746)** | **(15 022)** | **(20 705)** |

As of December 31, the balance of the credit loss adjustment on loans and advances to customers and receivables under financial leasing includes:

| | **31.12.2025** | **31.12.2024** |
|---|---|---|
| | **BGN '000** | **BGN '000** |
| Impairment on an individual basis | 8,746 | 13,108 |
| Impairment on a portfolio basis | 6,276 | 7,597 |
| | **15,022** | **20,705** |

*Leasing*

*The net investment in financial* leases is the difference between the gross investment in financial leases less unrealised financial income and the accrued impairment and is as follows:

**Net investment in financial leasing**

| | 31.12.2025<br>BGN '000 | 31.12.2024<br>BGN '000 |
|---|---|---|
| Gross investment in financial leasing | 41,326 | 45,594 |
| Unrealized financial income | (2,694) | (6,074) |
| **Net minimum lease payments** | **38,632** | **39,520** |
| Impairment | (388) | (765) |
| **Net investment in financial leasing** | **38,244** | **38,755** |

*The net investment in financial leasing* shall be distributed as follows:

| | 31.12.2025<br>BGN '000 | 31.12.2024<br>BGN '000 |
|---|---|---|
| **Net investment in financial leasing** | | |
| Maturity of up to 1 year | 110 | 6,047 |
| Maturity from 1 to 5 years | 22,798 | 20,079 |
| With maturity of more than 5 years | 15,336 | 12,629 |

The concentration of the group in the fifteen largest groups of exposures to customers is as follows:

| | 31.12.2025<br>BGN '000 | 31.12.2024<br>BGN '000 |
|---|---|---|
| Total gross carrying amount of the fifteen largest exposures to clients* | 447,766 | 394,629 |
| Percentage of gross loans and off-balance sheet commitments | 30.50% | 31,47% |

* With related clients, balance sheet and off-balance sheet commitment included

## 15. INVESTMENT SECURITIES AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

*Securities at fair value through other comprehensive income* as at 31 December 2025 are as follows:

| | nominal value | fair value | interest rate (coupon) | effective interest rate | maturity |
|---|---|---|---|---|---|
| | 31.12.2025<br>BGN '000 | 31.12.2025<br>BGN '000 | 31.12.2025<br>BGN '000 | 31.12.2025<br>BGN '000 | 31.12.2025<br>BGN '000 |
| **Government bonds – Republic of Bulgaria** | | | | | |
| *Medium-term bonds denominated in euro* | 29,220 | 30,178 | 2.625% - 3.000% | 0.215%-0.481% | March 2027 – March 2028 |
| *Euro-denominated long-term bonds* | 23,470 | 20,976 | 0.375% | 0.355% | September 2030 |
| | **52,690** | **51,154** | | | |
| **Corporate shares** | | | | | |
| *Shares denominated in BGN* | *40* | *436* | - | - | - |
| *Euro-denominated shares* | - | *34* | - | - | - |
| | **40** | **470** | | | |
| **Total** | **52,730** | **51,624** | | | |

| | nominal value | fair value | interest rate (coupon) | effective interest rate | maturity |
|---|---|---|---|---|---|
| | 31.12.2024 BGN '000 | 31.12.2024 BGN '000 | 31.12.2024 BGN '000 | 31.12.2024 BGN '000 | 31.12.2024 BGN '000 |
| **Government bonds – Republic of Bulgaria** | | | | | |
| *Euro-denominated long-term bonds* | 52,690 | 50,167 | 0.375% - 3.00% | 0.21% - 0.48% | March 2027 - September 2030 |
| | **52,690** | **50,167** | | | |
| **Government bonds – Republic of France** | | | | | |
| *Short-term euro-denominated bonds* | 48,896 | 48,896 | 0.00% | 2,94% | January 2025 |
| | ***48,896*** | ***48,896*** | | | |
| **Government bonds - European Union** | 107,571 | 107,506 | 0.00% | 2,95% | January 2025 |
| Short-term euro-denominated bonds | **107,571** | **107,506** | | | |
| **Corporate shares** | | | | | |
| *Shares denominated in BGN* | *20* | *314* | - | - | - |
| *Euro-denominated shares* | - | *34* | - | - | - |
| | **20** | **348** | | | |
| **Corporate bonds** | | | | | |
| *Medium-term bonds denominated in euro* | *9,779* | *9,909* | *3,50%* | *3.07%* | *June 2025* |
| | **9,779** | **9,909** | | | |
| **Total** | **218,956** | **216,826** | | | |

The movement in the fair value of securities at fair value through other comprehensive income is as follows:

| | **31.12.2025** | **31.12.2024** |
|---|---|---|
| **Balance on January 1** | **216,826** | **68,476** |
| Increase (additions) | 283,904 | 429,475 |
| Decreases (disposals and/or maturity) | (449,744) | (284,463) |
| Net impact of revaluation to fair value | 1,894 | 2,757 |
| Change in interest accrued | (1,256) | 581 |
| **Balance on December 31st** | **51,624** | **216,826** |

As at 31.12.2025 and 31.12.2024, debt securities at fair value through other comprehensive income are classified in Stage 1. Expected credit losses are determined on an individual basis (*Note No. 7*)

The movement of the credit loss adjustment of debt securities at fair value through other comprehensive income is as follows:

| | **2025 BGN'000** | **2024 BGN'000** |
|---|---|---|
| Balance on January 1 | (81) | (84) |
| Increase in impairment for credit losses on debt securities recognised in other comprehensive income | (2) | (8) |
| Impairment for credit losses on debt securities recognised in other comprehensive income | 41 | 11 |

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

| | | |
|---|---|---|
| Balance on December 31st | **(42)** | **(81)** |

As of 31.12.2025, the bank has blocked securities provided as collateral to budget accounts with a book value of BGN 51,154 thousand. (31.12.2024: BGN 50,167 thousand)

## 16. INVESTMENT SECURITIES AT AMORTISED COST

As of 31 December 2025, the carrying amount of debt securities carried at amortised cost includes:

| | Nominal value | Gross carrying amount | Expected credit loss | Amortised Cost | Fair value | Interest rate (coupon) | Effective interest rate | Maturity |
|---|---|---|---|---|---|---|---|---|
| | 31.12.2025 | 31.12.2025 | 31.12.2025 | 31.12.2025 | 31.12.2025 | 31.12.2025 | 31.12.2025 | 31.12.2025 |
| | BGN '000 | BGN '000 | BGN '000 | BGN '000 | BGN '000 | BGN '000 | BGN '000 | BGN '000 |
| *Government bonds* | | | | | | | | |
| Government bonds – Republic of Bulgaria – in BGN | 104,000 | 104,456 | 86 | 104,370 | 104,559 | *0.00% -3.25 %* | *2.814% - 4.184%* | *February 2025 - May 2030* |
| Government bonds – Republic of Bulgaria – in EUR | 21,514 | 21,890 | 18 | 21,872 | 21,677 | *2.625 % - 4.125 %* | *1.03 % - 3.635%* | *March 2027 - July 2035* |
| Government bonds – Republic of Bulgaria – in EUR | 19,558 | 21,043 | 17 | 21,026 | 21,389 | *6.625%* | *4.934%* | *September 2029* |
| | **145,072** | **147,389** | **121** | **147,268** | **147,625** | | | |

| | Nominal value | Gross carrying amount | Expected credit loss | Amortised Cost | Fair value | Interest rate (coupon) | Effective interest rate | Maturity |
|---|---|---|---|---|---|---|---|---|
| | 31.12.2024 | 31.12.2024 | 31.12.2024 | 31.12.2024 | 31.12.2024 | 31.12.2024 | 31.12.2024 | 31.12.2024 |
| | BGN '000 | BGN '000 | BGN '000 | BGN '000 | BGN '000 | BGN '000 | BGN '000 | BGN '000 |
| *Government bonds* | | | | | | | | |
| Government bonds – Republic of Bulgaria – in BGN | 99,000 | 98,017 | 84 | 97,933 | 98,172 | *0.00% -3.25 %* | *0.15% - 4.18 %* | *January 2025 - May 2030* |
| Government bonds – Republic of Bulgaria – in EUR | 11,735 | 12,293 | 10 | 12,283 | 12,007 | *2.625 % - 4.125 %* | *1.03 % - 3.49%* | *March 2027 - September 2029* |
| | **110,735** | **110,310** | **94** | **110,216** | **110,179** | | | |

The movement in the gross carrying amount of securities carried at amortised cost is as follows:

| | 31.12.2025 | 31.12.2024 |
|---|---|---|
| **Balance on January 1** | **110,216** | **123,476** |
| Acquired during the year | 70,421 | 664,330 |
| Maturity during the year | (34,489) | (679,121) |
| Change in impairment for credit losses | (27) | (35) |
| Change in accrued interest | 1,147 | 1,566 |
| **Balance on December 31st** | **147,268** | **110,216** |

The movement of the credit loss adjustment of debt securities at amortised cost is as follows:

| | 31.12.2025<br>BGN'000 | 31.12.2024<br>BGN'000 |
|---|---|---|
| Balance on January 1 | **(94)** | **(59)** |
| Increase in impairment for credit losses on debt securities | (62) | (45) |
| Impairment recovery for credit losses on debt securities | 35 | 10 |
| Balance on December 31st | **(121)** | **(94)** |

As of 31.12.2025, the investments reported at amortized cost totaling BGN 147,268 thousand. (31.12.2024: BGN 110,216 thousand) are blocked for the provision of budget funds.

## 17. INVESTMENT PROPERTIES

| **BGN '000** | **31.12.2025**<br>**BGN '000** | **31.12.2024**<br>**BGN '000** |
|---|---|---|
| ***Book value*** | | |
| **Balance as of January 1** | **13,173** | **10,690** |
| Acquired | 6,622 | 3,074 |
| Written off | (4,272) | (591) |
| **Balance as of December 31** | **15,523** | **13,173** |
| ***Depreciation and impairment losses*** | | |
| **Balance as of January 1** | **455** | **320** |
| Depreciation for the period | 207 | 202 |
| Written off | (169) | (67) |
| Impairment | - | - |
| **Balance as of December 31** | **493** | **455** |
| **Book value as at 1 January** | **12,718** | **10,370** |
| **Book value as at 31 December** | **15,030** | **12,718** |

As of 31.12.2025, the fair value of the investment properties is BGN 26,686 thousand. (2024: BGN 21,775 thousand) (*Note 2.25.2.2)*.

## 18. PROPERTY, EQUIPMENT AND ASSETS WITH THE RIGHT OF USE

| | Land and buildings | Informational Equipment | Economical Inventory | Others | In Progress on Acquisition | Assets with The right to Use | Total |
|---|---|---|---|---|---|---|---|
| | 2025 | 2025 | 2025 | 2025 | 2025 | 2025 | 2025 |
| | BGN '000 | BGN '000 | BGN '000 | BGN '000 | BGN '000 | BGN '000 | BGN '000 |
| ***Book value*** | | | | | | | |
| **Balance on January 1** | 49,529 | 6,516 | 3,315 | 4,941 | 2,986 | 9,140 | 76,427 |
| Acquired | - | 2,554 | 559 | 443 | 2,427 | 1,340 | 7,323 |
| Written off | - | (1,443) | (495) | (481) | (2,438) | (923) | (5,780) |
| Revaluation in case of change in accounting policy | 846 | - | - | - | - | - | 846 |
| Written off in case of change of accounting policy | (693) | - | - | - | - | - | (693) |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Balance on December 31st** | **49,682** | **7,627** | **3,379** | **4,903** | **2,975** | **9,557** | **78,123** |
| ***Depreciation and impairment losses*** | | | | | | | |
| **Balance on January 1** | **695** | **5,111** | **3,065** | **3,814** | **5** | **4,045** | **16,735** |
| Accrued depreciation for the year | **709** | **610** | **127** | **422** | **-** | **1,599** | **3,467** |
| Written off | **-** | **(411)** | **(432)** | **(429)** | **-** | **(923)** | **(2,195)** |
| Written off in case of change of accounting policy | **(693)** | **-** | **-** | **-** | **-** | **-** | **(693)** |
| **Balance on December 31st** | **711** | **5,310** | **2,760** | **3,807** | **5** | **4,721** | **17,314** |
| ***Book value*** | | | | | | | |
| **Book value at 31 December** | **48,971** | **2,317** | **619** | **1,096** | **2,970** | **4,836** | **60,809** |
| **Book value on January 1** | **48,834** | **1,405** | **250** | **1,127** | **2,981** | **5,095** | **59,692** |

| | **2024** | **2024** | **2024** | **2024** | **2024** | **2024** | **2024** |
|---|---|---|---|---|---|---|---|
| | **BGN '000** | **BGN '000** | **BGN '000** | **BGN '000** | **BGN '000** | **BGN '000** | **BGN '000** |
| ***Book value*** | | | | | | | |
| **Balance on January 1** | **42,899** | **5,951** | **3,366** | **4,804** | **1,012** | **7,143** | **65,175** |
| Acquired | 83 | 699 | 33 | 548 | 2,836 | 2,937 | **7,136** |
| Written off | - | (134) | (84) | (411) | (862) | (940) | **(2,431)** |
| Revaluation in case of change in accounting policy | 11,450 | - | - | - | - | - | **11,450** |
| Written off in case of change of accounting policy | (4,903) | - | - | - | - | - | **(4,903)** |
| **Balance on December 31st** | **49,529** | **6,516** | **3,315** | **4,941** | **2,986** | **9,140** | **76,427** |
| ***Depreciation and impairment losses*** | | | | | | | - |
| **Balance on January 1** | **4,904** | **4,768** | **3,056** | **3,727** | **5** | **3,366** | **19,826** |
| Accrued depreciation for the year | 694 | 477 | 93 | 421 | - | 1,620 | **3,305** |
| Written off | - | (134) | (84) | (334) | - | (941) | **(1,493)** |
| Written off in case of change of accounting policy | (4,903) | - | - | - | - | - | **(4,903)** |
| **Balance on December 31st** | **695** | **5,111** | **3,065** | **3,814** | **5** | **4,045** | **16,735** |
| | | | | | | | - |
| ***Book value*** | | | | | | | |
| **Book value at 31 December** | **48,834** | **1,405** | **250** | **1,127** | **2,981** | **5,095** | **59,692** |
| **Book value on January 1** | **37,995** | **1,183** | **310** | **1,077** | **1,007** | **3,777** | **45,349** |

As of 31.12.2025, the fixed tangible assets of the group include: land worth BGN 11,333 thousand. (31.12.2024: BGN 11,186 thousand) and buildings with a book value of BGN 37,642 thousand. (31.12.2024: BGN 37,648 thousand).

As of 31.12.2025, the fixed tangible assets included assets with a book value of BGN 8,632 thousand. (31.12.2024: BGN 9,631 thousand), which are fully depreciated, but continue to be used in the group's activities.

As of 31.12.2025, the assets with the right of use are related to lease agreements for the use of office space.

As of 1.1.2024, an assessment of the fair value of the properties owned by the Bank was carried out, using market valuations prepared by an independent external appraiser.

In the fair value hierarchy, land and buildings are classified in Level 3 using valuation techniques to determine fair values.

| **Assessment technique** | **Significant unobservable input data** | **Correlation between key unobservable inputs and fair value** |
|---|---|---|
| Market Approach – Method of Comparative Sales | Limitations on the availability of actual transaction data or exchange prices of similar assets in an active market | Fair value will change if a larger or smaller number of analogues are used |
| | Correction for lack of information about concluded transactions of 10%<br>Adjustments to analogues, such as coefficients for:<br>- Technical parameters | Fair value will change if:<br>- more or less adjustment coefficients are applied;<br>- the coefficients for correction of technical parameters and current state are higher or lower |
| | - Current status | The fair value measurement will be more reliable when it is primarily compared with comparable transaction prices than with offer prices |
| Revenue Approach – Income Capitalization Method | Determination of the potential gross annual income that is most likely to be received from a property when it is rented out or leased at market prices<br>Determination of deductions from expected revenue related to:<br>- Risk of rent dropping due to unemployment or uncollected contributions<br>- Fixed costs – building tax, garbage fee, insurance, etc.<br>- Operating costs – management and maintenance of the property<br>- Determination of net cash flow<br>- Determining the period during which the property will generate income<br>- Determination of the capitalisation rate of expected income and the annuity factor for the net present value of future revenues | Fair value will change if:<br>- the expected potential gross annual income changes, without taking into account future possible changes in the value of rents<br>- in case of higher or lower unemployment rate or rent cancellation or uncollected contributions<br>- in case of changes in the value of fixed and operating costs<br>- in case of change in the period in which the property is expected to generate revenue<br>- when using a lower or higher capitalization rate of expected income and the annuity factor |

## 19.INTANGIBLE ASSETS

| | Software | |
|---|---|---|
| | 31.12.2025 | 31.12.2024 |
| | BGN '000 | BGN '000 |
| ***Book value*** | | |
| **Balance on January 1** | **9,668** | **8,650** |
| Acquired | 3,390 | 2,666 |
| Written off | (2,492) | (1,648) |
| **Balance on December 31st** | **10,566** | **9,668** |
| ***Depreciation and impairment losses*** | | |
| **Balance on January 1** | **4,958** | **4,083** |
| Accrued depreciation for the year | 843 | 875 |
| Written off | - | - |
| **Balance on December 31st** | **5,801** | **4,958** |
| ***Book value on January 1*** | **4,710** | **4,567** |
| ***Book value at 31 December*** | **4,765** | **4,710** |

## 20.CURRENT TAX RECEIVABLES

*Current tax receivables* to 31.12.2025 are in the amount of BGN 13,365 thousand. (31.12.2024: BGN 205 thousand).

## 21.OTHER ASSETS

*Other assets* include:

| | 31.12.2025 | 31.12.2024 |
|---|---|---|
| | BGN '000 | BGN '000 |
| *Assets acquired from collateral* | *8,561* | *8,251* |
| *Impairment accrued* | *(731)* | *(731)* |
| | 7,830 | 7,520 |
| Security deposits with suppliers | 930 | 972 |
| Prepaid expenses | 2,131 | 1,674 |
| Other assets | 3,250 | 1,473 |
| Inventories | 7,262 | 18,203 |
| Value Added Tax | 6 | 37 |
| **Total** | **21,409** | **29,879** |

Of which

| | 31.12.2025 BGN '000 | 31.12.2024 BGN '000 |
|---|---|---|
| Financial assets | 5,566 | 2,214 |
| Non-financial assets | 15,843 | 27,665 |
| | **21,409** | **29,879** |

## 22. DEPOSITS FROM BANKS

*Deposits from banks* represent attracted funds related to credit lines with a carrying amount as of 31 December 2025: BGN 9,301 thousand. (31.12.2024: BGN 10,633 thousand).

The agreed terms and conditions under the *liabilities to banks* are as follows:

| | Size | Currency | Case | 31.12.2025 BGN '000 | 31.12.2024 BGN '000 |
|---|---|---|---|---|---|
| Bulgarian Development Bank AD | 15,000 | BGN '000 | 31.05.2025 | - | 1,001 |
| International Asset Bank AD | 9,654 | BGN '000 | 31.07.2029 | 9,301 | 9,632 |
| **Total** | | | | **9,301** | **10,633** |

### Changes in liabilities arising from financial activities

The following table presents the reconciliation between the opening and closing balances in the statement of financial position of liabilities arising from financial activity for the year ended 31 December 2025:

| | 01.01.2025 | Principal Accrued | Principal and interest paid | Bank loan payments | Accruals using the effective interest rate method | Other non-monetary changes | 31.12.2025 |
|---|---|---|---|---|---|---|---|
| Bulgarian Development Bank AD | 1,001 | - | (24) | (996) | 19 | - | - |
| International Asset Bank AD | 9,632 | 7,767 | (342) | (8,101) | 345 | - | **9,301** |
| Liabilities to banks | 10,633 | 7,767 | (366) | (9,097) | 364 | - | **9,301** |
| Leasing obligations (Note 26) | 5,124 | - | (1,656) | - | 80 | 1,329 | **4,877** |
| **Total liabilities from financial activities** | **15,757** | **7,767** | **(2,022))** | **(9,097)** | **444** | **1,329** | **14,178** |

| | 01.01.2024 | Principal Accrued | Principal and interest paid | Bank loan payments | Accruals using the effective interest rate method | Other non-monetary changes | 31.12.2024 |
|---|---|---|---|---|---|---|---|
| Liabilities to banks | 7,658 | 11,096 | (496) | (8,144) | 519 | - | **10,633** |
| Liabilities under a lease (Note 26) | 3,834 | - | (1,692) | - | 59 | 2,923 | **5,124** |
| **Total liabilities from financial activities** | **11,492** | **11,096** | **(2,188)** | **(8,144)** | **578** | **2,923** | **15,757** |

## 23. DEPOSITS FROM CUSTOMERS

| | 31.12.2025 | 31.12.2024 |
|---|---|---|
| | BGN '000 | BGN '000 |
| **Individuals** | | |
| - Fixed-term | 531,866 | 424,604 |
| - savings | 120,654 | 104,092 |
| - Indefinite | 255,444 | 202,117 |
| | **907 964** | **730,813** |
| **Private enterprises and TTIs** | | |
| - Fixed-term | 51,770 | 23,392 |
| - Indefinite | 871,893 | 1,130,294 |
| | **923,663** | **1,153,686** |
| | **1,831,627** | **1,884,499** |

As of 31 December 2025, 1% of the total amount of deposits from customers (31.12.2024: 2%) represent funds of the sole shareholder and related parties.

The deposits from customers include funds of clients blocked by the bank: for collateral of loans and issued bank guarantees in the amount of BGN 23,980 thousand. (31.12.2024: BGN 19,328 thousand), as well as accounts under special conditions: fundraising accounts in the amount of BGN 640 thousand. BGN. (31.12.2024: BGN 675 thousand).

## 24.CURRENT TAX LIABILITIES

*Current tax liabilities* as of 31.12.2025 are in the amount of BGN 330 thousand. (31.12.2024: 45 thousand BGN)

Until the date of issuance of this report, audits and inspections have been carried out as follows:

- VAT audit – until 31.12.2023; check – for the period 01.01.2022 – 31.08.2023
- Corporate tax until 31.12.2022
- full tax audit – until 31.12.2009;
- National Social Security Institute – until 31.01.2015

A tax audit shall be carried out within five years from the expiration of the year in which the tax return for the respective liability has been submitted. The audit shall definitively confirm the tax liability of the taxable person, except in the cases expressly provided for by the legislation.

## 25. DEFERRED TAXES

***Deferred income taxes*** as of December 31 are related to the following items in the statement of financial position:

| | *Time difference* | *Tax* | *Time difference* | *Tax* |
|---|---|---|---|---|
| | ***31.12.2025*** | ***31.12.2025*** | ***31.12.2024*** | ***31.12.2024*** |
| | ***BGN '000*** | ***BGN '000*** | ***BGN '000*** | ***BGN '000*** |
| Properties, equipment and investment properties | (4,106) | (411) | (3,589) | (359) |
| Deferred tax liability - revaluation of land and buildings | (12,295) | (1,230) | (11,449) | (1,145) |
| Actuarial Gains and Losses | (68) | (7) | - | - |
| ***Total deferred tax liabilities*** | **(16,469)** | **(1,648)** | **(15,038)** | **(1,504)** |
| Tax loss | 510 | 51 | 622 | 62 |
| Accruals for unused staff leave and bonuses | 881 | 88 | 716 | 71 |
| Long-term obligations to staff upon retirement | 887 | 89 | 757 | 75 |
| Other assets (collateral acquired) | 857 | 86 | 575 | 57 |
| Other assets (inventories) | - | - | 3,454 | 346 |
| Provisions for court cases | - | - | 34 | 3 |
| Right-of-use assets | 13 | 1 | 2 | - |
| ***Total deferred tax assets*** | **3,148** | **315** | **6,160** | **614** |
| **Net assets/liabilities on deferred income taxes** | **(13,321)** | **(1,333)** | **(8,878)** | **(890)** |

When recognising deferred tax assets, account is taken of the likelihood that individual differences will reciprocate in the future and the Group's ability to generate sufficient tax profits.

The change in the balance of deferred taxes for 2025 is as follows:

| ***Deferred tax (liabilities)/assets*** | ***1.1.2025*** | ***Recognised in revaluation reserve*** | ***Recognised in current profit and loss*** | ***31.12.2025*** |
|---|---|---|---|---|
| | **BGN '000** | **BGN '000** | **BGN '000** | **BGN '000** |
| Properties, equipment and investment properties | (359) | - | (35) | (394) |
| Deferred tax liability - revaluation of land and buildings | (1,145) | (84) | - | (1,229) |
| Accruals for paid staff leave and bonuses | 71 | - | 18 | 89 |
| Long-term obligations to staff upon retirement | 75 | - | 14 | 89 |
| Tax loss | 62 | - | (30) | 32 |
| Other assets (collateral acquired) | 57 | - | 29 | 86 |
| Other assets (inventories) | 346 | - | (346) | - |
| Provisions for court cases | 3 | - | (3) | - |
| Right-of-use assets | - | - | 1 | 1 |

| | | | | |
|---|---|---|---|---|
| Actuarial Gains and Losses | - | (7) | | (7) |
| **Total** | **(890)** | **(91)** | **(352)** | **(1,333)** |

The change in the balance of deferred taxes for 2024 is as follows:

| *Deferred tax (liabilities)/assets* | *1.1.2024* | *Recognised in revaluation reserve* | *Recognised in current profit and loss* | *31.12.2024* |
|---|---|---|---|---|
| | **BGN '000** | **BGN '000** | **BGN '000** | **BGN '000** |
| Properties, equipment and investment properties | (262) | - | (97) | (359) |
| Deferred tax liability - revaluation of land and buildings | - | (1,145) | - | (1,145) |
| Accruals for paid staff leave and bonuses | 70 | - | 1 | 71 |
| Long-term obligations to staff upon retirement | 65 | - | 10 | 75 |
| Tax loss | 34 | - | 28 | 62 |
| Other assets (collateral acquired) | 59 | - | (2) | 57 |
| Other assets (inventories) | 346 | - | - | 346 |
| Provisions for court cases | 18 | - | (15) | 3 |
| Right-of-use assets | (1) | - | 1 | - |
| **Total** | **329** | **(1,145)** | **(74)** | **(890)** |

## 26.OTHER LIABILITIES

*Other liabilities* include:

| | 31.12.2025 | 31.12.2024 |
|---|---|---|
| | **BGN '000** | **BGN '000** |
| Translations for implementation | 3,096 | 947 |
| Prepaid credit management fees | 15 | 29 |
| Current obligations to staff and social security | 982 | 889 |
| Long-term obligations to staff upon retirement | 889 | 759 |
| Guarantees under assignment agreements and letters of credit | 79 | 490 |
| Other obligations | 4,834 | 5,864 |
| Obligations under lease agreements | 4,877 | 5,124 |
| | **14,772** | **14,102** |
| Of which | | |
| financial liabilities | 12,214 | 12,280 |
| non-financial liabilities | 2,558 | 1,822 |
| | **14,772** | **14,102** |

The change in *the obligations under lease contracts* in 2025 is presented in the following table:

| | 2025 | 2024 |
|---|---|---|
| | BGN '000 | BGN '000 |
| **As of January 1** | 5,124 | 3,834 |
| Acquired | 2,475 | 4,289 |
| Accrued interest for the period | 80 | 59 |
| Payments | (1,656) | (1,692) |
| Discontinued | (1,146) | (1,366) |
| **as of December 31** | 4,877 | 5,124 |

*Current obligations to staff* include accruals on unused leave and related social security contributions.

*Long-term liabilities to staff upon retirement* include the present value of the bank's obligation to pay benefits to employees as of the date of the statement of financial position at retirement age.

According to the Labor Code in Bulgaria, every employee is entitled to compensation in the amount of two gross salaries upon retirement, and if he has worked for the same employer during the last 10 years of his work experience, the benefit is in the amount of six gross salaries at the time of retirement. This is a defined benefit plan. (*Note No 2.20*).

To determine these obligations, the group made an actuarial valuation as of 31.12.2025 and 31.12.2024, using the services of a certified actuary.

The change in the present value of staff liabilities upon retirement is as follows:

| | 2025 | 2024 |
|---|---|---|
| | **BGN '000** | **BGN '000** |
| Present value of the obligation on January 1 | **759** | **649** |
| Interest expense | **26** | **23** |
| Cost of current work experience | **110** | **103** |
| Payments during the year | **(62)** | **(32)** |
| Effects of ex-post evaluations for the year | **56** | **16** |
| Present value of the obligation on December 31 | **889** | **759** |

The amounts accrued in the statement of profit or loss and other comprehensive income on long-term employee benefits upon retirement are as follows:

| | 2025 | 2024 |
|---|---|---|
| | **BGN '000** | **BGN '000** |
| Cost of current traineeship | 110 | 104 |
| Interest expense | 26 | 23 |
| **Cost components of defined benefit plans recognised in profit or loss** | **136** | **127** |

| | | |
|---|---|---|
| Effects of ex-post assessments of obligations to staff upon retirement, including from: | | |
| *Actuarial losses from changes in financial assumptions* | - | (26) |
| *Actuarial losses from changes in demographic assumptions* | (10) | (10) |
| *Actuarial gains from adjustments due to past experience* | 66 | 51 |
| **Expenditure components of defined benefit plans recognised in other components of comprehensive income *(Note No 10)*** | **56** | **15** |
| **Total** | **192** | **142** |

When determining the value as of 31.12.2025, the following actuarial assumptions were made:

- mortality – according to the NSI mortality table for the total mortality of the population in Bulgaria for the period 2022 - 2024 (31.12.2024: 2021 - 2023);
- Turnover rate – 8.50% per annum (2024: 8.00%) is applied.
- Discount factor - a rate based on an effective annual interest rate of 0.50% was used (31.12.2024: 0.50%). It is based on the yield on the issues of long-term government securities (with a 10-year maturity). Given that the average retirement period is longer than 11 years, the discount rate is determined by extrapolation;
- The assumption for the future level of wages is based on the information provided by the Bank's management and amounts to 3.0% annual growth for 2025 for the first three years and 2.00% for the entire remaining period (2024: 2.5%).

## 27.CAPITAL AND RESERVES

***Share capital***

As of 31.12.2025, the registered share capital of Commerce Bank D AD amounts to BGN 90,064 thousand. (31.12.2024: BGN 90,064), distributed in 90,064 ordinary registered dematerialized voting shares with a nominal value of BGN one thousand per share.

The structure of the share capital is as follows:

| Shareholder | Shares held as of 31.12.2025 | Percentage | Shares held as of 31.12.2024 | Percentage |
|---|---|---|---|---|
| Fuat Güven | 50,000 | 55,52% | 50,000 | 55,52% |
| Fortera AD | 40,064 | 44,48% | 40,064 | 44,48% |
| **Total** | **90,064** | **100%** | **90,064** | **100%** |

In 2025 and 2024, there will be no change in the share capital of the Group.

***Reserves***

*The Group's reservations* are summarised in the table below:

| | 31.12.2025 BGN '000 | 31.12.2024 BGN '000 |
|---|---|---|
| Statutory Reserves (Reserve Fund) | 141,010 | 109,179 |
| Reverver on financial assets available and for sale | (2,910) | (4,572) |
| Revaluation reserve of land and buildings | 11,066 | 10,305 |
| **Total** | **149,166** | **114,912** |

*Statutory Reserves (Reserve Fund)*

The Credit Institutions Act does not provide for special rules on the formation of *Legal reservations (Reserve Fund)*. The group forms this type of reserve under the general procedure of the Commerce Act, namely: to set aside at least one tenth of the profit after taxes, the funds paid above the nominal value when issuing capital, the amount of additional payments made against the advantages granted to them for the acquired shares, other sources provided for in the articles of association or by decision of the General Meeting, until the funds of the fund reach 1/10 of the capital determined by the statute. Also, according to the Credit Institutions Act, banks cannot pay dividends before they have accumulated a minimum amount of their reserves required by law or statute, or provided that the payment of dividends will violate compliance with the regulatory ratios for total capital adequacy.

The group can use the funds from the *Legal reservations* (*Reserve Fund)* to cover current losses or to cover losses from previous periods, and cannot be used for distribution of dividends without the permission of the BNB.

As of 31.12.2025 *The legal reserves* (*Reserve Fund)* of the Group amount to BGN 141,010. (12/31/2024: BGN 109,179) as the minimum required amount under the Commerce Act has been reached.

The movement of *the Statutory Reserves (Reserve Fund)* is as follows:

| | 2025 BGN '000 | 2024 BGN '000 |
|---|---|---|
| **Balance on January 1** | **109,179** | **82,310** |
| Profit distribution | 46,130 | 38,869 |
| Distributed dividend | (14,299) | (12,000) |
| **Balance on December 31st** | **141,010** | **109,179** |

*The reserve of financial assets at fair value through other comprehensive income* is formed by the effects of subsequent measurement of securities carried at fair value through other comprehensive income. When debt securities are derecognised, the reserve formed is recycled through the statement of profit or loss and other comprehensive income (through profit or loss for the period). The generated reserve is not recycled through the statement of profit or loss and other comprehensive income (through profit or loss for the period).

As of 31.12.2025, the reserve of financial assets at fair value through other comprehensive income amounted to (BGN 2,910). (31.12.2024: (4,572) thousand BGN).

The movement of *reserve for financial assets at fair value through other comprehensive income* is as follows:

| | 2025<br>BGN '000 | 2024<br>BGN '000 |
|---|---|---|
| **Balance on January 1** | **(4,572)** | **(7,051)** |
| Gains from revaluation to fair value arising during the year | *1,702* | *2,482* |
| Net impairment change for expected credit losses on financial assets at fair value through other comprehensive income | *(40)* | *(3)* |
| **Balance on December 31st** | **(2,910)** | **(4,572)** |

*Revaluation reserve of land and buildings*

As of 01.01.2024, following initial recognition, the Group applies a revaluation model at the fair value of land and buildings. As a result of the revaluation made as of 31.12.2024, the value of the lands and buildings has been increased and a Revaluation reserve has been formed.

The movement of the revaluation reserve of land and buildings is as follows:

| | 2025<br>BGN '000 | 2024<br>BGN '000 |
|---|---|---|
| **Balance on January 1** | **10,305** | **-** |
| Revaluation of land and buildings | 846 | 11,450 |
| Accrued tax | (85) | (1,145) |
| **Balance on December 31st** | **11,066** | **10,305** |

As of 31 December 2025 ***The retained earnings*** amounted to BGN 37,757 thousand. (12/31/2024: BGN 45,454).

The movement of retained earnings is as follows:

| | 2025<br>BGN '000 | 2024<br>BGN '000 |
|---|---|---|
| **Balance on January 1** | **45,454** | **38,565** |
| Net profit for the year | 38,494 | 45,775 |
| Allocation of profit for reserves | (46,130) | (38,869) |
| Actuarial gains/(losses) from ex-post valuations | (61) | (17) |
| **Balance on December 31st** | **37,757** | **45,454** |

## 28.CASH AND CASH EQUIVALENTS

For the purposes of the statement of cash flows, cash and cash equivalents include the following balances with an original maturity of up to 3 months:

| | 31.12.2025<br>BGN '000 | 31.12.2024<br>BGN '000 |
|---|---|---|
| Cash in cash (*Note No 12*) | 56,499 | 32,248 |
| Current accounts with the Central Bank (*Note No 12*) | 177,631 | 213,147 |
| Minimum mandatory reserve (*Note No 12*) | 169,000 | 228,216 |
| Receivables from banks with an original maturity of up to 90 days (*Note No 13*) | 126,127 | 167,526 |
| **Cash and cash equivalents shown in the statement of cash flows** | **529, 257** | **641,137** |

## 29.CONTINGENT LIABILITIES AND COMMITMENTS

*Financial guarantees and letters of credit*

The Group provides financial guarantees and letters of credit in order to guarantee the fulfillment of the commitments of its clients to third parties. These agreements have fixed limits and usually have a validity period of up to one year.

The amounts under concluded agreements for commitments and contingent obligations are presented in the table below:

| | 31.12.2025<br>BGN '000 | 31.12.2024<br>BGN '000 |
|---|---|---|
| **Contingent liabilities** | | |
| Bank guarantees and letters of credit | | |
| - in BGN | 19,037 | 19,630 |
| - in foreign currency | 1,316 | 1,330 |
| | **20,353** | **20,960** |
| **Irrevocable commitments** | | |
| Unused amount of authorised loans | | |
| - in BGN | 101,998 | 95,445 |
| - in foreign currency | 39,665 | 31,595 |
| | **141,663** | **127,040** |
| | **162,016** | **148,000** |

As of 31.12.2025 and 31.12.2024, the amount of expected credit losses related to the provided guarantees, letters of credit and irrevocable commitments is immaterial in amount and has not been reported in this financial statement.

*Nature of instruments and credit risk*

Those contingent commitments carry off-balance sheet credit risk, as only commitment fees and provisions for possible losses are reflected in the statement of financial position until the expiry of the commitment or its performance. The amounts recorded in the table above as guarantees represent the maximum accounting loss that would have been recognised at the date of the individual financial statements if counterparties had not fully fulfilled their contractual obligations. Many of the contingent liabilities will expire without being partially or fully advanced. Therefore, the amounts do not represent expected future cash flows. The collateral for the issuance of bank guarantees and letters of credit is 100% and is mainly blocked deposits in the bank, mortgaged real estate, bank guarantees from other banks and promissory notes.

When conditions arise for activating an issued guarantee, the Group assesses the possibility of recourse to the counterparty and the possible realization of the provided collateral.

*Court proceedings*

As of December 31, 2025, respectively. As of December 31, 2024, there are no significant legal claims filed against the group of Commerce Bank D AD, which could have significant consequences for all companies and/or for their financial situation.

## 30.RELATED PARTY TRANSACTIONS

Companies that are related to D Commerce bank AD and the type of their connection are as follows:

| ***Related Persons*** | ***Type of connectivity*** |
|---|---|
| Mr. Fuat Güven | Major shareholder |
| Fortera AD | Shareholder with significant influence |
| Emelda Textile Sanai Dash Ticaret | Undertaking under common control through a major shareholder |
| Limited Şirketirest AD | Undertaking under common control through a major shareholder |
| Elkabel AD | Undertaking under common control through a major shareholder |
| Elkabel Park EOOD | Undertaking under common control through a major shareholder |
| Aidatur AD | Undertaking under common control through a major shareholder |
| Shop: Shipka Fuat Guven-Turkey | Undertaking under common control through a major shareholder |
| Shop Shipka Fuat Guven EOOD | Undertaking under common control through a major shareholder |
| Emelda EOOD | Undertaking under common control through a major shareholder |
| Trakia -97 EOOD | Undertaking under common control through a major shareholder |
| Style-93 EOOD | Undertaking under common control through a major shareholder |
| Elefors EOOD | Undertaking under common control through a major shareholder |
| Gama Invest AD | Undertaking under common control through a major shareholder |

| | |
|---|---|
| Kardzhali – Tabac AD | Undertaking under common control through a major shareholder |
| Svilengrad – Gas AD | Undertaking under common control through a major shareholder |
| Shipka – Oil EOOD | Undertaking under common control through a major shareholder |
| Bratya Vasilevi EOOD | Undertaking under common control through a major shareholder |
| Shipka – Fuat – Guven – Varna EOOD | Undertaking under common control through a major shareholder |
| Ivancho's Stan | Undertaking under common control through a major shareholder |
| Ivanchov Khan | Undertaking under common control through a major shareholder |
| Ivanchov Inn Complex | Undertaking under common control through a major shareholder |
| Borisov & Borisov Law Firm | Key management personnel |

The natural persons, part of the key management personnel, are disclosed in *Note 1.2.*

**(a) Related party estimates**

| **Account type** | **Type of connectivity** | **31.12.2025 BGN '000** | **31.12.2024 BGN '000** |
|---|---|---|---|
| Deposits, current and collection accounts | Undertaking under common control through a major shareholder | 7,879 | 23,361 |
| Deposits and current accounts | Shareholder | 10,273 | 6,242 |
| Deposits and current accounts | Key management personnel | 2,365 | 1,885 |
| | | 20,517 | 31,488 |
| Loans granted | Undertaking under common control through a major shareholder | 15,458 | 17,218 |
| Loans granted | Key management personnel | 2,550 | 2,664 |
| Loans granted | Shareholder | - | 1 |
| | | 18,008 | 19,883 |
| Guarantees and letters of credit issued | Undertaking under common control through a major shareholder | 784 | 490 |
| | | 784 | 490 |

**(b) Related party transactions**

| **Type of receipt/expense** | **Type of connectivity** | **2025 BGN '000** | **2024 BGN '000** |
|---|---|---|---|
| Interest income | Undertaking under common control through a major shareholder | 457 | 511 |
| Interest income | Key management personnel | 53 | 58 |
| Interest income | Shareholder | 1 | - |
| | | 511 | 569 |

| | | | |
|---|---|---|---|
| Commission income | Undertaking under common control through a major shareholder | 63 | 58 |
| Commission income | Key management personnel | - | 1 |
| Commission income | Shareholder | 1 | - |
| | | 64 | 59 |

| | | | |
|---|---|---|---|
| Interest Expense | Undertaking under common control through a major shareholder | 2 | 7 |
| Interest Expense | Shareholder | 1 | |
| | | | 5 |
| Interest Expense | Key management personnel | 8 | 4 |
| | | 11 | 16 |

**(c) Remuneration of key management personnel**

| | 2025 | 2024 |
|---|---|---|
| | BGN '000 | BGN '000 |
| Remuneration of key management personnel | 7,368 | 5,703 |

The composition of the key personnel is announced in *Note No 1.*

## 31.ADDITIONAL INFORMATION

Information for disclosure, in accordance with the requirements of Article 70 (6) of the CIA.

The data provided for the Bank and its subsidiaries are as of 31 December 2025 and do not include consolidation eliminations:

| | D Commerce bank AD | D Leasing EAD | D Imoti EOOD | D Insurance Broker EAD | D Park EOOD |
|---|---|---|---|---|---|
| **Name** | | **Subsidiary** | **Subsidiary** | **Subsidiary** | **Subsidiary** |
| Description of the activity | Banking | Leasing activity | Real Estate Operations | Insurance Intermediation | Real Estate Operations |
| Headquarters | Sofia | Sofia | Sofia | Sofia | Sofia |
| Operating income | 78,165 | 1,228 | 6,060 | 674 | 1,302 |
| Number of employees | 416 | 6 | 2 | 4 | - |
| Profit/(loss) before tax | 37,843 | 763 | 2,572 | 460 | (539) |
| Accrued tax | (3,785) | (76) | (250) | (46) | - |
| Return on assets | 1,60% | 2,40% | 11,73% | 95,61% | (3,91%) |
| Government subsidies received | none | none | none | none | none |

*The data presented in D Imoti EOOD are consolidated with those of Ivanchov Stan EOOD and

Complex Ivanchov Han EOOD.

## 32.EVENTS AFTER THE DATE OF THE FINANCIAL STATEMENTS

According to the Law on the Introduction of the Euro in the Republic of Bulgaria, as of January 1, 2026, the euro becomes an official currency and legal tender in Bulgaria. The official exchange rate is set at 1.95583 leva. for 1 euro. The introduction of the euro as an official currency in the Republic of Bulgaria constitutes a change in the functional (reporting) currency of the Group, which will be reflected in the perspective and does not constitute an event that occurred after the end of the reporting period, requiring an adjustment in the financial statements for the year ending 31 December 2025. nor by the process of changing the functional (reporting) currency.

On February 28, 2026, a joint operation of the United States and Israel against strategic targets in Iran began. As a result, the world's leading financial markets are experiencing turmoil, uncertainty due to the conflict and a lasting impact on energy prices. The impact of the war in the Middle East on the global economy will depend on its duration and on the damage to infrastructure and industries in the region, and in particular whether the spikes in energy prices will be short-lived or long-lasting. The conflict can have a serious impact on the global economy in terms of a number of indicators – inflation, economic growth and others. The Group monitors and makes ongoing analyses and assessments of possible consequences and effects of the conflict for the Group, its activities, assets and prospects.

As of February 1, 2026, Anna Ivanova Asparuhova is not part of the Group's management and Nikolay Georgiev Spasov has been appointed Chief Executive Officer, who was entered in the Commercial Register on March 19, 2026.

No corrective events or other significant non-correcting events occurred between the date of the consolidated annual financial statements and the date of authorisation for issuance, except for the events described.