UNITED BULGARIAN BANK

ANNUAL REPORT 2023

This document is a translation of the original Bulgarian text

UBB
Part of KBC Group

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Independent Auditors' Report

To the Shareholders of United Bulgarian Bank AD

Report on the audit of the separate and consolidated financial statements

Our opinion

We have audited the separate and consolidated financial statements of United Bulgarian Bank AD (the "Bank") and its subsidiaries (together - the "Group") which comprise the separate and consolidated statement of financial position as at 31 December 2023, and the separate and consolidated statement of profit or loss, the separate and consolidated statement of comprehensive income, the separate and consolidated statement of changes in equity and the separate and consolidated statement of cash flows for the year then ended, and the notes to the separate and consolidated financial statements, comprising material accounting policy information and other explanatory information.

In our opinion, the separate and consolidated financial statements present fairly, in all material respects, the financial position of the Bank and the Group as at 31 December 2023, and the Bank's separate and the Group's consolidated financial performance and separate and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the separate and consolidated financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Bank and the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and the ethical requirements of the Independent Financial Audit Act that are relevant to our audit of the separate and consolidated financial statements in Bulgaria. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the ethical requirements of the Independent Financial Audit Act.

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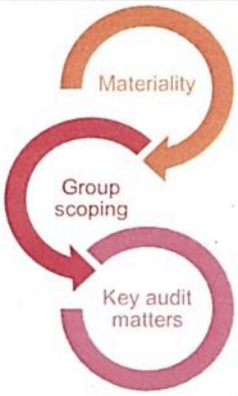
Our audit approach

Overview



- Overall Bank and Group materiality: BGN 23,113 thousand, which represents 5.0% of the separate and 4.9% of the consolidated profit before tax.
- We performed audit procedures addressing the three material components of the Group – United Bulgarian Bank AD, KBC Leasing Bulgaria EOOD and UBB Factoring EOOD which represent a substantial part of the Group's total assets and absolute value of profit before tax.
- Estimation uncertainty with respect to the credit loss allowance for loans and advances to customers

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the separate and consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the separate and consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the separate and consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the separate and consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, if any, both individually and in aggregate on the separate and on the consolidated financial statements as a whole.

Overall Bank and Group materiality	BGN 23,113 thousand
How we determined it	5.0% of the separate and 4.9% of the consolidated profit before tax
Rationale for the materiality benchmark applied	We applied profit before tax as a benchmark because, in our view, it is the benchmark against which the performance of the Bank and the Group is commonly measured by the users of the separate and consolidated financial statements and it is a generally accepted benchmark.

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
Estimation uncertainty with respect to the credit loss allowance for loans and advances to customers, including the considerations related to the merger with former KBC Bank Bulgaria EAD (Note 12 "Loans and advances to customers", Note 32 "Credit risk" and Note 39 "Merger of entities under common control") Loans and advances to customers represent a significant part of the total assets of the Bank and the Group as at 31 December 2023 with aggregate gross carrying value of BGN 17,933 million on a separate basis and BGN 18,057 million on a consolidated basis and accumulated loss allowance BGN 318 million on a separate basis and BGN 328 million on a consolidated basis. The Bank and the Group apply a credit loss allowance model based on expected credit losses ("ECL") in accordance with requirements of IFRS 9 "Financial instruments". The appropriateness of the credit loss allowance for loans and advances to customers requires significant judgement by management. Measuring credit loss allowance for loans and advances to customers under IFRS 9 requires an assessment of the 12-month or lifetime expected credit losses and assessment of significant increase in credit risk or whether loans and advances to customers are in default. The assessment of significant increase in credit risk and default, and the measurement of 12-month or life-time expected credit losses are part of the Bank's and the Group's estimation process and are, amongst others, based on macroeconomic scenarios, credit risk models, triggers indicating significant increase in credit risk, default triggers, the financial condition of the counterparty, the expected future cash flows or the value of collateral. Following the merger with former KBC Bank Bulgaria EAD, the Bank and the Group had to ensure that its provisioning and valuation policies are consistently applied for the acquired business.	**In this area our audit procedures included, among others:** • We have assessed the overall governance of the lending and expected credit loss processes and reviewed the related policies of the Bank and the Group, including 12-month and lifetime expected loss modelling process. • We have assessed the adequacy and consistency of the application of the methodology and models used by the Bank and the Group and the appropriateness of the changes in the expected credit loss models of the Bank and the Group and their compliance with IFRS 9. • We have assessed and tested the design and operating effectiveness of the key internal controls within the lending and expected credit loss processes. We have also involved our internal IT specialists to assess and test the IT general controls over these processes. • For the credit loss allowance determined on an individual basis, we have performed, for a sample of corporate and SME credit exposures, a detailed examination of loans granted by the Bank and the Group. We inspected the risk category (stage), default and significant increase in credit risk identification triggers and quantification of expected future cash-flows (recoverable amounts) determined based on valuation of underlying collateral and estimates of recovery on default. • For the 12-month and lifetime expected credit loss assessed on a collective basis, we inspected the default and significant increase in credit risk triggers and the macroeconomic scenarios and tested the underlying models on a sample basis.

This required additional focus on the application of default triggers, significant increase in credit risk, collateral valuation for the united loan portfolio.

As the loans and advances represent a significant part of the Bank's and the Group's total assets and given the related estimation uncertainty on credit loss charges, we consider this as a key audit matter.

- We performed an assessment of the adequacy of the Bank's and the Group's key assumptions and judgements related to the expected credit losses calculation.
- Supported by our modeling experts, we have performed an independent recalculation of the expected credit loss for a sample of loans.
- We assessed the completeness and accuracy of the disclosures in the area of credit loss allowance for loans and advances to customers and whether the disclosures are in compliance with the IFRS, as adopted by the European Union.

How we tailored our Group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the separate and consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

We performed audit procedures addressing the three material components of the Group which represent substantial part of Group's total assets and absolute value of profit before tax.

These together with additional procedures performed at the Group level, including testing of consolidation journals and intercompany eliminations, gave us the evidence we needed for our opinion on the Group consolidated financial statements as a whole.

Information other than the separate and consolidated financial statements and auditors' report thereon

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

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

In connection with our audit of the separate and consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the separate and consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Additional matters to be reported under the Accountancy Act

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

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

Based on the procedures performed, in our opinion:

a) the information included in the annual separate and consolidated activity report for the financial year for which the separate and consolidated financial statements are prepared is consistent with those separate and consolidated financial statements;
b) the annual separate and consolidated activity report has been prepared in accordance with the requirements of Chapter Seven of the Accountancy Act;
c) the separate and consolidated corporate governance statement for the financial year, for which the separate and consolidated financial statements are prepared, presents the information required by Chapter Seven of the Accountancy Act and where applicable Art. 100(m), paragraph 8 of the Public Offering of Securities Act;
d) the separate and consolidated non-financial declaration for the financial year, for which the separate and consolidated financial statements are prepared, presents the information required by Chapter Seven of the Accountancy Act.

Responsibilities of management and those charged with governance for the separate and consolidated financial statements

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

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

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

Auditors' responsibilities for the audit of the separate and consolidated financial statements

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

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

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

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

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

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

We are jointly and severally responsible for the performance of our audit and for the audit opinion expressed by us in accordance with the requirements of the Independent Financial Audit Act, applicable in Bulgaria. In accepting and performing the engagement for the joint audit, in connection to which we report, we have also been guided by the Guidelines for the implementation of joint audit, issued on 13 June 2017 by the Institute of Certified Public Accountants, Bulgaria and the Commission for Public Oversight of Statutory Auditors in Bulgaria.

Report on other legal and regulatory requirements

Additional reporting in relation to Ordinance 58/2018 issued by the Financial Supervision Commission ("FSC")

Statement in relation to Art. 11 of Ordinance 58/2018 issued by FSC in relation to the requirements for protection of the clients' financial instruments and cash, for product management, and for the providing or receiving of remuneration, commissions and other monitory or non-monetary benefits.

Based on the audit procedures performed and the understanding of the Bank's activity, in the course and context of our audit of the separate financial statements as a whole, we identified that the established organization implemented for safeguarding of customers' accounts is in accordance with the requirements of Art. 3-10 of Ordinance 58 of the FSC and Art 92-95 of Markets in Financial Instruments Act in relation to the activities of the Bank in its capacity as an investment intermediary.

Additional reporting on the audit of the separate and consolidated financial statements in connection with Art. 10 of Regulation (EU) 537/2014 in connection with the requirements of Art. 59 of the Independent Financial Audit Act

In accordance with the requirements of the Independent Financial Audit Act in connection with Art.10 of Regulation (EU) 537/2014, we hereby additionally report the information stated below:

- PricewaterhouseCoopers Audit OOD and BDO AFA OOD were appointed as statutory auditors of the separate and consolidated financial statements of the Bank and the Group for the year ended 31 December 2023 by the general meeting of shareholders held on 4 December 2023 for a period of one year.
- PricewaterhouseCoopers Audit OOD was first appointed as an auditor of the Bank and the Group on 14 June 2017.
- BDO AFA OOD was first appointed as an auditor of the Bank and the Group on 4 December 2023.
- The audit of the separate and consolidated financial statements of the Bank and the Group for the year ended 31 December 2023 represents the seventh of total uninterrupted statutory audit engagements for those entities carried out by PricewaterhouseCoopers Audit OOD and the first statutory audit engagements for those entities carried out by BDO AFA OOD.
- We hereby confirm that the audit opinion expressed by us is consistent with the additional report dated 7 May 2024, provided to the Bank's and the Group's audit committee in compliance with the requirements of Art. 60 of the Independent Financial Audit Act.

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- We hereby confirm that we have not provided the prohibited non-audit services referred to in Art. 64 of the Independent Financial Audit Act.
- We hereby confirm that in conducting the audit we have remained independent of the Bank and the Group.
- For the period to which our statutory audit refers, PricewaterhouseCoopers Audit OOD has provided other services to the Group and its controlled undertakings, in addition to the audit, which have been disclosed in Note 7 of the separate and consolidated financial statements.

For PricewaterhouseCoopers Audit OOD:

Jock Nunan
Procurator

ОДИТОРСКО ДРУЖЕСТВО
София
Рег. № 085
ПРАЙСУОТЪРХАУСКУПЪРС ОДИТ ООД

Pavel Pirinski
Registered auditor, responsible for the audit

9-11, Maria Luiza Blvd.
1000 Sofia, Bulgaria

7 May 2024

For BDO AFA OOD:

Valia Iordanova
General Manager
Registered auditor, responsible for the audit

7 May 2024

ОДИТОРСКО ДРУЖЕСТВО
София
Рег. № 015
„БДО АФА" ООД

This version of our report is a translation from the original, which was prepared in Bulgarian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

ANNUAL SEPARATE AND CONSOLIDATED ACTIVITY REPORT OF UNITED BULGARIAN BANK AD (UBB)
As of 31.12.2023
(In accordance with the Accountancy Act)

1. REVIEW AND DESCRIPTION OF THE ACTIVITY

1.1. Development and operating results of the entity

In February 2023, the Governance Council of ECB together with the Local Regulator BNB decided that there is no reason to oppose the take-over of KBC Bank Bulgaria EAD by United Bulgarian Bank AD (UBB AD) based on the criteria set out in the Bulgarian law on credit institutions in connection with Ordinance No2 on the licenses, approvals and permissions granted by the Bulgarian National Bank. On 10th of April 2023 the legal merger of the two banks became a fact, UBB AD being the name of the merged banks.

KBC Bank Bulgaria EAD was the name under which the former Raiffeisenbank Bulgaria EAD operated after its acquisition by the Belgium KBC Bank NV in July 2022 and until the legal merger with UBB AD. It allows KBC to expand its client base and benefit from economies of scale (through considerable cost synergies for the office network and head office in Bulgaria and through revenue synergies, including from higher sales of DZI insurance products) and greater visibility as a result. The acquisition offers KBC the opportunity to earmark its surplus capital for a value-increasing transaction in a market that the group is highly familiar with.

The decision of KBC Bank NV, the sole owner of KBC Bank Bulgaria EAD and the majority shareholder of UBB AD, was that the two banks merge their operations, allowing KBC to further strengthen its position in the Bulgarian banking market. Date of entry in the commercial register of the legal merger of KBC Bank Bulgaria EAD and United Bulgarian Bank AD is 10 April 2023.

In fact, the transaction represents a business combination of entities under common control, whereby KBC Bank Bulgaria EAD was terminated without liquidation and UBB AD became its general successor.

As a result of the merger, in 2023 the registered capital of UBB AD is increased from BGN 93 838 321 to BGN 177 168 448, divided into 177 168 448 ordinary registered dematerialized voting shares with a nominal value of BGN 1 each.

UBB offers a wide range of bank services within the license for conducting banking activities granted by the Bulgarian National Bank to domestic and foreign clients through the Headquarters Office in Sofia and 257 branches and 18 business centers across the country all serviced by 4 267 employees on individual base 4 307 employees on consolidated base (2022: 2 372 /2 408, UBB before the merger) and namely:

- Public attraction of deposits or other refundable funds and provision of loans or other financing on its own account and risk;
- Payment services in accordance with the Payment Services and Payment Systems Act;
- Issuance and administration of other payment means (traveller’s cheques and credit letters) other than those covered under the preceding item;
- Acceptance of valuables at safe custody;
- Activity as a depositary or guardian institution;
- Finance lease;
- Guarantee transactions;
- Trading on own account or on account of clients in foreign currency and precious metals with the exception of derivative financial instruments on foreign currency and precious metals;
- Provision of services and/or carry out of activities in accordance with Article 6, para. 2 and para. 3 of the Markets in Financial Instruments Act;

1. REVIEW AND DESCRIPTION OF THE ACTIVITY (CONTINUED)

1.1. Development and operating results of the entity (continued)

- Money brokerage;
- Acquisition of loan receivables and other forms of financing (factoring, forfeiting, etc.);
- E-money issuance;
- Acquisition and management of shareholdings;
- Letting out safes;
- Collection provision of information and references regarding client's creditworthiness;
- Other similar activities as laid down in an ordinance of the Bulgarian National Bank (BNB).

At 31 December 2023 the Bank is a sole owner of KBC Leasing Bulgaria EOOD, UBB Factoring EOOD, UBB Centre Management EOOD and East Golf Properties EOOD. UBB also has its associated company named Druzhestvo za Kasovi Uslugi AD.

This Report provides information about the activity of the UBB AD and its subsidiaries hereinafter referred to as UBB/the Bank or the Group.

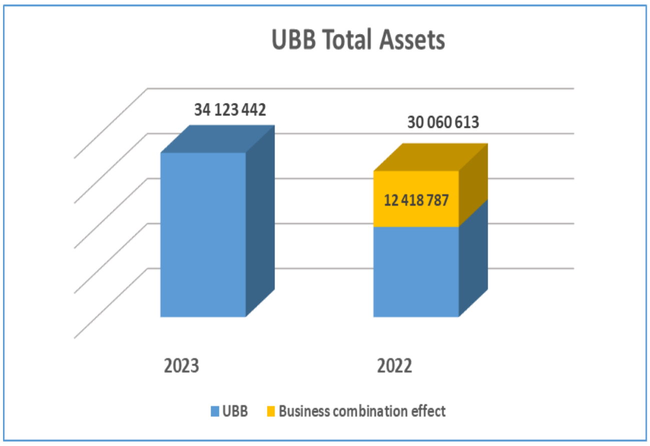
The Bank has a two-tier management system – Management Board and Supervisory Board. All of the Management Board members are Executive Directors of UBB.

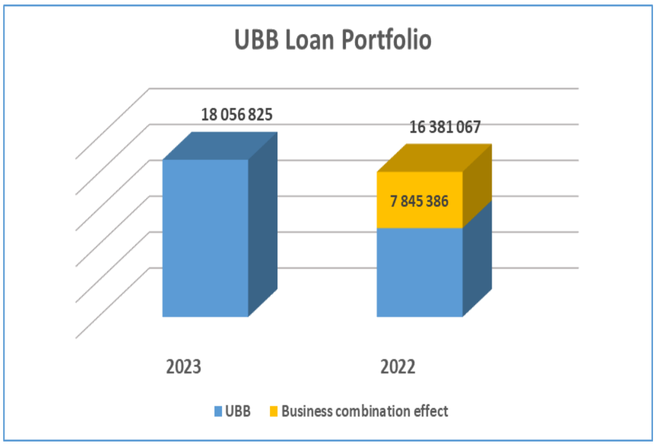
In the section 1.1. below all figures for FY'22 and PL figures for FY23 have been restated to include the effects of the merger of KBC Bank Bulgaria EAD as if it was part of UBB from 1st of January 2022 (like for like comparison), while in the financial statements the merger was accounted for prospectively, by presenting Banks' combined results from the date of the merger (1 April 2023) onwards . This has been done with the objective of presenting a meaningful evolution of the Bank's activities and to allow for proper comparison of the annual performance.

The financial year of 2023 proved to be one of the best years in the history of UBB, in which the Bank and its subsidiaries (hereinafter UBB or the Group) managed to achieve a significant increase of its assets, strengthening its positions as the largest bank in the country and one of the most dynamically growing bank groups on the Bulgarian market.

In 2023, the Group's total assets grew by more than 13% compared to the end of 2022 reaching BGN 34 123 million (2022: BGN 30 060 million). The net book value of loans and advances to customers increased by 10% (or BGN 1 676 million) driven primarily by the significant volume of new business.

In thousand bulgarian levs

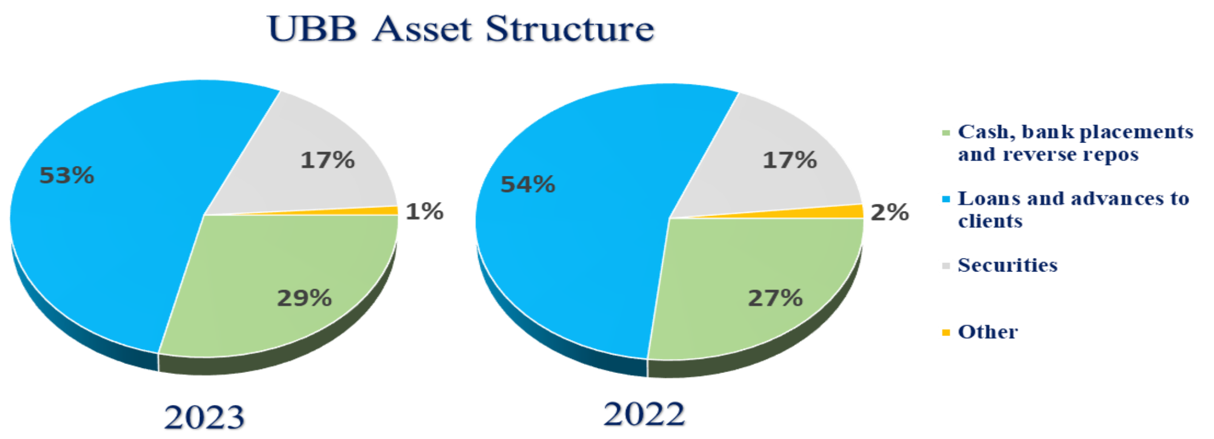




1 REVIEW AND DESCRIPTION OF THE ACTIVITY (CONTINUED)

1.1 Development and operating results of the entity (continued)

Asset structure indicates that Loan and advances to customers prevail, while the total amount of securities representing mainly debt instruments at amortized costs increase by impressive 13.4% (BGN 699.6 million). The latter is a result of the acquisition of mainly Bulgarian Government Debt securities throughout the year.



At 31 December 2023 the UBB's total liabilities on a consolidated base amounted to BGN 30 739 million (2022: BGN 27 167 million). The 13% growth compared to the previous year is mainly contributed by an increase of customer's deposits by 11% and also higher deposit from banks attracted in relation to the liquidity management purposes.

Comparative information on the PnL side - adjusted like for like

P&L (in BGN k)	2023	2022	delta	% growth
Interest income	872 702	589 437	283 265	48.1%
Interest expense	-118 318	-39 136	- 79 182	202.3%
Net interest income	**754 384**	**550 301**	**204 083**	**37.1%**
Fee and comission income	375 117	324 384	50 733	15.6%
Fee and comission expense	-92 064	-95 584	3 520	-3.7%
Net fee and commission income	**283 053**	**228 800**	**54 253**	**23.7%**
Net other income	5 049	5 685	- 636	-11.2%
Total income	**1 052 633**	**848 493**	**204 140**	**24.1%**
Personnel expenses	-211 480	-209 994	- 1 486	0.7%
General administrative expenses	-238 620	-190 702	- 47 918	25.1%
Depreciation and amortization expenses	-62 815	-56 582	- 6 233	11.0%
Total Operating expenses	**-512 915**	**-457 278**	**- 55 637**	**12.2%**
Impairment expenses	-4 149	-78 060	73 911	-94.7%
Profit for the year	**482 558**	**282 524**	**200 034**	**70.8%**

1. REVIEW AND DESCRIPTION OF THE ACTIVITY (CONTINUED)

1.1 Development and operating results of the entity (continued)

Against the backdrop of geopolitical tensions, together with the ongoing integration between UBB and ex-KBC Bank Bulgaria, the Bank managed to deliver excellent performance with solid growth of Total income (an increase of BGN 204.1 million or +24.1% compared to FY 2022) supported by improving NII and positive evolution of the NFC income, fully compensating for the higher OPEX.

Net interest income increased substantially on annual basis by 37.1% (or BGN 204.1 million) driven predominantly by the strong loan portfolio growth accompanied by a rise in interest rates on loans, mainly in the Business lending.

The net fee and commissions also increased significantly by 23.7% (or BGN 54.3 million), highlighting the well-diversified revenue streams based on the core bank-insurance model. Moreover, the strong loan portfolio growth contributed favourably to the fee income on top of the increasing revenue from our fast-developing asset management business.

We aspire to improve our operational efficiency through ongoing execution of our digital transformation roadmap and continuing optimization of Branch Network. In addition to this already ambitious agenda, we have included a couple of 2 vastly important projects - the integration of ex-KBC bank BG and the Euro adoption program. All of these initiatives require significant amount of investments and exerts substantial efforts but we are confident they will help build the United Bank into even more profitable and effective organization. Meanwhile, these investments, are among the main drivers of the increased OPEX costs that contributed to the higher operating expenses in 2023 by 12.2% (or BGN 55.6 million) for UBB compared to 2022.

1.2. Liquidity

UBB manages its assets and liabilities in a manner guaranteeing that the Bank is able to fulfill its day-to-day obligations regularly and without delay both in going concern and stressed environment. The Bank invests mainly in liquid assets.

The average level of the regulatory liquidity risk ratios are as follows:

- 275% Liquidity Coverage Ratio (LCR) for 2023 г. (2022: 228%)
- 165% Net Stable Funding Ratio (NSFR) for 2023 г. (2022: 166%).

Both LCR and NSFR are above the regulatory requirements of 100% during 2023.

In addition, UBB has a stable funding structure. The Bank aims at maintaining diversified deposit base and access to alternative funding sources by thus limiting the potential funding costs in case unexpected events occur.

Trends or risks which may influence the liquidity of the Bank for 2024

Despite of the geopolitical risks which remains elevated and the other challenges to the financial sectors , the expectations are for preserving the stability of the financial parameters and maintaining sustainable liquid and capital buffers.

The Bank performs stress tests on a regular basis thus aiming at measuring the ability of overcoming crisis situations. The outcome of those stress tests are monitored and reported at Local Risk Management Committee (LRMC) where also the management of the Bank is present. The scenarios for assessing the ability of the Bank to withstand the crisis situations in the liquidity risk area are developed according to the KBC group methodology.

1. REVIEW AND DESCRIPTION OF THE ACTIVITY (CONTINUED)

1.2 Liquidity(continued)

Trends or risks which may influence the liquidity of the Bank for 2024 (Continued)

Although the geopolitical and emerging risks put the market in a situation of severe stress, it has not affected liquidity and funding adequacy of UBB so far. The currently applied stress tests show that UBB can withstand such adverse developments.

Lack or existence of significant shortage of liquid funds

During the reporting year, UBB has neither suffered from a shortage of cash funds, nor experienced any other liquidity difficulties. No such problems are expected to occur in the next financial year, as well.

1.3. Capital resources

The Bank has sufficient equity to ensure adequate equity coverage for its risk assets.

The UBB equity on individual level at 31 December 2023 as per accounting data amounts to BGN 3 375 767 thousand (2022: BGN 1 573 510 thousand) and as per the requirements of Basel III it amounts to BGN 3 050 647 thousand (2022: BGN 1 373 794 thousand).

The Group has sufficient equity to ensure adequate equity coverage for its risk assets.

The Group's equity at 31 December 2023 as per accounting data amounts to BGN 3 383 903 thousand (2022: BGN 1 574 299 thousand) and as per the requirements of Basel III it amounts to BGN 3 047 987 thousand (2022: BGN 1 373 440 thousand).

The following table presents the capital adequacy indicators of the Group which reflect its stability (solvency):

Ratio	Separate		Consolidated	
	31.12.2023	**31.12.2022**	**31.12.2023**	**31.12.2022**
Total capital adequacy ratio (%)	19.44%	18.64%	19.41%	18.29%
Tier-I capital adequacy ratio (%)	18.31%	18.64%	18.28%	18.29%

Trends, events or risks which are likely to have a material effect on the operations of UBB

The main factors influencing the prospects for development of UBB AD and of the banking system as a whole are the subdued expected economic growth in the euro area and Bulgaria, stuborn inflation, the monetary policy of the Fed and ECB for the expected decrease in the policy rates in 2024, the military conflicts in Uktaine and the Middle East with little hope of an easy and rapid solution impacting negatively the global economy, as well as the ever-increasing competition in the banking sector.

Expectations for slowing economic growth both globally and in Bulgaria require thorough and effective analysis and comprehensive risk monitoring. Overall projections are for reasonable growth in loans and attracted funds taking into account the uncertainty and volatile economic outlook.

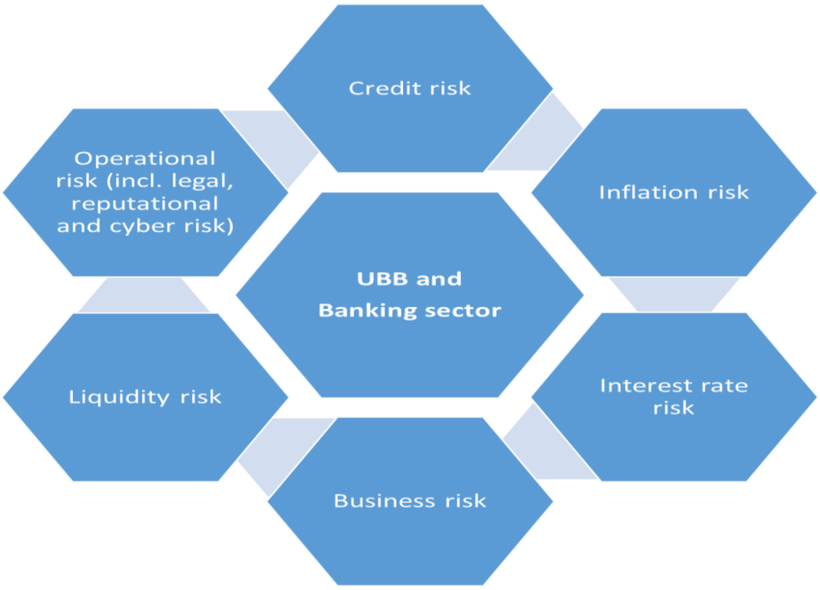
In the situation of a limited economic growth the Bank works systematically for maintaining effective risk management, whereas the efforts made are directed towards improving the processes in the areas of lending and settlement and maintaining the credit portfolio quality. The emphasis is placed on the implementation of timely measures for identification and collection of problem debts.

The trends for future development of the Bank as a whole are for continued growth in assets and foremost in loans and limiting the growth of the attracted funds as well as for offering new products in the area of innovative technologies and for development of the banking-insurance products.

1. REVIEW AND DESCRIPTION OF THE ACTIVITY (CONTINUED)

1.3.Capital resources (continued)

The main risks related to the activity of the Group and of the banking sector in general are presented below:



Trends, events or risks which are likely to have a material effect on the operations of UBB (continued)

In view of the current economic environment the business risk and credit risk have the greatest impact on the operations of UBB. In order to meet these challenges UBB has defined its risk appetite through a system of limits, as well as through a clear development strategy.

UBB maintains a stable funding structure and a sufficient volume of highly liquid assets, thus ensuring regular and immediate fulfillment of its day-to-day obligations and meeting the liquidity regulatory requirements.

Regarding the price (interest) risk, the Bank aims at maintaining a balance between the fixed-interest-rate assets and liabilities and the floating-interest-rate ones. The bank also uses derivative financial instruments to hedge the interest rate risk.
The credit risk is managed by applying strict and conservative principles for securing loans and measuring collateral.

1.4. Strategic development of UBB

In this respect, UBB continues to develop its long-term strategy for creating and developing innovative and digital banking products and services, in line with the customers' expectations, as well as their daily needs and also accessible at any time and through all distribution channels (with special emphasis on digital ones). The goal is to develop products being offered through all sales channels, though the main focus continues to be to enrich mobile banking with new functionalities, modern design and services in favor of its customers.

After the completion of the acquisition transaction with KBC Bank Bulgaria EAD in April 2023, the already merged bank continued to develop actively its bank-insurance model by upgrading the business with new functionalities and digital solutions.

1. REVIEW AND DESCRIPTION OF THE ACTIVITY (CONTINUED)

1.4.Strategic development of UBB (continued)

So UBB continue to be a preferred partner for customers from the main target segments – retail (mass affluent and affluent customers, premium customers), small & medium enterprises and large corporate customers, thus aiming at balancing growth, risk and profitability aspects. Building long-term relationships with customers across all age groups in target segments stands for a special point in the bank's strategy, therefore after offering a payment package for young people (18-25 years), UBB continue to expand its offer with new opportunities on credit products.

We encourage our employees to behave responsibly and to be customer and result-oriented. In addition, we strive to build sustainable relationships with our customers - individuals, small and medium enterprises and large corporate companies in Bulgaria. We achieve this by constantly listening to their feedback through direct communication with them, as well as through surveys and face-to face consultations. We respond to their identified needs not only by creating and improving the product portfolio, but also by establishing a wide variety of distribution channels.

We summarize our business culture and values in the acronym *PEARL*:

- **P**erformance
- **E**mpowerment
- **A**ccountability
- **R**esponsibility
- **L**ocal embeddedness

Last but not least, we focus our efforts on the sustainable development of the various communities in which and with which we work, because we believe that through unadulterated attitude and care for them, we become a real and responsible part of our community development and the lives of our clients.

1.5. Expected financial results

UBB’s financial result is formed mainly of interest income, fees and commissions. A steady growth in lending and customer attracted funds is expected during the financial year of 2024 with the focus being placed on the targeted segments of UBB (mass affluent and affluent Retail clients, small and medium-sized enterprises and average-in-size corporate clients). This growth will be supported by improvement, digitalisation of services, simplification of business processes and offering new products and guarantee schemes under European and Bulgarian programs.

The level of non-performing loans remains relatively low but being a subject to close monitoring under prudential risk management policy. The impairment expenses will remain highly dependent on the overall macro and political situation in the region.

We expect gradual increase of Net Interest Income supported by the strong loan volume growth, however impacted by the ECB monetary policy decisions, more pronounced in the EUR-denominated loans, while local currency exposures follow the general tendency with a substantial time lag. The profitability of the Bank will be supported by the revenue diversification driven by insurance, pension and assets management products – the core of our bank insurance model.

Last but not least, the performance of UBB will be boosted by the expected positive effects from the synergies stemming from the integration of KBC Bank Bulgaria EAD.

1. REVIEW AND DESCRIPTION OF THE ACTIVITY (CONTINUED)

1.6 Information under Article 187e of the Commercial Act (CA) regarding held acquired or transferred treasury shares

At the end of 2023 the participation of the members of the Supervisory and Management Boards in commercial companies as unlimited responsible partners, the ownership of more than 25 per cent of the capital of another company, as well as their participation in the management of other companies or co-operatives, such as procurators or board members is, as follows:

- **Peter Andronov – Chairman of the Supervisory Board**

a) He does not participate in commercial companies as a general partner;
b) There are no legal entities wherein he holds directly or indirectly at least 25% of the votes in the general meeting or over which he has control;
c) Legal entities, besides UBB AD, in whose management or control bodies he participates:

KBC Group NV, Belgium	Member of the Executive Committee
KBC Bank NV	Member of the Board of Directors; Executive director
KBC Insurance NV	Member of the Board of Directors; Executive director
KBC Asset Management NV	Chairman of the Board of Directors; Non-executive director
KBC Global Services NV	Member of the Management Board
K&H Bank Zrt.	Chairman of the Board of Directors; Non-executive director
K&H Insurance Zrt.	Chairman of the Supervisory Board; Non-executive director
DZI Life Insurance Jsc	Chairman of the Supervisory Board; Non-executive director
DZI - GENERAL INSURANCE JSC	Chairman of the Supervisory Board; Non-executive director
CSOB Banka Slovakia	Chairman of the Supervisory Board
KBC Insurance NV Irish Branch	Chairman of the Supervisory Body
KBC Bank Ireland PLC, Ireland	Chairman of the Board of Directors; Non-executive director

- **Christine Van Rijsseghem – Member of The Supervisory Board**

a) She does not participate in commercial companies as a general partner;
b) There are no legal entities wherein she holds directly or indirectly at least 25% of the votes in the general meeting or over which he has control;
c) Legal entities besides UBB AD in whose management or control bodies she participates:

KBC Group NV, Belgium	Member of the Board of Directors and Executive Director
KBC Bank NV, Belgium	Member of the Board of Directors and Executive Director
KBC Verzekeringen NV, Belgium	Member of the Board of Directors and Executive Director
K&H Bank Zrt., Hungary	Non-executive member of the Board of Directors
KBC Ireland PLC	Non-executive member of the Board of Directors
Československá Obchodná Banka a.s., Republic of Slovakia	Member of the Supervisory Board, non-executie funtions
Československá Obchodní Banka a.s., Chez Republic	Member of the Supervisory Board, non-executie funtions
KBC Bank NV, Dublin Branch	Member of the Supervisory Board, non-executie funtions
Women in Finance Belgium - WIF	Non-executive member of the Board of Directors
KBC Global Services NV	Member of the Management Board and Executive Director, non-executie funtions
De Warande	Non-executive member of the Board of Directors

1. REVIEW AND DESCRIPTION OF THE ACTIVITY (CONTINUED)

1.6. Information under Article 187e of the Commercial Act (CA) regarding held acquired or transferred treasury shares (continued)

- **Franky Depickere – Member of the Supervisory Board**

a) He does not participate in commercial companies as a general partner;
b) There are no legal entities wherein he holds directly or indirectly at least 25% of the votes in the general meeting or over which he has control;
c) Legal entities besides UBB AD in whose management or control bodies he participates:

CERA CV	Member of the Board of Directors and Executive Director
CBC BANQUE SA	Member of the Board of Directors, Non-executive director
KBC ANCORA NV	Member of the Board of Directors and Executive Director
KBC GLOBAL SERVICES NV	Member of the Supervisory, Non-executive director
Almancora Beheersmaatschappij NV	Member of the Board of Directors and Executive Director
Cera Beheersmaatschappij NV	Member of the Board of Directors and Executive Director
Československá Obchodní Banka a.s.	Member of the Supervisory, Non-executive director
KBC Bank NV	Member of the Board of Directors, Non-executive director
KBC Group NV	Member of the Board of Directors, Non-executive director
KBC Verzekeringen NV	Member of the Board of Directors, Non-executive director
Euro Pool System International BV	Member of the Board of Directors, Non-executive director
BRS Microfinance Coop cv	Member of the Board of Directors, Non-executive director
International Raiffeisen Union e.V.	Member of the Board of Directors, Non-executive director
TRIaz	Chairman of the Board of Directors, Non-executive director

- **Barak Chizi – Member of the Supervisory Board**

a) He does not participate in commercial companies as a general partner;
b) He holds directly or indirectly at least 25% of the votes in the general meeting of the following legal entities:

Chizi Technologic Consulting Ltd., Israel	Holds 60 % of the equity of the company

c) He does not participate in management or control bodies in legal entities besides UBB AD.

- **Svetoslav Gavriiski – Independent member of the Supervisory Board**

a) He does not participate in commercial companies as a general partner;
b) There are no legal entities wherein he holds directly or indirectly at least 25% of the votes in the general meeting or over which he has control;
c) Legal entities besides UBB AD in whose management or control bodies he participates:

Pension Insurance Company Allianz Bulgaria AD	Member of the Supervisory Board

1. REVIEW AND DESCRIPTION OF THE ACTIVITY (CONTINUED)

1.6. Information under Article 187e of the Commercial Act (CA) regarding held acquired or transferred treasury shares (continued)

- **Victor Yotzov – Independent member of the Supervisory Board**

a) He does not participate in commercial companies as a general partner;
b) There are no legal entities wherein he holds directly or indirectly at least 25% of the votes in the general meeting or over which he has control;
c) Legal entities besides UBB AD in whose management or control bodies he participates:

Fund for Sustainable Urban Development EOOD	Chairperson of the Management Board and executive director

1.7. Management Board of UBB AD

- **Peter Roebben – Chairman of the the Management Board and CEO**

a) He does not participate in commercial companies as a general partner;
b) There are no legal entities wherein he holds directly or indirectly at least 25% of the votes in the general meeting or over which he has control;
c) Legal entities besides UBB AD in whose management or control bodies he participates:
- Borica AD – Member of the Board of Directors.

- **Desislava Simeonova - Member of the Management Board and Executive Director**

a) She does not participate in commercial companies as a general partner;
b) There are no legal entities wherein she holds directly or indirectly at least 25% of the votes in the general meeting or over which she has control;
c) Legal entities besides UBB AD in whose management or control bodies she participates:
- UBB Interlease EAD - Member of the Board of Directors

- **Svetla Georgieva - Member of the Management Board and Executive Director**

a) She does not participate in commercial companies as a general partner;
b) There are no legal entities wherein she holds directly or indirectly at least 25% of the votes in the general meeting or over which she has control;
c) There are no legal entities besides UBB AD in whose management or control bodies she participates.

- **Teodor Marinov - Member of the Management Board and Executive Director**

a) He does not participate in commercial companies as a general partner;
b) There are no legal entities wherein he holds directly or indirectly at least 25% of the votes in the general meeting or over which he has control;
c) There are no legal entities besides UBB AD in whose management or control bodies he participates.

Mr. Teodor Marinov is a member of the Management Board of the association ‘United for charity’ which is a non-profit legal entity.

- **Tatyana Ivanova – Member of the Management Board and Executive Director**

a) She does not participate in commercial companies as a general partner;
b) There are no legal entities wherein she holds directly or indirectly at least 25% of the votes in the general meeting or over which he has control;
c) Other legal entities besides UBB AD in whose management or control bodies she participates:
- Cash Services Company AD - Member of the Board of Directors

1. REVIEW AND DESCRIPTION OF THE ACTIVITY (CONTINUED)

1.7.Management Board of UBB AD (continued)

- **Ani Angelova – Member of the Management Board and Executive Director**

a) She does not participate in commercial companies as a general partner;
b) There are no legal entities wherein she holds directly or indirectly at least 25% of the votes in the general meeting or over which he has control;
c) Other legal entities besides UBB AD in whose management or control bodies she participates:
- Pension Insurance Company UBB – Member of the Supervisory Board

- **Dobromir Dobrev – Member of the Management Board and Executive Director**

a) He does not participate in commercial companies as a general partner;
b) There are no legal entities wherein he holds directly or indirectly at least 25% of the votes in the general meeting or over which he has control;
c) Other legal entities besides UBB AD in whose management or control bodies she participates:
- UBB Interlease EAD - Chairperson of the Board of Directors

Mr. Dobromir Dobrev is a member of the Management Board of the Foundation Atanas Burov which is a non-profit legal entity.

- **Nedyalko Mihaylov – Member of the Management Board and Executive Director**

a) He does not participate in commercial companies as a general partner;
b) There are no legal entities wherein he holds directly or indirectly at least 25% of the votes in the general meeting or over which he has control;
c) There are no other legal entities besides UBB AD in whose management or control bodies he participates.

Mr. Nedyalko Mihaylov is a member of the Management Board of the Association TMA Bulgaria - a non-profit legal entity, which does not exercise activity.

1.7.Contracts under Article 240b of Commercial Act concluded in 2023

In 2023 the members of the Supervisory and of the Management Boards of the Group had not concluded contracts with the Group beyond its ordinary activity or such which although concluded as part of the ordinary activity of the Group deviate materially from market conditions.

1.8. Information about the changes in the managing and supervisory bodies in the reporting financial year

In 2023 no personal changes were made in the composition of the Management Board and of the Supervisory Board of the Bank.

1.9. Information on the amount of remuneration received during the year by the members of the board

The amount of the remuneration of the members of the management and supervisory bodies of UBB for the financial year 2023 is BGN 3 055 thousand on individual base and 3 276 thousand on consolidated base (2022: BGN 2 637 thousand on individual and BGN 2 888 thousand on consolidated base).

1 REVIEW AND DESCRIPTION OF THE ACTIVITY (CONTINUED)

1.10. Information about shares and bonds of UBB acquired held or transferred by board members during the year

Although the Articles of Association of the Bank does not limit the rights of the members of the Management and Supervisory Boards of UBB AD to acquire shares and bonds of the credit institution, in 2023 the members neither acquired, nor held or transferred shares and bonds of UBB.

1.11. Information about subsequent events after the date of preparation of the financial statements

There are no events after the date of preparation of financial statements which might have impact on the presentation of financial information for the year ended 31 December 2023, except for:

The share capital increase by 16 840 389 ordinary shares with nominal value of BGN 1 and emission price of BGN 18.35. The difference between the emission price and the nominal value is attributed to Share Premium reserves and amounts to BGN 292 181 thousand. The share capital is registered in the Trade registry on 27 March 2024. The share capital was increased following the loan growth as well as due to regulatory capital requirements (for exposures to central governments denominated in the currency of another member state; Pillar 2 buffer requirements). The total number of shares after the new issuance is 194 008 837.

1.12. Information about financial instruments

For more extensive information regarding financial instruments and risk associated with them please refer to the notes to the Separate and Consolidated financial statements.

1.13. Responsibility of management

The Bulgarian legislaton requires each financial year the Management to prepare financial statements that give a true and fair view of the financial position of the Bank as at the year end and its financial results. The management has prepared the enclosed separate and consolidated financial statements in accordance with IFRS adopted by the European Union.

The Management confirms that relevant accounting policies have been used.
The Management also confirms that the legislation applicable for banks in Bulgaria has been followed and that the financial statements have been prepared on a going concern basis.

The Management is responsible for keeping proper accounting records, for safeguarding the assets and for taking reasonable steps for the prevention and detection of potential fraud and other irregularities

Teodor Marinov	Svetla Georgieva
Executive Director	Executive Director

UNITED BULGARIAN BANK AD UBB SOFIA

Date: 29.04.2024

Separate and Consolidated Corporate Governance Statement of United Bulgarian Bank AD (UBB) as of 31.12.2023 (In accordance with the Accountancy Act)

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1. CORPORATE GOVERNANCE REVIEW

This Corporate Governance Statement has been prepared by virtue of Art. 40, Para. 1 of the *Accountancy Act* in relation to Art. 100, letter 'n', Para. 7 of the *Public Offering of Securities Act and UBB AD Corporate Governance Code*.

The *Corporate Governance Code of United Bulgarian Bank AD* is based on the regulatory requirements pertaining to UBB and adopted in the Bulgarian and international legal and regulatory framework while also transposing the best international practices, embedded in series of European codes and recommendations of the European Commission. This Code's introduction targets thorough harmonization with the philosophy of those practices and UBB warrants, definitely and transparently, as to how this philosophy is going to be applied in everyday practice. This document has been published at UBB's official web page - Division *KBC Group*, Section *Important Documents:* (https://www.ubb.bg/attachments/Tab/923/download_en/Corporate-Governance-Code-UBB-EN-05082019.pdf).

Management structure

UBB is a joint-stock company with a two-tier management system (a Supervisory Board and a Management Board).

Supervisory Board (SB)

The Supervisory Board has been empowered to exercise preliminary ongoing and subsequent control on the compliance of UBB's activity with the applicable law, the Articles of Association and the decisions of the General Meeting of Shareholders in the interest of the clients and shareholders of UBB AD. The competence of the Supervisory Board is stipulated in the law, the Articles of Association and with decisions of the General Meeting of Shareholders. The particular powers of the Supervisory Board are listed in UBB's Articles of Association as well as in the Operational Rules of the Supervisory Board of UBB AD and UBB AD's Corporate Governance Code.

UBB AD's Supervisory Board comprises from 3 (three) to 7 (seven) persons elected by the General Meeting of Shareholders. The Supervisory Board members are being elected for a mandate of 4 (four) years and may be re-elected without limitation. Each member's mandate may be terminated by the General Meeting of Shareholders at any time. The candidate-members of the Supervisory Board shall have to comply with the requirements indicated in Art. 11 of the Credit Institutions Act, Ordinance № 20 of the BNB on the Requirements to the Members of the Management and Controlling Bodies of a Credit Institution and on the Assessment of the Suitability of Their Members and the Key Function Holders and requirements in line with the performance of their functions and in the Bank's Articles of Association and are subject to preliminary approval by the European Central Bank in cooperation with the Bulgarian National Bank.

In 2023 no personal changes were made in the composition of the Supervisory Board of the Bank.

Committees to the Supervisory Board

The following committees have been established to the Supervisory Board in support of its activity: Risk and Compliance Committee, Remuneration Committee and Nomination Committee.

The Risk and Compliance Committee is a sub-committee to the Supervisory Board. This committee consults the Supervisory Board on the overall current and future risk appetite and risk strategy, as well as the current and future rules on compliance. It supports the Supervisory Board in the monitoring and control on the application of these elements and rules by the senior management. This committee has no other powers and responsibilities than those delegated by the Supervisory Board.

1. CORPORATE GOVERNANCE REVIEW (CONTINUED)

Committees to the Supervisory Board (continued)

The Risk and Compliance Committee (continued)

In principle, only the Supervisory Board has decision-making powers, while the Risk and Compliance Committee has a consultative role unless some particular decision-making powers have been delegated to it by the Supervisory Board or such have been granted pursuant to the local legislation. The Supervisory Board bears full responsibility for the risks. The Risk and Compliance Committee comprises of the members of the Supervisory Board as envisaged in Art. 6 of Ordinance № 7 of the BNB on the Organization and Management of Risks in Banks. The Committee members are nominated by the Supervisory Board, where majority of them are external to and independent from the Bank.

The Remuneration Committee is a sub-committee to the Supervisory Board established in accordance with Ordinance № 4 of the BNB on the requirements for remunerations in banks, as well as with all applicable legal and regulatory requirements and with the best corporate governance practices. This committee performs competent and independent assessment of the remuneration policies and practices, as well as the incentives envisaged for managing risk capital and liquidity. The Committee is responsible for elaboration of decisions relating to remunerations, while considering the possible risk and the risk management at UBB, the long-term interests of shareholders, investors and the other interested parties connected to UBB. UBB AD Remuneration Committee comprises of members of the Supervisory Board, who are being appointed by the latter and majority of them are external to and independent from the Bank.

The Nomination Committee is a sub-committee to the Supervisory Board responsible for the election of candidate-members for the Management Board and the Supervisory Board in compliance with Ordinance № 20 of the BNB for issuance of approvals to management board (board of directors) as well as supervisory board members of credit institutions and the requirements in line with the performance of their functions, as well as the applicable statutory and regulatory requirements. The Nomination Committee comprises of members of the Supervisory Board, who are being appointed by the latter and majority of them are external to and independent from the Bank. The Committee defines and recommends Supervisory Board candidate-members for election by the General Meeting of Shareholders and Management Board candidate-members for election by the Supervisory Board, while considering the balance of professional knowledge and skills the various qualifications and professional experience of the board’s members, needed for UBB’s management. Besides, the Committee elaborates a description of the functions and the requirements to the candidates and determines the time expected to be dedicated by the elected members to the activity of the Management Board and the Supervisory Board.

Audit Committee

The Audit Committee is a specialized body of UBB with functions, pursuant to the Independent Financial Audit Act. The Audit Committee together with the Supervisory Board execute preliminary, ongoing and subsequent control on the compliance of UBB’s activity with the applicable laws, the Articles of Association and the decisions of the General Meeting of Shareholders in the interest of UBB’s clients and its shareholders. The Audit Committee members are elected by the General Meeting of Shareholders by proposal of either the Management Board’s or by the Supervisory Board’s chairperson. Eligible Audit Committee members can also be non-executive Supervisory Board or Management Board members. Audit Committee members can be re-elected without limitation. Eligible Audit Committee members should be persons, having a master’s degree in terms of education and qualification, knowledge in the field of banking, as at least one of the members should have not less than 5-year professional experience in the field of accounting or auditing. The majority of the Audit Committee members are external to and independent of UBB pursuant to Art. 107, Para. 4 of the Independent Financial Audit Act.

The Audit Committee of UBB AD comprises of two members external to and independent from the bank and one member who is at the same time a Supervisory Board member. The Audit Committee is established as a separate and independent body from the Supervisory Board and the other bodies within the bank and reports directly to the General Meeting of Shareholders.

1. CORPORATE GOVERNANCE REVIEW (CONTINUED)

Management Board

The Management Board is responsible for UBB's activity while executing its rights and obligations as provided for in the law, its' Articles of Association, its Operational Rules and in the other Internal Rules of UBB. The Management Board makes decisions on all issues, which are not of the exclusive competence of the General Meeting of Shareholders or the Supervisory Board, while observing the provisions of the law and the Articles of Association, in compliance with the resolutions of the General Meeting of Shareholders and under the Supervisory Board's control. The particular powers of the Management Board are listed in UBB's Articles of Association, as well as in the Operational Rules of the Management Board of UBB AD and UBB AD's Corporate Governance Code.

UBB is being managed and represented by a Management Board comprising from 3 (three) up to 9 (nine) persons elected by the Supervisory Board for a mandate of up to 4 (four) years. The Management Board members may be re-elected without limitations. The Supervisory Board upon a decision of its elects the Management Board members. Each Board member may be dismissed by decision of the Supervisory Board prior to the expiration of his/her mandate.

Upon deciding for appointment of MB members, the Supervisory Board is being assisted by the Nomination Committee, which has been established as its consultative body. The candidate-members of the Management Board shall have to comply with the requirements, indicated in Art. 11 of the Credit Institutions Act, Ordinance № 20 of the BNB, as well as with UBB AD's Articles of Association and are subject to the preliminary approval of the European Central Bank in cooperation with the Bulgarian National Bank.

In 2023 no personal changes were made in the composition of the Management Board of the Bank.

Committees to the Management Board

Pursuant to Art. 43, Para. 3 of UBB AD's Articles of Association in view of the bank's specific activity, the Management Board may establish specialized units and bodies. There are the following specialized bodies, established to the Management Board:

- **Credit committees** – UBB AD's credit committees are standing bodies performing management and monitoring of UBB's credit activity with regard to corporate and SME clients, as well as of specifically defined cases of clients – natural persons - within their delegated levels of competences and limits.
- **Local Risk Management Committee** – this committee is a collective body of UBB, supporting the Management Board in the decision-making regarding the risk management strategy, the risk appetite and the overall risk framework; determining the present and targeted risk profile and the capital adequacy, based on the risk appetite and the allocation of the capital; as well as all issues, relating to changes in UBB's risk profile.
- **New and Active Products and Processes Committee (NAPPC)** – It aims at ensuring the compliance of the products and processes at the bank with its approved strategy and risk appetite as well as ensuring the prerequisites for their successful implementation and distribution through all available channels (digital, mobile, traditional ones).
- **Corporate Sustainability and Responsibility Steering Committee Bulgaria** – A committee functioning on country level (reviewing matters common for all companies within KBC Group in Bulgaria). It assists the Country Team with the implementation and proper functioning of the approved KBC Group's corporate social responsibility (CSR) framework in Bulgaria in the five main strategic ESG pillars and approves the annual Report to Society of KBC Bulgaria.

1. CORPORATE GOVERNANCE REVIEW (CONTINUED)

Committees to the Management Board (continued)

- **Sustainable Finance Committee ("GREEN-COM")** - A committee functioning on country level (reviewing matters common for all companies within KBC Group in Bulgaria) as a sub-committee to the Corporate Sustainability and Responsibility Steering Committee Bulgaria. It supports the efforts of the entities of the Group in Bulgaria (UBB, DZI and UBB Interlease EAD, mainly) to achieve strategy and targets of asset portfolio composition minimizing the risks associated with environmental changes and their impact while benefitting from the opportunities arising as a result from the shift towards sustainable finance. Supports the customers in their adaptation to climate change.
- **Local Provisioning Committee** - The Committee is established by and has received its authority by the Management Board. It is a collective body of UBB that makes decisions and recommendations on all topics related to impairments (Expected credit losses or ECL) of financial assets of the Bank.
- **Local Investment Committee**, empowered to adopt decisions and has the right to approve the acquisition, investment and sale of real estate, in connection with collateral for loans from Recovery Directorate and acquired assets, with a value equal to at least EUR 250 000 but less than EUR 1 000 000.
- **Investment Committee,** empowered to adopt decisions and has the right to approve the acquisition, investment and sale of real estate, in connection with collateral for loans from the portfolio of the Recovery Directorate and acquired assets with a value higher than EUR 1 000 000.
- **The Portfolio Steering Committee (PfSC)** is strategic decision-making body which gives vision, direction and targets of the bank's strategy execution via Change of the Bank portfolio. The body is authorized to approve strategic portfolio roadmap creation /change, overall prioritization / re-prioritization, examines the viability of the project portfolio, reviews and monitors the project portfolio's progress, takes decisions on starting new projects and agile teams, Stage Gating Decisions: Initiation/Set-up, Go or No Go decision, Closure, termination of projects and teams, allocation and re-allocation of budgets and resources in order to execute bank strategy in smartest way.

Communication with shareholders

UBB AD engages itself with the principle of impartial attitude towards all its shareholders, including minority and foreign ones, by guaranteeing them equal treatment upon access to information. The shareholders are being provided with full accounting information for the year, to keep them up-to-date of UBB AD's performance and development. The annual General Meeting provides the shareholders with an opportunity to ask questions to the UBB AD's management and controlling bodies.

The Bank believes that the thorough disclosure and transparency of its operations is in the interest not only of its good governance, but also to the benefit of a sound and stable banking sector.

Shareholding structure

As of 31.12.2023 the share capital was allocated into 177 168 448 ordinary registered shares with nominal value of BGN 1 (one Bulgarian lev) each. Each share entitles to one vote at the General Meeting of Shareholders, right to dividend and a proportionate share upon liquidation of UBB AD's property. UBB AD has neither issued securities with special controlling rights, nor are there envisaged restrictions in line with exercising the rights materialized in the shares issued by UBB AD.

Main shareholder of UBB AD is KBC Bank N.V., a company duly incorporated and existing under the laws of Belgium (registration No BE 0462.920.226) with seat and registered address: No.2 Havenlaan Str. 1080 Brussels Belgium with share participation in UBB AD's capital equaling to 99.96 %.

The Supervisory Board and the Management Board members have not been vested with any special rights for acquiring UBB AD's shares.

1 CORPORATE GOVERNANCE REVIEW (CONTINUED)

Shareholding structure (continued)

The bank initiated in late 2023 a procedure for increase of the share capital by BGN 16 840 389 new ordinary shares which is completed in March 2024. The capital increase is undertaken as a result of the continuous loan growth and increased regulatory capital requirements (for exposures to central governments denominated in the currency of another member state; Pillar 2 buffer requirements). The total number of shares after the new issuance is 194 008 837.

2. SUPERVISORY BOARD (SB)

2.1. Supervisory Board Members

Name	Year of Birth	Education/ Qualifications	First election in	Mandate's validity
Peter Andronov SB Chairperson	1969	Master's Degree in Finance	2021	2025
Christine Van Rijsseghem SB Member	1962	Master's Degree in Law and Business Administration (MBA) – Financial sciences	2017	2028
Franky Depickere SB Member	1959	Master's degree in commercial and financial sciences	2018	2026
Barak Chizi SB Member	1974	Master's degree in Industrial Engineering, Data Mining; PhD degree in Industrial Engineering, Machine learning and AI	2020	2028
Svetoslav Gavriiski Independent SB Member	1948	Master's degree in Economics of the external trade	2020	2028
Victor Yotzov Independent SB Member	1961	Master's degree in Economics, PhD degree in Economics	2020	2028

2.2.Election and mandate

UBB's Supervisory Board comprises from 3 (three) up to 7 (seven) persons elected by the General Meeting of Shareholders for a mandate of 4 (four) years and may be re-elected without limitation. Members of the SB may also be legal entities, which appoint their own representatives. The Supervisory Board elects a Chairperson and may elect a Deputy Chairperson among its members. It adopts its Operational Rules.
To date the Supervisory Board comprises of 6 (six) persons:

- 1 (one) of them has been elected SB member by virtue of a resolution of the General Meeting of Shareholders dated 14.06.2017 for a period of 3 (three) years, in accordance with the requirement of Art. 233, Para. 2 of the Commerce Act and with resolutions of the General Meeting of Shareholders dated 15.04.2020 and 04.12.2023 she was re-elected for new 4-year mandates;
- 1 (one) has been elected SB member with a resolution of the General Meeting of Shareholders dated 04.12.2018 for a period of 4 (four) years and with a resolution of the General Meeting of Shareholders dated 03.06.2022 he was re-elected for a new 4-year mandate;
- 1 (one) has been elected SB member with a resolution of the General Meeting of Shareholders dated 17.12.2019 for a period of 4 (four) years and with a resolution of the General Meeting of Shareholders dated 04.12.2023 he was re-elected for a new 4-year mandate;
- 2 (two) have been elected independent SB members with a resolution of the General Meeting of Shareholders dated 15.04.2020 for a period of 4 (four) years; and with a resolution of the General Meeting of Shareholders dated 04.12.2023 they were re-elected for a new 4-year mandate;
- 1 (one) has been elected SB member with a resolution of the General Meeting of Shareholders dated 14.09.2021 for a period of 4 (four) years.

2 SUPERVISORY BOARD (SB) (CONTINUED)

2.2.Election and mandate (continued)

SB Responsibilities pursuant to UBB Articles of Association

The Supervisory Board holds its meetings at least once per quarter. The meetings are being convened by either the Chairperson or in his/her absence - by the Deputy Chairperson through the latter's own initiative. A meeting of the Supervisory Board may be convened upon a written request by members of either the Supervisory or the Management Boards.

A meeting of the Supervisory Board shall be deemed compliant with the law if more than half of its members are either personally present or are represented by another member of the Board under a written power of attorney. A member of the Supervisory Board may not represent more than one absent member.

The Supervisory Board shall make decisions with the majority vote of its members, involved in the voting. Each Board member shall be entitled to one vote.

The Supervisory Board meetings are being documented with minutes, entered into a special book, which minutes are being signed by all present or represented SB members. The Supervisory Board may also make decisions without holding of meetings, which decisions shall also be entered in the book of minutes under the condition that the proposed decisions have been provided to each and every member in writing and all Supervisory Board members have stated in writing their consent to the made decision. The Chief Executive Officer participates in the Supervisory Board meetings with advisory vote entitlement. The other Executive Directors may attend meetings of the Supervisory Board, if invited to do so. Third persons may also attend meetings without the right to vote, if invited to do so by the Supervisory Board.

The Supervisory Board has the following powers:

- it appoints and releases members of the Management Board and concludes contracts for settling the relations with them;
- approves the Operational Rules of the Management Board;
- convenes meetings of the General Meeting of Shareholders and proposes the initiation of appropriate measures when the interests of UBB make it necessary;
- makes proposals to the General Meeting of Shareholders for release of MB members from responsibility;
- through a nominated member of its, it shall represent UBB in disputes with either the Management Board or individual members of its;
- it approves the business plan of UBB, the annual budget, as well as UBB's policy on crediting and provisioning by proposal of the Management Board;
- approves decisions of the Management Board for which this has been explicitly provided in the Articles of Association;
- gives a preliminary approval for granting of internal loans under Art. 45 of the Credit Institutions Act by the Management Board. The Supervisory Board preliminary approves limits within which the Management Board standalone could make decisions for granting of internal loans under Art. 45 of the Credit Institutions Act.
- the Supervisory Board may provide an opinion on any other issue referred to it by the Management Board.

2.3 Professional experience and other activities and functions

Mr. Peter Andronov
Supervisory Board Chairman
Chief Executive Officer of International Markets Business Unit in KBC Group N.V.
Year of Birth: 1969

2 SUPERVISORY BOARD (SB) (CONTINUED)

2.3 Professional experience and other activities and function (continued)

Mr. Peter Andronov (continued)
In 2021 Peter Andronov joined the Executive Committee of KBC Group as executive director and CEO Business Unit International Markets, thus assuming responsibility for the Group's business in four of its core markets – Bulgaria, Hungary, Slovakia and Ireland. Within his new assignment Mr. Andronov became also responsible for KBC Asset Management and hence Chairman of its Board of Directors. In 2021 he also took over the Chairmanship of the Supervisory Boards of DZI General Insurance and DZI Life Insurance, and similarly for the entities of the Group in the other three countries.

Peter Andronov's career path involves series of positions in the BNB and in the private banking sector. During 2002 – 2007 he was Chief Director Banking Supervision Department at the Bulgarian National Bank. During his term he led the elaboration of key currently effective legislative acts on banking regulation and supervision, including the Credit Institutions Act, the Act on the Additional Supervision on Financial Conglomerates, the BNB regulatory ordinances, guidelines etc. From 2003 until May 2007 he was Member of the Management Board of the Reserve Guarantee Fund. He was also member of the BNB Investment Committee. Over the period 2005–2007 Peter Andronov was observer and member at the European Banking Committee and at the Committee of European Banking Supervisors of the European Commission. At the same time, he was also an observer and member of the Banking Supervision Committee at the European Central Bank. On behalf of the Bulgarian authorities he led the negotiations in the domain of banking for Bulgaria's accession to the European Union.

Peter Andronov's career at KBC Group started in July 2007 when he was appointed Executive Director/CRO of CIBANK. Later in March 2008 he became CEO of the same bank. As from the acquisition of UBB by the Belgian financial group KBC in June 2017 up until May 2021 Peter Andronov was Chairman of the Management Board and CEO of UBB AD (created out of the merger between CIBANK and former UBB).

From March 2011 till May 2021 Peter Andronov also acted as Country Manager of KBC Group for Bulgaria. Over the period 2008 - 2021 Peter Andronov was Member of the Management Board of the Association of Banks in Bulgaria, serving two mandates as its Chairman – from 2015 till 2018 and from 2018 until 2021.

From 1995 till 2016 Peter Andronov has been lecturing during different periods at the UNWE, at the High School of Insurance and Finance and at New Bulgarian University/the International Banking Institute. Since 2017 he is member of the Board of Trustees of the University of National and World Economy, and from 2020 of Sofia University St. Kliment Ohridski as well. Peter Andronov is five-times winner of the Banker of the Year award, as well as of the Manager of the Year and Burov Prize for bank management, Mr. Economy and many others. In 2015 he was decorated an Officer of the Order of the Crown of the Kingdom of Belgium.

Legal entities, other than UBB AD, in which management and controlling bodies Mr. Andronov participates:

KBC Group NV, Belgium	Member of the Executive Committee
KBC Bank NV	Member of the Board of Directors; Executive director
KBC Insurance NV	Member of the Board of Directors; Executive director
KBC Asset Management NV	Chairman of the Board of Directors; Non-executive director
KBC Global Services NV	Member of the Management Board
K&H Bank Zrt.	Chairman of the Board of Directors; Non-executive director
K&H Insurance Zrt.	Chairman of the Supervisory Board; Non-executive director
DZI Life Insurance Jsc	Chairman of the Supervisory Board; Non-executive director
DZI - GENERAL INSURANCE JSC	Chairman of the Supervisory Board; Non-executive director
CSOB Banka Slovakia	Chairman of the Supervisory Board
KBC Insurance NV Irish Branch	Chairman of the Supervisory Body
KBC Bank Ireland PLC, Ireland	Chairman of the Board of Directors; Non-executive director

2. SUPERVISORY BOARD (SB) (CONTINUED)

2.3.Professional experience and other activities and functions (continued)

Ms. Christine Van Rijsseghem
Supervisory Board Member
Chief Risk Officer at KBC Group NV
Year of Birth: 1962

Christine Van Rijsseghem holds a Master’s Degree in Law from Ghent University, Belgium. Moreover, she also holds a Master’s Degree in Business Administration (MBA) – Financial Sciences from Vlerick Business School.

Christine Van Rijsseghem started her professional career in University Graduates Team, Kredietbank in 1987. From 1988 until 1991 she worked for Central Department Foreign Entities at Kredietbank (risk management and controlling). In 1992 she became Head of Central Department of Foreign Entities (incl. International acquisition strategy). Over the period from 1994 until 1996 she held the position Head of Credit Department at Irish Intercontinental Bank (KBC subsidiary). Christine Van Rijsseghem became Chief Executive Officer of KBC France (KBC branch) in 1996 and in 1999 – Chief Executive Officer of KBC London (KBC branch). From 2000 until 2003 she held the position Senior General Manager of Securities and Derivatives Processing Directorate, while during the period 2003 – 04.2014 she took the position of Senior General Manager Group Finance at KBC Group. In effect since May 2014 Christine Van Rijsseghem has been elected CRO of KBC Group and Member of the Executive Committee of KBC Group.

Legal entities, other than UBB AD, in which management and controlling bodies Ms. Van Rijsseghem participates:

KBC Group NV, Belgium	Member of the Board of Directors and Executive Director
KBC Bank NV, Belgium	Member of the Board of Directors and Executive Director
KBC Verzekeringen NV, Belgium	Member of the Board of Directors and Executive Director
K&H Bank Zrt., Hungary	Non-executive member of the Board of Directors
KBC Ireland PLC	Non-executive member of the Board of Directors
Československá Obchodná Banka a.s., Republic of Slovakia	Member of the Supervisory Board, non-executie funtions
Československá Obchodní Banka a.s., Chez Republic	Member of the Supervisory Board, non-executie funtions
KBC Bank NV, Dublin Branch	Member of the Supervisory Board, non-executie funtions
Women in Finance Belgium - WIF	Non-executive member of the Board of Directors
KBC Global Services NV	Member of the Management Board and Executive Director, non-executie funtions
De Warande	Non-executive member of the Board of Directors

2. SUPERVISORY BOARD (SB) (CONTINUED)

2.3.Professional experience and other activities and functions (continued)

Mr. Franky Depickere
Chief Executive Officer at CERA and KBC Ancora
Year of Birth: 1959

Franky Depickere holds a Master’s Degree in Commercial and Financial Sciences from the University of Antwerp (HHS-UFSIA – Belgium). He joins CERA Group in 1982 and held several Executive Positions there for more than 17 years.

In 1999 Franky Depickere became managing Director and Chairman of the Executive Committee of F. van Lanschot Bankiers Belgie NV, as well as group director of F. van Lanchot Bankers in the Netherlands. Since 2005 onwards Depickere was also a member of the Strategic Committee of F. van Lanchot Bankiers (the Netherlands).

As of September 2006, he is Managing Director of Cera and KBC Ancora. Franky Depickere participates in managing bodies of several non-profit legal entities – Chairman of BRS vzur (Leuven, Belgium). He is a Chairman of the 'lnternational Raiffeisen Union' (l.R.U. – Bonn, Germany), Member of the Executive Committee of EACB (European Association of Cooperative Banks in Brussels Belgium. Depickere is also Chairman of the Board of Directors of Flanders Business School (Antwerp Campus KU Leuven, Belgium), as well as a member of the Senate KU Leuven (Catholic University Leuven Belgium) and a member of the Board of Directors of KU Leuven Kulak (Kortrijk, Belgium). Currently, he is Chief Executive Officer at CERA and KBC Ancora.

Legal entities, other than UBB AD, in which management and controlling bodies Mr. Depickere participates:

CERA CV	Member of the Board of Directors and Executive Director
CBC BANQUE SA	Member of the Board of Directors, Non-executive director
KBC ANCORA NV	Member of the Board of Directors and Executive Director
KBC GLOBAL SERVICES NV	Member of the Supervisory, Non-executive director
Almancora Beheersmaatschappij NV	Member of the Board of Directors and Executive Director
Cera Beheersmaatschappij NV	Member of the Board of Directors and Executive Director
Československá Obchodní Banka a.s.	Member of the Supervisory, Non-executive director
KBC Bank NV	Member of the Board of Directors, Non-executive director
KBC Group NV	Member of the Board of Directors, Non-executive director
KBC Verzekeringen NV	Member of the Board of Directors, Non-executive director
Euro Pool System International BV	Member of the Board of Directors, Non-executive director
BRS Microfinance Coop cv	Member of the Board of Directors, Non-executive director
International Raiffeisen Union e.V.	Member of the Board of Directors, Non-executive director
TRIaz	Chairman of the Board of Directors, Non-executive director

2. SUPERVISORY BOARD (SB) (CONTINUED)

2.3. Professional experience and other activities and functions (continued)

Mr. Barak Chizi
Supervisory Board Member
General Manager Big Data, Data Analytics and AI at KBC Group N.V.
Year of Birth: 1974

Mr. Barak Chizi graduated in 1996 as an industrial and management engineer in the Technion – Israel Institute of Technology.
He further specialized in AI and machine learning (MSc and PhD in Tel – Aviv University), and since then teaches this subject at Tel – Aviv University and In Ben – Gurion University. In 2003 he became a data specialist for the Israeli government. In parallel, he started his own consulting firm, providing unique knowledge to global companies. In 2011 he was appointed as senior R&D director and Senior Researcher at Deutsche Telekom. In May 2015, he joined KBC and from August that year he started his role as general manger big data, data analytics and AI.

He does not participate in management or control bodies in legal entities besides UBB AD.

Mr. Svetoslav Gavriiski
Independent Supervisory Board Member
Year of Birth: 1948

Svetoslav Gavriiski is independent member of the Supervisory Board of UBB as of May 2020. He graduated with major in Foreign Trade Economics from Karl Marx Higher Institute of Economics (presently re-named to University of National and World Economy, or UNWE) in 1972. His professional path started at the Ministry of Finance in 1972, where up to 1997 he held the following positions – specialist, chief specialist, expert, head of department, and head of main department.

In the period 1992 – 1997 Mr. Svetoslav Gavriiski was first Deputy Minister of Finance and from February until May 1997 he was Minister of Finance in the caretaker government. Over the period 1991 – 1994 he led the negotiations with the creditors from the Paris Club, and after that was part of the negotiations team with the London Club of private creditor banks for rescheduling and renegotiating Bulgaria's foreign debt.

Over the period 1991 – 1997 Mr. Gavriiski was member of the Management Board of Bulbank. Over the period June 1997 – October 2003 he was elected BNB Governor by the 38th National Assembly. He led the executing of the monetary reform and the introducing and maintaining of the Currency Board in Bulgaria. Mr. Svetoslav Gavriiski was representative for Bulgaria in the International Monetary Fund from 1992 until 2003, and as of 2004 – 2005 he was an advisor. From 2006 until 2016 Mr. Svetoslav Gavriiski was a member of the Management Board (from 2011 until 2016 its chairperson) and Chief Executive Officer of Allianz Bank Bulgaria AD, and from 2016 until 2018 he was Chairperson of the Management Board of Allianz Bank Bulgaria AD.

Legal entities, other than UBB AD, in which management and controlling bodies Mr. Gavriiski participates:

Pension Insurance Company Allianz Bulgaria AD	Member of the Supervisory Board

2. SUPERVISORY BOARD (SB) (CONTINUED)

2.3. Professional experience and other activities and functions (continued)

Mr. Victor Yotzov
Independent Supervisory Board Member
Year of Birth: 1961

Assoc. prof. Victor Yotzov is independent member of the Supervisory Board of UBB as of May 2020. He graduated in 1985 from the University of National and World Economy as a Master of Economics with major in Management and Planning of the National Economy (Socio-economic planning). In 2001 he acquires educational and scientific degree 'doctor' of Economics.

Assoc. prof. Victor Yotzov's career path and research activity started in 1986 when, after a special competition procedure, he was appointed as a research fellow in Analytic and Forecasting Activity Section of the Economic Institute with the Bulgarian Academy of Sciences. From 1992 until 1994 he was part-time lecturer in Macroeconomics at the International Management, Trade and Marketing (MT&M) College. In the period 1998 – 2001 he is part-time lecturer in Theory of Money and Credit in Finance Department with the University of National and World Economy.

In 1995 Victor Yotzov started working at the Bulgarian National Bank as an expert in Balance of Payments and Foreign Debt Department, while in 1997 he became head of the Economic Research Department at the BNB. In 2001 Assoc. prof. Victor Yotzov was appointed as Head of Economic Research and Forecasts Directorate and acting as Chief Economist of the BNB. Over the period 2003 – 2010 he worked as a representative for Bulgaria at the International Monetary Fund and counsel to the Executive Director. In 2014 upon obtaining an academic rank Victor Yotzov became Associate Professor in Finance Department of the University of National and World Economy and at the same time was appointed at the Macroeconomics Section at the Institute of Economic Research with the Bulgarian Academy of Sciences. He is author of many publications in the field of finance. His scientific interests are in the domains of monetary theory, banking, public finance and foreign trade. In the period 2016 – 2018 he is a Director of the Economics and Policies Institute with the University of National and World Economy. In June 2015 Assoc. prof. Victor Yotzov was nominated for holding a BNB Governor position.

Legal entities, other than UBB AD, in which management and controlling bodies Mr. Yotzov participates:

Fund for Sustainable Urban Development EOOD	Chairperson of the Management Board and executive director

2.4. Internal organizational structure

Allocation of responsibilities among the Supervisory Board members

SB Member	Supervisory Board	Risk and Compliance Committee	Remuneration Committee	Nomination Committee
Peter Andronov	(Chairman)		(Chairman)	(Chairman)
Christine Van Rijsseghem	•	(Chairperson)		
Franky Depickere	•			
Barak Chizi	•			
Svetoslav Gavriiski	•	•	•	•
Victor Yotzov	•	•	•	•

2. SUPERVISORY BOARD (SB) (CONTINUED)

2.5.Annual Report of the Supervisory Board

In 2023 the Supervisory Board of United Bulgarian Bank held 22 meetings, of which 4 *in praesentia* and 18 *in absentia* ones, pursuant to Art. 39, Para. 4 of the UBB's Articles of Association, namely: The proposed decisions were provided to every member in writing and all SB members have stated their consent to those in writing.

The requirement of Art. 38, Para. 1 of the Bank's Articles of Association has been observed, according to which the Supervisory Board is to hold its meetings at least once per quarter, as in 2023 regular *in praesentia* meetings were held every quarter – March, June, September and December 2023.

The average duration of the Supervisory Board meetings was 2 hours, which is deemed sufficient and optimal for detailed discussions on the agenda items, in view of the approval practices.

In brief, the main reviewed, discussed and approved topics by the SB in 2023 may be summarized, as follows:

1. The first group of topics reviewed by the Supervisory Board during 2023 are related to changes in the internal banking regulation (for the documents, which according to the Articles of Association of the bank need to be ratified by the Supervisory Board).
2. By virtue of Art. 37, Para. 2, Item 7 in relation to Art. 48, Para. 1, Item 3, letters "d" and „h"of the UBB's Articles of Association were approved changes in the organizational structure and changes related to the allocation of the functions among the UBB's representatives in terms of the subordination of the main structural units at UBB – directorates and standalone departments.
3. The agenda of the in praesentia meetings of the SB during 2023 included review of the financial performance from UBB's activity as at the end of each quarter, reports on the activity of the Chief Executive Officer of UBB for the respective quarter were discussed, reports regarding the progress of the integration of UBB AD and KBC Bank Bulgaria EAD (terminated without liquidation after its merger with UBB AD), as well as other issues which were of the SB competence, pursuant to UBB AD's Articles of Association, the Operational Rules of the Supervisory Board and the UBB's internal rules and regulations.
4. Giving preliminary approval by the Supervisory Board for forming of internal exposures of the bank, pursuant to Art. 45 of the Credit Institutions Act and Ordinance 37 of BNB for the Internal exposures of the banks in all cases except when the amount of the exposure is within the limit pre-approved by the Supervisory Board and within which the Management Board could standalone form these exposures.
5. Other SB decisions adopted in 2023 – approval of the report of the MB for the activity of UBB AD for 2022 and the certified by the auditor's annual financial report for 2022, annual review of all equity participations of UBB AD in other entities, approval of the selection of first and second auditing companies for verification and certification of UBB's annual financial statements for 2023 by virtue of Art. 76, Para. 1 and 4 of the Credit Institutions Act; approval of the decisions made by the committees to the SB at the meetings held by them; convening of the General Meeting of Shareholders, when this was necessary; approval of the split per month and per segments of APC budget of UBB AD for 2023, on consolidated basis, as well as the KPIs of UBB AD for 2023, on consolidated basis; the innovations in the bank; progress report on Corporate and Social Responsibility Program of UBB AD; evaluation of customer experience; topics in the human resources area. The SB also took decisions with regard to the merger of KBC Bank Bulgaria EAD with UBB AD, conditional upon regulatory approval.

The activity of the Supervisory Board over 2023 aimed at ensuring effective control on the compliance of UBB's operations with the applicable laws the Articles of Association and the resolutions of the General Meeting of Shareholders in the interest of UBB's clients and its shareholders while guaranteeing the implementation of the long-term strategy and the set immediate objectives before UBB AD for the accomplishment of which UBB's Management Board is accountable.

3. MANAGEMENT BOARD

3.1. Management Board Members

Name	Year of Birth	Position	Education/ Qualification
Peter Roebben Chairman	1966	Chief Executive Officer	Master's Degree in Law and Business Administration
Teodor Marinov Member	1971	Chief Finance Officer	Master’s Degree in Systems & Management and Business Administration
Svetla Georgieva Member	1967	Chief Risk Officer	Master’s Degree in International Business Management and Business Administration qualification in Industrial Electronics
Desislava Simeonova Member	1972	Executive Director Small and Medium Enterprises	Master’s Degree in Law
Tatyana Ivanova Member	1975	Executive Director Digitalization, Data and Operations	Master’s Degree in Finance and Management Business Administration
Ani Angelova Member	1974	Executive Director Retail Banking	Master’s Degree in Business Administration in General Management
Dobromir Dobrev Member	1979	Executive Director Corporate Banking and Markets	Master’s Degree in Finance and Banking
Nedyalko Mihaylov Member	1977	Chief Information Officer	Master’s Degree in Accounting and Control

3.2.Election and mandate

The Management Board comprises from 3 (three) up to 9 (nine) persons elected by the Supervisory Board for a mandate of up to 4 (four) years. The Management Board members may be re-elected without limitations. The Supervisory Board upon a decision of its elects the members of the Management Board. Each board member may be dismissed by decision of the Supervisory Board prior to the expiration of his/her mandate. The Management Board upon the Supervisory Board’s approval elects a Chief Executive Officer among its members. The Chief Executive Officer performs the overall management organization and the day-to-day managerial control on the UBB’s activity. The Management Board adopts its Operational Rules which is approved by the Supervisory Board.

To date the Management Board comprises of 8 (eight) persons who have been elected MB members by virtue of decisions of the Supervisory Board for a period of 4 (four) years in accordance with the requirement of Art. 41, Para. 1 of the UBB’s Articles of Association.

3. MANAGEMENT BOARD (CONTINUED)

3.2.Election and mandate (continued)

MB Responsibilities pursuant to UBB's Articles of Association

The Management Board makes decisions on all issues which are not of the exclusive competence of the General Meeting of Shareholders or the Supervisory Board, while observing the provisions of the law and the Articles of Association in compliance with the resolutions of the General Meeting of Shareholders and under the Supervisory Board's control.

In view of the UBB's specific activity the Management Board holds regular meetings at least once per month. The meetings are being convened by the Management Board Chairman upon his initiative by request of a Board member or by request of the Supervisory Board Chairperson. The Management Board may make decisions if more than half of the Board members are present at the meeting - either in person or represented by another Board member empowered with a written power of attorney.

The Management Board decisions are made with the majority vote of the present Board members, unless the law or the Articles of Association require another majority type. When a decision is being made as regards election, dismissal or defining the scope of an executive director's responsibilities, the latter shall not be involved in the voting. The Management Board may adopt decisions in writing also without holding meetings in case that the proposed decisions are provided to each Board member in writing and all MB members have stated in writing their consent to the decisions made.

The Management Board has the following powers:

- ✓ Defines the general trends of the UBB's activity in its credit interest rate and accounting policy;
- ✓ Organizes and steers the implementation of the resolutions of the General Meeting of Shareholders;
- ✓ Upon the SB's approval makes decisions on closing or transferring UBB's enterprise or essential parts thereof; opening and closing of branches; material change in UBB's activity; essential internal and organizational changes; establishment and closing of directorates and standalone departments as well as appointment of heads of such structural units; long-term cooperation of essential importance for UBB or termination of such cooperation; acquisition of 25 % or more of the voting rights or of a legal entity's registered capital as well as in any case when the value of such acquisition exceeds 10% of UBB's equity; empowering at least two of its members - Executive Directors - to represent UBB and to carry out its operational management, as well as election of a MB Chairperson and Chief Executive Officer; allocation of the functions between the persons managing and representing UBB in terms of the subordination of main structural units at UBB – directorates and standalone departments; empowerment of commercial representatives and procurator/s of UBB and conclusion of a procurator's contract; disposal of a substantial part of UBB's property including rights on intellectual property which value exceeds 5% of the Bank's equity in accordance with the recent monthly accounting statements;
- ✓ Adopts the internal rules on UBB's activity and its Operational Rules which are approved by the Supervisory Board;
- ✓ Makes decisions on granting of large exposures as per Art. 44 of the Credit Institutions Act and of internal loans pursuant to Art. 45 of the same act for restructuring early collection, as well as initiation of enforcement actions with respect to risk exposures exceeding in amount the figures as determined in the internal rules of UBB upon a reasoned proposal by the respective specialized body of UBB;
- ✓ Prepares and submits for approval to the Supervisory Board the annual financial statements, the report on the company's activity and the profit allocation proposal.
- ✓ Makes decisions on the organizational structure of the specialized internal audit unit, its staff number, and the requirements for professional qualification, experience and the other requirements to the internal audit inspectors in view of the reasonable needs of control while complying with the budget, as determined by the General Meeting of Shareholders.
- ✓ Also performs other functions assigned to it by the General Meeting of Shareholders, the SB, the Articles of Association and the law.

3. MANAGEMENT BOARD (CONTINUED)

3.3. Professional experience and other activities and functions

Mr. Peter Roebben
Chairman of the Management Board and Chief Executive Officer
Year of Birth: 1966

Peter Roebben is Country Manager of KBC Group in Bulgaria, Chairman of the Management Board and Chief Executive Officer of UBB. Until his appointment at these positions, he was the Chief Executive Officer of KBC Bank in Ireland.

Peter Roebben started his career in 1992 as an account officer Corporate Banking for Kredietbank (now KBC) in London. From 1994 until 1998 he was Director of the Iberia Representative Office in Madrid. After one year in Brussels as account manager for the group's Multinationals Division, he became General Manager Corporate Banking in the Paris branch in 1999. From 2005 until 2010 he was Executive Director Corporate Banking at CSOB Bank in the Czech Republic.

Between 2010 and 2017 he served as Senior Managing Director and member of the Executive Committee of K&H Bank & Insurance Hungary. Later in 2017 he becomes Senior General Manager Group Credit Risk at KBC Group's Head Office in Brussels. In 2019, Peter Roebben was appointed Chief Executive Officer of KBC Bank in Ireland, which he held until his current appointment as Country Manager of KBC Group in Bulgaria, Chairman of the Management Board and Chief Executive Officer of UBB.

Peter Roebben has graduated from the University of Leuven, Belgium with a master degree in law. Later he has obtained an MBA from Vlerick Business School, Belgium.

Legal entities besides UBB AD in whose management or control bodies he participates:

• Borica AD – Member of the Board of Directors.

Mr. Teodor Marinov
Member of the MB and Chief Finance Officer
Year of Birth: 1971

Teodor Marinov has been part of United Bulgarian Bank's management since June 2010, when he was elected member of the Board of Directors, while holding the position of Executive Manager Corporate Banking of the Bank since September the same year.

After the acquisition of United Bulgarian Bank by the Belgian finance group KBC Group in June 2017, Teodor Marinov has become member of the KBC Country Team in Bulgaria, member of the Management board and Executive Director Legacy of UBB. In July 2022 he has become Executive Director Finance. During the period 2001-2010, he was Executive Director of Interlease EAD and since 2006 has been also involved in the management bodies of the leasing companies of the group of the National Bank of Greece in Romania and Serbia.

His professional development began in 1994 as a Financial Analyst at the Sofia Stock Exchange. In 1995-1997 he worked as a Customer Relationship Manager and Credit Analysis Unit Manager at the Bulgarian Investment Bank AD. From 1997 until 2000 he was Investments Manager in the Balkan Regional Division of the National Bank of Greece.

Teodor Marinov holds Master's degrees in Business Administration from London Business School and in Systems Control from the Technical University, Sofia. He has been a holder of CFA (Certified Financial Analyst) professional designation since 2001. Marinov also completed the INSEAD Inter-Alpha Banking Programme in 2002.

There are no legal entities besides UBB AD in whose management or control bodies he participates.

Mr. Teodor Marinov is a member of the Management Board of the association 'United for charity' which is a non-profit legal entity.

3. MANAGEMENT BOARD (CONTINUED)

3.3. Professional experience and other activities and functions (continued)

Ms. Svetla Georgieva
Management Board Member and Executive Director Risk
Year of Birth: 1967

Svetla Georgieva is member of the Management board and Executive Director Risk in United Bulgarian Bank after its acquisition by Belgian finance group KBC Group in June 2017.

Her professional career includes different management positions at Citibank N.A. and ING Bank N.V. She joined the CIBANK team in 2008, and consequently held positions as head of Retail Credit Risk Department and deputy director of the Credit Management Directorate. In January 2014 she became KBC Group's Chief Risk Officer (CRO) for Bulgaria, a member of the MB and an Executive Director of CIBANK.

Svetla Georgieva graduated under the INSEAD Inter-Alpha Banking Programme (2013) from City University, Seattle, DCL (2004-2006) and has an MBA degree in Finance.

She also has a Master's degree in industrial electronics from the Moscow Power Engineering Institute (1985-1991), a postgraduate qualification in International Economic Relations and International Law from the University of National and World Economy (1992 - 1993) and the University of Delaware / FLAG Consortium in Sofia (2001 -2002).

There are no legal entities besides UBB AD in whose management or control bodies she participates.

Mrs. Desislava Simeonova
Management Board Member and Executive Director SME & Corporate Segment
Year of Birth: 1972

Desislava Simeonova holds a Master’s degree in Law. She started her professional career as a legal trainee at Sofia City Court. In 2000 she was appointed as a public enforcement agent at the State Receivables Collection Agency to the Ministry of Finance. Subsequently she also worked as a legal counsel at the Legal Directorate and an expert to the Inspectorate of that same institution.

Over the period 2004 – 2008 she worked as a legal counsel at the Bulgarian National Bank, Banking Supervision Department. She joined the team of CIBANK more than 10 years ago in the Corporate Officer position. Later on, she consecutively managed Legal Services and Methodology Directorate and in 2016 she was appointed SME Director, while achieving excellent results in that segment. After the acquisition of United Bulgarian Bank by the Belgian financial group KBC in 2017 Desislava Simeonova took over the function of SME Distribution Director at UBB.

In July 2022 she became leader of KBC Group’s Sustainable Finance Programme.
Legal entities, other than UBB AD, in which management and controlling bodies Mrs. Simeonova participates:

- UBB Interlease EAD - Member of The Board of Directors

3. MANAGEMENT BOARD (CONTINUED)

3.3. Professional experience and other activities and functions (continued)

Mrs. Tatyana Ivanova
Member of the Management Board and Executive Officer Digitalization, Data and Operations
Year of Birth: 1975

Tatyana Ivanova started her career 20 years ago in Société Generale and built since then a broad and international career in various subsidiaries of the Group. She was, amongst others, Retail Director in the Republic of Macedonia, worked several years as Head of Sales promotion in Russia, as Marketing manager in the HQs Paris, as well as Head of Marketing and Digital banking in Société Generale, Bulgaria.

As of the beginning of November 2018 until taking the position of a Management Board Member and Executive Officer Marketing and Distribution – Retail banking, she is Director of Retail Marketing and Digital Sales Directorate in UBB. Tatyana Ivanova was elected in the position Digital Channels, Data and Operations of UBB in November 2022.

Tatyana holds EMBA from HEC-Paris.

Other legal entities besides UBB AD in whose management or control bodies she participates:

- Cash Services Company AD - Member of the Board of Directors

Mrs. Ani Angelova
Member of the Management Board and Executive Officer Retail Banking
Year of Birth: 1974

Effective from November 2022 Ani Angelova has been elected to hold the Executive Director Retail Banking position at UBB. Ani Angelova has been part of KBC Bank Bulgaria (formerly Raiffeisenbank Bulgaria EAD) since 1995 and until her election for the position of Executive Director and MB member in 2007, she has been Procurator in the Distribution Channels domain.

Since June 2016 she was Chairperson of the Supervisory Board of KBC Investment Management (formerly Raiffeisen Asset Management (Bulgaria) EAD).

Ani Angelova has graduated from Konstatin Kiril Filosof National Ancient Languages and Cultures High School, then she acquired a degree in Business Management and Administration from the Unversity of National and World Economy and an MBA from Rotterdam School of Management in The Netherlands. She worked for Fortis Bank, The Netherlands. In 2013 she graduated from the Advance Management Programme at IESE, University of Navarra, Barcelona.

Other legal entities besides UBB AD in whose management or control bodies she participates:

- Pension Insurance Company UBB – Member of the Supervisory Board

3. MANAGEMENT BOARD (CONTINUED)

3.3. Professional experience and other activities and functions (continued)

Mr. Dobromir Dobrev
Member of the Management Board and Executive Officer Corporate Banking and Markets
Year of Birth: 1979

Dobromir Dobrev was elected in the position Executive Director Corporate Banking at UBB in November 2022. He has been part of the team of KBC Bank Bulgaria (former name Raiffeisenbank (Bulgaria) EAD) since 2003, as in 2005 he was appointed head of Corporate Banking – Middle Market. Since 2006 onwards he manages KBC Leasing Bulgaria.

In 2013 he became a member of MB for the Corporate Banking domain, while in 2016 he was chosen to be Executive Director Corporate Banking and Capital Markets of KBC Bank Bulgaria.

Dobromir Dobrev holds a Master's degree in Finance and Banking from the Faculty of Economics, Sofia University St. Kliment Ohridski.

Other legal entities besides UBB AD in whose management or control bodies he participates:

- UBB Interlease EAD - Chairperson of the Board of Directors

Mr. Dobromir Dobrev is a member of the Management Board of the Foundation Atanas Burov which is a non-profit legal entity.

Mr. Nedyalko Mihaylov
Member of the Management Board and Chief Information Officer
Year of Birth: 1977

Nedyalko Mihaylov has been elected in the position Executive Director Information Technologies of UBB since November 2022. His career at KBC Bank Bulgaria (formerly Raiffeisenbank (Bulgaria) EAD) started in 2002, while in 2005 he assumed one of his many managerial positions at the Bank - Bank Office Manager in Varna. He was consecutively responsible for Large Corporate Clients domain over the period from 2006 until 2009, for the Risk Management domain over the period from 2009 until 2011, for the Problem Loans domain from 2011 until 2015 and for the Finance domain from 2015 until 2016.

Since January 2017 he is Executive Director Operations and Information Technologies at KBC Bank Bulgaria
Nedyalko Mihaylov graduated from the High School of Mathematics in Varna and holds a degree in Accountancy and Control, and Economic Informatics from the University of Economics, Varna.

There are no other legal entities besides UBB AD in whose management or control bodies he participates.

Mr. Nedyalko Mihaylov is a member of the Management Board of the Association TMA Bulgaria - a non-profit legal entity, which does not exercise activity.

3. MANAGEMENT BOARD (CONTINUED)

3.4. Annual report of the Management Board

In 2023 the Management Board of United Bulgarian Bank held 60 meetings of which 53 *in praesentia* and 7 *in absentia* ones, pursuant to Art. 46, Para. 1 of the bank's Articles of Association, namely: the proposed decisions were provided to every member in writing and all MB members stated their consent to those decisions in writing. The requirement of Art. 44, Para. 1 of UBB's Articles of Association, according to which the Management Board shall hold regular meetings at least once per month has been complied with. The average duration of the Management Board meetings was 3 hours, which is deemed sufficient and optimal for detailed discussions on the agenda items, in view of the approval practices.

In brief, the main reviewed, discussed and approved topics by the MB in 2023 may be summarized, as follows:

1. Issues within the competence of the Management Board pursuant to Art. 48 of the UBB's Articles of Association and Art. 21 of the Operational Rules of UBB AD's Management Board, which have been described in detail in Item 1 of the present Statement.
2. All issues not explicitly stated as competences of UBB AD's Management Board in the Articles of Association, the Operational Rules of the MB and UBB's internal rules and regulations but which had to be discussed by UBB's managing body pursuant to Art. 48, Para. 1, Item 8 (also performs other functions assigned to it by the General Meeting of Shareholders, the Supervisory Board, the Articles of Association and the law) and while abiding by the provisions of Art. 43, Para 2 (…all issues which are not of the exclusive competence of the General Meeting of Shareholders or of the Supervisory Board …) of UBB AD's Articles of Association.

The activity of the Management Board over 2023 aimed at ensuring flexible, however sustainable development and budget fulfillment, defining the long-term strategy thus strengthening UBB's management and control while guaranteeing the implementation of the long-term strategy and the set immediate objectives before UBB AD for the accomplishment of which UBB's Management Board is accountable.

4. COMMITTEES TO THE SUPERVISORY BOARD

4.1. Risk and Compliance Committee

4.1.1. Risk and Compliance Committee Members

Ms. Christine Van Rijsseghem
UBB Risk and Compliance Committee Chairperson
UBB Supervisory Board Member

Mr. Svetoslav Gavriiski
UBB Risk and Compliance Committee Member
Independent member of the UBB Supervisory Board

Assoc. prof. Victor Yotzov
UBB Risk and Compliance Committee Member
Independent member of the UBB Supervisory Board

Pursuant to Ordinance 7 of BNB for the organization and risk management of banks, the Risk and Compliance Committee should have at least three members and the majority of them should be independent according to Art. 10a, Para. 2 of the Credit Institutions Act.

4. COMMITTEES TO THE SUPERVISORY BOARD (CONTINUED)

4.1. Risk and Compliance Committee (continued)

4.1.2. Risk and Compliance Committee Report

The Risk and Compliance Committee advises the Supervisory Board on the present and future risk appetite and the risk management strategy as well as the present and future compliance rules. This Committee supports the Supervisory Board in the monitoring and management of the process for implementing these elements and rules by the executive management. Besides, it controls as to whether the value of the assets and liabilities and the off-balance sheet product categories offered to clients comply with the business model and the risk management strategy and controls whether the risk tolerance and the strategic framework have been integrated in UBB's Remuneration Policy.

The Risk and Compliance Committee holds its meetings at least four times a year as the external auditors are invited to and should participate in at least two meetings within a year. The Risk and Compliance Committee has a standing secretary appointed by the Chairperson.

In 2023 UBB's Risk and Compliance Committee held four meetings attended by all its members.

In brief, the main topics were review of the regular Integrated Risk Report; Risk Frameworks, Risk scan, Risk appetite; review of the regular Compliance Report; information about pending legal claims exceeding EUR 50K ; information about risk-based pricing; internal control statements, risk assessment of the remuneration policy and practice, Oversight of the remuneration of the Internal Audit and the other control functions, SREP 2023 results.

The members of the Risk and Compliance Committee discussed and accepted the Annual Compliance Report, Annual MIFID Report, the Annual Anti-Money Laundering Report and the Annual Data Protection Officer Report. The Committee also acknowledged and approved the priorities of Risk Management Directorate and Compliance Directorate for 2023.

The Committee reviewed and proposed to the SB for ratification the following documents: Risk Appetite Framework of UBB for the period 2023-2026, ICAAP/ILAAP Reports, ICAAP Policy and Risk Governance Charter of UBB, UBB Risk Scan.

4.2. Remuneration Committee

4.2.1. Remuneration Committee Members

Mr. Peter Andronov
UBB Remuneration Committee Chairman
UBB Supervisory Board Chairman

Mr. Svetoslav Gavriiski
UBB Remuneration Committee Member – external and independent
UBB Supervisory Board Member

Mr. Victor Yotzov
UBB Remuneration Committee Member– external and independent
UBB Supervisory Board Member

Pursuant to Ordinance 4 of BNB for the requirements for remunerations in banks, the Remuneration Committee should have at least three members and the majority of them should be independent according to Art. 10a, Para. 2 of the Credit Institutions Act.

4.COMMITTEES TO THE SUPERVISORY BOARD (CONTINUED)

4.2. Remuneration Committee (continued)

4.2.2. Remuneration Committee Report

UBB Remuneration Committee performs its activities in conformity with the objectives, principles and scope of UBB Remuneration Policy.

It is a consulting structure subordinate to the Supervisory Board and consists of chairperson and independent members of this Board. The Committee elects Chairman and Secretary and operates effectively according to its work rules, approved by the Supervisory Board. The Remuneration Committee exercises competent and independent judgment on remuneration policies and practices and the incentives created for managing risk, capital and liquidity. It is responsible for the preparation of decisions regarding remunerations, while considering the implications for the risk and risk management at the bank, the long-term interests of shareholders, investors and other stakeholders in the bank.

In 2023 the Committee held one regular meeting. The main topics on the agenda and the decisions taken at the first committee meeting related to ratification of the new KBC Group Remuneration Policy and the updated UBB Remuneration Policy for 2023, in order to comply with the Group standard, acknowledgement of the submitted Risk Gateway parameters for 2022 of KBC Group and UBB and approval of the amended risk gateway parameters for 2023 in the UBB Remuneration Policy, approval of variable remuneration for the previous 2022 year and payment of the deferred amounts for past years, changes in fixed remuneration and approval of the new KPIs for the Board members.

All proposals of the Committee were approved by the Supervisory Board.

4.3. Nomination Committee

4.3.1. Nomination Committee Members

Mr. Peter Andronov
UBB Nomination Committee Chairman
UBB Supervisory Board Chairman

Mr. Svetoslav Gavriiski
UBB Nomination Committee Member – external and independent
UBB Supervisory Board Member

Mr. Victor Yotzov
UBB Nomination Committee Member– external and independent
UBB Supervisory Board Member

Pursuant to the Ordinance 20 of BNB for Issuance of Approvals to Members of the Management Board (Board of Directors) and Supervisory Board of a Credit Institution and Performance Requirements for Their Duties, the Nomination Committee should have at least three members and the majority of them should be independent according to Art. 10a, Para. 2 of the Credit Institutions Act.

4. COMMITTEES TO THE SUPERVISORY BOARD (CONTINUED)

4.3. Nomination Committee (continued)

4.3.2. Nomination Committee Report

The Nomination Committee identifies and recommends for selection by the General Meeting of Shareholders candidate members of the Supervisory Board, or by the Supervisory Board – candidate members of the Management Board, considering the balance of professional knowledge and skills, the various qualifications and experience of the members of the Board necessary for the management of the bank. In addition, the Committee prepares a description of the functions and the requirements for candidates and determines the time that the selected members are expected to spend in the work of the Management Board and of the Supervisory Board.

The Committee determines a target level in relation to the participation of the under-represented gender in the composition of the Management Board and of the Supervisory Board and develops a policy to increase the number of representatives of the under-represented gender in the composition of the boards to achieve this level. The Nomination Committee performs analysis periodically but not less than once a year of the structure, composition, number of members and the results of the work of the Management Board and of the Supervisory Board and provides recommendations for possible changes. It analyses periodically but not less than once a year the knowledge, skills and experience of the members of the Management Board and of the Supervisory Board, as a whole and individually of each member, and reports to each of them. Reviews periodically the Management Board policy for selection and appointment of members of the senior management staff and provides recommendation to it. While performing its functions the Nomination Committee analyses periodically the necessity to guarantee that the process of decision making by the Management Board and by the Supervisory Board is not controlled by a separate person or a small group of people in a way which could harm the interests of the bank. The Committee reports to the Supervisory Board on the activities, conclusions, and recommendations for improvement after each meeting. Minutes of the meetings held by the Nomination Committee are kept by a permanently appointed secretary, an employee at the Human Resources Management Directorate, which Minutes should be presented to the Committee members and the Supervisory Board for approval.

In 2023 the Committee held one meeting. The main topics on the agenda and the decisions of the first Committee meeting related to the annual assessment of the structure, composition and performance of the Supervisory Board of UBB and acknowledgement of the results from the conducted self-evaluation of the activity of the Supervisory Board and the identified areas for improvement.

All proposals of the Committee were ratified by the Supervisory Board.

5. AUDIT COMMITTEE

5.1.Audit Committee Members and professional experience

In compliance with the requirements in the Independent Financial Audit Act, the Audit Committee of UBB AD comprises of two members external to and independent from the bank (majority) and one member who is at the same time a Supervisory Board member – Mr. Peter Andronov. One of the external and independent members of the Audit Committee – Stefan Ivanov, is also Chairperson of the Committee, pursuant to the requirements of the Independent Financial Audit Act (Art. 107, para. 6).

5. AUDIT COMMITTEE (CONTINUED)

5.1.Audit Committee Members and professional experience (continued)

The Audit Committee is established as a separate and independent body from the Supervisory Board and the other bodies within the bank, which reports directly to the General Meeting of Shareholders.

Mr. Stefan Ivanov
Chairman of the Audit Committee
Year of birth: 1972

Mr. Ivanov is a Co-founder and Managing Partner of Challenger Capital Management - an advisory boutique focused on M&A and financing transactions in Bulgaria. During the period 2007 - 2011 he was the CEO of Citibank in Bulgaria - a leading Corporate & Investment Bank in the country. Between 2000 and 2006 he acted as International Cash Management Head for Citibank in Brazil and subsequently as Head of Strategic Development for Citibank in Brazil.

During the period 1998 - 1999 he held diverse roles with Citibank in London, Brazil, South Korea and Tunisia. Prior to that he was trading derivatives with Banque Paribas in New York and on the floor of the American Stock Exchange. During the period 2007 - 2011, Mr. Ivanov was Board Member and Vice President of the American Chamber of Commerce in Bulgaria as well as Board Member of the Confederation of Employers and Industrialists in Bulgaria. Mr. Ivanov is an alum of Harvard Business School from the Program for Leadership Development (2007). He has an MBA degree in Financial Engineering from Cornell University (1997) and a Bachelor of Arts degree in Business Administration from the American University in Bulgaria (1995).

Ms. Snezhana Kaloyanova
Audit Committee Member
Year of Birth: 1966

Ms. Kaloyanova holds a Master’s Degree in Accountancy and Control from the University of National and World Economy (former Karl Marx Higher Institute of Economics). She started her professional career in 1985 as an accountant at the Agrarian and Industrial Complex in Dragovishtitsa town. Over the period January 1988 – October 1989 she held the position of an accountant at the Machines and Tractors Facility in Shishkovtsi village. Over the period December 1991 – May 1995 Ms. Kaloyanova was Chief Accountant at Manov&Co enterprise. Ms. Kaloyanova was manager and senior manager at Audit and Business Consultancy Services and partner in the specialized auditing company PricewaterhouseCoopers Audit OOD for the period from May 1995 until September 2006. Over the period September 2006 - May 2007 she was co-founder and partner in the specialized auditing company Moore Stephens Bulmar Financial Audit OOD.

Since May 2007 to date she has been managing partner in NS CONSULTING OOD auditing company. Ms. Kaloyanova is a certified public accountant and a registered auditor, Member of the Institute of Chartered Certified Public Accountants since 1994 to date. She has been in charge of engagements for expressing assurance (audits and reviews) on individual and consolidated annual and interim financial statements prepared in accordance with the National Financial Reporting Standards for Small and Medium-sized Enterprises (NFRSSMSE) or with the International Financial Reporting Standards (IFRS) (including also their first-time application), on group reporting forms prepared in accordance with the IFRS, the Generally Accepted Accounting Principles of the USA, Great Britain and Italy of more than 200 different enterprises including: banks insurance companies; she has been involved in and managed projects for due diligence engagements for performance of agreed procedures on financial and other type of information including also the implementation of agreements for provision of gratuitous financial aid under PHARE Programme and the EU Operational Programmes projects for compiling of financial information, consultations on financial reporting and business restructuring projects for elaboration of business plans, she has been expert witness in litigation proceedings.

Ms. Kaloyanova has been Deputy Chairperson of the Professional Ethics Committee (PEC) of the Institute of Certified Public Accountants and Chairperson of the Committee for Oversight of the Quality of Audit Services (COQAS) of that same Institute.

5. AUDIT COMMITTEE (CONTINUED)

5.1. Audit Committee Members and professional experience (continued)

Mr. Peter Andronov
Audit Committee Member
Chief Executive Officer of International Markets business unit in KBC Group N.V.
Year of Birth: 1969
Autobiography – please, see it in 2.3. Professional experience and other activities and functions of the current statement.

5.2. Audit Committee Report

The main topics, discussed during the 2023 meetings of the UBB AD Audit Committee were related to the reporting in the area of Finance and Risk, monitoring on the Internal Audit activity and the implementation of the Audit Plan and review of documents, addressing material risks to the Bank including also reports by internal and external auditors and regulatory institutions.

Furthermore, the Audit Committee prepared and provided its annual report to the Commission for public oversight of statutory auditors.

6. COMMITTEES TO THE MANAGEMENT BOARD

6.1. Credit Committees

UBB AD credit committees are standing bodies for effecting the management and monitoring on UBB's lending activity with regard to corporate and SME clients, as well as specifically defined cases of clients – natural persons within the framework of their delegation levels and competence limits. Within their competences the credit committees comply with UBB's risk appetite in the field of corporate lending, as determined by the Management Board and the Local Risk Management Committee and strictly apply UBB's approved policy on corporate lending, as well as all other instructions, procedures and methodologies, applicable to this activity.
The credit committees have the following functions to:

1. Review and analyze proposals for concluding new credit deals with separate clients and with economically related parties, make decisions on those in compliance with their delegated limits of competence.
2. Assess the creditworthiness and the credit risk, related to requests for conclusion of credit deals beyond their competence limits, while observing the subordination hierarchy and provide opinions to the authorized bodies with a higher level of competence - MB or the KBC Headquarters (GCRD), for consideration and final decision-making.
3. Analyze the submitted proposals by the business units or by the Distressed Assets Directorate concerning UBB's problematic exposures in the cases when this is within their delegated limits of competence, as well as make decisions on their renegotiation, restructuring action plan for their monitoring, which should either continue in the business units or be taken up by PLC Directorate, announcement of early collection; proposals for provisions' allocation /write-back; proposals for participation into public auction sales, determining the sale price of assets (collaterals) and others, which nature resembles amendment of terms and conditions under existing credit contracts proposals for PD ratings' change/validation; other proposals (presented as reports or memos) of lending nature.
4. Review and approve the annual/planned reviews of all credit exposures within their approved competence limits and powers.
5. Assess proposals for validating/changing credit ratings, as per the internal credit rating model.
6. Review proposals for appeal of decisions on credit deals, which have been considered at lower approval levels and are within their delegated limits of competence and authorities.
7. Review also of retail credit deals.

6. COMMITTEES TO THE MANAGEMENT BOARD (CONTINUED)

6.1. Credit Committees (continued)

Types of credit committees at UBB AD:

1. Regular Loans Credit Committee – as regards all proposals, pertaining to existing clients with regular exposures, as well as loans to new clients.
2. Problem Loans Credit Committee
3. Credit Committees levels I – III – for approval of new/standard credit deals and for problem loans of various levels of competence.
4. Business Credit Committees - for approval of credit facilities by the Business Units.

6.2. Local Risk Management Committee

The Local Risk Management Committee is a collective body of UBB, supporting the Management Board in making decisions on:

1. The strategy for management of risk, risk appetite and the overall risk framework;
2. Determining the present and target Risk profile and capital adequacy, as compared to the risk appetite and the allocation of capital;
3. The capital allocation to individual business units in line with their business plans and within the limits set by the Group;
4. Review of the results from the activity relating to an assumed risk, observance of the compliance with the limitations of the risk framework;
5. Specific roles and responsibilities related to asset and liabilities' management;
6. All issues relating to changes in UBB's risk profile.

The Committee comprises of the MB members, the procurators and/or the commercial representatives of UBB, the Director of Risk Management Directorate; the Director of Credit Management - Retail Banking Directorate; the Director of Credit Management – SME & Corporate Segment the Director of Treasury Directorate, the Director of Finance Directorate and the Director of Markets and Investment Banking Directorate. The Head of "Internal Audit" Directorate and Head of "Compliance" Directorate shall take part in the Local Risk ManCo meetings as an observer.

LRMC convenes meetings at least once per month. The Committee may adopt decisions in case at least five of its members are present in person, as at least four of those should be MB members, commercial representatives or procurators.

6. COMMITTEES TO THE MANAGEMENT BOARD (CONTINUED)

6.3. New and Active Products and Processes Committee /NAPPC/

NAPP is among the Management Board committees, established by the MB of UBB AD, with responsibilities, explicitly assigned by the latter.

'New and Active Products Process' (NAPP) ensures that all products and services offered to the customers of UBB and all client-facing processes have first gone through an in-depth risk assessment. More specifically, the NAPP aims to:

1. **Ensure a fair treatment of the client.** This requires a careful balancing between the return which the product offers for the client and for KBC and the risks linked to the product. NAPP is put in place to avoid that products and services are being launched which are not in the client's interest and thereby protects KBC against conduct risk.
2. **Guard the strategic fit of products/services.** In a rapidly changing environment, NAPP plays a key role in ensuring that new and existing products/services support the digital transformation and fit into the current UBB strategy.
3. **Pro-actively identify and mitigate risks.** The NAPP is the most important process to ensure early identification and mitigation of all risks related to products, services and changes to client facing processes, which might negatively impact the customer and/or UBB. During NAPP, all financial, legal, compliance, operational and other risk aspects of products/services are considered and addressed.
4. **Comply with regulation.** The NAPP safeguards that all products and services are in line with regulations.
5. **Support innovation and smart copy.** The NAPP strives to support business during transformation & digitization. On the one hand, it ensures new risks entailing from transformation & digitization are detected and mitigated. On the other hand, the process itself needs to be fast and frictionless to support a fast-time-to-market.

NAPP, being product or distribution committee, holds at least one regular monthly meeting. Prior to creating/buying/changing/reviewing/selling a product a NAPP decision should be made, while observing the appropriate format – regular proposal for new products, changes, reviews, decommissioning, immaterial change, experiment track, crisis track.

The Committee comprises of members from the business and all relevant risk-related advisory functions, whereas the Chairperson is Executive officer from the business, and the committee is jointly conducted with the CRO, Risk management unit head. Minutes of the NAPP meetings are prepared, containing the decisions made by the Committee.

6.4. Local Provisioning Committee

The Local Provisioning Committee is established by and has received its authority by the Management Board. It is a collective body of UBB that makes decisions and recommendations on all topics related to impairments of financial assets of UBB.

The mission of the Local Provisioning Committee is to assist the Management Board in the approval (changes to) the UBB's Impairment Policy for financial assets under IFRS 9, challenging and approval of the monthly impairment results/loss allowances on financial assets not at Fair value through profit or loss (FVPL) on a UBB level under IFRS 9, Challenging of Expected Credit Loss (ECL) model - in case of unusual/ unexpected model output inform the Local Risk Management Committee and potentially trigger a model review.

The Local Provisioning Committee holds meetings on a monthly basis or ad hoc if needed. It takes decisions provided more than half of its permanent members are present in person. Each member is entitled to one vote. Decisions of the Local Provisioning Committee shall be made with total majority (unanimously) of the attending members. If no consensus is reached a final decision will be taken by the Management Board.

The Local Provisioning Committee Minutes are submitted for information to the Management Board not later than 5 days after the Committee meeting.

6. COMMITTEES TO THE MANAGEMENT BOARD (CONTINUED)

6.5. Local Investment Committee and Investment Committee of UBB AD

The Local Investment Committee (LIC) takes decisions and is empowered to approve acquisitions, investments and sales of real estates in relation to collaterals on loans of Recovery Directorate portfolios and acquired assets, at the amount of at least EUR 250 000, but less than EUR 1 000 000. Decisions relating to investments are being made on the basis of separate proposals for each particular investment. The representatives at the Committee are being determined according to the Internal rules of Recovery Directorate.

The proposals to the Local Investment Committee are being provided for approval in principle and for review of impairments by the Credit Committee for Problem Loans, while the final decisions on acquisitions of and investments in real estates in line with Recovery Directorate loans shall be made by UBB's Management Board. Decisions on acquisition, investments and sale of assets acquired from the portfolio of Recovery Directorate, at the amount up to EUR 250 000, are taken standalone by the Management Board of the bank.

The Investment Committee of UBB AD is empowered to approve acquisitions, investments and sale of real estates in line with Recovery Directorate loans and acquired assets of value exceeding EUR 1 000 000. The final decisions on acquisitions, investments and sale of real estates in line with Recovery Directorate loans and acquired assets are being made by UBB's Management Board.

6.6. Portfolio Steering Committee (PfSC) of UBB AD

PfSC is authorized to strategically create and change the overall bank portfolio roadmap, prioritize / re-prioritize, set KPIs and approve start, change and termination of all projects and Agile teams. It meets once or twice per month (ad-hoc meetings are possible) and also approves all projects and agile teams Stage Gating: Initiation/Set-up, Go No Go decision, Closure and changes related to them. It consists of overall Management Board members as voting members and General Manager Integration, General Manager IT Delivery, Director Finance, Director Project, Portfolio Management and Adaptive Transformation as non-voting members.

PfSC decides on the strategic projects and teams' roadmap and their priorities for the upcoming year before finalization of the APC cycle and follows-up on the progress during year with possibility of changes and new projects/teams. The body also decides on strategic implementation/usage of Project and Agile frameworks, processes and practices, review regularly comprehensive Portfolio reporting, cross-initiatives dependencies and the overall performance of the existing projects and Agile teams with aim of fast and efficient decision making and actions.

6.7. Corporate Sustainability and Responsibility Steering Committee and Sustainable Finance Committee

Corporate Sustainability and Responsibility Steering Committee Bulgaria is chaired by the Country Manager of KBC Group in Bulgaria – Mr. Peter Roebben. The Committee assists the Country Team with the implementation and proper functioning of the approved KBC Group's corporate social responsibility (CSR) framework in Bulgaria. It has overall responsibility locally for the CSR-related policies of the Group. The Corporate Sustainability and Responsibility Steering Committee Bulgaria provides strategic guidance and approves the CSR projects and follows up on their progress within the country.

The purpose of the **Sustainable Finance Committee ("GREEN-COM")** chaired by Desislava Simeonova, MB Member of UBB is to oversee climate-related risks within the entities of KBC in Bulgaria (UBB, DZI and UBB Interlease EAD) and support the customers in their adaptation to climate change. The main tool in this respect is the elaboration of policies (White Papers) - documents assessing the current impact of KBC Bulgaria activities, primarily **the carbon footprints of our portfolios and the green assets financed**. Gather the data needed to do such assessment, address the reporting requirements needed to quantify the impact. Sets and follows up targets for the impact of KBC Bulgaria's activities by 2030, as well as interim targets in the annual APC process. Take actions to achieve the set targets – create **green products, amend policies** with regards to eligibility for lending, equity investments, and insurance. **Join forces with the customers** and work together towards the achievement of the common goals and the usage of the opportunities. **Promotes and engages** the internal and external stakeholders to boost awareness and increase strategic impact of the KBC group in Bulgaria on sustainability.

7. REMUNERATION OF THE MEMBERS OF THE SUPERVISORY AND MANAGEMENT BOARDS

The amount of the remuneration of the members of the management and supervisory bodies of UBB for the financial year 2023 is BGN 3 055 thousand on individual base and BGN 3 276 thousand on consolidated base (2022: BGN 2 637 thousand on individual and BGN 2 888 thousand on consolidated base).

8. GENERAL MEETING OF THE SHAREHOLDERS AND THE SHAREHOLDER RIGHTS

The General Meeting of Shareholders (GMS) is the superior management body of UBB. The GMS defines the major trends of UBB's activities and involves all shareholders, who either personally or through their authorized representatives participate in its sessions.

The members of the Management and Supervisory Boards may participate in the sessions of the General Meeting of Shareholders, if invited, but are not entitled to vote.

8.1. Competences

The General Meeting of the Shareholders:

a) amends and complements UBB's Articles of Association;
b) adopts resolutions on capital increase or decrease;
c) adopts resolutions as regards UBB's reorganization and termination upon a preliminary approval from the Central Bank;
d) elects and releases the Supervisory Board members;
e) determines the management commitment fee and the remuneration of the Supervisory Board as well as the period for which these are payable;
f) elects and releases the members of the Audit Committee and the management of the specialized internal audit unit;
g) after preliminary coordination with the Central Bank, elects and releases auditing companies by the Audit Committee's recommendation which are registered auditors pursuant to the Independent Financial Audit Act, have all rights and obligations as per the Independent Financial Audit Act including to perform verification and certification of UBB's annual financial statements in accordance with the applicable financial reporting standards;
h) approves the annual financial statements after certification by the auditing companies; makes decisions on profit allocation for replenishing the Reserve Fund and for payment of dividends;
i) makes decisions on the issuance of bonds;
j) upon the Central Bank's preliminary approval makes decisions on liquidation and appoints liquidators for voluntary liquidation of UBB;
k) determines the amount of management commitment fee to be provided by the members of the Management and Supervisory Boards;
l) releases from responsibility the members of the Supervisory and Management Boards;
m) makes decisions on transferring UBB's commercial enterprise;
n) decides on disposal of assets which total value during the current year exceeds half of the value of UBB's assets in accordance with the latest certified annual financial statements;
o) decides on the undertaking of commitments or providing of collateral to one person/entity or related parties which commitments' amount during the current year exceeds half of the value of UBB's assets in accordance with the latest certified annual financial statements;
p) decides also on any other issues within its competence as stipulated by the law and UBB's Articles of Association.

8. GENERAL MEETING OF THE SHAREHOLDERS AND THE SHAREHOLDER RIGHTS (CONTINUED)

8.2. Convening of the Genereal Meeting of Shareholders

The General Meeting of Shareholders has to be convened at least once every year, but no later than 6 months after the end of the reporting year.

The General Meeting of Shareholders may be convened by the Management Board or by the Supervisory Board, as well as upon the request of shareholders, who have been holding shares for at least three months, which represent at least 5% of the capital. The General Meeting has the needed quorum if more than half of the shares are represented.

The General Meeting of Shareholders is convened with an invitation, announced in the Commercial Register. The period of time from the announcement in the Commercial Register until the opening of the General Meeting of Shareholders may not be less than 30 days. The Management Board and the Supervisory Board may also convene the General Meeting of Shareholders with written invitations sent to all shareholders of UBB, containing the agenda with the items proposed for discussion. Notwithstanding the content of the invitation, any issues not included on the agenda may be discussed and resolved at the meeting only under the condition that all shareholders of UBB are present at the meeting. Each shareholder is entitled to receive on request the written materials, concerning the General Meeting's agenda, which are made available to the shareholders by the date of announcing the notice in the Commercial Register, at the latest, or by the date of mailing of the invitations for the General Meeting's convening.

8.3. Quorum

The General Meeting has the needed quorum if more than half of the shares are represented.

A simple majority vote of the capital represented at the General Meeting is required except for decisions under letters "a" "b" "n" and "o" of Item 8.1 above - where a qualified majority of 2/3 of the capital is needed and under letters "c" and "m" - where the required qualified majority of capital is 3/4.

In case of absence of quorum, a new General Meeting may be convened not earlier than after a fourteen-day period has elapsed and is deemed legitimate regardless of the capital, represented at it. The invitation for the first meeting may also indicate the date of the new meeting.

Each shareholder has the right to authorize in writing a person to represent him/her at the General Meeting. The power of attorney shall have to be drawn up for the particular meeting shall have to be explicit in written form with attestation of the signature by a notary public and of the minimum statutory content. A shareholder shall not be represented by a Management Board or a Supervisory Board member.

There are Minutes kept of the General Meeting, which are signed by the Chairperson, the Secretary of the Meeting and the Vote-tellers.

8.4. General Meeting of the Shareholders in 2023

The Regular Annual General Meeting of Shareholders of UBB AD (GMS) for 2023 took place on 26.06.2023. At the GMS are taken decisions in relation to the approval of the report on the activity of UBB AD and a consolidated activity report for 2022, as well as a corporate governance statement of UBB AD for 2022 and a non-financial declaration of UBB AD for 2022, the report of the auditing companies on the annual financial report as well as on the consolidated annual financial report of UBB AD for 2022, certified by the auditors annual financial report, as well as of the certified by the auditors consolidated annual financial report of UBB AD for 2022.

8. GENERAL MEETING OF THE SHAREHOLDERS AND THE SHAREHOLDER RIGHTS (CONTINUED)

8.4. General Meeting of the Shareholders in 2023 (continued)

In the capacity of UBB AD as a general successor of KBC Bank Bulgaria EAD, with UIC 831558413, terminated without liquidation after a completed merger procedure pursuant to Art. 262 of the Commerce Act, decisions: were also made for the approval of the report on the activity of KBC Bank Bulgaria EAD and a consolidated activity report for 2022, as well as a corporate governance statement of KBC Bank Bulgaria EAD for 2022 and a non-financial declaration of KBC Bank Bulgaria EAD for 2022, the report of the auditing companies on the annual financial report as well as on the consolidated annual financial report of KBC Bank Bulgaria EAD for 2022, the certified by the auditors annual financial report, as well as the certified by the auditors consolidated annual financial report of KBC Bank Bulgaria EAD for 2022.

The proposal of the Management Board confirmed also by the Supervisory Board of the bank was approved the total result of UBB AD and KBC Bank Bulgaria EAD for 2022 which, after taxation, represents profit, amounting to BGN 285 864 255.77, not to be allocated as dividend to the shareholders of the bank, due to expected increase of risk-weighted assets in 2023 and in the beginning of 2024 as a result of: 1) expected growth of loan volumes and 2) delayed EURO adoption as an official currency in Bulgaria, which results in increased risk weights in 2024 for bonds, issued by the Government of Bulgaria that are denominated in EURO.

The profit of UBB AD and KBC Bank Bulgaria EAD for 2022 will be allocated to Retained earnings, due to the fact that the amount in the Reserve Fund has reached 1/10 of the bank's capital, pursuant to Art. 246, para. 2, item 1 of the Commercial Act, and it is not necessary amounts to be allocated in it from the profit for 2022.

On 26.06.2023 the General Meeting of Shareholders of UBB AD also made a decision regarding relief of liability of the members of the Supervisory Board and of the Management Board of UBB AD and KBC Bank Bulgaria EAD concerning their activity during 2022 and accepting the reports of the Audit Committees of UBB AD and KBC Bank Bulgaria EAD for 2022, as well as of Internal Audit Directorate of UBB AD for 2022 and of Internal Audit Department of the former KBC Bank Bulgaria EAD for 2022.

In 2023 one extraordinary General Meeting of the Shareholders of the bank was held, taking the following decisions:

- Appointing of auditing companies for examination and certification of the annual financial report of UBB for 2023;
- Re-election of members of the Supervisory Board of UBB AD for a new four-year mandate.

Teodor Marinov	**Svetla Georgieva**
Executive Director	**Executive Director**

UNITED BULGARIAN BANK AD
UBB
SOFIA

Date: 29.04.2024

SEPARATE AND CONSOLIDATED NON-FINANCIAL DECLARATION OF UNITED BULGARIAN BANK AD (UBB) AS OF 31 DECEMBER 2023 (In accordance with Law of Accountancy)

1. SCOPE OF ACTIVITY

KBC Group is the largest integrated financial group in Bulgaria.

Since KBC Group in Bulgaria acquired 100% of the shares of Raiffeisenbank (Bulgaria) EAD in 2022, the Group established itself as the largest investor in Bulgaria and leader in the process of the Bulgarian financial sector consolidation. Over the last 15 years of being in Bulgaria, KBC has invested EUR 2.4 billion in the acquisition and development of some of the most significant local companies and projects, among which the consecutive acquisition of DZI, CIBANK, UBB, the Bulgarian operations of NN and of Raiffeisenbank Bulgaria. By means of a targeted policy for developing Bulgaria as their core market, both through acquisitions and in an organic way, the local bank of KBC has been constantly growing its market share, by rising from No 9 position in 2007 (CIBANK), going through No 3 position in 2017 (UBB and CIBANK) up to the No 1 position (following the legal merger between UBB and KBC Bank Bulgaria in April 2023). The leasing and asset management businesses of KBC Group in Bulgaria also hold leadership positions.

In 2023 KBC Group in Bulgaria employs approximately 6 000 people, servicing nearly 2.2 million customers.

Currently, KBC Group in Bulgaria offers products and services to business customers and individuals - micro, medium and small enterprises, large corporate customers and institutions, by focusing on digitization and offering of basic banking and pension services, as well as investment banking.

In 2023 Fitch rating agency reconfirmed UBB's long term rating to 'A-'capped by the Bulgarian country Ceiling of 'A-', which is the maximum of two notches above the Republic of Bulgaria's sovereign rating (BBB/Outlook Stable).

1.1. OUR GOAL AMBITION AND STRATEGY

We aspire to help our clients realize their dreams and projects, while rendering at the same time high quality services. Our ambition is to be a reference bank on the market and a leader with sustainable profit, to be a symbol of confidence, convenience and customer care.

The strategy we follow is called FIRST and is composed of four main pillars:

- We offer a unique banking and insurance model;
- We have a dedicated approach to every customer type: individuals, small and medium-sized businesses, as well as corporate customers;
- We digitalize with priority, while keeping the human touch;
- We build a sustainable future;

We implement our strategy while applying stringent control on the risk and on the capital and liquidity management. It is important for us to be able to fulfill all our commitments without external support. We aspire to be able to meet the expectations of all stakeholders, not only today, but also going forward.

To us sustainability is not part of a standalone plan, but it is interwoven in our overall corporate strategy and is, consequently, embedded in its four pillars (financial literacy, promoting entrepreneurship, health and environment) and in our daily commercial activities.

1. SCOPE OF ACTIVITY(CONTINUED)

1.1 OUR GOAL AMBITION AND STRATEGY(CONTINUED)

We believe that this is only possible if we also maintain the trust of society, which means operating as a responsible company that constantly considers the impact of its activities on society and responds to society's needs and expectations in a balanced, relevant and transparent way.

That is why UBB targets its efforts in the direction of:

- Enhancement of our positive influence on the society
- Mitigating our negative imprint on the society
- Encouraging responsible behavior among employees

1.2. OUR VALUE CREATION

Based on the capacity and experience we have, we provide our customers with the opportunity to invest and save in a well-informed manner. Thus, every customer of ours can increase their assets in line with their personal risk profile and rely on the expertise of the Bank's employees. We use depositors’ funds to provide financing to individuals, businesses and institutions, which in their turn use funds to create added value in the society.

We also hold a portfolio of investments, which means we indirectly participate in the economy. Also, through loans to individuals and businesses, we support specific sectors, such as social projects, infrastructure projects and green energy projects that have a significant impact on the local economy.

The role we play as a depositary and a lender ultimately means that we take on our customers' risks instead of them. Our risk and capital management know-how allow us to manage those risks. We also offer other various services to our customers that are important to their daily needs, including payments, cash management, trade finance, asset management, insurance brokerage and factoring. Thus, we contribute to the sustainable growth of the economy.

Our clients, employees, and offices of the Bank on individual base

Clients	
Retail	1 355 813
Business	132 756
Employees	4 267
Bank branches and offices	228

UBB’s long-term credit rating

Fitch (June 2023/ January 2024)	BCRA (September 2023)
A-	A-

Our shareholders

KBC Bank N.V.	**99.96%**
Other shareholders	0.04%

1. SCOPE OF ACTIVITY(CONTINUED)

1.2 OUR VALUE CREATION(CONTINUED)

Income Generation

We lend to customers, while considering our risk appetite and the relevant legislation. We accumulate funds for our lending activity mainly through customer savings. We offer our customers a wide range of investment products and advise them on managing their assets. We support our customers by offering services in the areas of payments, securities, access to financial markets and derivatives, as well as asset management, insurance brokerage, factoring, leasing and others. We invest part of our funds in securities.

Risk-hedging and payment of costs

We set aside provisions to cover losses. We invest in our employees to ensure seamless customer service and further develop our business strategy. We invest in our infrastructure and technologies to improve our efficiency and service our customers even more effectively. We contribute to society by paying income tax and special bank levies.

1.3. WHAT MAKES US WHO WE ARE

We recap our business culture and values in the acronym *PEARL*, which is an abbreviation of the English words *Performance, Empowerment, Accountability, Responsiveness and Local embeddedness*.

- **Performance** - we aspire at top performance, and we sign up to that
- **Empowerment** - we give a chance to every employee to be creative and to develop his/her talent
- **Accountability** - we preempt and readily respond to the questions, proposals, contributions and efforts of our clients, colleagues and managers.
- **Responsiveness** - we are personally responsible towards our clients, colleagues, stakeholders and the society
- **Local embeddedness** - we treat the variety of our teams and our clients as power and we remain close to them

We encourage our employees to be responsive, responsible, and result-oriented, while keeping an eye on the process and the extent to which this culture has been embraced by our staff. In addition to our culture and our values, we stand out from our competitors in several specific ways.

1. SCOPE OF ACTIVITY(CONTINUED)

1.3. WHAT MAKES US WHO WE ARE (CONTINUED)

We aim at building sustainable relations with individuals, small and medium-sized enterprises and large corporate customers in Bulgaria. Responsiveness is very important to us. This means that we know and understand better our customers, that we effectively identify their alerts and react promptly and adequately to those, as well as offer products and services, tailored to their needs. This also means that we focus on the sustainable development of the different communities in which we operate.

Our strengths

A well-developed strategy that allows us to respond immediately to the needs of our customers
Successful experience in achieving core business results
Strong capital position and strong liquidity
Embedded in the economy

Our challenges

Macroeconomic environment characterized by global political uncertainty dynamic changes in inflation and interest rates, demographic aging
Strict regulation in areas such as customer protection and solvency
Competition, new market players, new technologies and changing customer behavior
Cybercrime, the public image of the financial sector

2. THE ENVIRONMENT WE OPERATE

The main challenges we face are the economic environment impacted by the geopolitical risks, intensifying competition, technological changes, regulation, cyber and IT risks.

We offer our customers a unique bank

We respond comprehensively to the banking needs of our customers and also position ourselves as part of an integrated financial group. This integrated model offers customers the benefit of a comprehensive, one-stop service that allows them to choose from a broader, complementary and optimized range of products and services. The model offers group benefits in terms of income and risk diversification, potential for additional sales through intensive collaboration between banking distribution channels and significant cost savings. Being the largest financial group in Bulgaria, we provide our customers with the opportunity to obtain comprehensive financial solutions, thus saving money and time.

2.1. THE GLOBAL AND THE BULGARIAN ECONOMY

Geopolitical and geo-economic risks in 2023 soared. Thus, the wars in Ukraine and the Middle East and the geopolitical tensions in the South China Sea and the Taiwan Strait fueled uncertainty, the latter affecting global supply chains, capital flows, and (to a certain extent) the global political and economic order, without much hope of finding easy and quick solutions to those. In turn, the course of the US presidential elections seemed to act as a kind of catalyst for global risks. In response to accelerating inflation, central banks were both raising interest rates and tightening monetary policy in a cascading manner throughout the year. Thus, they managed to contain the accelerating inflation, but at the same time they also exacerbated the risks for limiting the growth of the economy and that of certain sectors. Hence, the economic activity in the Eurozone was stagnating in 2023, with one of the main reasons being the tightened monetary policy of the European Central Bank, whose interest rates reached unprecedented high levels, unseen before in this institution’s history. Bulgaria's largest trading partner and leading economy in the European Union - Germany - fell into a technical recession, which had its impact not only on weakening the performance of the Eurozone, but also on the lower economic activity in the country.

2. THE ENVIRONMENT WE OPERATE (CONITNUED)

2.1. THE GLOBAL AND THE BULGARIAN ECONOMY (CONTINUED)

Following a prolonged period of political instability, a rotating coalition government was voted in at the beginning of June 2023 with Nikolay Denkov as Prime Minister for a period of 9 months. This government managed to restore the political and fiscal stability (budgets for 2023 and 2024 were adopted, meeting the Maastricht criteria for budget deficit); it accelerated the process of admission of Bulgaria to the Schengen area (though only by water and land); it facilitated the adoption by the Parliament of constitutional changes to reform the judiciary system; it enhanced Bulgaria's reputation with its Euro-Atlantic partners despite the challenges of the difficult geopolitical environment.

Notwithstanding the turbulent setting, the Bulgarian economy scored a relatively good result of 1.8 % real growth in 2023, all the more compared to the previous year’s high base (3.9 % for 2022). Out of the GDP components, consumption (private and public) increased by 4.0 % year-on-year, while gross fixed capital formation (investment) increased by 3.3 % yoy. In this context, total exports (of goods and services) shrank by -1.9 % year-on-year, while still remaining significantly below the import drop rate of -6.3 % yoy. Ultimately, economic growth in 2023 was the combined result of relatively strong domestic demand and negative net export. Domestic demand was driven by solid growth in consumption, virtually unaffected by the high inflation over the year, combined with growth in investments, where the latter, despite political uncertainty in the first half of the year, again made a step towards compensating the drastic decline from the COVID-dominated 2021 (-8.3 % yoy). The tight growth in the Eurozone and especially the recession in Germany materialized as decline in exports. Although the shrinkage in imports was significantly faster than the drop in exports, which as a rule is a healthy macro-economic development, the negative net export still remained significant (-4.7 % of the GDP).

In line with the fine development of the economy, the harmonized unemployment ratio remained stable at a low level throughout the year and registered unemployment of 4.3 % at end-December, which constitutes a slight increase by 0.3 percentage points compared to the end of 2022. In addition to the good state of economic activity, the low unemployment also reflects the highly negative demographic processes in the country. In this context, the average monthly wage continued its anticipated growth - it increased by 11.6 % from BGN 1 947 at the end of 2022 up to BGN 2 173 at the end of 2023, which was also contributed by the government's policy for improving the income convergence along the way to full Eurozone membership.

Inflation continued to be a core economic problem in 2023 as well, but unlike the previous year, it was characterized by two new trends. The first one was a moderate and sustainable decline, partially driven by the decrease of commodity exchange prices of energy and food. While Y2022 ended with a harmonized inflation of 14.3 % (December 2022 vs. December 2023), at the end of 2023 it dropped down to a rate of 5.0 % yoy, or a slowdown of nearly three times. The second trend was transformation of the inflation drivers: from a supply-pull inflation, caused by the shock increase of the global energy and food prices, it transformed into a demand-pull inflation, fueled by the increased income and the sentiment for a strong consumer demand, which made it difficult to slow down price hikes, particularly in the services sector. Of these, the fastest increase at the end of the year was that of restaurant and hotel prices (9.7 %), healthcare (8.0 %) and education (7.6 %).

Due to the drive to reduce income inequality, budget expenses increased and, in turn, the war in Ukraine and inflation pushed them even higher. A critical result of the consolidated fiscal program was the cash deficit of BGN 5.6 billion (3.1 % of GDP) at the end of 2023. In turn, public debt reached BGN 41.4 billion (22.5 % of GDP), which was by BGN 4.3 billion more than its previous-year level (BGN 37.1 billion), but as a relative share of GDP it was even slightly lower (22.6 % of GDP for 2022), remaining again at one of the lowest levels in the EU. Considering the stable budgetary environment, credit agencies did not change Bulgaria's sovereign rating and outlook during the year.

2. THE ENVIRONMENT WE OPERATE (CONTINUED)

2.1. THE GLOBAL AND THE BULGARIAN ECONOMY (CONTINUED)

The Current Account balance of the Balance of Payments in 2023 was slightly positive and insignificant in size (0.3 % of GDP) as compared to its previous-year level (-1.4 % of GDP). In turn, foreign direct investments in Bulgaria registered an upsurge of EUR 3.4 billion, compared to a volume of EUR 2.6 billion for the previous year.

Somewhat similar to the national economy, the turbulence in the global environment did not have a negative impact on the results of the banking sector during the year, which results were in fact highly positive. Again, there was significant credit activity and an increase in deposits. The good level of capitalization and the high liquidity of the sector were preserved. Banks continued carrying out their normal business activities in the context of inflationary and insecure political environment (especially in the first half of the year), while making additional efforts to increase their efficiency via digitalization of processes and operations. Towards the year-end the total number of banks decreased slightly to 23 banks, of which 17 licensed banks and 6 branches of foreign banks.

The banking sector assets registered growth, driven mainly by increased lending. Thus, at the end of December 2023, the industry's total balance sheet figure reached BGN 172.1 billion, or, by BGN 16.7 billion (10.7 %) more compared to the end of 2022. The total volume of loans scored BGN 97.4 billion, which exceeded by 13.1 % its level at the end of the previous year. By segments, this growth was decomposed as an increase of loans to individuals (consumer and mortgage ones) by BGN 5.5 billion (16.3 %) and of loans for the corporate segment by BGN 5.8 billion (11.1 %). Keeping the interest rates low, combined with still high inflation, boosted lending growth throughout the year.

The preferences for saving were fueled by the substantial uncertainty. That led to a growth of deposits, which at the year-end increased by BGN 10.6 billion year-on-year (8.4 %) up to BGN 136.8 billion. There was a growth of both household deposits by BGN 8.3 billion (11.2 %) and of those of corporate clients by BGN 2.2 billion (4.3 %).

Again, there was an expansion in the banking system's equity - by BGN 3.4 billion (19.7 %), reaching BGN 20.0 billion at the end of 2023. The net profit grew to BGN 3.4 billion, or BGN 1.4 billion more, which is a huge raise of 64.4 % over a one-year period. Correspondingly, the indicators for return on assets (ROA) improved to 2.0 % (+ 0.6 percentage points) as well as those for return on equity (ROE) - to 17.1 % (+ 5.0 percentage points). Banks achieved a high total capital ratio of 21.7 % as at the end of 2023 (+ 0.8 percentage points compared to 2022).

The amount of non-performing exposures within the total loan portfolio decreased by 1.0 percentage point - down to 3.6 % compared to 2022, which is an indicator for the banking system's healthy growth and its business in 2023.

After completion of the consolidation between UBB and Raiffeisenbank, the competition between the three largest banks in the sector has significantly intensified, ultimately contributing to a greater economic efficiency on the banking market, and thus - to safeguarding the interests of users of banking services in Bulgaria to a much greater extent.

2. THE ENVIRONMENT WE OPERATE (CONTINUED)

2.2. COMPETITION AND TECHNOLOGICAL CHANGE

During the recent years the external environment has been subject to a dynamic and continuous change, which have created a number of difficulties and challenges to the operating models of bigger companies (incl. the banks) in Bulgaria. The efforts of the banks, who have managed to react to changes in the external environment in a quick manner and proposed flexible solutions, without compromising the security of their operations, have been lavishly rewarded. The agile and the quick realization of the technological changes and innovative solutions like digital assistants, mobile applications, structured products, etc.. remain critical for the banks in their goals to:

- generate sustainable returns for their shareholders;
- add value and position themselves as a preferred financial partner for their customers;
- develop an attractive employer brand and competitive conditions for their employees.

The merger of UBB and KBC Bank Bulgaria came with new opportunities for the United bank in its strive to be a leader in all business segments. The optimization of the way of work, based on the ‘best of both worlds’ concept contributed to the technological development of UBB in the direction, in which the customers see their future. The increase of the customer base created a critical mass for the realization of greater benefits from the implementation of innovative solitons and add more value in customer interaction.

‘KATE’ – the digital assistant, developed and launched by UBB, is such innovation that aims to empower the Bank in responding to the change in customer needs and their desire to interact in digital environment. The digitalization of the product portfolio, together with the data analytics, AI and chat bots are the major technologies utilized by KATE. These technologies catalyze the continuous upgrade of KATE’s algorithm and the development of new cases and scenarios of interaction with customers – i.e. KATE has the ability for a proactive client advisory as well as to answer to questions, related to our products and services.

In a similar manner, the banks could advise you, in the near future, on the selection of an alternative (cheaper) vendor of utility services, as they already have an access to their customers’ bills to suppliers of electricity, water, TV, etc. These are the so-called ‘**beyond banking services**. UBB will target the maximum utilization of these business resources not only as an additional revenue source, but also as a way to become more effective and lower the costs. Both targets are achievable through process automation and AI utilization. This will lead to the development of new business models – those of “beyond banking”. UBB will continue to offer important for the customer services, based on the mobile banking applications, as a minimum for a modern bank.

The development of **ecosystems with the fintech companies** is one of the models, that will be of a primary focus for the banks aiming at lowering the time-to-market through new / innovative solutions, thus sustaining a competitive position on the market. The **Banks – Fintech partnership**, in which the banks shop solutions from the fintech companies, is an important step for the future development of the Bulgarian financial sector. UBB is privileged to have a big customer base and the bank licenses, while the fintech companies have the right solutions at hand. This is a win-win cooperation, that is why UBB initiated talks with prospective partners.

The Big Tech companies are also looking for providing universal (end-to-end) services to their customers, as part of their business model. These companies are active in the payments’ phase of the process, but at the same time do not want to act as banks, mainly because the regulations in the financial sector may limit their development appetite in other business segments. This is a clear opportunity for a partnership between the banks and the Big Tech companies, when it comes to building up digital ecosphere(s) providing full-scope journeys to the customers. In other words, Big Tech companies are likely to fill the (complicated) integration gaps in the multi-dimensional interaction between different partners serving different queries of the clients as per its personal needs.

2. THE ENVIRONMENT WE OPERATE (CONTINUED)

2.2. COMPETITION AND TECHNOLOGICAL CHANGE (CONTINUED)

The last few years of ever-changing environment has popularized the term "New reality". This is an environment of increasing digitization and innovation not only among our competitors, but also among our customers and partners. It is an environment of change that must be skillfully planned and managed – the scale of investments into the technological advance and building internal capacity will be decisive for the future development of the banking sector in Bulgaria.

2.3. REGULATION

2.3.1. OVERVIEW OF LEGAL FRAMEWORK

The legislative amendments with a direct impact on the activities of credit institutions in 2023 affect the sectoral requirements for credit institutions, credit and investment activities, financial and capital markets, anti-money laundering compliance and anti-corruption measures, e-governance and digitization of procedures, including but not limited to - refinement of sustainable finance rules. Most of the regulatory amendments implement European best practices and transpose European legislation.

UBB continues its routine to monitor legislative changes and initiatives by the use of an effective notification mechanism where changes and trends relevant to the respective banking unit are identified.

The bank's focus remains on the introduction of the EURO as the official currency in the Republic of Bulgaria with an indicative date of 01.01.2025, in accordance with Decree No. 218 of 3 November 2023 amending and supplementing Decree No. 168 of the Council of Ministers of 2015 on the establishment of a Coordination Council for the preparation of the Republic of Bulgaria for euro area membership. In this respect, internal expert groups are following the preparation, discussions, and analysis of the published concept for the adoption of the euro and the forthcoming Law on the introduction of the EURO in the Republic of Bulgaria, including communication campaigns, expected legislative changes on the payment system and payment services and the new BNB Law.

Key legislative changes during the year are summarized below.

The amendments to the Credit Intuition Act mainly intend to implement the measures introduced by the Act amending the Anti-Money Laundering Measures Act, the Anti-Corruption Act, as well as the amendments to the Social Security Code in relation to the option for a credit institution to be a provider of a pan-European personal pension product under Regulation (EU) 2019/1238, a possibility also granted to investment firms by the amendments to the Markets in Financial Instruments Act. The BNB has been designated as the supervisor of credit institutions offering a pan-European personal pension product, except in cases where this supervision falls within the explicit competence of the Financial Supervision Commission. Amendments to the Credit Institutions Act allow access to data in the Central Credit Register and personal data in the Register of Bank Accounts and Safe Deposit Boxes. Restructuring requirements introduced by the amendments to the Act on Recovery and Restructuring of Credit Institutions are taken into account.

2. THE ENVIRONMENT WE OPERATE (CONTINUED)

2.3. REGULATION (CONTINUED)

2.3.1. OVERVIEW OF LEGAL FRAMEWORK (CONTINUED)

The Bank's activities are aligned with the requirements introduced by the by-laws, such as the amendments to Ordinance No. 21 of 26 November 2015 on the minimum reserve requirements that banks maintain with the Bulgarian National Bank, **according to which the percentage of the minimum reserve requirement to be maintained is increased** from ten per cent to twelve per cent of the reserve base. The BNB's guidelines on transferability to complement the assessment of the restructuring option in transfer strategies; the amendments to Ordinance No 20 of 2019 on the requirements for members of the management and supervisory bodies of a credit institution, as well as for the assessment of their suitability and of persons holding key positions; the new Ordinance laying down the conditions and rules for the provision of support through financial instruments, the combination of financial instruments with grants, the implementation of financial instruments and the rules for the provision of support through financial instruments; the Decision of the BNB of 18 May 2023 implementing the Guidelines on the use of remote customer due diligence solutions pursuant to Article 13(1) of Directive (EU) 2015/849, on obligations in the context of remote customer due diligence, outsourcing of functions to third parties and the introduction of policies, controls and procedures in relation to customer due diligence where due diligence measures are carried out remotely; the amendments to Ordinance No. 44 of 20.10.2011 on the requirements to the activity of collective investment schemes, management companies, national investment funds, alternative investment funds and entities managing alternative investment funds; Ordinance No. 75 of 6 April 2023 on the requirements to the activity of benchmark administrators; Ordinance No. 38 of 21.05.2020 on the requirements to the activity of investment intermediaries in relation to their obligations to assess the appropriateness of an investment and its suitability to a certain client; Ordinance No. 17 of 29 March 2018 on monetary and interest rate statistics and financial account statistics; Ordinance No. 7 of 27 May 2021 on the procedure for the acquisition, recognition and withdrawal of the legal capacity of financial instruments brokers and investment advisers; Ordinance No. 58 of 28 February 2018 on the requirements for the protection of financial instruments and client funds, for the management of products and for the provision or receipt of remuneration, commissions, other monetary or non-monetary benefits, etc.

Bank has considered the amendments to the **Consumer Real Estate Lending Act** specifying a certain level of qualitative and quantitative information to be provided to customers on loans communicated by telephone or other remote communication channel.

Bank has addressed the legislative progress towards **an increasingly digital infrastructure in the lending activities**, introduced by the amendments to the **Code of Civil Procedure, in relation to the electronic provision of documents, through the secure electronic service system and the regulation of the electronic execution proceedings, including the amendments to the Law on e-Government**; Ordinance No. H-3 of 6 April 2023 on the maintenance, storage and access to the information system for a single entry point for attachments of movables subject to registration by law and on the organization, rules and operation of the online platform for electronic public auctions with a view to enforcement against movables; Ordinance No. 4 of 21 March 2023. on the conditions and procedures for the provision of the universal service under the Law on Electronic Communications; Ordinance No. 6 of 3 August 2017 on the performance of procedural acts and certification statements in electronic form.

As an active participant in the prevention of money laundering in the financial system, the bank has complied with the timing and the imposed changes in the identification of persons subject to verification in accordance with the amendments under the **Law on Measures against Money Laundering** and Decree No. 101 of 14 July 2023 of the Council of Ministers on the establishment of a National Mechanism for the definition of policies and coordination in the field of measures to combat money laundering and terrorist financing and applicable secondary legislation.The bank has ensured compliance of its activities with the provisions of the new **Whistleblower Protection Act** and Ordinance No. 1 of 27 July 2023 on the maintenance of the register of whistleblowers under Article 18 of the Whistleblower Protection Act and on the referral of internal whistleblowers to the Commission for Personal Data Protection, and the obligations introduced under the new **Anti-Corruption Act** are also taken into account.

2. THE ENVIRONMENT WE OPERATE (CONTINUED)

2.3. REGULATION (CONTINUED)

2.3.1. OVERVIEW OF LEGAL FRAMEWORK (CONTINUED)

The amended regime of registration of special pledges in a new electronic register, pursuant to the amendments to the **Special Pledge Act** and Ordinance No. H-3 of 31 July 2020 on the keeping, storage and access to the Central Register of Pledges, required a significant change in the bank's operational model for registration of pledges. The new amendment related to registration by authorization requiring an attorney rather than an employee (as it was before) to make the registration has necessitated the bank to outsource external attorneys to register security interests when clients are unable to register them.

The **ESG policy** (environmental, social and corporate governance) is embedded in the strategy of the entire KBC Group, including UBB AD. Compliance with it continues to be part of the responsible management of KBC to achieve long-term sustainability across the Group. The Bank regularly monitors the European and local legal framework in order to incorporate adequate ESG principles in all aspects of its operational activities in a timely manner. In particular, the bank has addressed **the technical screening criteria for determining the conditions under which an economic activity qualifies as sustainable** under Commission Delegated Regulation (EU) 2023/2486 of 27 June 2023 supplementing Regulation (EU) 2020/852. The Bank is aware of the obligations of investment firms under amended Ordinance No 38 of 21 May 2020 on the requirements for the activities of investment firms of the Financial Supervision Commission to explain to clients the concept of sustainability preference, the differences between the various elements of this concept, the differences between products that have or do not have sustainability characteristics, and information on the nature and basic concepts used when referring to environmental, social and governance factors. The Financial Supervision Authority is designated as the competent authority under the Taxonomy Regulation, therefore the relevant legislation is amended, such as **-** the Insurance Code, the Markets in Financial Instruments Act, the Act on the Activities of Collective Investment Schemes and Other Undertakings for Collective Investment and in the Financial Supervision Commission Act.

Some of the changes in the **Commercial Law** introduce a new type of commercial entity in the form of the company with variable capital, provide changes in the insolvency and stabilization procedure, some of which relate to the rules for the receiver, the electronic public auction and the introduction of an insolvency procedure for an entrepreneur-individual carrying out business activity.

The Bank is aware of the relevance of the amendments to the **Corporate Income Tax Act** which introduce additional tax and national surtax on the profits of multinational and large national enterprise groups (so called top up tax).

The Bank is aware of changes in labor laws, trading and securities settlement rules and complies with the relevant sector guidelines and legislative amendments. The designated internal units cooperating in European financing are familiar with the principles and measures laid down in the amended acts.

The Bank is responsible for following up the development of draft laws, in most cases participating in the discussion of the act with comments and recommendations. In focus during the year were the **Bill on Insolvency of Natural Persons**, the **legislation on the adoption of the EURO** and the **Bill amending the Payment Services and Payment Systems Act**.

UBB continues to participate in working groups in sectoral organisations where it analyses draft texts on legislative changes, proposes revisions and makes suggestions. It regularly organises training sessions for the business on legal risks and workshops with the legal department in order to exchange experiences, legal discussions and unify practice in line with the adopted policy of responsible behaviour and risk profile reduction.

2. THE ENVIRONMENT WE OPERATE (CONTINUED)

2.3. REGULATION (CONTINUED)

2.3.2. EU TAXONOMY REGULATION

The Taxonomy Regulation establishes an EU-wide framework according to which investors and businesses can assess whether certain economic activities are environmentally sustainable.

There are four checks to be performed in order to label an economic activity as environmentally sustainable. The activity must:

○ be a relevant activity, i.e. the activity is on the list of activities which are considered as most relevant for achieving the environmental goals defined by Europe. The relevant activities are called taxonomy-eligible activities and are described in Delegated Acts;
○ contribute substantially to at least one of the environmental objectives and comply with the Technical Screening Criteria for substantial contribution as described in Delegated Acts;
○ do no significant harm to any of the other environmental objectives and comply with the Technical Screening Criteria for “do no significant harm” as described in Delegated Acts;
○ be carried out in compliance with minimum social and governance safeguards.

An economic activity which passes the four checks, is called a taxonomy-aligned economic activity.

Six environmental objectives are laid out in the Taxonomy Regulation:

○climate change mitigation (CCM);
○climate change adaptation (CCA);
○sustainable use and protection of water and marine resources (WTR);
○transition to a circular economy (CE);
○pollution prevention and control (PPC);
○protection and restoration of biodiversity and ecosystems (BIO).

Article 8 of the Taxonomy Regulation requires undertakings covered by the Non-Financial Reporting Directive (NFRD) to include information in their non-financial information statements on how, and to what extent, their activities are associated with environmentally sustainable economic activities. The Disclosure Delegated Act specifies the content and presentation of the information to be disclosed.

In this Disclosure Delegated Act (hereinafter ‘DDA’) a phased approach is introduced. From 1 January 2022 on, until 31 December 2023, the disclosures of financial undertakings in scope of the NFRD were limited to eligibility for climate change mitigation and climate change adaptation taxonomy. As of 1 January 2024, these undertakings are required to disclose taxonomy alignment regarding these objectives and taxonomy eligibility for the other four environmental objectives.

The Bank is a large undertaking that is required to publish non-financial information under the NFRD, and is as such also subject to the disclosure obligations described in the DDA.

UBB not only focusec on the EU Taxonomy, but also closely monitorc other environmental initiatives. When developing banking products, the Bank evaluatec their green or sustainable nature based on the taxonomy or, if applicable, other initiatives. Individual taxonomy-eligible credit applications are also thoroughly screened to verify compliance with the technical criteria and social minimum safeguards.
In this third reporting, data availability remains a challenge.

2. THE ENVIRONMENT WE OPERATE (CONTINUED)

2.3. REGULATION (CONTINUED)

2.3.2. EU TAXONOMY REGULATION (CONTINUED)

• For loans and advances to and debt securities and equity instruments of companies subject to the NFRD, it is prescribed in Article 8(4) of the DDA that financial undertakings shall use the most recently available data of their counterparties. In order to define whether a counterparty is subject to NFRD disclosure obligations or not, UBB look at criteria as defined in the NFRD: listed or unlisted, number of FTE, balance sheet total and turnover of the counterparty. Non-financial counterparties have disclosed alignment data on climate change mitigation and climate change adaptation for the first time in their publications for 2022, as their disclosure obligation entered into force a year before that of financial undertakings. No alignment information is available for financial counterparties at this time. As the European Single Access Point (ESAP) database is not yet operational, finding all the relevant counterparty information in the published reports is a major challenge.

• Many of UBB's corporate counterparties are not subject to the NFRD. As a result, these companies are not required to report on taxonomy and UBB cannot include these counterparties in eligible and/or aligned assets. UBB is therefore currently unable to include the financing of renewable energy projects, as these companies generally use structured entities (SPVs).

• UBB is currently unable to carry out a full alignment assessment for loans to households (real estate and motor vehicles) due to a lack of individual data on the underlying assets. For instance, UBB does not have all individual data on the houses being financed, and for many financed electric vehicles UBB lackc information on car tyres and the circular use of materials. The discussion in this annual report mainly focuses on mandatory disclosures. Data availability and data quality are continuously monitored and appropriate action is taken to make progress on this level.

The DDA prescribes a number of detailed tables for credit institutions. UBB have included them below in the 'EU Taxonomy – detailed tables.

Summary of KPIs to be disclosed by credit institutions under Article 8 Taxonomy Regulation
- Assets for the calculation of GAR (green asset ratio)
- GAR sector information
- GAR KPI stock
- GAR KPI flow
- KPI off-balance sheet exposures
- Additional information on assets linked to nuclear energy and fossil gas

As the DDA prescribes that calculations must be made on the basis of both turnover and CapEx data of the counterparties, these tables must always be presented in two ways. The discussion below is limited to the data based on the counterparty's turnover KPIs. The mandatory eligibility percentage for the assets of UBB is 49.7%. This figure includes mortgage loans and car loans to households, as well as the eligible exposure to financial and non-financial counterparties (including those subject to the NFRD), based on available client information. The alignment percentage (GAR, green asset ratio) is 0.1%. This percentage is low due to the limited availability of data and the asymmetric definitions of the GAR numerator and denominator. For instance, in the

numerator corporate counterparties are limited to companies subject to the NFRD, whereas the denominator must also include counterparties that are not subject to the NFRD. The denominator also contains a number of other assets that are not eligible for alignment, such as derivatives and cash. In the table below, is a reconciliation of total assets (without impairment) with aligned assets (based on the counterparties' turnover KPIs). The trade portfolio and amounts involving central banks and central governments are excluded.. Given the limited availability of data on UBB's counterparties, the percentages are limited here, too.

2. THE ENVIRONMENT WE OPERATE (CONTINUED)

2.3. REGULATION (CONTINUED)

2.3.2. EU TAXONOMY REGULATION (CONTINUED)

Total assets	34,123,442
Excluded from taxonomy	13,527,225
GAR assets (denominator)	**20,596,217**
Other assets	1,027,417
Non NFRD	9,729,973
GAR assets (numerator)	**9,838,826**
Non-eligible	4,951,614
Eligible assets	**4,887,212**
Non-aligned	4,863,095
Alligned Assets	**24,117**

0. Summary of KPIs to be disclosed by credit institutions under Article 8 Taxonomy Regulation

		Total environmentally sustainable assets	KPI (Turnover based)	KPI (CapEx based)	% coverage (over total assets)	% of assets excluded from the numerator of the GAR	% of assets excluded from the denominator of the GAR
Main KPI	Green asset ratio (GAR) stock	24,117	0.1%	0.1%	60.4%	71.2%	39.6%
Additional KPIs	*GAR (flow)*	0	0%	0%	N/A	N/A	N/A
	Financial guarantees	0	0%	0%			
	Assets under management	0	0%	0%			

1a.Assets for the calculation of GAR (Turnover based)

	In BGN thousand	12/31/2023																		
		Total [gross] carrying amount	Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				Water	Circular	Pollution	Biodiversi	TOTAL (CCM + CCA + WTR + CE + PPC + BIO)				
			Of which towards taxonomy relevant sectors (Taxonomy-eligible)					Of which towards taxonomy relevant sectors (Taxonomy-eligible)				Of which towards taxonomy relevant sectors (Taxonomy-eligible)	Of which towards taxonomy relevant sectors (Taxonomy-eligible)	Of which towards taxonomy relevant sectors (Taxonomy-eligible)	Of which towards taxonomy relevant sectors (Taxonomy-eligible)	Of which towards taxonomy relevant sectors (Taxonomy-eligible)				
				Of which environmentally sustainable (Taxonomy-aligned)					Of which environmentally sustainable (Taxonomy-aligned)								Of which environmentally sustainable (Taxonomy-aligned)			
					Of which Use of Proceeds	Of which transitional	Of which enabling			Of which Use of Proceeds	Of which enabling							Of which Use of Proceeds	Of which transitional	Of which enabling
	GAR - Covered assets in both numerator and denominator																			
1	Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	9,838,826	4,865,909	4,817	0	0	4,817	21,303	19,300	0	19,300	0	0	0	0	4,887,212	24,117	0	0	24,117
2	**Financial undertakings**	**1,155,063**	**0**	**0**	**0**	**0**	**0**	**5,402**	**4,676**	**0**	**4,676**	**0**	**0**	**0**	**0**	**5,402**	**4,676**	**0**	**0**	**4,676**
3	Credit institutions	1,144,984	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
4	Loans and advances	1,041,986	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
5	Debt securities, including UoP	102,994	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
6	Equity instruments	5	0	0		0	0	0	0		0	0	0	0	0	0	0		0	0
7	Other financial corporations	10,079	0	0	0	0	0	5,402	4,676	0	4,676	0	0	0	0	5,402	4,676	0	0	4,676
8	of which investment firms	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
9	Loans and advances	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
10	Debt securities, including UoP	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
11	Equity instruments	0	0	0		0	0	0	0		0	0	0	0	0	0	0		0	0
12	of which management companies	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
13	Loans and advances	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
14	Debt securities, including UoP	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
15	Equity instruments	0	0	0		0	0	0	0		0	0	0	0	0	0	0		0	0
16	of which insurance undertakings	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
17	Loans and advances	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
18	Debt securities, including UoP	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
19	Equity instruments	0	0	0		0	0	0	0		0	0	0	0	0	0	0		0	0
20	**Non-financial undertakings**	**200,532**	**5,238**	**4,817**	0	0	**4,817**	**15,901**	**14,623**	0	**14,623**	0	0	0	0	**21,139**	**19,441**	0		**19,441**
21	Loans and advances	135,903	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
22	Debt securities, including UoP	64,629	5,238	4,817	0	0	4,817	15,901	14,623	0	14,623	0	0	0	0	21,139	19,441	0	0	19,441
23	Equity instruments	0	0	0		0	0	0	0		0	0	0	0	0	0	0		0	0
24	**Households**	**8,330,294**	**4,823,029**	0	0	0	0	0	0	0	0		0			**4,823,029**	0	0	0	0
25	of which loans collateralised by residential immovable property	4,796,923	4,796,923	0	0	0	0	0	0	0	0		0			4,796,923	0	0	0	0
26	of which building renovation loans	0		0	0	0	0	0	0	0	0		0			0	0	0	0	0
27	of which motor vehicle loans	26,107	26,107	0	0	0	0									26,107	0	0	0	0
28	**Local governments financing**	**152,937**	**37,642**	0	0	0	0	0	0	0	0	0	0	0	0	**37,642**	0	0	0	0
29	Housing financing			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
30	Other local government financing	152,937	37,642	0	0	0	0	0	0	0	0	0	0	0	0	37,642	0	0	0	0
31	**Collateral obtained by taking possession: residential and commercial immovable properties**	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
32	**Assets excluded from the numerator for GAR calculation (covered in the denominator)**	**10,757,391**	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
33	**Financial and Non-financial undertakings**	0																		
34	SMEs and NFCs (other than SMEs) not subject to NFRD disclosure obligations	9,729,973																		
35	Loans and advances	9,720,358																		
36	of which loans collateralised by commercial immovable property	4,429,994																		
37	of which building renovation loans																			
38	Debt securities	9,403																		
39	Equity instruments	212																		
40	Non-EU country counterparties not subject to NFRD disclosure obligations	0																		
41	Loans and advances	0																		
42	Debt securities	0																		
43	Equity instruments	0																		
44	**Derivatives**	**22,014**																		
45	**On demand interbank loans**	**237,648**																		
46	**Cash and cash-related assets**	**609,597**																		
47	**Other categories of assets (e.g. Goodwill, commodities etc.)**	**158,159**																		
48	**Total GAR assets**	**20,596,217**																		
49	**Assets not covered for GAR calculation**	**13,527,225**																		
50	**Central governments and Supranational issuers**	**5,689,167**																		
51	**Central banks exposure**	**7,828,843**																		
52	**Trading book**	**9,215**																		
53	**Total assets**	**34,123,442**																		
	Off-balance sheet exposures - Undertakings subject to NFRD disclosure obligations																			
54	Financial guarantees	1,370	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
55	Assets under management	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
56	Of which debt securities	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
57	Of which equity instruments	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

2. THE ENVIRONMENT WE OPERATE (CONTINUED)

2.3. REGULATION (CONTINUED)

2.3.2. EU TAXONOMY REGULATION (CONTINUED)

1b.Assets for the calculation of GAR (CapEx based)

In BGN thousand	Total [gross] carrying amount	12/31/2023																	
		Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				Water	Circular	Pollution	Biodiversi	TOTAL (CCM + CCA + WTR + CE + PPC + BIO)				
		Of which towards taxonomy relevant sectors (Taxonomy-eligible)					Of which towards taxonomy relevant sectors (Taxonomy-eligible)				Of which towards taxonomy relevant sectors (Taxonomy-eligible)	Of which towards taxonomy relevant sectors (Taxonomy-eligible)	Of which towards taxonomy relevant sectors (Taxonomy-eligible)	Of which towards taxonomy relevant sectors (Taxonomy-eligible)	Of which towards taxonomy relevant sectors (Taxonomy-eligible)				
			Of which environmentally sustainable (Taxonomy-aligned)					Of which environmentally sustainable (Taxonomy-aligned)								Of which environmentally sustainable (Taxonomy-aligned)			
				Of which Use of Proceeds	Of which transitional	Of which enabling			Of which Use of Proceeds	Of which enabling							Of which Use of Proceeds	Of which transitional	Of which enabling
GAR - Covered assets in both numerator and denominator																			
Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	9,838,826	4,870,627	6,244	0	0	6,244	25,227	10,682	0	10,638	0	0	0	0	4,895,854	16,882	0	0	16,882
Financial undertakings	**1,155,063**	**0**	**0**	**0**	**0**	**0**	**9,272**	**484**	**0**	**484**	**0**	**0**	**0**	**0**	**9,272**	**484**	**0**	**0**	**484**
Credit institutions	1,144,984	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Loans and advances	1,041,986	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Debt securities, including UoP	102,994	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Equity instruments	5	0	0		0	0	0	0		0	0	0	0	0	0	0		0	0
Other financial corporations	10,079	0	0	0	0	0	9,272	484	0	484	0	0	0	0	9,272	484			484
of which investment firms	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Loans and advances	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Debt securities, including UoP	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Equity instruments	0	0	0		0	0	0	0		0	0	0	0	0	0	0		0	0
of which management companies	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Loans and advances	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Debt securities, including UoP	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Equity instruments	0	0	0		0	0	0	0		0	0	0	0	0	0	0		0	0
of which insurance undertakings	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Loans and advances	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Debt securities, including UoP	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Equity instruments	0	0	0		0	0	0	0		0	0	0	0	0	0	0		0	0
Non-financial undertakings	**200,532**	**9,955**	**6,244**	0	0	**6,244**	**15,955**	**10,199**	0	**10,154**	0	0	0	0	**25,910**	**16,399**	0	0	**16,399**
Loans and advances	135,903	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Debt securities, including UoP	64,629	9,955	6,244	0	0	6,244	15,955	10,199	0	10,154	0	0	0	0	25,910	16,399	0	0	16,399
Equity instruments	0	0	0		0	0	0	0		0	0	0	0	0	0	0		0	0
Households	**8,330,294**	**4,823,029**	0	0	0	0	0	0	0	0		0			**4,823,029**	0	0	0	0
of which loans collateralised by residential immovable property	4,796,923	4,796,923	0	0	0	0	0	0	0	0		0			4,796,923	0	0	0	0
of which building renovation loans	0	0	0	0	0	0	0	0	0	0		0			0	0	0	0	0
of which motor vehicle loans	26,107	26,107	0	0	0	0									26,107	0	0	0	0
Local governments financing	**152,937**	**37,642**	0	0	0	0	0	0	0	0	0	0	0	0	**37,642**	0	0	0	0
Housing financing			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other local government financing	152,937	37,642	0	0	0	0	0	0	0	0	0	0	0	0	37,642	0	0	0	0
Collateral obtained by taking possession: residential and commercial immovable properties	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Assets excluded from the numerator for GAR calculation (covered in the denominator)	**10,757,391**	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Financial and Non-financial undertakings	0																		
SMEs and NFCs (other than SMEs) not subject to NFRD disclosure obligations	9,729,973																		
Loans and advances	9,720,358																		
of which loans collateralised by commercial immovable property	4,429,994																		
of which building renovation loans																			
Debt securities	9,403																		
Equity instruments	212																		
Non-EU country counterparties not subject to NFRD disclosure obligations																			
Loans and advances																			
Debt securities																			
Equity instruments																			
Derivatives	**22,014**																		
On demand interbank loans	**237,648**																		
Cash and cash-related assets	**609,597**																		
Other categories of assets (e.g. Goodwill, commodities etc.)	**158,159**																		
Total GAR assets	**20,596,217**																		
Assets not covered for GAR calculation	**13,527,225**																		
Central governments and Supranational issuers	**5,689,167**																		
Central banks exposure	**7,828,843**																		
Trading book	**9,215**																		
Total assets	**34,123,442**																		
Off-balance sheet exposures - Undertakings subject to NFRD disclosure obligations																			
Financial guarantees	1,370	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Assets under management	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Of which debt securities	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Of which equity instruments	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

2. THE ENVIRONMENT WE OPERATE (CONTINUED)

2.3. REGULATION (CONTINUED)

2.3.2. EU TAXONOMY REGULATION (CONTINUED)

2a. GAR sector information (Turnover based)

Breakdown by sector - NACE 4 digits level (code and label)	Climate Change Mitigation (CCM)		Climate Change Adaptation (CCA)		TOTAL (CCM + CCA)	
	Non-Financial corporates (Subject to NFRD)		Non-Financial corporates (Subject to NFRD)		Non-Financial corporates (Subject to NFRD)	
	[Gross] carrying amount		[Gross] carrying amount		[Gross] carrying amount	
	in BGN thousand	Of which environmentally sustainable (CCM)	Mn EUR	Of which environmentally sustainable (CCA)	Mn EUR	Of which environmentally sustainable (CCM + CCA)
A - Agriculture, forestry and fishing	0	0	0	0	0	0
B - Mining and quarrying	0	0	0	0	0	0
B.05 - Mining of coal and lignite	0	0	0	0	0	0
B.06 - Extraction of crude petroleum and natural gas	0	0	0	0	0	0
B.07 - Mining of metal ores	0	0	0	0	0	0
B.08 - Other mining and quarrying	0	0	0	0	0	0
B.09 - Mining support service activities	0	0	0	0	0	0
C - Manufacturing	0	0	0	0	0	0
C.10 - Manufacture of food products	0	0	0	0	0	0
C.11 - Manufacture of beverages	0	0	0	0	0	0
C.12 - Manufacture of tobacco products	0	0	0	0	0	0
C.13 - Manufacture of textiles	0	0	0	0	0	0
C.14 - Manufacture of wearing apparel	0	0	0	0	0	0
C.15 - Manufacture of leather and related products	0	0	0	0	0	0
C.16 - Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials	0	0	0	0	0	0
C.17 - Manufacture of paper and paper products	0	0	0	0	0	0
C.18 - Printing and reproduction of recorded media	0	0	0	0	0	0
C.19 - Manufacture of coke and refined petroleum products	0	0	0	0	0	0
C.20 - Manufacture of chemicals and chemical products	0	0	0	0	0	0
C.21 - Manufacture of basic pharmaceutical products and pharmaceutical preparations	0	0	0	0	0	0
C.22 - Manufacture of rubber products	0	0	0	0	0	0
C.23 - Manufacture of other non-metallic mineral products	0	0	0	0	0	0
C.24 - Manufacture of basic metals	0	0	0	0	0	0
C.25 - Manufacture of fabricated metal products, except machinery and equipment	0	0	0	0	0	0
C.26 - Manufacture of computer, electronic and optical products	0	0	0	0	0	0
C.27 - Manufacture of electrical equipment	0	0	0	0	0	0
C.28 - Manufacture of machinery and equipment n.e.c.	0	0	0	0	0	0
C.29 - Manufacture of motor vehicles, trailers and semi-trailers	0	0	0	0	0	0
C.30 - Manufacture of other transport equipment	0	0	0	0	0	0
C.31 - Manufacture of furniture	0	0	0	0	0	0
C.32 - Other manufacturing	0	0	0	0	0	0
C.33 - Repair and installation of machinery and equipment	0	0	0	0	0	0
D - Electricity, gas, steam and air conditioning supply	0	0	0	0	0	0
D35.1 - Electric power generation, transmission and distribution	0	0	0	0	0	0
D35.11 - Production of electricity	0	0	0	0	0	0
D35.2 - Manufacture of gas; distribution of gaseous fuels through mains	0	0	0	0	0	0
D35.3 - Steam and air conditioning supply	0	0	0	0	0	0
E - Water supply; sewerage, waste management and remediation activities	0	0	0	0	0	0
F - Construction	0	0	0	0	0	0
F.41 - Construction of buildings	0	0	0	0	0	0
F.42 - Civil engineering	0	0	0	0	0	0
F.43 - Specialised construction activities	0	0	0	0	0	0
G - Wholesale and retail trade; repair of motor vehicles and motorcycles	0	0	0	0	0	0
H - Transportation and storage	0	0	0	0	0	0
H.49 - Land transport and transport via pipelines	0	0	0	0	0	0
H.50 - Water transport	0	0	0	0	0	0
H.51 - Air transport	0	0	0	0	0	0
H.52 - Warehousing and support activities for transportation	0	0	0	0	0	0
H.53 - Postal and courier activities	0	0	0	0	0	0
I - Accommodation and food service activities	0	0	0	0	0	0
K - Financial and insurance activities	4,817	4,817	14,623	14,623	19,441	19,441
L - Real estate activities	0	0	0	0	0	0
Exposures to other sectors (NACE codes J, M - U)	0	0	0	0	0	0
TOTAL	**4,817**	**4,817**	**14,623**	**14,623**	**19,441**	**19,441**

2. THE ENVIRONMENT WE OPERATE (CONTINUED)

2.3. REGULATION (CONTINUED)

2.3.2. EU TAXONOMY REGULATION (CONTINUED)

2b. GAR sector information (CapEx based)

Breakdown by sector - NACE 4 digits level (code and label)	Climate Change Mitigation (CCM)		Climate Change Adaptation (CCA)		TOTAL (CCM + CCA)	
	Non-Financial corporates (Subject to NFRD)		Non-Financial corporates (Subject to NFRD)		Non-Financial corporates (Subject to NFRD)	
	[Gross] carrying amount		[Gross] carrying amount		[Gross] carrying amount	
	in BGN thousand	Of which environmentally sustainable (CCM)	Mn EUR	Of which environmentally sustainable (CCA)	Mn EUR	Of which environmentally sustainable (CCM + CCA)
A - Agriculture, forestry and fishing	0	0	0	0	0	0
B - Mining and quarrying	0	0	0	0	0	0
B.05 - Mining of coal and lignite	0	0	0	0	0	0
B.06 - Extraction of crude petroleum and natural gas	0	0	0	0	0	0
B.07 - Mining of metal ores	0	0	0	0	0	0
B.08 - Other mining and quarrying	0	0	0	0	0	0
B.09 - Mining support service activities	0	0	0	0	0	0
C - Manufacturing	0	0	0	0	0	0
C.10 - Manufacture of food products	0	0	0	0	0	0
C.11 - Manufacture of beverages	0	0	0	0	0	0
C.12 - Manufacture of tobacco products	0	0	0	0	0	0
C.13 - Manufacture of textiles	0	0	0	0	0	0
C.14 - Manufacture of wearing apparel	0	0	0	0	0	0
C.15 - Manufacture of leather and related products	0	0	0	0	0	0
C.16 - Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials	0	0	0	0	0	0
C.17 - Manufacture of paper and paper products	0	0	0	0	0	0
C.18 - Printing and reproduction of recorded media	0	0	0	0	0	0
C.19 - Manufacture of coke and refined petroleum products	0	0	0	0	0	0
C.20 - Manufacture of chemicals and chemical products	0	0	0	0	0	0
C.21 - Manufacture of basic pharmaceutical products and pharmaceutical preparations	0	0	0	0	0	0
C.22 - Manufacture of rubber products	0	0	0	0	0	0
C.23 - Manufacture of other non-metallic mineral products	0	0	0	0	0	0
C.24 - Manufacture of basic metals	0	0	0	0	0	0
C.25 - Manufacture of fabricated metal products, except machinery and equipment	0	0	0	0	0	0
C.26 - Manufacture of computer, electronic and optical products	0	0	0	0	0	0
C.27 - Manufacture of electrical equipment	0	0	0	0	0	0
C.28 - Manufacture of machinery and equipment n.e.c.	0	0	0	0	0	0
C.29 - Manufacture of motor vehicles, trailers and semi-trailers	0	0	0	0	0	0
C.30 - Manufacture of other transport equipment	0	0	0	0	0	0
C.31 - Manufacture of furniture	0	0	0	0	0	0
C.32 - Other manufacturing	0	0	0	0	0	0
C.33 - Repair and installation of machinery and equipment	0	0	0	0	0	0
D - Electricity, gas, steam and air conditioning supply	0	0	0	0	0	0
D35.1 - Electric power generation, transmission and distribution	0	0	0	0	0	0
D35.11 - Production of electricity	0	0	0	0	0	0
D35.2 - Manufacture of gas; distribution of gaseous fuels through mains	0	0	0	0	0	0
D35.3 - Steam and air conditioning supply	0	0	0	0	0	0
E - Water supply; sewerage, waste management and remediation activities	0	0	0	0	0	0
F - Construction	0	0	0	0	0	0
F.41 - Construction of buildings	0	0	0	0	0	0
F.42 - Civil engineering	0	0	0	0	0	0
F.43 - Specialised construction activities	0	0	0	0	0	0
G - Wholesale and retail trade; repair of motor vehicles and motorcycles	0	0	0	0	0	0
H - Transportation and storage	0	0	0	0	0	0
H.49 - Land transport and transport via pipelines	0	0	0	0	0	0
H.50 - Water transport	0	0	0	0	0	0
H.51 - Air transport	0	0	0	0	0	0
H.52 - Warehousing and support activities for transportation	0	0	0	0	0	0
H.53 - Postal and courier activities	0	0	0	0	0	0
I - Accommodation and food service activities	0	0	0	0	0	0
K - Financial and insurance activities	6,244	6,244	10,199	10,199	16,443	16,443
L - Real estate activities	0	0	0	0	0	0
Exposures to other sectors (NACE codes J, M - U)	0	0	0	0	0	0
TOTAL	**6,244**	**6,244**	**10,199**	**10,199**	**16,443**	**16,443**

2. THE ENVIRONMENT WE OPERATE (CONTINUED)

2.3. REGULATION (CONTINUED)

2.3.2. EU TAXONOMY REGULATION (CONTINUED)

3a. GAR KPI stock (Turnover based)

% (compared to total covered assets in the denominator)	12/31/2023																		
	Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				Water and marine resources (WTR)	Circular economy (CE)	Pollution (PPC)	Biodiversity and Ecosystems (BIO)	TOTAL (CCM + CCA + WTR + CE + PPC + BIO)					
	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)	Of which Use of Proceeds	Of which transitional	Of which enabling	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)	Of which Use of Proceeds	Of which enabling	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)	Of which Use of Proceeds	Of which transitional	Of which enabling	Proportion of total assets covered
GAR - Covered assets in both numerator and denominator																			
Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	47.8%	23.6%	0.0%	0.0%	0.0%	0.0%	0.1%	0.1%	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%	23.7%	0.1%	0.0%	0.0%	0.1%
Financial undertakings	5.6%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Credit institutions	5.6%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Loans and advances	5.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Debt securities, including UoP	0.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Equity instruments	0.0%	0.0%		0.0%	0.0%	0.0%	0.0%		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%		0.0%	0.0%	0.0%
Other financial corporations	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
of which investment firms	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Loans and advances	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Debt securities, including UoP	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Equity instruments	0.0%	0.0%		0.0%	0.0%	0.0%	0.0%		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%		0.0%	0.0%	0.0%
of which management companies	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Loans and advances	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Debt securities, including UoP	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Equity instruments	0.0%	0.0%		0.0%	0.0%	0.0%	0.0%		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%		0.0%	0.0%	0.0%
of which insurance undertakings	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Loans and advances	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Debt securities, including UoP	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Equity instruments	0.0%	0.0%		0.0%	0.0%	0.0%	0.0%		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%		0.0%	0.0%	0.0%
Non-financial undertakings	1.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.1%	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%	0.1%	0.1%	0.0%	0.0%	0.1%
Loans and advances	0.7%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Debt securities, including UoP	0.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.1%	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%	0.1%	0.1%	0.0%	0.0%	0.1%
Equity instruments	0.0%	0.0%		0.0%	0.0%	0.0%	0.0%		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%		0.0%	0.0%	0.0%
Households	40.4%	23.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%		0.0%			0.0%	23.4%	0.0%	0.0%	0.0%	0.0%
of which loans collateralised by residential immovable property	23.3%	23.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%		0.0%			0.0%	23.3%	0.0%	0.0%	0.0%	0.0%
of which building renovation loans	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%		0.0%			0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
of which motor vehicle loans	0.1%	0.1%	0.0%	0.0%	0.0%									0.0%	0.1%	0.0%	0.0%	0.0%	0.0%
Local governments financing	0.7%	0.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.2%	0.0%	0.0%	0.0%	0.0%
Housing financing	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other local government financing	0.7%	0.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.2%	0.0%	0.0%	0.0%	0.0%
Collateral obtained by taking possession: residential and commercial immovable properties	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total GAR assets	47.8%	23.6%	0.0%	0.0%	0.0%	0.0%	0.1%	0.1%	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%	23.7%	0.1%	0.0%	0.0%	0.1%

3b. GAR KPI stock (CapEx based)

% (compared to total covered assets in the denominator)	12/31/2023																		
	Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				Water and marine resources (WTR)	Circular economy (CE)	Pollution (PPC)	Biodiversity and Ecosystems (BIO)	TOTAL (CCM + CCA + WTR + CE + PPC + BIO)					
	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)	Of which Use of Proceeds	Of which transitional	Of which enabling	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)	Of which Use of Proceeds	Of which enabling	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)	Of which Use of Proceeds	Of which transitional	Of which enabling	Proportion of total assets covered
GAR - Covered assets in both numerator and denominator																			
Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	47.8%	23.6%	0.0%	0.0%	0.0%	0.0%	0.1%	0.1%	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%	23.8%	0.1%	0.0%	0.0%	0.1%
Financial undertakings	5.6%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Credit institutions	5.6%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Loans and advances	5.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Debt securities, including UoP	0.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Equity instruments	0.0%	0.0%		0.0%	0.0%	0.0%	0.0%		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%		0.0%	0.0%	0.0%
Other financial corporations	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
of which investment firms	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Loans and advances	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Debt securities, including UoP	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Equity instruments	0.0%	0.0%		0.0%	0.0%	0.0%	0.0%		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%		0.0%	0.0%	0.0%
of which management companies	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Loans and advances	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Debt securities, including UoP	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Equity instruments	0.0%	0.0%		0.0%	0.0%	0.0%	0.0%		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%		0.0%	0.0%	0.0%
of which insurance undertakings	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Loans and advances	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Debt securities, including UoP	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Equity instruments	0.0%	0.0%		0.0%	0.0%	0.0%	0.0%		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%		0.0%	0.0%	0.0%
Non-financial undertakings	1.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.1%	0.0%	0.0%	0.1%
Loans and advances	0.7%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Debt securities, including UoP	0.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.1%	0.0%	0.0%	0.1%
Equity instruments	0.0%	0.0%		0.0%	0.0%	0.0%	0.0%		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%		0.0%	0.0%	0.0%
Households	40.4%	23.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%		0.0%			0.0%	23.4%	0.0%	0.0%	0.0%	0.0%
of which loans collateralised by residential immovable property	23.3%	23.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%		0.0%			0.0%	23.3%	0.0%	0.0%	0.0%	0.0%
of which building renovation loans	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%		0.0%			0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
of which motor vehicle loans	0.1%	0.1%	0.0%	0.0%	0.0%									0.0%	0.1%	0.0%	0.0%	0.0%	0.0%
Local governments financing	0.7%	0.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.2%	0.0%	0.0%	0.0%	0.0%
Housing financing	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other local government financing	0.7%	0.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.2%	0.0%	0.0%	0.0%	0.0%
Collateral obtained by taking possession: residential and commercial immovable properties	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total GAR assets	47.8%	23.6%	0.0%	0.0%	0.0%	0.0%	0.1%	0.1%	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%	23.8%	0.1%	0.0%	0.0%	0.1%

2. THE ENVIRONMENT WE OPERATE (CONTINUED)

2.3. REGULATION (CONTINUED)

2.3.2. EU TAXONOMY REGULATION (CONTINUED)

4a. GAR KPI flow (Turnover based)

% (compared to flow of total eligible assets)	12/31/2023																		
	Climate Change Mitigation (CCM)					Climate Change Adaptation (CCA)				Water and	Circular	Pollution	Biodiversit	TOTAL (CCM + CCA + WTR + CE + PPC + BIO)					
	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)			Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-eligible)	Proportion of total covered assets funding taxonomy relevant sectors (Taxonomy-aligned)				Proportion of total new assets covered
			Of which Use of Proceeds	Of which transitional	Of which enabling			Of which Use of Proceeds	Of which enabling							Of which Use of Proceeds	Of which transitional	Of which enabling	
GAR - Covered assets in both numerator and denominator																			
Loans and advances, debt securities and equity instruments not HfT eligible for GAR calculation	5.4%	5.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	5.4%	0.0%	0.0%	0.0%	0.0%
Financial undertakings	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Credit institutions	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Loans and advances	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Debt securities, including UoP	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Equity instruments	0.0%	0.0%		0.0%	0.0%	0.0%	0.0%		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%		0.0%	0.0%	0.0%
Other financial corporations	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
of which investment firms	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Loans and advances	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Debt securities, including UoP	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Equity instruments	0.0%	0.0%		0.0%	0.0%	0.0%	0.0%		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%		0.0%	0.0%	0.0%
of which management companies	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Loans and advances	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Debt securities, including UoP	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Equity instruments	0.0%	0.0%		0.0%	0.0%	0.0%	0.0%		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%		0.0%	0.0%	0.0%
of which insurance undertakings	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Loans and advances	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Debt securities, including UoP	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Equity instruments	0.0%	0.0%		0.0%	0.0%	0.0%	0.0%		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%		0.0%	0.0%	0.0%
Non-financial undertakings	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Loans and advances	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Debt securities, including UoP	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Equity instruments	0.0%	0.0%		0.0%	0.0%	0.0%	0.0%		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%		0.0%	0.0%	0.0%
Households	5.4%	5.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%		0.0%			0.0%	5.4%	0.0%	0.0%	0.0%	0.0%
of which loans collateralised by residential immovable property	5.4%	5.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%		0.0%			0.0%	5.4%	0.0%	0.0%	0.0%	0.0%
of which building renovation loans	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%		0.0%			0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
of which motor vehicle loans	0.0%	0.0%	0.0%	0.0%	0.0%									0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Local governments financing	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Housing financing	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other local government financing	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Collateral obtained by taking possession: residential and commercial immovable properties	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total GAR assets	5.4%	5.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	5.4%	0.0%	0.0%	0.0%	0.0%

2.4. CYBER RISK/ INFORMATION SECURITY

In the banking sector, where internet usage and numerous new technologies have been increasingly prevalent in recent years, Information security become of critical importance, especially given the current political situation in Bulgaria, Europe, and globally.

Financial institutions are often targets of cyber-attacks and financial fraud attempts. With the rise in geopolitical tensions, banks have become frequent targets of sophisticated cyber-attacks, which can lead to theft of financial assets, compromise of clients' data, or compromise of used systems and services.

In this context, maintaining customer trust is a top priority for the Information Security team at UBB. The bank continuously invests significant resources in developing and maintaining the information and cyber security of its systems, also ensuring their operational resilience.

Additionally, continuous monitoring of processes, regular employee training, the use of cutting-edge encryption and Identity management technologies, as well as close collaboration with group-level teams and regulatory bodies for rapid information exchange and implementation of best practices are ensured.

On the other hand, the regulatory environment in Europe and Bulgaria imposes strict requirements on banks in terms of operations and customer protection, including GDPR, PSD2, DORA, and other regulations. This necessitates additional security and data protection measures.

By employing an approach based on continuous risk assessment, the Information Security team, with the support of UBB's management, executes its activities to achieve maximum efficiency without compromising the security of the services provided by the bank.

3. OUR EMPLOYEES, CAPITAL, NETWORK AND RELATIONSHIPS

The financial results of the Bank would not be possible without its most valuable asset – the employees. In 2023 they showed once again purposefulness in meeting business goals in line with the corporate culture Pearl +.

To meet their expectations and to improve the working atmosphere and satisfaction surveys has been conducted twice a year. In addition to them a satisfaction survey for the internal services has taken place. Based on all that specific improvements have been made.

Under the employers' branding in 2023 efforts were focused on initiatives to promote UBB as a preferred employer.

The received feedback is most valued and results in the implementation of concrete improving actions on work environment and increasing employees' engagement.

In terms of employer branding in 2023, efforts were focused both internally through a number of initiatives aimed at increasing engagement and promoting UBB as an employer of choice. UBB participated in several events with leading universities, part of which are Career exhibition at UNWE, Sofia University "St. Kliment Ohridski"– Faculty of mathematics and informatics, National Career days and „Hive" career forum. The close interaction with potential trainees and young people was also made through initiatives like Welcome Week, Sofia University- Faculty of Economics, Mentor the young and Manager for 1 day.

The effective partnership with Sofia University "St. Kliment Ohridski" continued and two additional editions of KBC Bulgaria ESG Academy were held in the Sprig and Autumn of 2023. A total of 54 UBB employees took part in the two editions of ESG Academy. The main focus of the Academy is to provide employees, customers and society with high quality knowledge, services and appropriate solutions that are adapted to change, aimed at sustainability and risk management. The ESG Academy, lasting three months, is to contribute to the goals of the Paris Climate Agreement, as well as to prepare the KBC Group companies in Bulgaria for the forthcoming EU regulations by integrating the principles of sustainable development financing.

The company continue providing an opportunity for employees to apply for financial support (sponsorship) to conduct scientific research and defend a doctoral degree on a topic related to sustainable financing. The sponsorship was provided by UBB for three years.

In 2023, 22 young professionals with various profiles successfully completed the internship program of UBB, some of which continued to grow in the company on permanent positions.

In 2023 HR focuses again on various learning opportunities, aiming at career development and upgrading the professional expertise of our employees.

At UBB we aim to develop effective leadership and realise that this is a long-term initiative. The assessment of our training needs, in the context of the local P1rvi Strategy, the upcoming transformational changes and the development and dynamics of the banking market led to the creation of the 'P1rvi Leadership Academy'.

P1rvi Leadership Academy aims to systematically channelise UBB's leadership capacity building efforts and develop the academic calendar within the organisation. The focus in the next 2 years is on building key strategic competencies that will prepare us for an innovative leap and next level of digital transformation:

- PEARL+ Leadership - developing managerial skills of the managers in the context of the cultural values and behaviours we believe in at KBC Group.
- AGILE way of working - mastering a way of working in an ever-changing market, technology, risks, desires and consumer needs. Through AGILE training and the transfer of best working practices from KBC Bank to UBB, we aim to develop our products and services more quickly, flexibly, innovatively and efficiently.
- Service Design - a strategic competency that aims to create products and services based on analysis and improvement of the customer experience and internal processes.

3. OUR EMPLOYEES, CAPITAL NETWORK AND RELATIONSHIPS (CONTINUED)

- Lean & BPMS management - building a basic understanding of the lean methodology and the need to simplify and automate internal processes to reinforce digitalization at UBB.
- ESG - promoting standards related to the implementation of environmental, social and corporate requirements and their impact on UBB's work processes and customers.
- The Academy covers all management levels and certain specialties. Aiming to provide each level in the organisation with the understanding, knowledge and necessary detail of information relative to the scope of its function and in the context of the P1rvi Strategy.

In 2023 we continued to deliver training as part of the specially designed KBC Academy programme for new managers aimed at building management knowledge and skills in employees taking on a management position for the first time.

UBB employees participated in technical skills trainings related to Microsoft Excel Advanced, Agile, Lean and a number of qualification and certification trainings in the field of information technology and specialized trainings in the banking sector, provided by the International Banking Institute, as well as internal virtual trainings related to novelties in the products, processes and systems of the Bank, GDPR, Information security, etc.

The Mentoring Program to support the effective onboarding of the new "Branch Network" and SME Distribution Directorate continued successfully in 2023.Together with the active support of the Human Resources Management Directorate, all newly appointed colleagues from BN and SME Distribution were trained according to a unified and digitalized approach, located in the e-learning platform Moodle. An individual plan for each position supports the successful involvement in the work dynamics for our new colleagues.

Last but not least, in 2023 we enriched our e-learning library with new modules on hot topics - from company's strategic priorities such as Kate Academy, Responsible Behaviour etc.

Employees split per type of employment as of 31.12.2023:

Full-time	**98.4%**
Part-time	1.6%

In the dynamic and challenging 2023 because of the integration and the merge processes between KBC Bank Bulgaria and UBB a new attractive remuneration and incentives package has been approved as well as preferential conditions for bank, insurance and leasing products and services.

UBB assesses staff performance and competencies on annual basis. The performance evaluation process helps the determination of the role and contribution of the individual employee to the results achieved and contributes the subsequent development of professional qualifications and competencies.

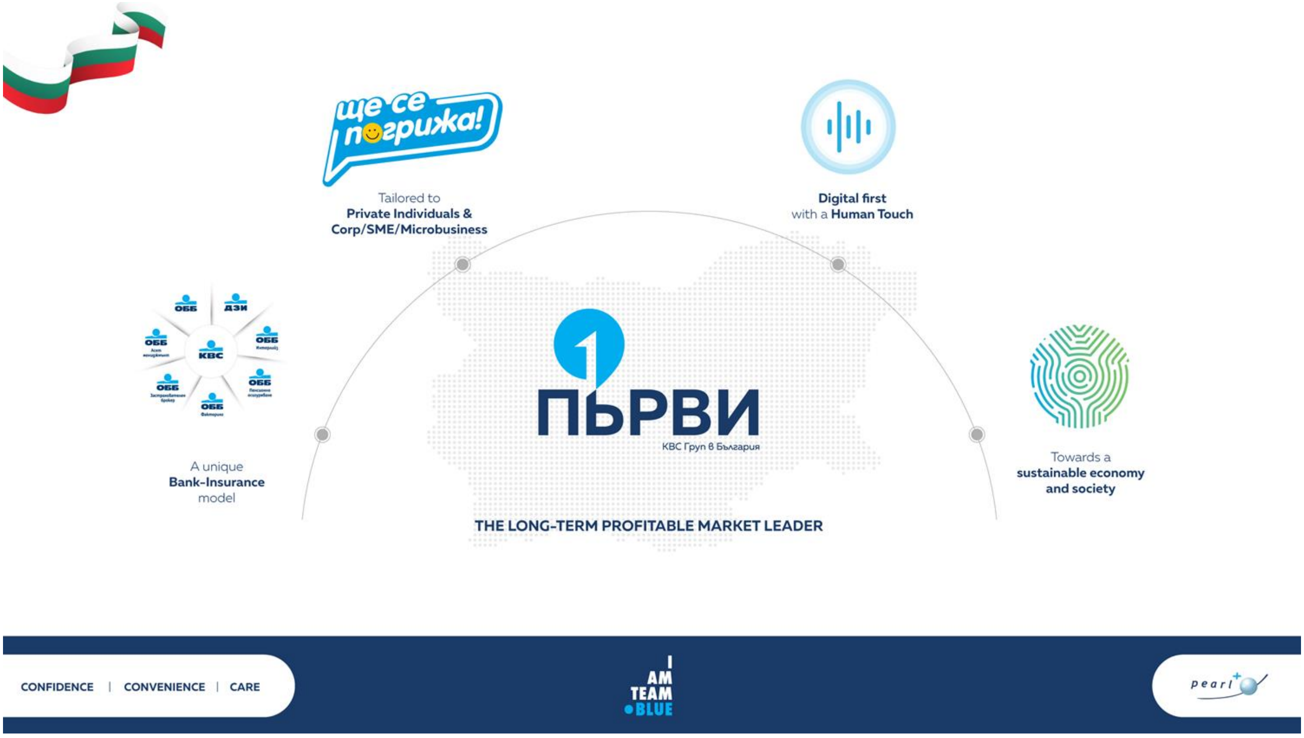
The Trade Union of the Bank Employees and Workers at UBB (TUBEW) is registered at the court as a non - profit organization, established to regulate the employment and social relations between the employees of UBB and their Employer. There are excellent relations with the Trade Union and full cooperation throughout the years.

UBB employees also have the opportunity to support the activity of “United for Charity” association, which in 2023 supported 105 current and former employees and their children with a total amount of almost BGN 250 000. Nearly 2 000 employees contribute with regular monthly payments.
The association organizes various initiatives throughout the year such as Christmas market and photo competition to promote charity and raise funds for its causes.

4. THE CLIENT – THE CENTER OF OUR BUSINESS CULTURE

4.1. BASELINE OF OUR STRATEGY

The corporate strategy of KBC Bulgaria incorporates the KBC Group's strategy "*Next Level*" and the update of the strategy – "*The ecosphere*", seasoned with the local flavor of the "P1rvi" concept. Our **"*P1rvi*", i.e. First, strategic plan** traces the path for KBC Group to tip the scales in financial services in Bulgaria, thus emerging as a benchmark in the bank-insurance model, in all segments of business interest.



Our local "***P1rvi*" strategy outlines the role we want to play in society and put emphasis on the following strategic pillars:**

- The long-term profitable market leader – we focus on the long-term development of the financial group (bank, insurer, leasing, and pension companies) to achieve sustainable and profitable growth.

- We aim at offering unique banking and insurance services via our unquestionable Bank-Insurance model.

- We place our clients at the core of everything we do **("I will take care" Customer Experience program**).

- We strive to provide digital experience to our customers, and we truly believe that the 'human touch' will remain crucial in our customer service model for more complex products and solutions. We stay and will continue to be focused on further digitalization of services and bringing innovations to the market (**Digital First with Human Touch**).

- We take quite seriously our responsibility towards the society and the local economies with the aim to be a front-runner on the market toward ESG (**Towards Sustainable Economy**).

- Our culture strongly encourages cooperation and is the basis, on which we build our business strategy. We do things to become the reference and be regarded as positively contributing to society (**PEARL+**).

Additionally, our major focus in the coming 2024 remains on:

- EURO adoption – meet the necessary regulatory and business requirements until January 2025 (*unless the official deadline is revised*).

- Integration– complete the complex integration program that ensures smooth migration of people, customers, processes, systems, etc. from ex-KBC Bank Bulgaria to UBB.

4. THE CLIENT – THE CENTER OF OUR BUSINESS CULTURE (CONTINUED)

4.2. OUR FOCUS IS ON SUSTAINABLE AND PROFITABLE GROWTH

We strive to build sustainable relationships with individuals, small and medium-sized enterprises and large corporate customers in Bulgaria. Responding to customer needs is very important to us. This means that we know and understand our customers better, effectively identify their needs and respond quickly and adequately, and also that we offer them products and services, tailored to their specific needs. We focus our efforts on the sustainable development of the various communities, in which we work. We encourage our employees to be responsive, responsible and results-oriented, while monitoring the process of permeating this culture in the behavior of our employees and in their daily tasks. In addition to our culture and values, we differentiate ourselves from our competitors in several specific ways.

KBC Group's corporate strategy is based on four pillars:

- We put our customers at the core of everything we do;
- We aim at offering unique banking and insurance services;
- We focus on the Group’s long-term development and on the achievement of sustainable and profitable growth;
- We take our responsibility to society and local economies quite seriously.

The implementation of KBC Group’s Corporate Sustainability Strategy is governed by the Internal Sustainability Board (ISB), chaired by the Group CEO and involving the Group CFO, senior managers from all business units and core countries and the General Manager of KBC’s Corporate Sustainability Committee.

Mr. Peter Roebben - Country Manager of KBC Group for Bulgaria is a member of the Internal Sustainability Board (ISB) and bears the overall responsibility for the sustainability activities at KBC Group Bulgaria. The Internal Sustainability Board (ISB) of KBC reports to the Group Executive Committee and the latter - to the Group Board of Directors. KBC Group Bulgaria Corporate Sustainability Committee, chaired by Mr. Roebben, governs the corporate sustainability activities at local level.

4.3.OUR ROLE IN SOCIETY: MEETING EXPECTATIONS

As a financial institution that is responsible for environmental issues, contributes to reducing the adverse effects of human activity on the planet's climate and makes efforts to counteract risks and maximize prevention, UBB has implemented various activities aimed at reducing our negative imprint on the environment. We can be truly resilient, should we manage to maintain the confidence of society in us. We achieve this by considering the impact our activities have on society and responding to societal needs and expectations in a balanced, reasonable and transparent manner.

We carry out our socially responsible activities by:

Reducing our negative impact on society

The generation of sustainable and profitable growth goes hand in hand with the contribution to a more sustainable society. This means that, as a banking group, we also strive to limit our adverse impact on society. We want to achieve this ambition of ours by:

- enforcing strict policies for sustainability in our commercial activities, related to respect for human rights, the environment, business ethics and sensitive issues of public interest;
- reducing the footprint, we leave on the environment.

Environmental responsibility is one of the deliberately chosen focus areas of KBC. As climate change is one of the greatest challenges of the 21st century, our primary goal is to contribute to the transition to a low-carbon economy and society. We are aware that our operations and businesses do have an impact. In order to limit our direct and indirect impact on global warming, there is a program, initiated at Group level for reducing our environmental footprint.

4. THE CLIENT – THE CENTER OF OUR BUSINESS CULTURE (CONTINUED)

4.3. OUR ROLE IN SOCIETY: MEETING EXPECTATIONS (CONTINUED)

We enhance our positive impact on society

Corporate sustainability and responsibility in recent years is not an objective per se, nor just a fashion trend – it is a way of doing business. It is only by rendering sustainability an integral part of our overall corporate strategy that we can trigger a positive change. In this ever-changing world, in order to truly position ourselves as a factor in social life and meet the new needs, expectations and desires of all our stakeholders, we have to act purposefully, while caring for and supporting society.

Sustainability does not only mean philanthropy and support for local initiatives through sponsorship, although these aspects continue to be of great importance to the Group. UBB contributes positively to society through its core business. We, however, want to go farther, so we have defined four main domains, on which to focus our attention and to develop meaningful projects.

Key element of our upgraded approach to sustainability is the fact that we want to offer core business solutions, related to lending, investing, insurance and consulting that contribute positively to addressing these societal challenges.

For a consecutive year our efforts are being focused on four main lines:

- Financial literacy
- Health
- Encouraging entrepreneurship
- Environment

Financial literacy

We proactively use our professional knowledge and experience for the benefit of society, supporting the work of financial industry organizations; professional associations, government and regulatory working groups focused on new legislation, codification of practices and digitization in the financial services sector.

We help our clients understand, plan, navigate and control their financial present and future through hosted webinars, tutorials on digital tools, coordinating research on employee benefits programs, providing consulting services and educational materials.

Educational activities on financial literacy are aimed both at schools and universities, and at teachers, but also at high-risk social groups.

In 2023, in line with financial literacy, we implemented the following initiatives:

- For the 11th time in a row, UBB participated in the initiative "I am proud of my parents' work", organized by the UN Global Compact in Bulgaria. The main goal of the initiative is to help children understand the role of work and creativity as a basis for satisfaction, self-esteem and fulfillment, giving them the opportunity to follow their parents' work process in the workplace. During the special day on November 1, over 150 children between the ages of 5 and 13 visited the UBB headquarters. The children took part in various educational and fun activities.
- "Manager for a Day" is an initiative of Junior Achievements. Within one day, participants get to know the real working environment in companies and organizations from all over the country and receive invaluable inspiration from top managers. In 2023, KBC Group welcomed 17 participants, 10 of which - in UBB.
- Financial literacy program for students from non-economic majors in 7 universities in the country - within 2023, a new edition of the financial literacy textbook for students from non-economic majors was prepared and the program expanded to additional universities.

4. THE CLIENT – THE CENTER OF OUR BUSINESS CULTURE (CONTINUED)

4.3. OUR ROLE IN SOCIETY: MEETING EXPECTATIONS (CONTINUED)

Financial literacy (continued)

- Meeting-discussion with students from the "European Studies" Department of Sofia University "St. Kliment Ohridski".
- "European Money Week" - in March 2023, 9 branches of UBB held open days, during which students from selected schools got to know the work of banks. Students learned how to develop a responsible attitude towards their personal finances.
- Information campaign directed against the growing criminal activity related to the so-called "financial mules" - UBB is part of the campaign uniting 26 countries. In 2023 once again, UBB published news on its website, as well as a post on social networks, explaining the goals of the campaign and ways to protect.
- Scholarships of the bCause Foundation "Ready for Success" – once more UBB provided 2 of the scholarships in the competition for disadvantaged youths who demonstrate excellent success in school.
- Seminars from the series "Trends in the Real Estate and Mortgage Market in Bulgaria" - the seminars are part of UBB's program for the development of key commercial partners. In 2023, they visited 7 cities - Sofia, Plovdiv, Varna, Burgas, Stara Zagora, Veliko Tarnovo and Pleven. The seminars were attended by over 1000 people.
- CEO Angels Club – within this joint initiative of UBB and the CEO Angels Club, three interesting and promising start-up companies that focus on a sustainable business model were given the opportunity to pitch their ideas.

Health

The companies, part of KBC Group in Bulgaria, strive to support initiatives related to a healthy lifestyle. Part of our corporate social responsibility policy is the promotion of a healthy lifestyle through value propositions to employees, customers, and society. Our approach to society is based on already established and well-branded initiatives, as well as new digital solutions.

- In 2023, UBB continued to be the general partner of the Bulgarian Volleyball Federation. Within this framework for 2023, UBB was also a partner of the EuroVolley European Volleyball Championship organized in Bulgaria, hosted in the city of Varna.
- UBB Games - for the 13th time, UBB organized one of the most anticipated and exciting internal sports events. Over 230 UBB employees took part in three-day competitions in 9 sports.
- Legion Run - in 2023, over 60 UBB employees took part in the Legion Run 2023. An event that, in addition to testing the physical capabilities of the participants, also focuses on teamwork. The goal is for all participants to start together and with a team effort finish together, helping each other.
- UBB Vertical Marathon - for yet another year, UBB Vertical Run 2023 brought together nearly 300 athletes and non-professionals for vertical running in the UBB Millennium Center. 24 floors up and down, 1012 steps and 190 meters of elevation gain were overcome by the participants in the shortest of time. The race is organized with the goal of motivating more people to use alternative means of transportation.
- Run2gether – once more in 2023 more than 20 UBB employees took part in the most successful mini-marathon with a cause in the world - Run2gether, which aims to raise funds to provide more opportunities to young people with different opportunities to participate in adapted training.

4. THE CLIENT – THE CENTER OF OUR BUSINESS CULTURE (CONTINUED)

4.3. OUR ROLE IN SOCIETY: MEETING EXPECTATIONS (CONTINUED)

Encouraging entrepreneurship

Entrepreneurship is a key part of KBC Group's strategy. KBC Group companies consider the promotion of entrepreneurship as their mission, as we believe that it is the real driving force behind the growth and development of economies.

With the participation of UBB, UBB Interlease and DZI, the following projects aimed at the development of entrepreneurship were implemented:

- **Family business -** a own platform for family companies that enables exchange and support successful transition and preparing the second generation of entrepreneurs for the new challenges
- **Support for AGRO entrepreneurship** - master class "ESG in the agricultural sector - innovations, opportunities and challenges" joint project of UBB and master's program "Innovations and digital transformation in agribusiness" of the FEBA, Sofia University
- **The Business Academy for Startup Entrepreneurs (BASE)** is a training program that enables small business owners or young entrepreneurs to develop their ideas and turn them into successful business ventures, create new jobs and contribute to the development of the local economy. UBB representatives participated in the training and evaluation of the projects. A charity bazaar was organized in the UBB Millennium Center with the participation of the companies from the program.
- **National competition for "Best Youth Startup for 2023"**, organized by SU "St. Kliment Ohridski" and FMFIB
- **Master class for young entrepreneurs from the Kardzhali region**, organized jointly with SU "St. Kliment Ohridski"
- European Entrepreneur's Day celebrated at the House of Europe on the initiative of SU "St. Kliment Ohridski as UBB presented the digital assistant Kate.
- **Bulgarian Angels Club -** The largest organization for angel financing in Bulgaria. A joint event was held at UBB, where 3 startups presented their projects through "pitching"
- **Mentor the young** is a 3-month mentoring program that connects young people aged 18 to 25 and established professionals. The main goal of the program is to develop mentoring in Bulgaria as a tool for professional, entrepreneurial and personal development.

In 2023, UBB's partnership with BCCI Investment Council was announced to support the development of entrepreneurship.

In parallel with all these initiatives, UBB continues its practice of informing young entrepreneurs about opportunities for euro financing.

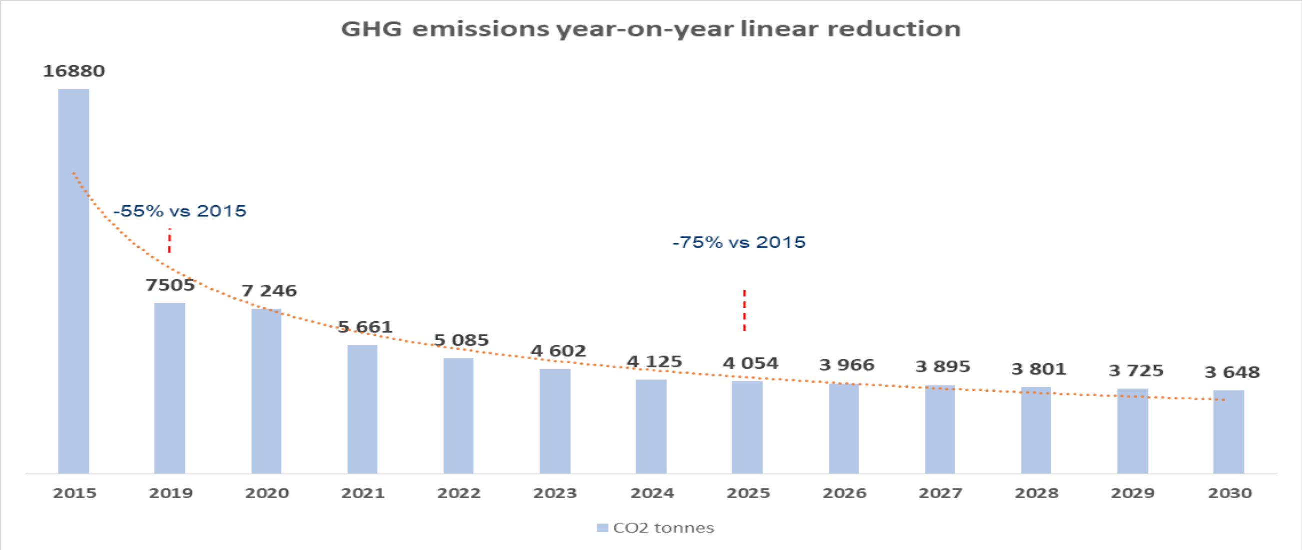
On the other hand, UBB is one of the market leaders in the implementation of financing and guarantee agreements with International Financial Institutions. Thanks to successful partnerships with the European Investment Bank, European Investment Fund, Bulgarian Development Bank, National Guarantee Fund, Fund Manager of Financial Instruments in Bulgaria, European Bank for Reconstruction and Development, International Finance Corporation and Bulgarian Export Insurance Agency, UBB continues to supports the development of small and medium enterprises in Bulgaria. UBB is also a participant in the "Fund for Sustainable Cities" consortium, and together with the other partners in the consortium implements a financial instrument aimed at stimulating investments in urban development, cultural heritage, sustainable infrastructure and environmental protection. In 2023 loans were successfully offered under the COSME, JEREMIE TF, FMFIB, NGF 7, InvestEU and BAEZ programs. UBB signed an agreement with the EIB for a EUR 150 million portfolio to support large corporate clients, as well as an agreement with the EIF under the Recovery and Resilience Plan of Bulgaria for a portfolio of nearly BGN 1.5 billion for companies with up to 499 employees.

4. THE CLIENT – THE CENTER OF OUR BUSINESS CULTURE (CONTINUED)

4.3. OUR ROLE IN SOCIETY: MEETING EXPECTATIONS (CONTINUED)

Protecting Environment

Our short-term target (according to 2020 action plan) is to reduce the GHG emissions with -75% to 2025 vs 2015 and to continue reducing the carbon footprint till reaching -100% by 2050.



For 2023, the total amount of greenhouse gas emissions of all entities owned by KBC Group in Bulgaria is 5 054 tons, including the carbon emissions of the merged entities (KBC Bank Bulgaria, KBC Leasing Bulgaria and KBC Insurance Broker). Excluding the impact from the merged companies, the total amount of greenhouse gas emissions is 3 734 tons, which is with 5% higher than the set target.

KBC Bulgaria Group continues to focus its reduction efforts on the most impacting activities – these are purchased electricity and travel:

Electricity:

Gradual increase of green electricity share to 80% by 2025 and to 100% by 2030. For 2023, the total share of purchased green energy for the needs of KBC Bulgaria group is 90% (as the purchased electricity for UBB, DZI, UBB PIC and KBC Branch Bulgaria is 100% green energy).

Solar panel installations — The electricity produced by the two operating photovoltaic plants for 2023 has increased by 22% or by 11,300 kWh compared to the previous year. The construction of a third photovoltaic plant is due in 2024.

Transportation:

Gradual replacement of own car fleet by 70% electric cars and 30% hybrid cars to 2026 - Currently, 47 electric and 23 hybrid cars have been delivered and are in use for the needs of UBB, DZI and UBB PIC.

4. THE CLIENT – THE CENTER OF OUR BUSINESS CULTURE (CONTINUED)

4.4. FOCUS ON RESPONSIBLE AND ETHICAL BEHAVIOR

If we want to maintain and increase the confidence of our stakeholders, it is crucial that we act responsibly in everything we do. We strive to go beyond regulatory and compliance requirements: since customer focus is at the heart of our strategy, we focus specifically on sales and consulting with the right degree of responsibility. The basic principles here are respect for customers, colleagues and society. This provides us with legitimacy, guides our behavior and guarantees our long-term survival.

Responsible behavior is at the heart of honesty, fairness, transparency and confidentiality, combined with sound risk awareness. Responsible behavior is especially important for the banker when it comes to proper advice and sales. That is why we pay particular attention to the training and awareness of our employees in this regard.

As a first step in building a corporate culture of ethical behavior, a separate segment is dedicated to the initial training of newly hired employees.

In 2023, a focused training on Responsible behavior (combined with the topics of Operational risk and Information security in under the general Risk culture training) for the Bank's staff was conducted in order to uphold a decent level of awareness on these topics. The training was followed by a knowledge test in order the degree of staff awareness in regard to the importance of the topic to be assessed.

4.5. FOCUS ON CLIMATE CHANGE

At UBB, we clearly recognize that our own activities, together with those of the businesses we fund, have a significant impact on climate and society. As a banking and insurance group, we are committed to reducing our negative and increasing our positive impact on the environment, and this focus is constantly expanding.

In 2023, UBB has successfully continued and expanded its work towards a transition to a sustainable economy in line with the KBC strategy. Progress and targets achieved are managed, tracked, reported, and discussed regularly by a dedicated committee, the Sustainable Finance Steering Committee, which is chaired by the CEO SME Banking and Sustainable Finance Program Leader, and is a sub-committee of the Corporate Sustainability Committee (CSR Committee) in Bulgaria. The sustainability and opportunity realization strategy of the Bank and other KBC Group companies in Bulgaria is embedded in every layer of the organization and in all core activities. Responsibilities related to the management and reporting of the Sustainability Strategy objectives are assumed by the General Manager Product and Business Development for the Corporate and SME segment, who also assumes the function of General Manager Sustainability for the KBC Group in Bulgaria.

Through its "Sustainable Finance Program" in 2023, UBB continued to work actively on the following main pathways: setting targets, measuring, collecting and reporting on own and financed sectors' emissions data, preparing and updating the so-called White Papers - expert documents for assessing the development of carbon-intensive sectors in our portfolio, developing and tracking banking products and services related to sustainability and green business solutions, validating sustainable activities; monitoring and analyzing the impact of our own and client activities on biodiversity; supply chain research on specific sectors; analysis of the business impact of adverse weather events; development of innovative digital solutions. By the end of the year, the program had been successfully finalized with reported targets completed.

UBB's focus over the past year has been on environmental and climate risks, biodiversity, and circular economy as a priority, following both the ECB guidelines and the Group's commitment to the Collective Commitment for Climate Action (CCCA). The UBB is a member of the UN Global Compact Network, we are committed to the Principles for Responsible Banking (PRB), and from the end of 2022 we are also supporting The Science Based Targets initiative (SBTi).

4. THE CLIENT – THE CENTER OF OUR BUSINESS CULTURE (CONTINUED)

4.5. FOCUS ON CLIMATE CHANGE (CONTINUED)

We also apply clear sustainability policies in our business ethics, human rights, and public affairs activities.

And in 2023, several important priorities were implemented through the Sustainable Finance program:

➢ The so-called White Papers approved in 2021 were updated - specific documents containing policies and key trends related to sustainability in the sectors and segments most affected by climate change. In 2023, we broadened our focus by adding a White Paper on the Aviation sector, as well as including even more environmental objectives in the scope of our analyses, such as the sustainable use and conservation of water and marine resources, the transition to a circular economy, pollution prevention and control, biodiversity and ecosystem conservation and restoration. New international regulations were added and updated, as well as the methods for achieving the sectoral objectives. As part of our approach to White Papers, we are also seeking to identify opportunities that will steer us in a positive direction.

➢ As part of the Collective Commitment, UBB and all Group companies are required to set and disclose long-term (to 2050) and medium-term (2030) carbon reduction targets for their loan portfolio that aim to meet the Paris Agreement targets. The target-setting methodology to be applied uses only scientifically accepted decarbonization scenarios based on absolute emissions (in tonnes of CO_2/ million euros) as well as sector-specific emission intensities (e.g. tCO_2/sqm or MWh).

➢ In this regard, in 2023, UBB continued the large-scale data collection to measure the carbon emissions levels of our credit portfolio against the calculated baselines and the set specific science-based decarbonization targets by 2030 and 2050 for certain priority sectors. UBB uses the PCAF (Partnership for Carbon Accounting Financials) methodology to calculate carbon emissions from the data collected and indicators (KPIs) as part of the CCCA group status report.

➢ At group and local level, targets are publicized and published, with progress monitored and shared on an annual basis. Funded emissions reporting, also known as the 'PCAF Report', is consolidated into the Group Sustainability Report.

In addition, UBB monitors and discloses progress against set clearly measurable indicators (KPIs) for yet another year:

1. Proportion of financing invested in Renewable Energy (RE) capacity:
- For 2023, the target was for 65% of the loan portfolio of energy exposures to be from renewable sources. During the year, we achieved significantly higher results.
- Reflecting on the progress we have made, and the increasing levels of ambition to transition to a low carbon economy, our targets for the upcoming years are increasing progressively.
2. No new coal power funding for the KBC Group.
3. Share for the proposed responsible investment funds managed by KBC Asset Management, which UBB proposes with investment advice and in line with investor sustainability preferences - over 50% after 2030.
4. In the 3-years budget cycle (APC), there are new targets for selling products related to energy-efficient real estate, not only in the mortgage market, but also in project financing.

4. THE CLIENT – THE CENTER OF OUR BUSINESS CULTURE (CONTINUED)

4.5. FOCUS ON CLIMATE CHANGE (CONTINUED)

Risk management:

We have standards for sustainable and responsible lending - the ESG Factors Assessment (ESG Assessment) is an integral part of the lending process: assessing the risks associated with ESG factors, and particularly the potential impact of environmental, social and governance factors on borrowers in high-risk sectors, and for financing above a certain threshold, according to guidelines from KBC. When approving new loans and reviewing existing exposures, increasing attention is being paid to the quality and completeness of the ESG assessment, with plans to gradually extend its scope and application to other borrowers. Our policies in relation to integrating the measurement of Environmental, Social or Governance Event Risk (ESG Risk) are monitored in regular risk measurement activity in lending transactions as follows: UBB Credit Policy for SME and Corporate Segment; Sustainable and Responsible Lending Standards; Credit Risk Standards for Lending to Corporate and SME Customers; ESG Assessment Guidelines for Corporate Clients, as per KBC Group ESG Assessment Guidelines; Guidelines for performing ESG assessment for SME clients, in accordance with the KBC Group ESG Assessment Guidelines; Equator Principles - A framework for the financial sector on the identification, assessment and management of environmental and social risk in project finance.

Client relations:

UBB continues to play an active role in customer dialogue and engagement, making proactive contact so that our customers recognize us as partners offering support in the transition to a more sustainable business. Through this dialogue, we not only gather the necessary data, but also aim to identify the challenges that customers are facing so that we can offer the right solutions and products to overcome the issues and achieve business transformation goals.

To be a trusted partner to the business, all KBC companies in Bulgaria conduct regular trainings for their employees on sustainability and financing topics. In 2023, two new editions of the ESG Academy were implemented, which UBB is preparing together with the Faculty of Economics of Sofia University "St. Kliment Ohridski". With this, and together with the 2022 editions, over 110 colleagues received specialized training. Customer Relationship Managers were additionally trained in the objectives and requirements of customer dialogue, as well as on the possible ways of support that the bank is developing. This helped to achieve the target set by the end of this year: that all our large corporate clients (or those with large exposures) would be communicated with on the extent of client preparedness with ESG risks and opportunities, with additional data collected according to sector of activity. Dialogues were also held with the most prominent companies in certain sectors in relation to their preparation to meet some new European regulations related to sustainability. For the SME segment customers and our partners in Veliko Tarnovo, Plovdiv and Sofia region, workshops with a practical focus on Sustainability and CSR were held with over 250 business participants in just two months at the end of 2023.

In 2023, UBB implemented the first 2 special events dedicated to specific sector ESG and investment needs. These events targeted the Agriculture and Transport sectors and are the start of 8 consecutive conferences aimed at informing and supporting companies in their smooth transition to a more sustainable business. Towards the end of the year, this commitment was fulfilled and will be extended to other client groups and enriched with more topics for next year.

Our analysis of feedback from the customer dialogue shows that, overall, customers are increasingly interested in sustainability topics and are satisfied with the Bank's efforts to support them in the transition to sustainability. It is important to note, however, that a large number still need assistance as they do not have an adequate sustainability strategy and do not consider their carbon footprint.

4. THE CLIENT – THE CENTER OF OUR BUSINESS CULTURE (CONTINUED)

4.5. FOCUS ON CLIMATE CHANGE (CONTINUED)

Development of environmentally friendly products:

Under the Sustainable Finance Program, key products and solutions have been initiated and successfully launched to position UBB as a leading banking institution - a partner to customers in the transition to a sustainable economy:

"Investment credit on preferential terms for the construction of photovoltaic installations for own needs".

"Energy efficient home mortgage loan" - a new product for A and B class energy certified properties with primary energy consumption up to 150 KWh per year. In March 2023, UBB launched a digital marketing campaign to promote the benefits of buying a home with a higher energy efficiency rating and to promote our preferential mortgage terms on assets with an A, A+ or B energy rating.

KBC Group in Bulgaria is the first Group on the market to completely replace the vinyl used for advertising billboards. The so-called green banners or eco vinyl are 100% recyclable outdoor advertising canvases that are handed over to a certified company for proper recycling after each campaign. With this, the users of the product are guaranteed to reduce their environmental impact and effectively participate in the circular economy, as the green banners are used after recycling to produce park benches, outdoor paving, bollards, fence posts and more.

Digital tool for sustainability in the agriculture sector - UBB Agro Carbon Calculator. In collaboration with the Institute for Agricultural Economics, UBB has created an application to calculate the carbon emissions of agricultural producers and generate a report, which is available on the bank's website. Calculations can be made for 28 subsectors in agriculture and livestock, with plans to add 2 more subsectors in 2024. In addition to the Calculated Emissions Report, to address emerging challenges and to help farmers, UBB has built on the project by establishing a Partnership Program with companies to expertly support farms through the transition to precision and efficient agriculture. The main purpose of this calculator is to spark interest in more in-depth analysis from the customer, while the data collected can be used to calculate the bank's financed emissions. UBB has also launched a comprehensive partnership program for advisory services, in 5 main areas: financial instruments and European funding programs; solar and energy efficiency, Sustainable construction; Sustainable agriculture; overall strategy regarding ESG factors in specific business activities. This consultancy hub will be further developed and deployed in the coming year as expert support for businesses.

Through our Sustainable Development Policy, we have identified several high impact areas where CBC can make a positive contribution and minimize its negative impact. By contributing to the economic wellbeing of society, we believe we can increase the ability to deliver better social outcomes. We strive to ensure that every department in the 7 KBC Group companies in Bulgaria is committed to this theme.

We believe that corporate sustainability and responsibility are the real way of doing business. In this ever-changing world, we strive to be a catalyst for positive transformation in Bulgaria. For us, sustainability is not just part of a stand-alone strategy, but is embedded in our corporate vision, embedded in its five pillars, and embedded in our day-to-day business activities We are developing our role in society in 5 areas - Responsible Behavior, Entrepreneurship, Financial Literacy, Health, Ecology and Environment.

4. THE CLIENT – THE CENTER OF OUR BUSINESS CULTURE (CONTINUED)

4.6. MEASURES

Complaints management

Process of receiving and handling complaints and providing legal protection against human rights violations. Every complaint received at UBB is registered and sent for verification, analysis and opinion to the relevant competent unit. All customer reports related to personal data are registered and directed to the Personal Data Protection Unit in the Retail Banking and Digital Sales Directorate. All complaints related to unauthorized transactions are directed to the Directorate of Individual Banking, Department of Cards and Digital Card Payments.

Complaints related to payments, corrections, write-offs are sent to the Director of "Multichannel sales and Contact center", as well as to the relevant directorate, and in the case of unauthorized transactions - to the Dispute Resolution Commission, under Section 4 of the Rules for resolving customer complaints of UBB.

The rules for resolving customer complaints of UBB represent a universally accepted basis for the collective participation of all competent units for more effective resolution of conflicts and their prevention. The total number of complaints received in 2023 in UBB is 19 725 (2022: 16 015 o/w UBB 6 429, exKBC Bank: 9 586), which is 3 710 more or 23% growth compared to the previous year. The main reasons for the increased number of complaints are: disputed card transactions (including amounts not received at other banks' ATMs), amounts not received from ATMs of UBB and exKBC Bank and complaints related to the migration of exKBC Bank customers.

Anti –corruption Program

Criteria used to assess the risk of corruption are provided for in UBB's Anti-corruption program and are set up in conjunction with the national legal framework for the prevention of corruption and fraud and conflict of interest based on the British Bribery Act (with ex-territorial effect) introduced in 2011 and implemented with Group Compliance Rule No. 19 (Anti-Corruption Program) of the KBC Group.

Risk assessment

When assessing the risk of corruption as per the UBB Anti-corruption Program the following criteria of internal and external risk of bribes are taken into consideration:

Key external risks:

• *Risk coming at country level* (high level of corruption, bad legislation, low transparency). For example: The countries with less than 50 points in accordance with the index of the: Transparency without borders" (http://www.transparency.bg/bg/), excluding Bulgaria, are considered as higher corruption risk http://www.transparency.bg/en. The exception provided for Bulgaria should not be applicable to: Politically Exposed Persons (PEPs); businesses that are associated with higher corruption risk (as per a list); parties involved with cash intensive activities, which are still considered to be higher risk.
• *Sectoral Risk* (some departments of a financial institution or cross-border activities are more exposed; risks are different for a bank as compared to other activities such as leasing, investments services or a factoring company, etc.).
• *Transaction Risk* (charitable contributions, licenses and permits, public procurement).
• *Business Opportunity Risk* (complex projects including many intermediaries, not at market prices, no clear legitimate objective).
• *Business Partnership Risk* (transactions with foreign public officials, joint ventures, PEPs, agents and intermediaries).
• *Due Diligence Risk* (absence of due diligence on parties performing services on behalf of the Bank e.g. to establish business in a foreign market, M&A's).

4. THE CLIENT – THE CENTER OF OUR BUSINESS CULTURE (CONTINUED)

4.6. MEASURES (CONTINUED)

Key internal risks:

• *Human Resources* (employee training, skills and knowledge, bonus culture, excessive risk taking).
• *Monitoring and Control* (Lack of monitoring, lack of reporting, lack of clear financial/ accounting controls).
• *Other* (Lack of clarity in procedures for hospitality, promotional expenses charitable contributions, etc., lack of anti-bribery message from the top management, specific divestment risks).
• The Bank organizes trainings to newcomers and refreshing trainings and tests to the personnel. The number of employees trained in 2023 is as follows:

- Trainings for new employees on internal rules on ethics:
  - Number of employees invited at training sessions – 525
  - Number of employees who attended the trainings, including testing – 425
- Training for the whole bank staff on ethics and fraud risk management:
  - Number of employees invited at training sessions – 4 285
  - Number of employees who attended the trainings, including testing – 4 129
- Training for the whole bank's staff on internal procedures, prohibiting provision of unacceptable services and assistance:
  - Number of employees invited – 4 177
  - Number of employees who passed the test – 4 025

None was dismissed or was at suit for corruption in 2023.

• The Bank has developed a mechanism for sending signals for malpractices and violations of internal rules, including corruption.

• The following regulations in force in UBB and are directly or indirectly linked to corruption prevention:
- Code of conduct (updated in 2021);
- Policy on gifts, entertainment, donation and sponsorship;
- Whistle-blowing Rules (updated in 2022);
- Rules for prevention of money laundering/financing of terrorism (updated in 2023);
- Internal rules for inventory and non-remuneration of management mandates executed in other companies on nomination of KBC.

4.7. IMPORTANT NEW SUSTAINABILITY POLICIES

Blacklist of companies and activities

We place businesses on this list that are involved with controversial weapons systems or which commit serious breaches of UN Global Compact Principles. The employees of the Bank / The Group are not permitted to do business with such enterprises.

Human rights

We have updated our human rights policy to bring us in line with the UN Guiding Principles on Business and Human Rights and UN Global Compact Principles.

Controversial regimes

We do not wish to be involved in financial activities with controversial regimes that fundamentally violate human rights and lack any form of good governance rule of law or economic freedom. We do however make an exception for humanitarian goods. Based on reputable external sources we decide each year what countries are to be included on our list of controversial regimes.

4. THE CLIENT – THE CENTER OF OUR BUSINESS CULTURE (CONTINUED)

4.7. IMPORTANT NEW SUSTAINABILITY POLICIES (CONTINUED)

Arms-related activities

We are very reluctant to fund any kind of arms-related activities. Even though the arms industry plays a role in security funding is only provided to companies that meet strict conditions.

Project finance

We do not provide financing or advisory services to projects where the client does not comply with the Equator Principles.

Other socially sensitive sectors

We have imposed restrictions on other socially sensitive sectors such as narcotic crops, gambling, palm oil production, mining deforestation, land acquisition and involuntarily resettlement of indigenous populations and prostitution.

4.8. WE AIM TO ACHIEVE OUR AMBITIONS WITHIN A STRINGENT RISK MANAGEMENT

Framework

The Risk Function has a clear ambition to support UBB in achieving its strategic objectives under the 'P1rvi' strategy, to contribute to its resiliency and agility, to provide management and the supervisory board with insights supporting risk-conscious decision taking and to pro-actively inform them about the risks UBB is facing. UBB's risk strategy is aligned with the risk strategy of KBC Group.

The strategy of the Risk Function therefore finds its origin in the overall Corporate Strategy & Pearl+ Culture and the translation thereof in the UBB Risk Appetite, which sets the bar for risk management throughout the company. In addition, it considers all relevant elements, including the top risks, the 'external supervisory view' (as expressed a.o. via the SREP) and upcoming regulatory changes.

The CRO Services MC confirmed the core pillars, but updated their meaning to better reflect the updated KBC Corporate Strategy. Within the reconfirmed Risk Strategy we set the bar high aiming to be the bank that puts its clients at the center of everything we do and thus become 'the reference'. Sound risk management plays an important role in that regard.

Risk management is an integral part of our strategy and our decision-making process

- We perform risk scans to identify all key risks;
- We provide risk advice for all new and existing products and processes as well as for app innovation and transformation projects in UBB;
- We monitor the risk profile of existing and new products via a New and Active Product Process;
- We define our risk appetite in a clear manner;
- We translate that into strict limit tracking per activity and business unit;
- We challenge the results of the periodic planning process via stress tests;
- We have appointed independent risk officers in all relevant parts of our organization.

Although the activities of a financial group are exposed to risks that only become apparent in retrospect, we can currently identify a number of major challenges for the Bank. As a banking institution we are also exposed to the typical risks for our sector such as credit risk, country risk, interest rate risk, foreign exchange risk and operational risk.

4. THE CLIENT – THE CENTER OF OUR BUSINESS CULTURE (CONTINUED)

4.9. OUR 'THREE LINES OF DEFENCE' MODEL

The business units of UBB (first line of defense) are responsible for managing the risks in their processes. In their capacity of independent control functions "Risk Management" and "Compliance" as well as – for certain matters – "Finance" and "Legal", constitute the second line of defense.

As independent third line of defense "Internal Audit" provides support to the Management Board, the Audit Committee and the Risk & Compliance Committee in monitoring the effectiveness and efficiency of the internal control and risk management system.

4.10. SECTOR – SPECIFIC RISKS

Credit risk

Credit Risk is defined as the potential negative deviation from the expected value of a financial instrument caused by default on the part of a party to a contract due to the inability or unwillingness of that party to pay or perform or due to particular situations or measures on the part of political or monetary authorities in a particular country.

In addition, the counterparty credit risk (CCR) originates from deals with derivatives, repo deals, deals of lending/ borrowing of securities or commodities, transactions with extended settlement and represents the risk that the counterparty under a particular deal may default prior to the final settlement of the cash flows under the deal.

It needs to be mentioned that credit risk is also subject to concentration risk. Concentration risk refers to all significant interrelated exposures which, in cases of distress in a particular market, industry, country, may negatively impact the financial stability of an institution.

The three lines of defense approach is strictly applied in Credit Risk management. First line of defense is responsibility of the "business" (encompassing both the commercial network and the credit function). To that extent UBB has procedures, processes, applications in place to assess the risks before and after accepting individual credit exposures.

Risk Function, on Group as well as on Local level, acts as the second line of defense, responsible for monitoring and measuring credit risk on portfolio level, as well as developing frameworks related to credit risk.

Market risk in trading book activities

In general, the market risk is the risk of loss following sharp fluctuations in the market factors (interest rates, FX rates, prices etc.), which negatively affect the value of the asset and/or portfolio.

Existence of a robust management framework
Historical VaR method, interest rate sensitivities on currency and bucket level, open currency position monitoring, stress tests etc.

Operational and other non-financial risks

Operational risk is the risk of loss resulting from inadequate or failed internal processes and IT systems, human error or sudden external events whether man-made or natural. Other non-financial risks include reputational risk, business risk and strategic risks.

Existence of a robust management framework
Group key controls, Risk & Control inventories, risk scans, Key Risk Indicators (KRIs) etc.

4. THE CLIENT – THE CENTER OF OUR BUSINESS CULTURE (CONTINUED)

4.10. SECTOR – SPECIFIC RISKS (CONTINUED)

Market risk in the banking book (non-trading activities)

Structural market risks such as interest risk, equity risk, real estate risk, currency risk and inflation risk. Structural risks are risks inherent to the commercial activity or long-term positions.

Existence of a robust management framework
Basis Point Value (BPV), NII simulation and stress testing, nominal amounts limit tracking for crucial indicators, open currency position in banking book monitoring, etc.

Liquidity risk

The liquidity risk can be classified as potential inability of the bank to fund the increase of its assets and/or meet its payment obligations which are due without incurring unacceptable losses.

Existence of a robust management framework
Liquidity stress tests management of funding structure, limits for LCR and NSFR etc.

Solvency risk

Risk that the Bank's capital base will fall below an acceptable level. Solvency risk measurements are regulated in:

- Directive 2013/36/EU which set the general framework for Risk Management in financial institutions;
- Regulation EU 575/2013 (Credit Risk Regulation) which sets forth the rules for calculating Capital Adequacy Ratio (CAD) and the minimal requirements;
- Directive (EU) 2014/59 (Bank Recovery and Resolution Directive II) which sets forth the Minimum Requirement for own funds and Eligible Liabilities (MREL) ratio.

Banks registered in the EU must always comply with the regulatory capital thresholds. To monitor compliance, Regulatory authorities have set up a quarterly reporting process.
At bank level Solvency Risk is managed by the Risk Function. Management Board's involvement is insured via regular reporting of CAD and MREL to the Local Risk Management Committee (LRMC).

In addition to the comprehensive monitoring of risk indicators, we monitor our solvency and liquidity performance using a number of Key Performance Indicators (KPIs).

Teodor Marinov	**Svetla Georgieva**
Executive Director	**Executive Director**

UNITED BULGARIAN BANK AD SOFIA

Date: 29.04.2024

SEPARATE AND CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2023

All amounts are in thousand Bulgarian Levs, unless otherwise stated

	Note	Year ended 31.12.2023 SEPARATE	Year ended 31.12.2022 SEPARATE	Year ended 31.12.2023 CONSOLIDATED	Year ended 31.12.2022 CONSOLIDATED
Interest income		774 465	308 331	786 783	310 922
Interest expenses		(109 126)	(21 020)	(111 979)	(21 418)
Net interest income	3	**665 339**	**287 311**	**674 804**	**289 504**
Fee and commission income		325 785	186 373	333 874	190 148
Fee and commission expenses		(78 590)	(33 584)	(79 516)	(34 180)
Net fee and commission income	4	**247 195**	**152 789**	**254 358**	**155 968**
Dividend income		8 106	3 772	2 477	1 055
Net result from financial instruments at fair value through profit or loss	5	2 878	279	2 874	279
Net result from hedging derivatives		84	(109)	84	(109)
Net result from derecognition of investments in subsidiaries		-	1 204	(880)	2 592
Net other income	6	625	3 362	2 938	4 963
Total income		**924 227**	**448 608**	**936 655**	**454 252**
Operating expenses	7	**(441 661)**	**(231 734)**	**(445 882)**	**(234 831)**
Personnel expenses		(190 060)	(109 753)	(192 928)	(112 154)
General administrative expenses		(202 120)	(96 966)	(203 007)	(97 603)
Depreciation and amortization expenses		(49 481)	(25 015)	(49 947)	(25 074)
Impairment expenses	8	**(20 310)**	**(48 668)**	**(19 158)**	**(50 292)**
On financial assets at amortized cost and at fair value through OCI		(23 170)	(45 343)	(22 017)	(46 253)
On off-balance sheet commitment		5 014	(275)	5 013	(275)
On non-financial assets		(2 154)	(3 050)	(2 154)	(3 764)
Share in results of associated companies		-	-	476	467
PROFIT BEFORE TAX		**462 256**	**168 206**	**472 091**	**169 596**
Income tax expense	9	(44 802)	(16 704)	(46 640)	(16 976)
PROFIT FOR THE YEAR		**417 454**	**151 502**	**425 451**	**152 620**
UBB equity shareholders		417 454	151 502	425 451	152 620

The accompanying notes from page 85 to page 163 are an integral part of these separate and consolidated financial statements.

These separate and consolidated financial statements have been approved for issue by the Management Board on 29.04.2024 and signed by:

Teodor Marinov
Executive Director

Svetla Georgieva
Executive Director

In reference to the auditors' report:

For PricewaterhouseCoopers Audit OOD:

Jock Nunan
Procurator

Pavel Pirinski
Registered Auditor responsible for the audit

Date: 07.05.2024

For BDO AFA OOD:

Valia Iordanova
General manager. Registered auditor responsible for the audit

UNITED BULGARIAN BANK AD * SOFIA * UBB

ОДИТОРСКО ДРУЖЕСТВО София Рег. № 085 ПРАЙСУОТЪРХАУСКУПЪРС ОДИТ ООД

ОДИТОРСКО ДРУЖЕСТВО София Рег. № 015 „БДО АФА" ООД

All amounts are in thousand Bulgarian Levs, unless otherwise stated

	Year ended 31.12.2023 SEPARATE	Year ended 31.12.2022 SEPARATE	Year ended 31.12.2023 CONSOLIDATED	Year ended 31.12.2022 CONSOLIDATED
PROFIT FOR THE YEAR	**417 454**	**151 502**	**425 451**	**152 620**
Other comprehensive income/(loss) that may be recycled to profit or loss				
Changes in the fair value of debt instruments at fair value through OCI, net of tax	5 791	(47 941)	5 791	(47 941)
Gains reclassified through PL, net of tax	-	2 361	-	2 361
Other comprehensive income/(loss) that may be recycled to profit or loss	**5 791**	**(45 580)**	**5 791**	**(45 580)**
Other comprehensive income that will not be recycled to profit or loss				
Changes in the fair value of equity instruments at fair value through OCI, net of tax	4 482	1 770	4 482	1 770
Actuarial gains, net of tax	1 871	2 131	1 871	2 131
Other comprehensive income that will not be reclassified subsequently to profit or loss	**6 353**	**3 901**	**6 353**	**3 901**
Other comprehensive income (loss), net of taxes	**12 144**	**(41 679)**	**12 144**	**(41 679)**
Total comprehensive income for the year	**429 598**	**109 823**	**437 595**	**110 941**
Attributable to UBB equity shareholders	429 598	109 823	437 595	110 941

The accompanying notes from page 85 to page 163 are an integral part of these separate and consolidated financial statements.

These separate and consolidated financial statements have been approved for issue by the Management Board on 29.04.2024 and signed by:

Teodor Marinov
Executive Director

Svetla Georgieva
Executive Director

UNITED BULGARIAN BANK AD SOFIA UBB

In reference to the auditors' report:
For PricewaterhouseCoopers Audit OOD:

Jock Nunan
Procurator

Pavel Pirinski
Registered Auditor responsible for the audit

For BDO AFA OOD:

Valia Iordanova
General manager,

Registered auditor responsible for the audit

Date: 07-05.2024

ОДИТОРСКО ДРУЖЕСТВО София Рег. № 085 ПРАЙСУОТЪРХАУСКУПЪРС ОДИТ ООД

ОДИТОРСКО ДРУЖЕСТВО София Рег. № 015 „БДО АФА" ООД

All amounts are in thousand Bulgarian Levs, unless otherwise stated

	Note	Year ended 31.12.2023 SEPARATE	Year ended 31.12.2022 SEPARATE	Year ended 31.12.2023 CONSOLIDATED	Year ended 31.12.2022 CONSOLIDATED
ASSETS					
Cash and cash balances with the Central Bank	10	8 438 440	2 274 763	8 438 445	2 274 763
Due from banks	11	1 350 722	1 166 303	1 351 131	1 166 303
Reverse repos with banks	11	-	1 585 181	-	1 585 181
Derivative financial instruments	16	22 014	13 433	22 014	13 433
Financial assets at fair value through profit or loss	13	9 215	5 233	9 215	5 233
Financial assets at fair value through OCI	14	599 871	591 912	599 871	591 912
Securities at amortized cost	15	5 302 762	3 205 772	5 302 762	3 205 772
Loans and advances to customers	12	17 932 633	8 417 347	18 056 825	8 535 681
Investments in subsidiaries and associated companies	17	65 296	15 022	4 225	3 839
Intangible assets	18	36 804	20 662	36 953	20 680
Property and equipment	18	118 928	94 064	124 394	94 104
Investment properties	19	95 380	98 380	101 373	105 670
Right-of-use assets	20	44 009	16 976	44 475	16 996
Deferred tax assets	21	6 048	2 327	6 058	2 355
Corporate income tax receivables		-	6 160	-	6 160
Other assets	22	19 462	13 743	25 701	13 744
TOTAL ASSETS		**34 041 584**	**17 527 278**	**34 123 442**	**17 641 826**
LIABILITIES					
Deposits from banks	23	2 760 645	1 970 836	2 760 645	1 970 836
Derivative financial instruments	16	28 578	8 961	28 578	8 961
Deposits from customers	24	26 256 822	13 532 215	26 255 585	13 527 040
Other borrowed funds	25	1 444 723	370 933	1 515 395	489 430
Current income tax liabilities		2 729	-	2 952	-
Provisions	26	24 767	11 762	24 913	11 759
Lease liabilities	20	44 699	16 915	44 699	16 932
Other liabilities	27	102 854	42 146	106 772	42 569
TOTAL LIABILITIES		**30 665 817**	**15 953 768**	**30 739 539**	**16 067 527**
SHAREHOLDERS' EQUITY	28				
Share capital		177 168	93 838	177 168	93 838
Share premium and Statutory reserves		919 510	312 949	919 510	312 949
Retained earnings		2 164 499	1 167 347	2 172 655	1 168 136
Revaluation and other reserves		1 152	(624)	1 132	(624)
TOTAL EQUITY ATTRIBUTABLE TO UBB SHAREHOLDERS	28	**3 262 329**	**1 573 510**	**3 270 465**	**1 574 299**
Additional tier-1 instrument included in equity		113 438	-	113 438	-
TOTAL EQUITY		**3 375 767**	**1 573 510**	**3 383 903**	**1 574 299**
TOTAL EQUITY AND LIABILITIES		**34 041 584**	**17 527 278**	**34 123 442**	**17 641 826**

The accompanying notes from page 85 to page 163 are an integral part of these separate and consolidated financial statements.

These separate and consolidated financial statements have been approved for issue by the Management Board on 29.04.2024 and signed by:

Teodor Marinov
Executive Director

Svetla Georgieva
Executive Director

In reference to the auditors' report:
For PricewaterhouseCoopers Audit OOD:

Jock Nunan
Procurator

Pavel Pirinski
Registered Auditor responsible for the audit

Date: 07.05.2024

For BDO AFA OOD:

Valia Iordanova
General manager.

Registered auditor responsible for the audit

All amounts are in thousand Bulgarian Levs, unless otherwise stated

SEPARATE	Share Capital	Share Premium	Statutory Reserves	Retained Earnings	Reserve related to actuarial losses	Revaluation reserve	Total Attributable to UBB equity shareholders	Additional tier-1 instruments included in equity	Total
Balance as of 1 January 2022	93 838	210 058	102 891	1 184 530	(998)	44 414	1 634 733	-	1 634 733
Profit for the year	-	-	-	151 502	-	-	151 502	-	151 502
Other comprehensive income for the year, net of tax	-	-	-	2 361	2 131	(46 171)	(41 679)	-	(41 679)
Total comprehensive income	-	-	-	153 863	2 131	(46 171)	109 823	-	109 823
Dividends	-	-	-	(171 115)	-	-	(171 115)	-	(171 115)
Other	-	-	-	69	-	-	69	-	69
Balance as of 31 December 2022	93 838	210 058	102 891	1 167 347	1 133	(1 757)	1 573 510	-	1 573 510
Balance as of 1 January 2023	93 838	210 058	102 891	1 167 347	1 133	(1 757)	1 573 510	-	1 573 510
Business combination (note 39)	83 330	520 118	86 443	586 826	(77)	(10 261)	1 266 379	113 438	1 379 817
Profit for the year	-	-	-	417 454	-	-	417454	-	417 454
Other comprehensive income for the year, net of tax	-	-	-	-	1 871	10 273	12 144	-	12 144
Total comprehensive income	-	-	-	417 454	1 871	10 273	429 598	-	429 598
Dividends	-	-	-	-	-	-	-	-	-
Coupon on additional tier-1 instruments	-	-	-	(7 158)	-	-	(7 158)	-	(7 158)
Other	-	-	-	30	-	(30)	-	-	-
Balance as of 31 December 2023	177 168	730 176	189 334	2 164 499	2 927	(1 775)	3 262 329	113 438	3 375 767

CONSOLIDATED	Share Capital	Share Premium	Statutory Reserves	Retained Earnings	Reserve related to actuarial losses	Revaluation reserve	Total equity attributable to UBB shareholders	Additional tier-1 instrument included in equity	Total
Balance as of 1 January 2022	93 838	210 058	102 891	1 184 199	(998)	44 414	1 634 402	-	1 634 402
Profit for the year	-	-	-	152 620	-	-	152 620		152 620
Other comprehensive income for the year, net of tax	-	-	-	2 361	2 131	(46 171)	(41 679)	-	(41 679)
Total comprehensive income	-	-	-	154 981	2 131	(46 171)	110 941	-	110 941
Dividends paid	-	-	-	(171 115)	-	-	(171 115)	-	(171 115)
Other	-	-	-	71	-	-	71	-	71
Balance as of 31 December 2022	93 838	210 058	102 891	1 168 136	1 133	(1 757)	1 574 299	-	1 574 299
Balance as of 1 January 2023	93 838	210 058	102 891	1 168 136	1 133	(1 757)	1 574 299	-	1 574 299
Business combination (note 39)	83 330	520 118	86 443	586 226	(97)	(10 261)	1 265 759	113 438	1 379 197
Profit for the year	-	-	-	425 451	-	-	425 451	-	425 451
Other comprehensive income for the year, net of tax	-	-	-		1 871	10 273	12 144	-	12 144
Total comprehensive income	-	-	-	425 451	1 871	10 273	437 595	-	437 595
Dividends	-	-	-	(7 158)	-	-	(7 158)	-	(7 158)
Other	-	-	-	-	-	(30)	(30)	-	(30)
Balance as of 31 December 2023	177 168	730 176	189 334	2 172 655	2 907	(1 775)	3 270 465	113 438	3 383 903

The accompanying notes from page 85 to page 163 are an integral part of these separate and consolidated financial statements.

These separate and consolidated financial statements have been approved for issue by the Management Board on 29.04.2024 and signed by:

Teodor Marinov
Executive Director

Svetla Georgieva
Executive Director

In reference to the auditors' report:

For PricewaterhouseCoopers Audit OOD:

Jock Nunan
Procurator

Pavel Pirinski
Registered Auditor responsible for the audit
Date: 07.05.2024

For BDO AFA OOD:

Valia Iordanova
General manager

Registered auditor responsible for the audit

All amounts are in thousand Bulgarian Levs, unless otherwise stated

	Note	Year ended 31.12.2023 SEPARATE	Year ended 31.12.2022 SEPARATE	Year ended 31.12.2023 CONSOLIDATED	Year ended 31.12.2022 CONSOLIDATED
CASH FLOWS FROM OPERATING ACTIVITY:					
Profit before tax		462 256	168 206	472 091	169 596
Adjustments for non- cash items:					
Impairment of loans and advances to customers		40 039	45 343	38 886	46 253
(Reversal of impairment)/impairment on off-balance sheet commitments	8	(5 014)	275	(5 013)	275
Impairments on non-financial assets	8	2 154	3 050	2 154	3 764
Provisions/ (release of provisions) for legal cases		278	(58)	278	(58)
Depreciation related to fixed assets, right-of-use assets and investment property	6,7	36 783	23 293	38 648	23 647
Amortization related to intangible assets	7	15 249	4 451	15 326	4 465
Other provisions		28 473	4 219	28 473	4 219
Dividend income from associates and subsidiaries		(8 106)	(3 772)	(2 477)	(1 055)
Cash flow from operating profit before tax and before changes in operating assets and liabilities		**572 112**	**245 007**	**588 366**	**251 106**
Movements in operating assets and liabilities					
(Increase)/decrease in receivables from banks		(2 056 101)	42 697	(2 056 379)	42 697
Increase in loans and advances to clients		(1 851 477)	(1 370 916)	(1 811 781)	(1 407 982)
(Increase)/decrease in trading securities		(3 982)	1 513	(3 982)	1 513
Decrease in derivative financial instruments		21 167	14 500	21 167	14 500
Decrease in other assets		47 675	10 521	58 043	11 596
Increase in deposits from banks including payables under repo deals		724 938	572 409	724 938	572 409
Increase in deposits from customers		2 545 236	1 227 921	2 555 954	1 225 913
Increase in lease liabilities		-	359	-	413
Decrease in other liabilities		(184 774)	(1 292)	(189 362)	(1 321)
Income tax paid		(45 695)	(16 000)	(47 760)	(16 026)
NET CASH FLOW (USED IN)/ FROM OPERATING ACTIVITY		**(230 901)**	**726 719**	**(160 796)**	**694 818**

All amounts are in thousand Bulgarian Levs, unless otherwise stated

	Note	Year ended 31.12.2023 SEPARATE	Year ended 31.12.2022 SEPARATE	Year ended 31.12.2023 CONSOLIDATED	Year ended 31.12.2022 CONSOLIDATED
CASH FLOWS FROM INVESTING ACTIVITY:					
Purchases of fixed assets		(25 203)	(19 259)	(23 786)	(19 259)
Purchase of intangible assets		(9 580)	(18 894)	(9 534)	(18 295)
Proceeds from sale of fixed assets		-	19 420	-	19 420
Proceeds from sale of investments in associates		4 220	4 210	(386)	(423)
Redemption of FVOCI debt securities		159 994	194 523	159 992	194 523
Purchase of AC debt securities		(958 805)	(549 657)	(958 805)	(549 657)
Purchase of FVOCI securities		-	(92 453)	-	(92 453)
Dividend received		8 106	3 772	2 448	1 055
Cash inflow from business combinations		3 108 151	-	3 107 693	-
NET CASH FLOW FROM / (USED IN) INVESTING ACTIVITY		**2 286 883**	**(458 338)**	**2 277 622**	**(465 089)**
CASH FLOWS FROM FINANCING ACTIVITIES:					
Dividends paid		(7 158)	(171 115)	(7 158)	(171 115)
Proceeds from long-term financing		407 803	259 221	346 964	297 954
Repayments of lease liabilities		(14 482)	(8 773)	(14 482)	(8 854)
NET CASH FLOW FROM FINANCING ACTIVITY		**386 163**	**79 333**	**325 324**	**117 985**
CHANGE IN CASH AND CASH EQUIVALENT					
Net increase in cash and cash equivalents		2 442 146	347 714	2 442 150	347 714
Cash and cash equivalents on 1 January		**3 689 418**	**3 341 430**	**3 689 418**	**3 341 430**
Effect of the change in exchange rate of cash flows and cash equivalents		1 328	274	1 328	274
Cash and cash equivalents on 31 December	30	**6 132 892**	**3 689 418**	**6 132 897**	**3 689 418**
Operating cash flows related to interests and fees:		**Separate**	**Separate**	**Consolidated**	**Consolidated**
Paid interest		(102 767)	(12 651)	(105 620)	(12 651)
Received interest		742 107	284 553	754 425	284 553
Paid commission		(78 590)	(33 584)	(79 516)	(34 180)
Received commissions		325 785	186 373	333 874	190 148

The accompanying notes from page 85 to page 163 are an integral part of these separate and consolidated financial statements.

These separate and consolidated financial statements have been approved for issue by the Management Board on 29.04.2024 and signed by:

Teodor Marinov
Executive Director

Svetla Georgieva
Executive Director

UNITED BULGARIAN BANK AD
UBB
SOFIA

In reference to the auditors' report:
For PricewaterhouseCoopers Audit OOD:

Jock Nunan
Procurator

Pavel Pirinski
Registered Auditor responsible for the audit

Date: 07.05.2024

ОДИТОРСКО ДРУЖЕСТВО
София
Рег. № 085
ПРАЙСУОТЪРХАУСКУПЪРС ОДИТ ООД

For BDO AFA OOD:

Valia Iordanova
General manager,

Registered auditor responsible for the audit

ОДИТОРСКО ДРУЖЕСТВО
София
Рег. № 015
„БДО АФА" ООД

1. GENERAL INFORMATION

United Bulgarian Bank AD Company Identification Number: 000694959 ("UBB" or the "Bank") is a joint stock company registered in Sofia Bulgaria 89B Vitosha Blvd. in September 1992 through the consolidation of 22 commercial banks. In June 2017 KBC Bank N.V. ("KBC") acquired UBB from National Bank of Greece, followed by a merger in Feb 2018 of the former Cibank EAD (fully owned by KBC Bank N.V) with UBB. After the merger KBC Bank N.V. holds 99.92 % of the shares in the capital of the bank (93 767 689 shares out of totally 93 838 321 shares in the capital of United Bulgarian Bank AD).

In July 2022 KBC Bank N.V. ("KBC") acquired Raiffeisenbank Bulgaria EAD from Raiffeisen SEE Region Holding GmbH, followed by a merger in April 2023 of the former Raiffeisenbank Bulgaria EAD (fully owned by KBC Bank N.V) with UBB. After the merger KBC Bank N.V. holds 99.96 % of the shares in the capital of the bank (177 097 816 shares out of totally 177 168 448 shares in the capital of United Bulgarian Bank AD).

The consolidated financial statements present the financial position of United Bulgarian Bank AD (the Bank) and its subsidiaries as one reporting unit ("UBB or the Group"). UBB is managed by a Supervisory Board and a Management Board which as at 31 December 2023 are in the following configurations:

Supervisory Board:

1) Peter Andronov - Chairman of the Supervisory Board
2) Christine Van Rijsseghem - Member of the Supervisory Board
3) Franky Depickere - Member of the Supervisory Board
4) Svetoslav Gavriiski – Independent Member of the Supervisory Board
5) Victor Yotzov – Independent Member of the Supervisory Board

Management Board:

1) Peter Roebben - Chairman of the Management Board and Chief Executive Officer
2) Teodor Marinov - Member of the Management Board and Chief Finance Officer
3) Svetla Georgieva - Member of the Management Board and Chief Risk Officer
4) Desislava Simeonova - Member of the Management Board and Executive Officer Small and Medium Enterprises
5) Tatyana Ivanova - Member of the Management Board and Executive Officer Digitalization, Data and Operations
6) Ani Angelova - Member of the Management Board and Executive Officer Retail Banking
7) Dobromir Dobrev - Member of the Management Board and Executive Officer Corporate Banking and Markets
8) Nedyalko Mihaylov - Member of the Management Board and Chief Information Officer

The Bank is represented by two Executive Officers acting.

The Bank holds a license granted by the Bulgarian National Bank (the "Central Bank" or "BNB") to take deposits in local and foreign currency trade and invest in treasury bonds and other securities and perform other banking operations. The Bank is allowed to maintain its activities both locally and internationally. The international activities of the Bank are mainly related to nostro accounts transactions placements with foreign contracting banks, dealing securities portfolio and foreign exchange contracts. As at the end of 2023 the Bank's operations were conducted through a Headquarters Office in Sofia and 257 branches, 18 business centers.

The number of full-time employees of the Bank as of 31 December 2023 was 4 267 (2022: 2 372).

The number of full-time employees of UBB Group as of 31 December 2023 was 4 307 (2022: 2 408).

These separate and consolidated financial statements have been approved for issue by the management Board on 29.04.2024.

2. MATERIAL ACCOUNTING POLICY INFORMATION

The material principal accounting policies adopted in the preparation of these financial statements are set out below. The policy has been applied consistently for all years of presentation unless otherwise stated.

2.1. Basis of preparation

The financial statements of the Bank and the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) as adopted by the European Union (EU). IFRSs as adopted by the EU is the commonly accepted name of the general purpose framework – the basis of accounting equivalent to the framework definition introduced by § 1, p. 8 of the Additional Provisions of the Accountancy Act "International Accounting Standards" (IASs).

Historical cost convention: The financial statements have been prepared on a historical cost basis, except for financial instruments measured at fair value.

The financial statements were prepared on a going concern basis. The preparation of financial statements in conformity with IFRS requires the use of certain critical and accounting estimates. It also requires management of the Bank to execute its judgment and assumptions. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2.2.

The consolidated subsidiaries and associates in the UBB Group consolidated financial statements are as follows:

As of 31.12.2023:

Entity name	Ownership (%)	Method of consolidation	Activity
UBB Factoring EOOD	100%	Fully consolidated	Factoring services
East Golf Properties EAD	100%	Fully consolidated	Real estate
UBB Centre Management EOOD	100%	Fully consolidated	Real estate
KBC Leasing EOOD	100%	Fully consolidated	Leasing
Druzhestvo za Kasovi Uslugi AD	25%	Equity method of consolidation	Cash management services

Investments in subsidiaries and equity method investments in separate financial statements

In the Bank's financial statements subsidiaries and associates are measured at cost less impairment.

Impairment assessment of investments in subsidiaries associates and joint ventures in separate financial statements

At each reporting date the Bank assesses whether there is any indication that an investment in a subsidiary or equity method investments may be impaired. If any such indication exists, the Bank estimates the recoverable amount of the investment. Where the carrying amount of an investment is greater than its estimated recoverable amount it is written down immediately to its recoverable amount.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

2.1 Basis of preparation (continued)

Legal merger of KBC Bank Bulgaria EAD in UBB AD

The legal merger of KBC Bank Bulgaria EAD in UBB AD was done applying the book-value method (additional information is disclosed in Note 39) with the following impact on the financial statements of the Bank and the Group: ***Statement of profit or loss***

Income and expense for the year ended 31 December 2023 of the merged operations are included in the Statement of profit or loss of the Bank and the Group prospectively after the date of the legal merger (10 April 2023).

Statement of financial position

As at 31 December 2023 the Statement of financial position of the Bank and the Group incorporates the merged volumes and represents the statement of financial position of the United Bank.

Statement of cash flow

The Statement of cash flow of the Bank and of the Group for the year ended 31 December 2023 incorporates the changes in cash flow since 31 December 2022 for UBB AD adding the changes in cash flow from the merged operations since the legal merger (10 April 2023). The balances of the cash and cash equivalents of the merged Bank are presented as “Cash flow from business combinations”.

Statement of changes in equity

The equity of the merged Bank as at the date of the legal merger, is present as “Business combination”, impacting the closing balance of the equity of the United Bank.

Comparative information

The comparative information for the year ended 31 December 2022 presents the financial statements of the UBB AD as they have been prepared for that year, without considering the position of the merged KBC Bank Bulgaria EAD.

Key financial indicators of the merged KBC Bank Bulgaria EAD at the date of the merger

In BGN thousand	SEPARATE	CONSOLIDATED
Cash and cash equivalents	3 371 491	3 371 624
Loans to customers after impairment	7 739 985	7 784 386
Investments in Debt securities carried at amortized cost	1 138 185	1 138 185
Investment in Debt securities carried at fair value trough OCI	148 775	148 775
Deposits from customers	10 179 370	10 172 590
Total equity	1 380 395	1 380 237
Of which equity instruments other than capital	113 438	113 438

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2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

2.1 Basis of preparation (continued)

a) New and amended standards adopted by the Bank and the Group

The Bank has applied the following standards and amendments for the first time for their annual reporting period commencing on 1 January 2023:

Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023)

Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023)

Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (issued on 7 May 2021 and effective for annual periods beginning on or after 1 January 2023)

IFRS 17 Insurance Contracts (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2023**); including Amendments to IFRS 17** (issued on 25 June 2020 and effective for annual periods beginning on or after 1 January 2023)

Amendment to IFRS 17 Insurance Contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information (issued on 9 December 2021 and effective for annual periods beginning on or after 1 January 2023)

Amendments to IAS 12 Income taxes: International Tax Reform – Pillar Two Model Rules (issued on 23 May 2023 and effective for annual periods beginning on or after 1 January 2023).The effect of Pillar 2 for 2023 is disclosed in Note 2.14.

The amendments to IAS 1 had limited impact on the disclosure of accounting policies of the Company. All other changes of the adopted standards listed above have no impact on the amounts recognized in previous periods and are not expected to have a significant impact on the Company during the current or future reporting periods as well as in the foreseeable future transactions.

b)`New standards and interpretations not yet adopted by the Bank and the Group

Certain new accounting standards and interpretations that are not mandatory for the reporting period at 31 December 2023 and have not been previously adopted by the Bank and the Group have been published. The Bank's assessment of the impact of these new standards and interpretations is set out below.

Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback (issued on 22 September 2022 and effective for annual periods beginning on or after 1 January 2024)

Amendments to IAS 1 Presentation of Financial Statements:
• **Classification of Liabilities as Current or Non-current** (issued on 23 January 2020);
• **Classification of Liabilities as Current or Non-current - Deferral of Effective Date** (issued on 15 July 2020); and
• **Non-current Liabilities with Covenants** (issued on 31 October 2022 and ultimately effective for annual periods beginning on or after 1 January 2024)

There are no other standards that are not yet adopted, and which are expected to have a significant impact on the Bank and the Group during the current or future reporting period as well as in the foreseeable future transactions.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

2.1 Basis of preparation (continued)

c)New standards, interpretations and amendments not yet adopted by the EU

Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements (issued on 25 May 2023 and effective for annual periods beginning on or after 1 January 2024**)**

Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability (issued on 15 August 2023 and effective for annual periods beginning on or after 1 January 2025**)**

2.2 Critical accounting estimates and judgments

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The authenticity of accounting estimates and judgments is monitored regularly.

The Bank makes estimates and judgments for the purposes of the accounting and disclosure. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

a) Extension and termination options and critical judgments in determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

For leases of office buildings, the following factors are normally the most relevant:

- If there are significant penalties to terminate (or not extend), the Bank is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the Bank is typically reasonably certain to extend (or not terminate).
- Otherwise, the Bank considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

b) Classification of properties acquired from collateral foreclosure

The Bank classifies those properties as investment property in case they are hold by the Bank for generation of rental income or for capital appreciation or for both and are not used by the Bank for own administrative purposes.

c) Fair value of financial instruments

Where the fair values of financial assets and liabilities on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken from observable markets where possible but where this is not feasible a degree of judgement is required by management in establishing fair values. The judgement includes liquidity assumptions and model inputs such as correlation and sensitivity of longer dated derivative financial instruments.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

2.2 Critical accounting estimates and judgments (continued)

d) Allowance for impairment losses and un-collectability

The IFRS 9 impairment model is an Expected Credit Loss (ECL) model which means that it is not necessary for a loss event to occur before an impairment loss is recognized. All financial assets except the ones measured at fair value through profit or loss will generally carry a loss allowance.

It uses a dual measurement approach under which the loan loss allowance for the financial instruments in scope will be measured at either:

- 12-month expected credit losses; or
- lifetime expected credit losses

The measurement basis will depend on whether there has been a significant increase in credit risk since initial recognition.

There are two types of impairment calculations:

Impairment Type	Description
Model Based (i.e. Collective)	Expected future cash flows are based on statistical assumptions. ECL is calculated as the product of the probability of default (PD) the estimated exposure at default (EAD) and the loss given default (LGD).
Individual	Applicable for significant non-performing exposures /PD 10-12/

Calculating ECL requires significant judgement of various aspects including the borrowers' financial position and repayment capabilities the value and recoverability of collateral projections and macroeconomic information. UBB applies a neutral bias-free approach when dealing with uncertainties and making decisions based on significant judgements.

e) Valuation of Investment properties

Investment property acquired in the process of Non-performing loans management (repossessed collateral) is measured initially at acquisition cost representing their fair value at the acquisition date or in case of a transaction where the management believes that the acquisition cost is not the FV the initial recognition is booked at the FV of the respective property. The fair value of investment property is determined by independent real-estate valuation experts by using generally accepted valuation methods.

f) Valuation of Investment properties (continued)

Such methods include the revenue method and the cash flows discount method. In some cases, fair values are assessed on the basis of recent transactions with similar property in the same location and condition to that of UBB's assets (market analogues method) or based on the received offers for purchase of the property.

The determination of the fair value of investment property requires the use of estimates such as future cash flows from the assets and discount rates applicable to these assets. These estimates reflect the local market conditions at the date of acquisition and the date of the statement of financial position.

Annually, UBB performs an impairment test for investment property in which the book value of the property is compared to the fair value less costs to sell based on an independent market valuation. Impairment is booked in case that fair value less costs to sell is lower than the book value of the asset.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

2.3.Functional and presentation currency

The Bank and its subsidiaries' functional and presentation currency is BGN.

Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated in the functional currency at the closing rate of exchange set by the Bulgarian National Bank at the end of each day. All exchange rate differences are recognized in the statement of profit or loss as commission income. Non-monetary assets and liabilities in foreign currency measured at historical cost are translated into the functional currency using the exchange rate at the date of the initial transaction (acquisition).

Non-monetary assets and liabilities in foreign currency measured at fair value are reported at the spot rate that existed when the fair value was determined. Since 1 January 1999 the Bulgarian lev has been pegged to Euro at an exchange rate of BGN 1.95583: EUR 1.

2.4 Financial instruments

- **Recognition**

Financial assets and liabilities are recognized in the statement of financial positions when UBB becomes a party to the contractual provisions of the instruments. Regular purchases or sales of financial assets are recognized on the settlement date. Regular purchases or sales are purchases or sales of financial assets that require the delivery within the time frame established by regulation or market convention.

- **Classification and measurement**

Under IFRS 9 the classification of financial assets is different for debt and equity instruments. Therefore, before applying the classification requirements UBB need to define whether the financial assets is an investment in an equity instrument, or it is a debt instrument, both as provided by IAS 32. An equity instrument is defined as any contract that evidences a residual interest in another entity's net assets (that is all assets after deducting all of its liabilities). While the main characteristics of debt instrument is that it provides a contractual right to the holder of receiving cash (in the form of interest/coupon principal repayment) and the issuer cannot exercise discretion in avoiding the settlement.

The determination is based on the substance of the instrument and not merely on its name. Following the categorization of the instrument as debt or equity instrument the appropriate classification model should be selected. The classification of the financial liabilities depends on the intention of UBB when the financial liability is issued and on the product characteristics of the financial instruments.

The category will determine how the financial instrument is measured. Under IFRS 9 the category and the valuation method are linked and the standard allows reclassification between the different categories only in very exceptional cases.

- **Financial assets at amortised cost (AC)**

Reverse Repos

A reverse repo is a transaction in which UBB purchases a financial asset and simultaneously enters into an agreement to sell the asset (or a similar asset) at a fixed price on a future date; this agreement is accounted for as a Reverse repo, and the underlying asset is not recognized in the financial statements.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

2.4 Financial instruments (continued)

• Financial assets – debt instruments

The classification of the financial assets – debt instruments is based on the business model for managing the financial assets ("*Business Model assessment*") and the contractual term of the cash flows of the financial assets ("*SPPI test*").

⇨ **Debt instruments at amortised cost (AC)**

In line with IFRS 9 a financial asset debt instrument is measured at **amortized cost** if both of the following conditions are met:

- *The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows;*
- *The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.*

This requirement has to be applied to the entire debt instrument even if it is a hybrid instrument containing embedded derivative. Under IFRS 9 embedded derivative cannot be separated from the host contract. When the contractual cash flows of a hybrid instrument give rights to cash flows other than principal and interest then the amortized cost is not appropriate and the instrument should be classified as fair value through profit or loss.

Business model assessment

The assessment of the actual business model has to be made by each legal entity within the Group separately. The analysis is the responsibility of the finance team on which the CFO has to give its final approval because this may require making professional judgement and it should be done on the basis how the financial assets are managed in the business and not at the level of an individual asset. IFRS 9 states the business model is not a choice and does not depend on the intention of management for an individual instrument. It is a matter of fact that is observable through the way how financial assets are managed and how information is provided to the key management personnel.

All debt instruments at amortized cost are held in business model whose objective is to hold the assets in order to collect contractual cash flows. It does not mean that debt instruments measured at amortized cost cannot be sold. In assessing the impact of sales activity on the business model determination, UBB have to consider the frequency and value of sales in prior periods and expected sales activity going forward but it should be clear that sales activity in the AC business model is only a rare incidental activity. Here below are the hold to collect business models in UBB:

- *Retail, Corporate & SME and Legacy business models – the models relate to Loans and advances to clients;*
- *Products managed by Treasury directorate as part of Assets liability management (ALM) such as Bank placements, Government bonds.*

SPPI test

All debt instruments acquired in the above business models have to be assessed against the second criteria whether the cash flows under the contractual terms are solely payments of principal and interest on the principal amount outstanding. Only those instruments will pass the test which have basic lending arrangements attribute.

2 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

2.4 Financial instruments (continued)

Business model assessment (continued)

SPPI test (continued)

Only debt instruments meeting the SPPI condition can be measured at amortized cost. The following are some of the indicators of non-basic lending arrangement features:

- *Mismatch between the reference interest rate and the rate re-set date of floating rate loans;*
- *FX mismatch in pricing vs. repayment currency of the loan*
- *Embedded floor options which are in-the-money at inception of the loan contract;*
- *Non-recourse or partial recourse debt instruments;*
- *Assessment of embedded prepayment options in loan contracts;*
- *Debt instruments where contractual cash flows (principal or interest) is linked to the business risk (e.g.: bonds cash flows dependent on the utilization of the toll road);*
- *Multi-currency options;*
- *Embedded floor or cap options resulting in leveraged interest rate;*
- *Deeply sub-ordinated debt instruments.*

UBB uses the KBC Group NAPP (new active product procedure) tailored to its local business need in order to identify debt instruments which fails SPPI test. Debt instruments failing the SPPI test have to be classified as debt instruments at fair value through profit or loss (FVPL) – SPPI failure. UBB does not have material positions in instruments failing the SPPI test (only Investments in Mutual Funds which are reported as FI measured at FVPL - Mandatory).

⇨ **Debt instruments at fair value through other comprehensive income (FVOCI)`**

Under IFRS 9 a financial asset debt instrument is measured at **fair value through other comprehensive income** if both of the following conditions are met:

- *The asset is held within a business model in which assets are managed to achieve a particular objective by both collecting contractual cash flows and selling financial assets;*
- *The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.*

This requirement has to be applied to the entire debt instrument even if it is a hybrid instrument containing embedded derivative. Under IFRS 9 embedded derivative cannot be separated from the host contract. When the contractual cash flows of a hybrid instrument give rights to cash flows other than principal and interest then the fair value through other comprehensive income measurement is not appropriate and the instrument should be classified as fair value through profit or loss.

Business model assessment

Similarly, to the AC category, the business model is determined by Finance team and approved by CFO for the FVOCI category. Again, this business model is observable through the way how financial assets are managed and how information is reported. Unlike for hold-to-collect business model, in the hold-to-collect and sell the objective of the business model is achieved through the collection of the contractual cash flows and the sale of the debt instruments. Due to that, this business model involves in general greater frequency and value of sales because selling financial assets is integral to achieving the business model’s objective instead of being only incidental to it. However, there is no threshold for the frequency or value of sales that must occur in this business model because both collecting contractual cash flows and selling financial assets are integral to achieving its objective.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

2.4 Financial instruments (continued)

Business model assessment (continued)

Within UBB there are examples of business models whose objective is both to collect contractual cash flows and sell:

• *Products part of Treasury activity such as government Bonds*

SPPI test

Nonetheless the debt instruments classified in this category shall also meet the second classification criteria of SPPI test. This means that similar to the AC category only relatively simple debt instruments will qualify for measurement at FVOCI. Therefore, the same features as highlighted above should be analyzed in order to classify an instrument at FVOCI.

⇨ **Debt instruments at fair value**

Next to the AC and FVOCI category IFRS 9 also defines for debt instruments fair value through profit or loss categories but the reason of fair value categorization can be different and the Bank identifies these separately.

⇨ **Debt instruments at fair value through profit or loss held for trading (HFT)**

A debt instrument is classified as held for trading if it is:

• *Acquired or incurred principally for the purpose of selling it in the near term; or*

• *Part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking;*

These financial assets have to be measured at fair value and fair value changes have to be reported in profit or loss. Held-for-trading is mainly used for instruments that are held with a trading intent. These are instruments that are acquired or incurred principally for the purpose of selling (in case of asset) or repurchasing (in case of liability) in the near term. Instruments that are used with the objective of generating a profit from short-term fluctuations in price or dealer's margin. These positions may include for example positions arising from client servicing (e.g. matched principal broking) and market making. In this category are classified mainly debt issued by public bodies.

⇨ **Debt instruments upon initial recognition designated by the entity at fair value through profit or loss (FVPL)**

Under IFRS 9 debt instruments which would normally be categorized at AC or FVOCI may be designated as measured at fair value through profit or loss at initial recognition using the fair value option (FVO) if doing so eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as an 'accounting mismatch') that would otherwise arise. This designation is regardless of the actual business model and will result that all fair value changes of the debt instrument will be recognized in profit or loss subsequently. Once a debt instrument is classified as FVPL category it cannot be reclassified into other categories. In accordance with IFRS 9 the FVPL category can only be used for accounting mismatches. The accounting mismatches can arise from measuring assets and liabilities or recognizing the gains and losses on them on different bases and when designating as FVPL UBB need to clearly document the reason of the accounting mismatches.

⇨ **Debt instruments at fair value through profit or loss – SPPI failure (FVSP)**

Debt instruments have to be classified in this category when they are measured at fair value through profit or loss because of failing SPPI test. Instruments failing SPPI test are those that have characteristics non-consistent with basic lending arrangements. This category has to be used regardless of the actual business model used and can include debt instruments held in hold-to-collect (AC) or hold-to-collect and sell (FVOCI) business model. Debt instruments in this category have to be measured at fair value through profit or loss.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

2.4 Financial instruments (continued)

• Financial assets – equity instruments

Only instruments can be classified as equity instruments which passes the requirements of representing residual interest in another entity's net assets. The basic measurement category of equity instruments under IFRS 9 is fair value through profit or loss however equity instruments can also be designated as fair value through other comprehensive income.

Classification is on an instrument by instrument basis taking into consideration the substance of the instrument and not merely on its name. For the implementation of IFRS 9 the following categories of financial assets for equity instruments were distinguished:

⇨ Equity instruments at fair value through other comprehensive income

Under IFRS 9 equity instruments are normally measured at fair value through profit or loss but on initial recognition UBB may make an irrevocable election (on an instrument-by-instrument basis) to present in other comprehensive income the subsequent changes in the fair value of an investment in an equity instrument within the scope of IFRS 9. This option only applies to instruments that are neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies. Designating an equity instrument under the fair value through other comprehensive income category will result that all fair value changes will be recognized in other comprehensive income. The only exception relates to the dividend received which can be recognized in profit or loss.

The irrevocable election as fair value through other comprehensive income means also that even when the instrument is derecognized the accumulated fair value gains and losses in other comprehensive income cannot be recycled to profit or loss.

Within the fair value through other comprehensive income category additional distinction is made between quoted and unquoted equity instruments:

- *For quoted equity instruments the fair value information will be mostly available so they have to be measured in all circumstances at fair value.*
- *For unquoted equity instruments the determination of the fair value requires using valuation techniques. It is expected that for most unquoted instruments fair value can be estimated.*

⇨ Derivative instruments

Derivative financial instruments are instruments:

(a) whose value changes in response to changes in a specific interest rate financial instrument price exchange rate price or interest rate index credit rating or credit index or another variable.

(b) which do not require an initial net investment or require a small initial net investment compared to other types of contracts that respond in a similar manner to changes in market conditions.

(c) which are payable at a future date.

Derivative financial instruments include foreign exchange swaps interest rate swaps currency forwards options and futures and are usually not initially recognized in the statement of financial position because they are not related to costs and their net fair value is closed to zero. After initial recognition derivatives are measured at fair value. Fair value is determined on the basis of quoted market prices discounted cash flow models or other valuation models.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

2.4 Financial instruments (continued)

• Financial assets – equity instruments (continued)

IFRS 9 distinguishes between two main categories of derivative instruments based on whether the derivative is specifically designated in a hedge accounting relationship or not. UBB does not define separately categories for assets and liabilities because the classification criteria are equally valid for both positions.

• Trading derivative

A derivative is always measured at fair value however entities rarely enter into derivative transactions for speculative reasons and all derivative instruments will have to be categorized in this category that are not included in an effective hedge accounting relationship.

• Hedging derivatives

Hedging derivatives are derivatives which are specifically designated in a hedge relationship. For hedge accounting purposes only, instruments that involve a party external to UBB (i.e., external to the group or individual entity that is being reported on) can be designated as hedging instruments.

Although UBB applied IFRS 9 as from 1 January 2018, the hedge accounting requirements are based on the requirements of IAS 39 (EU carve out version). This is because IFRS 9 provides an accounting policy choice for entities either to continue applying the hedge accounting requirements of IAS 39, pending the macro hedge accounting project being finalized, or they can apply the new IFRS 9 requirements with the scope exception only for fair value portfolio hedges of interest rate risk. The accounting policy choice has to be applied to all hedge accounting and accordingly UBB decided to continue applying the IAS 39 requirements.

IAS 39 distinguishes between three types of hedging relationships i.e. fair value hedges, cash flow hedges and hedges of a net investment in a foreign operation. A hedging relationship only qualifies for hedge accounting if a number of conditions are met (see IAS 39.88). All derivative instruments have to be measured at fair value. The accounting treatment of fair value changes depends on the type of hedge.

• Fair value hedges

Hedge accounting

Hedge accounting applies to derivative financial instruments used to hedge the fair value of an asset (fair value hedges) if certain conditions have been met. When hedge occurs UBB documents the relationship between the hedged item and hedging instrument its goals in view of risk management as also its hedging strategy. Any changes in the fair value of derivatives that are designated and classified as fair value hedges are included in the statement of profit or loss together with the changes in the fair value of the hedged assets attributable to the hedged risk.

Changes in the fair value of interest rate swaps and hedged items related thereto are reported as „Net profits or (-) losses on hedge reporting”. The effects of the market adjustments relating to the risk of counterparty non-performance (CVA) and the possibility of non-performance by UBB (DVA) are taken to this item as well.

When a hedge no longer meets the criteria for hedge accounting the change in the carrying amount of the hedged item calculated using the effective interest rate method is amortized through profits or losses for the period up to the item’s maturity. Changes in the carrying amount of a hedged equity instrument continue being reported as other comprehensive income up to the time the equity instrument is derecognized. Interest income and interest expense from hedging derivatives and hedged assets are recognized as „Interest income” and „Interest expenses” in the statement of profit or loss. The ineffective portion of hedging transactions is stated as „ Net result from held-for-trading financial instruments”.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

2.4 Financial instruments (continued)

• Financial assets – equity instruments (continued)

Hedging relationships

Since 2015, the Bank has three hedging relationships in its banking portfolio. All of these items relate to fixed rate bonds classified as Financial assets held to collect and sell denominated in euro and three interest rate swaps denominated in euro, respectively. The hedging relationships are structured in such a way that 100% of the position in debt securities is hedged, hedging only that part of the assets that is subject to interest rate risk.

The bonds and the swaps in the respective hedging relationships have exactly the same notional and principal amounts, term, repricing dates, dates of interest and principal receipts and payments. The effectiveness of the described above hedging relationships is measured at the end of each quarter and, since their origination, it is in the range of 80% -125%.

All three hedging relationships were originated in 2015 and started directly in the form of the hedge accounting, as again the hedged item and the hedging instrument are purchased simultaneously.

Hedge effectiveness

Hedge effectiveness is determined at the inception of the hedge relationship, as well as through periodic prospective and retrospective assessments to ensure that a relevant relationship between the hedged item and the hedging instrument exists and remains valid.

Effectiveness testing

For interest rates, several prospective and retrospective tests are performed to ensure the relationship between the hedged item and the hedging instrument qualifies for the hedge accounting strategy.

Prospective tests are mostly based either on a sensitivity analysis (verifying if the basis point value of the hedged portfolio relative to the hedging instruments stays within the 80% - 125% interval) or volume tests (if the principle amount of hedge-eligible items exceeds the notional volume of hedging instruments expected to be repriced or repaid in each specified time bucket).

The retrospective effectiveness test of the hedge relationship is periodically carried out by comparing the change in fair value of the portfolio of hedging instruments relative to the change in the fair value of the hedged eligible items imputable to the hedged risk over a given period (the ratio of fair value changes remains within the 80% - 125% interval).

Sources of hedge ineffectiveness

Ineffectiveness for interest rate swaps may occur due to:

- Differences in relevant terms between the hedged item and the hedging instrument (it can include discrepancies in interest curves and in periodicity);
- A reduction in volume of the hedged item that would fall under the volume of hedging instruments for any time bucket;
- The credit value adjustment on the interest rate swap not being matched by the loan. However, hedging swaps are fully collateralized or traded through clearing houses and the credit value adjustment is limited.

Discontinuation of hedge accounting

Hedge accounting strategies failing the effectiveness tests are discontinued. A de-designated hedging instrument can be re-designated in a new hedge relationship. Effective hedge accounting strategies may also be discontinued for technical or strategic reasons. Any impact on profit and loss arising from hedge ineffectiveness and discontinuation is reported to the Local risk management committee.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

2.4 Financial instruments (continued)

• Financial liabilities

IFRS 9 distinguishes between three categories of financial liabilities:

• Financial liabilities held for trading (HFT)

A financial liability is classified as held for trading if it is incurred principally for the purpose of repurchasing in the near term; or part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking; or a derivative. These financial liabilities have to be measured at fair value. Fair value changes have to be reported in profit or loss.

• Financial liabilities measured at amortised cost (AC)

This category consists of all other non-derivative financial liabilities that are not classified as held for trading and not designated by the entity as at fair value through profit or loss. All these liabilities have to be measured at amortized cost. Financial liabilities measured at amortized cost within UBB include:

- *Deposits from credit institutions and investment firms*
- *Deposits from customers*
- *Repos*
- *External funding*
- *Other*

Deposits from banks, other financial institutions, non- financial institutions and other clients

Deposits from banks and other financial institutions non- financial institutions and other clients include funds attracted by UBB in the form of current escrow deposit saving budget and other accounts. They are recognized at initial recognition at the fair value of deposit received. Financial liabilities are subsequently measured at amortized cost and those denominated in foreign currency are revalued on a daily basis at the central exchange rate of the BNB for the respective currency. Deposits are stated together with the contractual interest accrued thereon at the date of the financial statements.

Other borrowed funds

Borrowings are recognized initially at the fair value of cash flows received at the origination of the liability less the transactions costs. Subsequently borrowings are stated at amortized cost with any premium/discount recognized in statement of profit or loss using the effective interest rate method.

Repos

In a repo transaction, UBB sells a security and simultaneously agrees to repurchase it (or a substantially similar asset) at a fixed price on a future date. UBB continues to recognize the securities in their entirety because it retains substantially all of the risks and rewards of ownership. The cash consideration received is recognized as a financial asset and the financial liability is recognized for the obligation to pay the repurchase.

• Financial liabilities – Undrawn commitment, Financial guarantees and Letters of credit

Financial guarantee contract is one that requires UBB to make specified payments to reimburse holders for losses they incur because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. Financial guarantees are initially recognized at their fair value, which is normally evidenced by the amount of fees received. This amount is amortized on a straight-line basis over the life of the guarantee. At the end of each reporting period, the guarantees are measured at the higher of (i) the amount of the loss allowance for the guaranteed exposure determined based on the expected loss model and (ii) the remaining unamortized balance of the amount at initial recognition. In addition, an ECL loss allowance is recognized for fees receivable that are recognized in the statement of financial position as an asset.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

2.4 Financial instruments (continued)

• Financial liabilities (continued)

• Financial liabilities – Undrawn commitment, Financial guarantees and Letters of credit (continued)

The Bank issues commitments to provide loans. These commitments are irrevocable or revocable only in response to a material adverse change. Such commitments are initially recognized at their fair value, which is normally evidenced by the amount of fees received. This amount is amortized on a straight-line basis over the life of the commitment, except for commitments to originate loans if it is probable that the Bank will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination; such loan commitment fees are deferred and included in the carrying value of the loan on initial recognition. At the end of each reporting period, the commitments are measured at (i) the remaining unamortized balance of the amount at initial recognition, plus (ii) the amount of the loss allowance determined based on the expected credit loss model, unless the commitment is to provide a loan at a below market interest rate, in which case the measurement is at the higher of these two amounts. The carrying amount of the loan commitments represents a liability.

For contracts that include both a loan and an undrawn commitment and where the Bank cannot separately distinguish the ECL on the undrawn loan component from the loan component, the ECL on the undrawn commitment is recognized together with the loss allowance for the loan. To the extent that the combined ECLs exceed the gross carrying amount of the loan, they are recognized as a liability.

The letter of credit is an irrevocable commitment of the Bank to pay the seller in a commercial transaction in strict conformity to the terms and conditions set in the letter of credit upon its opening. Such financial guarantees and letters of credit are provided to banks, financial institutions and other clients as a financial protection related to specified payments that the holder may be required to settle.

2.5 Impairement of financial assets

Background

The IFRS 9 impairment model is an Expected Credit Loss (ECL) model which means that it is not necessary for a loss event to occur before an impairment loss is recognized. All financial assets except the ones measured at fair value through profit or loss will generally carry a loss allowance including:

- Financial assets that are measured at amortized cost;
- Debt instruments that are measured at fair value through other comprehensive income;
- Loan commitments that have been issued and are not measured at fair value through profit or loss;
- Financial guarantees given that are not measured at fair value through profit or loss;
- Lease receivables recognized by the lessors (in scope of IFRS 16); and
- Contract assets (in scope of IFRS 15)

The impairment model is an expected credit loss model where the impairment amount is measured at an amount equal to 12 month expected credit losses (the portion of lifetime expected credit losses that represent the expected credit losses that result from default events on a financial instrument that are possible within the next 12 months after the reporting date) or lifetime expected credit losses (resulting from all possible default events over the expected life of a financial instrument). The measurement basis for impairment depends on the approach that is applied for the financial instruments in scope.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

2.5 Impairement of financial assets (continued)

Measurement of ECL

ECL is calculated as the product of probability of default (PD), estimated exposure at default (EAD) and loss given default (LGD).

Definition of default

UBB defines defaulted financial assets in the same way as the definition for internal risk management purposes and in line with the guidance and standards of financial industry regulators. A financial asset is considered in default if any of the following conditions is fulfilled:

- there is a significant deterioration in creditworthiness;
- the asset is flagged as non-accrual;
- the asset is flagged as a forborne asset in line with the internal policies for forbearance;
- UBB has filed for the borrower's bankruptcy;
- the counterparty has filed for bankruptcy or sought similar protection measures;
- the credit facility granted to the client has been terminated.

UBB applies a backstop for facilities whose status is '90 days or more past due'. In this context, a backstop is used as a final control to ensure that all the assets that should have been designated as defaulted are properly identified.

The ECL is calculated in a way that reflects:

- an unbiased probability weighted amount;
- the time value of money; and
- information about the past events current conditions and forecast economic conditions.

Lifetime ECL represents the sum of ECL over the lifetime of the financial asset discounted at the original effective interest rate. The 12-month ECL represents the portion of lifetime ECL resulting from a default in the 12-month period after the reporting date.

UBB uses specific IFRS 9 models for PD EAD and LGD in order to calculate ECL. As much as possible and to promote efficiency, UBB uses modelling techniques similar to those developed for prudential purposes (i.e. Basel models). That said UBB ensures that the Basel models are adapted so they comply with IFRS 9. For example:

- UBB removes the conservatism that is required by the regulator for Basel models;
- UBB adjusts how macroeconomic parameters affect the outcome to ensure that the IFRS 9 models reflect a 'point-in-time' estimate rather than one that is 'through the cycle' (as required by the regulator).
- UBB applies forward-looking macroeconomic information in the models.

Significant increase in credit risk

The measurement basis (12-month PD or Lifetime PD) depends on whether there has been a significant increase in credit risk since initial recognition. Different tiers are used in the assessment for significant increase in credit risk, followed by the two multi-tier approaches (one for loans and advances and another for debt securities) used for staging such as:

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

2.5 Impairement of financial assets (continued)

- Internal credit rating at the reporting date versus the one at initial recognition
- Forbearance flag
- Days past due
- Internal credit rating corresponds to PD 9 at reporting date
- Collective assessment
- Forward looking information

UBB also considers three different forward-looking macroeconomic scenarios with different weightings when calculating ECL. The base case macroeconomic scenario represents its estimates for the most probable outcome and also serves as primary input for other internal and external purposes. The maximum period for measurement of ECL is the maximum contractual period (including extensions) except for specific financial assets that include a drawn and an undrawn amount available on demand and UBB's contractual ability to request repayment of the drawn amount and cancel the undrawn commitment does not limit the exposure to credit risk to the contractual period. Only for such assets can a measurement period extend beyond the contractual period.

2.6 Derecognition

2.6.1. Financial assets

A financial asset (or where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the contractual rights to receive cash flows from the asset have expired;
- the contractual rights to receive cash flows from the asset have been retained but a contractual obligation has been assumed for their payment in full without material delay to a third party under a 'pass through' arrangement; or the contractual rights to receive cash flows from the financial asset have been transferred and either (a) UBB has transferred substantially all the risks and rewards of the financial asset or (b) UBB has neither transferred nor retained substantially all the risks and rewards of the financial asset but has transferred the control of the asset.

When UBB has transferred its contractual rights to receive cash flows from an asset and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset the asset is recognized to the extent of UBB's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of the consideration that UBB could be required to repay.

2.6.2. Financial liabilities

Financial liability is derecognized from the statement of financial position when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms or the terms of an existing liability are substantially modified such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability and the difference in the respective carrying amounts is recognized in the statement of profit or loss.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

2.7. Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if and only if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

2.8. Fair value measurement

- **Fair value definition**

UBB measures at Fair value its financial instruments such as derivatives and HFT / FVOCI debt and equity instruments at the reporting date. The Bank also disclosed the fair values of financial instruments measured at amortized cost and investment properties measured at cost less accumulated depreciation and accumulated impairment losses. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

An orderly transaction is a transaction that assumes exposure to the market for a period before the measurement date to allow for marketing activities that are usual and customary for transactions involving such assets or liabilities; it is not a forced transaction (e.g. a distress sale or forced liquidation). Market participants are buyers and sellers in the principal (or most advantageous) market for the asset or liability that have all of the following characteristics:

- They are independent of each other (if they are not related parties);
- They are knowledgeable having a reasonable understanding about the asset or liability and the transaction using all available information including information that might be obtained through due diligence efforts that are usual and customary;
- They are able to enter into a transaction for the asset or liability;
- They are willing to enter into a transaction for the asset or liability i.e. they are motivated but not forced or otherwise compelled to do so.

The principal or the most advantageous market must be accessible to UBB.
The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability assuming that market participants act in their economic best interest.

If there are no quotations available techniques are used to measure reliably the fair value of the financial instrument through: matching it with the current market value of another similar financial instrument or determining the discounted cash flows that are expected from the financial instrument by applying discount rates equal to the prevailing rate of return fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its most effective and best use or by selling it to another market participant that would use the asset in its most effective and best use.

UBB uses valuation techniques such as DCF models' market equivalent models Real value method that are appropriate in the circumstances and for which sufficient data is available to measure fair value maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

2.8. Fair value measurement (continued)

- **Fair Value Hierarchy**

The IASB set forth a fair value hierarchy in order to increase consistency and comparability in fair value measurements and the related disclosures.

To increase consistency and comparability in fair value measurements and related disclosures IFRS 13 establishes a fair value hierarchy that categorizes into three levels the inputs to valuation techniques used to measure fair value. The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1 inputs) and the lowest priority to unobservable inputs (Level 3 inputs). The three levels of the fair value hierarchy are defined as follows:

- **Level 1** inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A quoted price in an active market provides the most reliable evidence of fair value and shall be used without adjustment to measure fair value whenever available except in very specific circumstances defined by IFRS 13. Level 1 fair value measurements are also referred to as mark to market valuations.
- **Level 2** inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly or indirectly. If the asset or liability has a specified (contractual) term a Level 2 input must be observable for substantially the full term of the asset or liability. Level 2 fair value measurements are often based on a valuation technique (mark to model valuation) using observable inputs.
- **Level 3** inputs are unobservable inputs for the asset or liability. Unobservable inputs shall be used to measure fair value to the extent that relevant observable inputs are not available thereby allowing for situations in which there is little if any market activity for the asset or liability at the measurement date. However, the fair value measurement objective remains the same i.e. an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability. Therefore, unobservable inputs shall reflect the assumptions that market participants would use when pricing the asset or liability including assumptions about risk. Level 3 fair value measurements are often based on a valuation technique (mark to model valuation) using at least one unobservable input that is significant to the entire fair value measurement or using a valuation technique for which the aggregate effect of unobservable inputs is significant to the entire fair value measurement.

The fair value hierarchy gives the highest priority to the level 1 since mark to market valuation is considered to be the most reliable way of determining a fair value.

In case that an active market exists, published price quotations have to be used to measure the financial asset or financial liability. In case that no published price quotations are currently available a valuation technique has to be applied. Hereby the use of observable parameters needs to be maximized whereas the use of unobservable parameters needs to be minimized. For assets and liabilities that are recognized at fair value in the financial statements on a recurring basis UBB determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

UBB's management determines the policies and procedures for both recurring fair value measurement such as FVOCI financial assets and for non-recurring measurement such as land and buildings.

At each reporting date the management analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the UBB's accounting policies. For this analysis the management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents. The management in conjunction with the valuation experts also compares the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

All amounts are in thousand Bulgarian Levs, unless otherwise stated

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

2.8. Fair value measurement (continued)

- **Market value adjustments**

Fair Value is defined as "*the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date*". As such it is not the amount that an entity would receive or pay in a forced transaction or distressed sale. When available published price quotations in well-established active markets are used to determine the fair value (also referred to as mark-to-market valuation).

The accounting standards require the use of bid prices for long positions and ask prices for short positions applied to net open positions and impose adjustments in case of mid or stale prices illiquid markets or the use of model prices instead of market quotes. IFRS does not allow for adjustments solely to reflect the impact on market price of 'dumping' large holdings in the market (the so-called block discounts).

Market Value Adjustments are applicable for all trading and banking book positions that are measured at Fair Value with value changes reported either through profit and loss or Other Comprehensive Income. This encompasses positions classified as Fair Value Through P&L (FVPL) including financial instruments subject to the Fair Value option and Fair Value Through Other Comprehensive Income (FVOCI). Market Value Adjustments cover close-out costs funding costs model linked valuation adjustments and counterparty exposures as well as transaction specific adjustments.

2.9 Property, plant and equipment

Items of property plant and equipment are measured at cost less any accumulated depreciation and impairment. Depreciation is calculated on a straight-line basis over the useful life of the assets. Land is not depreciated as it has undefined useful life.

The annual depreciation rates per category of PPE are as follows:

	Annual depreciation rates (Useful life)
Buildings	3% (33.3 years)
Leasehold improvements	The lease term
Hardware and notebooks	30% (3.4 years)
Other office equipment	15% (6.7 years)
Copy machines	33.3% (3 years)
Cars	25% (4 years)
Office furniture	15% (6.7 years)
Equipment for building installations	4% (20 years)
Machines equipment servers, ATMs and POS	20% (5 years)
GSMs	50% (2 years)
Safe/ Strong box	10% (10 years)
Other	15% (6.7 years)

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

2.10 Intangible assets

Intangible assets including computer software are items which didn't have physical substance and UBB expect future economic benefits to be generated for more than 1 year. They are measured at cost less any accumulated amortization and impairment.

The applicable annual amortization rates are as follows:

	Annual depreciation rates (Useful life)
Software	20% (5 years)
Patents, licenses, trademarks and trade rights	20% (5 years)

2.11 Investment property

Investment property is recognized when UBB holds the property with the intention either to earn rental income or for capital appreciation or for both but not for sale in the ordinary course of business or use for administrative purposes. Upon their initial acquisition investment properties are measured at acquisition cost being their fair value at that date determined by an independent valuator. Subsequently investment properties are measured using the „cost model" i.e. the price of acquisition less any accumulated depreciation and accumulated impairment losses. If there are indications for impairment of a specific investment property, UBB determines its recoverable amount being the highest of: the value in use and the fair value less by costs of sale of the investment property. The carrying amount of the property is decreased to its recoverable amount with the difference recognized as impairment in the Statement of profit or loss.

Impairment loss recognized in the previous years is recovered through the Statement of profit or loss in case there are subsequent changes in the forecasts for defining the recoverable value. Subsequent costs are capitalized only when the existence of future economic benefits is presumable and the expenses can be reliably estimated. All other repairs and maintenance costs for the investment properties are expensed as at the moment of occurrence. The investment properties are depreciated over their useful life which for buildings is set at 33.3 years, for the equipment at 5 years and land is not depreciated.

Valuation of investment property

Investment property (being a repossessed collateral or Investment property acquired in the normal bank operation) is measured initially at acquisition cost representing their fair value at the acquisition date. The fair value of investment property is determined by independent real-estate valuation experts by using generally accepted valuation methods. Such methods include the revenue method and the cash flows discount method. In some cases, fair values are assessed on the basis of recent transactions with similar property in the same location and condition to that of the UBB's assets (market analogues method).

The determination of the fair value of investment property requires the use of estimates such as future cash flows from the assets and discount rates applicable to these assets. These estimates reflect the local market conditions at the date of acquisition and the statement of financial position date. UBB tests for impairment its investment property annually by comparing the book value of the property with its fair value less costs to sell based on an independent market valuation.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

2.12 Impairment of non financial assets

When UBB prepares financial statements, it ensures that the carrying value of the non-financial asset does not exceed the amount that could be obtained from either using or selling it ('recoverable amount'). UBB assesses at each reporting date whether there are indications that an asset may be impaired. Indications that an impairment loss is required may stem from either an internal source (e.g. the condition of the asset) or an external source (e.g. new technology or a significant decline in the asset's market value). If any such indications exist or when annual impairment testing for an asset is required UBB makes an estimate of the asset's recoverable amount.

The recoverable amount is defined as the higher of the value in use and the fair value less cost to sell. Value in use is defined as the discounted future cash flows expected to be derived from an asset or a cash-generating unit.

The recoverable amount is determined for an individual asset unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount. 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 assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell an appropriate valuation model is used. These calculations are corroborated by valuation models, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

2.13 Impairment of other receivables

Other receivables other than the Loan related (e.g. on rental contracts, receivables on service contracts, which are predominantly short term) are tested for impairments applying a simplified approach (due to low materiality) on annual basis in case of indications for deterioration of the financial status of the client (e.g. triggers are days past due, other information indicating non-performing status). In the assessment UBB considers the provided collateral and the received Guarantees. All receivables with days past due above 90 are in Stage 3 and are impaired with 50% and those with DPD >180 are 100% impaired. Receivables below 90 days past due are in Stage 2 (not impaired) and are subject to ECL: of 2.3% for trade receivables; 2.7% for operating leases and 0.2% for Cash collateral deposited on derivative transactions or rental contracts. The Expected credit losses (ECL) are reported as impairment charge on Other receivables and the latter are reported net of the ECL in the Statement of financial position.

2.14 Tax

Taxes reported in the financial statements are in line with Bulgarian tax legislation. Income tax benefits or expenses in the statement of profit or loss comprise the sum of current taxes for the reporting period and any changes in deferred taxes.

Current tax for the reporting period is the amount of income taxes in respect of the taxable profit for a period calculated at the tax rate in effect at the date of the financial statements. Income tax expense calculated on the basis of the applied tax legislation is recognized as expense in the period in which the profit has occurred. Tax expenses other than corporate income taxes are included in "Other administrative expenses" in the Statement of profit or loss.

Deferred income tax is calculated using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts in the annual financial statements. Deferred tax is calculated at the tax rates that are expected to apply in the period when the receivable is realized or the liability settled based on the effective or adopted official tax rates on the date of the financial statements. Temporary differences may occur from a tax and accounting depreciation of fixed assets, litigation provisions, impairment of fixed tangible assets and receivables other than loans, provisions for unused leaves and retirement benefits etc.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

2.14 Tax (continued)

UBB recognizes deferred tax assets to the extent that it is probable that a sufficient taxable income will be generated against which the temporary differences could be utilized. Current and deferred taxes are recognized as income or expense in the statement of profit or loss except when the tax occurs as a result of transactions or events reported in the statement of comprehensive income for the current or a different period. Current and deferred taxes are accrued or taken directly to equity when the tax relates to items which have been accrued or taken directly to equity in the same or a different period.

Deferred tax assets and liabilities are offset by UBB only when there is a legally enforceable right to offset current tax assets against current tax liabilities and where they relate to income taxes levied by the same taxation authority.

OECD Pillar Two model rules

In December 2023 the Pillar Two global minimum tax was adopted in the National legislation with effective date of application as of 01.01.2024. Under these rules, UBB and its subsidiaries will be required to pay top-up tax on the profits, which are taxed at an effective tax rate of less than 15%. Based on the 2023 results, the additional top-up tax would be roughly 4.98%of the Bank result before tax. Having in mind that UBB is a constituent entity as per Pillar 2 requirements the top-up tax on consolidated level (all companies under full consolidation) is estimated to 4.70%.

2.15 Provisions, contingent liabilities and contingent assets

Provisions are recognized on the reporting date if and only if the following criteria are met:

- there is a present obligation (legal or constructive) due to a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the expenditure required to settle the obligation on the date of the statement of financial position. When the effect of time is material the amount recognized as a provision is the net present value of the best estimate.

Due to its inherent nature a provision requires management judgement regarding the amount and timing of probable future economic outflows. Provisions for future operating losses are not recognized.

2.16 Retirement benefit provisions

Retirement benefit provisions represent the present value of UBB's obligation to pay benefits to its employees upon retirement. Pursuant to the provisions of the Labor Code every employee is entitled to compensation amounting to two or six gross salaries upon retirement depending of the length of service.

Provisions are recognized when there is a legal or constructive obligation as a result of past events and a reliable estimate can be made on the amount of the obligation. Provisions are recognized annually on the basis of a valuation of an independent licensed actuary using personnel statistic data.

2 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

2.17 Interest income and interest expense

The interest income/expense is recognized through profit or loss on an accrual basis the following interest-bearing financial instruments.

- interest on financial instruments measured at amortized cost;
- interest on financial instruments measured at fair value through other comprehensive income.
- interest on financial instruments measured at fair value through profit or loss

Loan related fees which are incremental to the loans granted are presented as interest income.

2.18 Fee and commission income

UBB / the Group earns fee and commission income from a diverse range of financial services it provides to its customers. Fee and commission income are recognised at an amount that reflects the consideration to which the Group expects to be entitled in exchange for providing the services. The performance obligations, as well as the timing of their satisfaction, are identified, and determined, at the inception of the contract. The revenue contracts do not include multiple performance obligations. UBB / the Group has generally concluded that it is the principal in its revenue arrangements because it typically controls the services before transferring them to the customer.

Fee and commission income from services where performance obligations are satisfied over time

Performance obligations satisfied over time are related to accounts maintenance, custody services, as well as the documentary letters of credit and the guarantees issued by the Bank, where the customer simultaneously receives and consumes the benefits provided by the Bank's / Group's performance as the Bank / Group performs. These services are charged to the customer's account on a regular basis (e.g. yearly, monthly).

Fee and commission income from providing services where performance obligations are satisfied at a point in time

Services provided where UBB / the Group's performance obligations are satisfied at a point in time are recognised once control of the services is transferred to the customer. This is typically on completion of the underlying transaction or service or, for fees or components of fees that are linked to a certain performance, after fulfilling the corresponding performance criteria. These include transaction-based fees for opening of accounts, cash transactions, execution of payment orders, bank card transactions, loan processing fees and are charged to the customer's account when the transaction takes place.

Services where performance obligations are satisfied at a point in time are also negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement/participation or negotiation of the acquisition of shares or other securities, or the purchase or sale of businesses, brokerage and underwriting fees. The Bank has a single performance obligation with respect to these services, which is to successfully complete the transaction specified in the contract.

Fees related to confirmation of documentary letters of credit and availing of bank guarantees are fees charged to the customer's account when the transaction takes place and are recognized following the principles of IFRS 15. These are separately disclosed in the notes as part of total fee and commission income, but so that they can be distinguished from total revenue from contracts with customers recognized on the services above.

Fees and commissions that are an integral part of the effective interest rate on a financial asset or liability are presented as interest income or expense.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

2.19 Rental income

Rental income on properties leased out under operating leases is recognized in accordance with IFRS 16. Revenue is recognized to the extent that it is probable that the economic benefits will flow to UBB and the revenue can be reliably measured. The Bank recognizes rental income on straight line basis.

2.20 Leases

General provisions

The recognition, measurement, presentation and disclosure of leases shall be made in accordance with the requirements of IFRS 16 Leasing, considering the terms and conditions of the contracts and all relevant facts and circumstances. Upon initial recognition, the Bank determines whether a contract is a lease or contains a lease component.

A lease is defined as “a contract or part of a contract that confers the right to use an asset (the underlying asset) for a specified period of time in exchange for remuneration.” To apply this definition, the Bank makes three main judgments:

• Whether the contract contains an identified asset that is either explicitly stated in the contract or is specified by default at the time the asset is made available for use.

• The Bank has the right to receive essentially all economic benefits from the use of the asset during the entire period of use, within the defined scope of its right to use the asset under the contract.

• The Bank has the right to control the use of the identified asset throughout the period of use.

The Bank reassesses whether a contract is or contains a lease only if the terms and conditions of the contract are changed.

Measurement and recognition of leases – Bank as a lessee

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Bank. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the lease term on a straight-line basis taking into consideration the extension options.

The right-of-use asset is presented separately on the statement of financial position.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease or Fund Transfer Pricing for liability in the respective currency.

The lease term is a non-cancellable period of a lease; periods covered by options to extend and terminate the lease are only included in the lease term if it is reasonably certain that the lease will be extended or not terminated.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

2.20 Leases (continued)

Measurement and recognition of leases – Bank as a lessee (continued)

Right-of-use assets are measured initially at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Subsequently, the right-of-use assets, are measured at cost less accumulated depreciation and any accumulated impairment losses, and adjusted for remeasurement of the lease liability due to reassessment or lease modifications.

The right-of-use assets are depreciated over the lease term on a straight-line basis. The amortization periods for the right-of-use assets is based on contract tenor:

- right of use for the office building: 1 - 10 years

Expenses on contracts which are out-of-scope of IFRS 16 are reported in the statement of profit or loss as rental expenses. The advanced payments under operating lease contracts for which the benefits are expected to be generated in subsequent periods are deferred and recognized in the period in which the benefits are realized.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. The Bank applies the exemption for low-value assets on a lease-by-lease basis i.e. for the leases where the asset is sub-leased, a right-of-use asset is recognized with corresponding lease liability; for all other leases of low value asset, the lease payments associated with those leases will be recognized as an expense on a straight-line basis over the lease term.

Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise ATM rentals, parking plots and transformers.

Extension and termination options

Extension and termination options are included in a number of property leases across the Bank. These are used to maximize operational flexibility in terms of managing the assets used in the Bank's operations. For critical judgements in determining the lease term, please refer to Note 2.2.

2.21 Bank as Lessor

Leases where UBB does not transfer substantially all of the risk and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as the rental income from that asset. The rental income from operating lease' contracts is recognized on a straight-line basis over the lease term.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

2.21 Bank as Lessor (continued)

Finance lease

The Group presents a finance lease, as a lessor, as a receivable equal to the net investment in a finance lease, which includes the lease payments due under the lease, together with the unguaranteed residual value, discounted at the interest rate inherent to the lease.The lease is accounted for as a finance lease when the lessor transfers to the lessee all significant risks and rewards of the asset's ownership.

Typical indicators that UBB / the Group considers in order to determine whether all significant risks and rewards have been transferred include: the present value of the lease payments compared to the fair value of the leased asset at the beginning of the lease; the term of the leasing contract in comparison with the economic life of the leased asset; as well as whether the lessee will acquire the right of ownership over the leased asset at the end of the financial lease agreement. All other leases that do not transfer substantially all the risks and rewards of the asset's ownership are classified as operating leases.

Lease payments

Payments made by a lessee to UBB / the Group relating to the right to use an underlying asset during the lease term, comprising the following:

(a) fixed payments (including in-substance fixed payments), less any lease incentives;

(b) variable lease payments that depend on an index or a rate;

(c) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and

(d) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

For the lessee, lease payments also include amounts expected to be payable by the lessee under residual value guarantees. Lease payments do not include payments allocated to non-lease components of a contract, unless the lessee elects to combine non-lease components with a lease component and to account for them as a single lease component.

For UBB / the Group, lease payments also include any residual value guarantees provided to UBB / the Group by the lessee, a party related to the lessee or a third party unrelated to UBB / the Group that is financially capable of discharging the obligations under the guarantee. Lease payments do not include payments allocated to non-lease components.

Start of the lease and beginning of the lease term

A distinction is made between the beginning of the leasing contract (inception date) and the beginning of the term under the leasing contract (commencement date). The beginning of the lease contract is the earlier of the two dates – of the lease contract or of the commitment of the parties to the main terms of the lease contract. As of this date:

- the lease is classified as a finance or operating lease; and

- in the case of a finance lease, the amounts to be recognized at the beginning of the lease term are determined.

The beginning of the lease term is the date from which the lessee can exercise its right to use the leased asset. This is also the date on which the Group initially recognizes the lease receivable.

All amounts are in thousand Bulgarian Levs, unless otherwise stated

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

2.21 Bank as Lessor (continued)

Initial and subsequent measurement

UBB / the Group recognizes a finance lease receivable at the commencement date, at a value equal to the net investment in the lease. The initial direct costs are included in the calculation of the finance lease receivable. During the term of the lease, UBB / the Group accrues financial income (interest income on finance lease) on the net investment. The net investment in finance leases is presented in financial assets at amortized cost, within loans and receivables from customers, after impairment, according to the policy for impairment of financial assets at amortized cost.

Operating lease

Assets leased by UBB / the Group under operating leases are classified as vehicles. UBB / the Group continues to hold a significant portion of all the risks and rewards of ownership of the asset. Therefore, this asset continues to be included in its tangible fixed assets, and its depreciation for the period is included in UBB's / Group's current expenses. Rental income from operating leases is recognized as such in profit or loss for the year on a straight-line basis over the term of the lease. The initial direct costs incurred in connection with the negotiation of an operating lease are added to the book value of the leased assets and recognized on a straight-line basis over the term of the lease.

2.22 Share capital

The share capital of UBB is stated at the nominal value of shares issued and subscribed by UBB. Any other additional proceeds from the sale of shares over their nominal value are reported in share premium.

3. NET INTEREST INCOME

	Year ended 31.12.2023	Year ended 31.12.2022	Year ended 31.12.2023	Year ended 31.12.2022
	SEPARATE	SEPARATE	CONSOLIDATED	CONSOLIDATED
A. Interest income on financial instruments calculated using the effective interest rate method				
Deposits placed with banks	129 717	9 830	129 717	9 830
Loans and advances to customers	543 281	230 327	555 569	232 734
Financial assets at fair value through other comprehensive income	12 989	14 453	12 989	14 453
Financial assets at amortized cost	73 558	35 982	73 558	35 982
Other assets	264	-	264	-
Interest income on liabilities	4	11 475	34	11 659
Interest income on other financial instruments				
Economic Hedges	10 136	5 885	10 136	5 885
Hedge IRS Derivatives	4 306	340	4 306	340
Financial assets at fair value through profit or loss	210	39	210	39
	774 465	**308 331**	**786 783**	**310 922**
B. Interest expense on financial instruments calculated using the effective interest rate method				
Deposits from banks	(45 473)	(8 081)	(45 473)	(8 081)
Deposits from customers	(27 891)	(936)	(27 891)	(936)
Long term borrowings	(33 203)	(248)	(36 056)	(646)
Interest expense on other financial instruments				
Financial liabilities held for trading	(557)	(168)	(557)	(168)
Hedge and trading derivatives	(903)	(1 235)	(903)	(1 235)
Lease liabilities	(521)	(31)	(521)	(31)
Interest expense on assets (Placements with banks and Reverse Repos)	(578)	(10 321)	(578)	(10 321)
	(109 126)	**(21 020)**	**(111 979)**	**(21 418)**
TOTAL	**665 339**	**287 311**	**674 804**	**289 504**

The interest income on impaired assets for 2023 is 3 728 thousand (2022: 1 990 thousand).

All amounts are in thousand Bulgarian Levs, unless otherwise stated

4. NET FEE AND COMMISSION INCOME

NET FEE AND COMMISSION INCOME	Year ended 31.12.2023 SEPARATE	Year ended 31.12.2022 SEPARATE	Year ended 31.12.2023 CONSOLIDATED	Year ended 31.12.2022 CONSOLIDATED
`				
A. Fee and commission incomes				
Card-related services fees	92 849	43 814	92 849	43 814
Service fees of customer accounts	62 108	33 881	62 107	33 880
Transfer of funds and cash transactions	60 464	32 989	60 462	32 988
Fees FX transactions	50 041	25 932	50 042	25 943
Bank insurance fees	19 745	15 683	24 877	15 683
Loans and advances to customers	14 104	14 666	17 087	17 020
Asset management fees	11 232	10 005	11 232	10 005
Guarantees and letters of credit	6 965	3 704	6 965	3 754
Fiduciary/custodian activities	3 326	2 463	3 326	3 825
Revenue from valuation of properties	878	1 312	878	1 312
Fees safety vault	599	488	599	488
Other fees and commissions	3 474	1 436	3 450	1 436
	325 785	**186 373**	**333 874**	**190 148**
B. Fee and commission expenses				
Card-related services fees	(61 003)	(25 558)	(61 003)	(25 558)
Guarantees and letters of credit	(2 630)	(1 372)	(2 630)	(1 372)
Fiduciary/custodian activities	(1 549)	(1 088)	(1 549)	(1 088)
Transfer of funds and cash transactions	(5 737)	(1 634)	(5 737)	(1 634)
Fees from sales of SMS packages / e-mails	(4 605)	(1 334)	(4 605)	(1 334)
Insurance expenses	(974)	(888)	(1 596)	(1 446)
Expenses on valuation of collateral on loans	(1 310)	(1 555)	(1 310)	(1 555)
Other fees and commissions	(782)	(155)	(1 086)	(193)
	(78 590)	**(33 584)**	**(79 516)**	**(34 180)**
TOTAL	**247 195**	**152 789**	**254 358**	**155 968**

5. NET RESULT FROM FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Year ended 31.12.2023 SEPARATE	Year ended 31.12.2022 SEPARATE	Year ended 31.12.2023 CONSOLIDATED	Year ended 31.12.2022 CONSOLIDATED
Net result from financial instruments Held for Trading				
Net gains/from FX derivatives	1 528	721	1 524	721
Gains/ (losses) on Held for trading financial assets and liabilities - Interest rate instruments	(87)	667	(87)	667
	1 441	**1 388**	**1 437**	**1 388**
Government and Corporate securities	1 437	(1 109)	1 437	(1 109)
	1 437	**(1 109)**	**1 437**	**(1 109)**
TOTAL	**2 878**	**279**	**2 874**	**279**

All amounts are in thousand Bulgarian Levs, unless otherwise stated

6. NET OTHER INCOME

	Year ended 31.12.2023 SEPARATE	Year ended 31.12.2022 SEPARATE	Year ended 31.12.2023 CONSOLIDATED	Year ended 31.12.2022 CONSOLIDATED
Gains on disposal of fixed assets	1 467	3 151	1 850	3 261
Rental income	3 995	3 856	5 410	3 993
Income from operational events	387	421	387	421
Other income from investment properties	43	396	523	1 025
Other operating income	337	137	2 440	1 183
Direct costs of investment properties	(786)	(1 421)	(856)	(1 435)
Expenses from operational events	(894)	(437)	(933)	(437)
Expenses related to collateral on loans	(7)	(7)	(7)	(7)
(Expenses)/income on provisions	(1 276)	58	(1 276)	58
Depreciation of investment property and assets subject to lease contracts	(2 550)	(2 729)	(4 027)	(3 038)
Other	(91)	(63)	(573)	(61)
TOTAL	**625**	**3 362**	**2 938**	**4 963**

7. OPERATING EXPENSES

a) Personnel expenses

	Year ended 31.12.2023 SEPARATE	Year ended 31.12.2022 SEPARATE	Year ended 31.12.2023 CONSOLIDATED	Year ended 31.12.2022 CONSOLIDATED
Wages and Salaries	(141 769)	(71 817)	(144 054)	(73 581)
Social security costs	(23 275)	(13 389)	(23 634)	(13 671)
Bonuses and other compensation expenses	(17 785)	(14 572)	(18 034)	(14 836)
Other staff costs	(6 009)	(5 756)	(6 074)	(5 847)
Provision for staff related restructuring charge	-	(3 445)	-	(3 445)
Pension costs - defined contribution plans	(1 222)	(774)	(1 132)	(774)
TOTAL	**(190 060)**	**(109 753)**	**(192 928)**	**(112 154)**

b) General administrative expenses

General administrative expenses	31.12.2023 SEPARATE	31.12.2022 SEPARATE	31.12.2023 CONSOLIDATED	31.12.2022 CONSOLIDATED
ICT expenses	(106 585)	(28 259)	(106 891)	(28 406)
Deposit guarantee fund	(17 903)	(19 523)	(17 903)	(19 523)
Repair, maintenance and other facilities expenses	(40 327)	(17 362)	(40 503)	(17 539)
Rental expenses	(2 589)	(1 194)	(2 593)	(1 198)
Advertising, marketing and communication	(8 003)	(6 361)	(8 046)	(6 373)
Professional fees	(7 540)	(4 158)	(7 690)	(4 286)
Costs charged by other KBC Group entities	(4 052)	(1 528)	(4 052)	(1 528)
Training expenses	(1 079)	(277)	(1 083)	(278)
Other expenses	(14 042)	(18 304)	(14 246)	(18 472)
TOTAL	**(202 120)**	**(96 966)**	**(203 007)**	**(97 603)**

	Year ended 31.12.2023 SEPARATE	Year ended 31.12.2022 SEPARATE	Year ended 31.12.2023 CONSOLIDATED	Year ended 31.12.2022 CONSOLIDATED
Audit expenses	(904)	(482)	(958)	(509)

The amount of Audit expenses above include charge for non-audit services at the amount of BGN 12 thousand for 2023 and BGN 130 thousand for 2022, both on individual and consolidated basis.

All amounts are in thousand Bulgarian Levs, unless otherwise stated

7. OPERATING EXPENSES (CONTINUED)

c) Depreciation and amortization expenses

	Year ended 31.12.2023 SEPARATE	Year ended 31.12.2022 SEPARATE	Year ended 31.12.2023 CONSOLIDATED	Year ended 31.12.2022 CONSOLIDATED
Depreciation of fixed assets	(19 918)	(12 226)	(19 955)	(12 249)
Depreciation of right-of-use assets	(14 314)	(8 338)	(14 666)	(8 360)
Amortization of intangible assets	(15 249)	(4 451)	(15 326)	(4 465)
TOTAL	**(49 481)**	**(25 015)**	**(49 947)**	**(25 074)**

8. IMPAIRMENT EXPENSES

The net charge for the impairments for year ended 31 December 2023 and 31 December 2022 as follows:

	Year ended 31.12.2023 SEPARATE	Year ended 31.12.2022 SEPARATE	Year ended 31.12.2023 CONSOLIDATED	Year ended 31.12.2022 CONSOLIDATED
Impairment on financial assets at AC and at FVOCI	**(23 170)**	**(45 343)**	**(22 017)**	**(46 253)**
Loans and advances to customers*	(36 157)	(45 001)	(34 958)	(45 778)
Collection expenses	(738)	(927)	(787)	(1 051)
Due from banks receivables	13	(10)	13	(10)
Bonds at FVOCI	19	39	19	39
Bonds at AC	13 807	382	13 807	382
Other receivables	(114)	174	(111)	165
Other Impairments	**2 860**	**(3 325)**	**2 859**	**(4 039)**
Fixed intangible assets	(609)	(9)	(609)	(723)
Investment Property	(1 545)	(2 934)	(1 545)	(2 934)
Impairment of foreclosed assets	-	(107)	-	(107)
(Impairment)/Reversal of impairment on off-statement of financial position commitment	5 014	(275)	5 013	(275)
TOTAL	**(20 310)**	**(48 668)**	**(19 158)**	**(50 292)**

* Impairments of Loans and advances to customers include income from written-off loans at the amount of BGN 16 837 thousand and BGN 16 886 respectively on individual and consolidated base for the year ended 31 December 2023 (2022: 17 414 thousand both on individual and consolidated base).

9. INCOME TAX EXPENSE

	Year ended 31.12.2023 SEPARATE	Year ended 31.12.2022 SEPARATE	Year ended 31.12.2023 CONSOLIDATED	Year ended 31.12.2022 CONSOLIDATED
Current tax expense	(48 004)	(15 189)	(48 004)	(15 189)
Deferred tax income /(expense) related to origination and reversal of temporary differences	3 202	(1 515)	3 202	(1 612)
Tax expense	**(44 802)**	**(16 704)**	**(44 802)**	**(16 801)**
Share of tax in subsidiaries and equity method investments	-	-	(1 838)	(175)
TOTAL	**(44 802)**	**(16 704)**	**(46 640)**	**(16 976)**

All amounts are in thousand Bulgarian Levs, unless otherwise stated

9.INCOME TAX EXPENSE (CONTINUED)

The relationship between tax expense and accounting profit is as follows:

	Year ended 31.12.2023 SEPARATE	Year ended 31.12.2022 SEPARATE	Year ended 31.12.2023 CONSOLIDATED	Year ended 31.12.2022 CONSOLIDATED
Profit before taxation	462 256	168 206	472 091	169 596
Prima facie tax calculated at an applicable tax rate (10% for 2023 and 2022)	(46 226)	(16 821)	(47 209)	(16 960)
Tax effect of income/(expenses) that are not deductible in determining the taxable profit	1 424	117	2 407	159
Tax expense	**(44 802)**	**(16 704)**	**(44 802)**	**(16 801)**
Share of tax in associates, subsidiaries and equity method investments	-	-	(1 838)	(175)
TOTAL	**(44 802)**	**(16 704)**	**(46 640)**	**(16 976)**
Effective income tax rate	9.69%	9.93%	9.88%	10.01%

Current income tax expense represents the amount of tax to be paid under Bulgarian law at statutory tax rates. Deferred tax income or expense result from the change of carrying amounts of deferred tax assets and deferred tax liabilities. Deferred tax assets and liabilities as of 31 December 2023 and as of 31 December 2022 are calculated using the tax rate of 10% enacted as of that date to be effective for 2023 and 2022.

10. CASH AND CASH BALANCES WITH THE CENTRAL BANK

	Year ended 31.12.2023 SEPARATE	Year ended 31.12.2022 SEPARATE	Year ended 31.12.2023 CONSOLIDATED	Year ended 31.12.2022 CONSOLIDATED
Cash in hand	609 597	238 719	609 602	238 719
Minimum reserve with the Central Bank	2 659 966	1 327 707	2 659 966	1 327 707
Current account with the Central Bank	5 168 877	708 337	5 168 877	708 337
TOTAL	**8 438 440**	**2 274 763**	**8 438 445**	**2 274 763**

Mandatory reserve is a part of required reserves in Central Bank which also includes current account with BNB and 50% from cash in hand. Required reserves use is restricted. Such reserves are regulated on a monthly basis and their insufficiency carries penalty interest. Daily fluctuations within a month period are allowed.

11. DUE FROM BANKS AND REVERSE REPOS WITH BANKS

	Year ended 31.12.2023 SEPARATE	Year ended 31.12.2022 SEPARATE	Year ended 31.12.2023 CONSOLIDATED	Year ended 31.12.2022 CONSOLIDATED
Nostro accounts	237 239	130 142	237 648	130 142
Interbank placements	112 702	186 574	112 702	186 574
Other loans and advances to banks	1 000 781	849 587	1 000 781	849 587
Reverse Repos with banks	-	1 585 181	-	1 585 181
TOTAL	**1 350 722**	**2 751 484**	**1 351 131**	**2 751 484**
Included in cash equivalents (note 30)	354 418	2 742 362	354 418	2 742 362

All amounts are in thousand Bulgarian Levs, unless otherwise stated

12. LOANS AND ADVANCES TO CUSTOMERS

(a) Analysis by type of customer (by gross carrying amount)

	Year ended 31-12-2023 SEPARATE	Year ended 31-12-2022 SEPARATE	Year ended 31-12-2023 CONSOLIDATED	Year ended 31-12-2022 CONSOLIDATED
Individuals (retail)				
Overdrafts	20 145	20 844	20 145	20 844
Credit cards	146 367	86 944	146 367	86 944
Mortgages	4 915 042	2 111 495	4 915 042	2 111 495
Consumer loans	3 049 926	1 497 291	3 049 926	1 497 291
Other loans	115 679	31 296	115 679	31 296
Lease contracts	-	-	57 558	-
Total loans to individuals	**8 247 159**	**3 747 870**	**8 304 717**	**3 747 870**
Companies				
Financial institutions	846 957	140 824	515 168	140 824
Large corporate customers	3 706 851	1 615 600	3 867 681	1 615 600
SME corporate	5 221 309	2 982 178	5 469 153	3 103 971
Government institutions	151 781	88 004	151 886	88 004
Total loans to companies**	**9 926 898**	**4 826 606**	**10 003 888**	**4 948 399**
Loans to customers, gross	**18 174 057**	**8 574 476**	**18 308 605**	**8 696 269**
Less: allowance for impairment	**(318 114)**	**(179 108)**	**(328 471)**	**(182 631)**
Loans to customers, net	**17 855 943**	**8 395 368**	**17 980 134**	**8 513 638**
Other receivables, net*	**76 690**	**21 979**	**76 691**	**22 043**
Loans and advances to customers, net of provision	**17 932 633**	**8 417 347**	**18 056 825**	**8 535 681**

*Other receivables represent short term transactional balances, being predominantly balances on the settlement of card transactions No material ECL is associated with them due to their very short settlement period.

** In the line **Total loans to companies (Consolidated 31-12-2023)** an amount of BGN 335 561 thousand relates to lease contracts to companies

(b) Analysis by IFRS 9 stage, net of impairments

	Year ended 31.12.2023 SEPARATE			Year ended 31.12.2022 SEPARATE		
	Gross Carrying Amount	**Allowance for impairment**	**Net Carrying Amount**	**Gross Carrying Amount**	**Allowance for impairment**	**Net Carrying Amount**
Individuals (retail)	**8 247 159**	**(209 646)**	**8 037 513**	**3 747 870**	**(94 207)**	**3 653 663**
Stage 1	7 286 598	(16 969)	7 269 629	3 277 006	(8 703)	3 268 303
Stage 2	748 331	(50 006)	698 325	369 884	(29 573)	340 311
Stage 3	212 230	(142 671)	69 559	100 980	(55 931)	45 049
Companies	**9 926 898**	**(108 468)**	**9 818 430**	**4 826 606**	**(84 901)**	**4 741 705**
Stage 1	8 268 324	(18 172)	8 250 152	3 799 629	(6 311)	3 793 318
Stage 2	1 436 830	(25 000)	1 411 830	845 968	(12 869)	833 099
Stage 3	221 744	(65 296)	156 448	181 009	(65 721)	115 288
Loans to customers	**18 174 057**	**(318 114)**	**17 855 943**	**8 574 476**	**(179 108)**	**8 395 368**

All amounts are in thousand Bulgarian Levs, unless otherwise stated

12. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(b) Analysis by IFRS 9 stage, net of impairments (continued)

			Year ended 31.12.2023			Year ended 31.12.2022
			CONSOLIDATED			CONSOLIDATED
	Gross Carrying Amount	**Allowance for impairment**	**Net Carrying Amount**	**Gross Carrying Amount**	**Allowance for impairment**	**Net Carrying Amount**
Individuals (retail)	**8 304 717**	**(211 442)**	**8 093 275**	**3 747 870**	**(94 207)**	**3 653 663**
Stage 1	7 340 593	(17 320)	7 323 273	3 277 006	(8 703)	3 268 303
Stage 2	749 537	(50 026)	699 511	369 884	(29 573)	340 311
Stage 3	214 587	(144 096)	70 491	100 980	(55 931)	45 049
Companies	**10 003 888**	**(117 029)**	**9 886 859**	**4 948 399**	**(88 424)**	**4 859 975**
Stage 1	8 092 407	(19 539)	8 072 868	3 750 544	(6 290)	3 744 254
Stage 2	1 682 470	(27 733)	1 654 737	1 014 150	(13 774)	1 000 376
Stage 3	229 011	(69 757)	159 254	183 705	(68 360)	115 345
Loans to customers	**18 308 605**	**(328 471)**	**17 980 134**	**8 696 269**	**(182 631)**	**8 513 638**

(c) Movement of allowances for impairment for loans to customers

Credit loss allowance	Stage 1			Stage 2			Stage 3			
SEPARATE	(12-months ECL)			(lifetime ECL for SICR)			(lifetime ECL for credit impaired)			**Total**
	Mortgage	Retail loans other than Mortgage	Companies	Mortgage	Retail loans other than Mortgage r	Companies	Mortgage	Retail loans other than Mortgage	Companies	
At 1 January 2023	(59)	- 8 644	- 6 311	- 250	- 29 323	- 12 869	(12 369)	(43 562)	- 65 721	- **179 108**
Business combination	(3 219)	(10 972)	(8 703)	(12 648)	(9 782)	(13 923)	(14 774)	(71 392)	(37 694)	**(183 107)**
Increases due to origination	(2 463)	(13 909)	(12 708)	(1 428)	(108)	(527)	-	-	-	**(31 143)**
Decrease due to derecognition /full repayment/	226	8 175	9 196	1 087	5 349	3 746	1 345	4 378	5 702	**39 204**
Decrease in allowance account due to write-offs/sale to third party	-	-	-	-	-	-	6 030	24 628	62 526	**93 184**
Other adjustments	-	-	-	-	-	7	333	933	2 638	**3 911**
Changes due to change in credit risk (net)	1 221	12 675	354	(3 149)	246	(1 434)	(5 712)	(32 509)	(32 747)	**(61 055)**
At 31 December 2023	**(4 294)**	**(12 675)**	**(18 172)**	**(16 388)**	**(33 618)**	**(25 000)**	**(25 147)**	**(117 524)**	**(65 296)**	**(318 114)**

Credit loss allowance	Stage 1			Stage 2			Stage 3			
SEPARATE	(12-months ECL)			(lifetime ECL for SICR)			(lifetime ECL for credit impaired)			**Total**
	Mortgage	Retail loans other than Mortgage	Companies	Mortgage	Retail loans other than Mortgage	Companies	Mortgage	Retail loans other than Mortgage	Companies	
At 1 January 2022	(90)	(2 840)	(5 453)	(1 181)	(18 815)	(8 669)	(22 817)	(33 516)	(97 524)	**(190 905)**
Increases due to origination	(63)	(4 297)	(1 892)	(3)	(682)	(806)	-	-	-	**(7 743)**
Decrease due to derecognition /full repayment/	5	602	322	108	2 805	1 415	1 294	1 587	8 927	**17 065**
Decrease in allowance account due to write-offs/sale to third party	-	-	-	-	-	-	18 574	2 458	50 862	**71 894**
Other adjustments	-	-	-	-	-	(2)	-	-	1 936	**1 934**
Changes due to changes in model/methodology	27	1 840	-	51	(6 453)	-	-	-	-	**(4 535)**
Changes due to change in credit risk (net)	62	(3 949)	712	775	(6 178)	(4 807)	(9 420)	(14 091)	(29 922)	**(66 818)**
At 31 December 2022	**(59)**	**(8 644)**	**(6 311)**	**(250)**	**(29 323)**	**(12 869)**	**(12 369)**	**(43 562)**	**(65 721)**	**(179)**

All amounts are in thousand Bulgarian Levs, unless otherwise stated

12. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(c) Movement of allowances for impairment for loans to customers (continued)

Credit loss allowance	Stage 1			Stage 2			Stage 3			
CONSOLIDATED	(12-months ECL)			(lifetime ECL for SICR)			(lifetime ECL for credit impaired)			**Total**
	Mortgage	Retail loans other than Mortgage	Companies	Mortgage	Retail loans other than Mortgage	Companies	Mortgage	Retail loans other than Mortgage	Companies	
At 1 January 2023	(59)	(8 644)	(6 290)	(250)	(29 323)	(13 774)	(12 369)	(43 562)	(68 360)	**(182 631)**
Business combination	(3 219)	(11 896)	(9 463)	(12 648)	(10 096)	(16 556)	(14 774)	(72 509)	(39 925)	**(191 086)**
Increases due to origination	(2 463)	(13 923)	(12 844)	(1 428)	(109)	(1 133)	-	-	-	**(31 900)**
Decrease due to derecognition /full repayment/	226	8 227	9 231	1 087	5 377	3 831	1 345	4 543	6 037	**39 904**
Decrease in allowance account due to write-offs/sale to third party	-	-	-	-	-	-	6 030	24 628	62 526	**93 184**
Other adjustments	-	-	-	-	1	8	333	932	2 632	**3 906**
Changes due to change in credit risk (net)	1 221	13 210	(173)	(3 150)	513	(109)	(5 710)	(32 983)	(32 667)	**(59 848)**
At 31 December 2023	**(4 294)**	**(13 026)**	**(19 539)**	**(16 389)**	**(33 637)**	**(27 733)**	**(25 145)**	**(118 951)**	**(69 757)**	**(328 471)**

Credit loss allowance	Stage 1			Stage 2			Stage 3			
CONSOLIDATED	(12-months ECL)			(lifetime ECL for SICR)			(lifetime ECL for credit impaired)			**Total**
	Mortgage	Retail loans other than Mortgage	Companies	Mortgage	Retail loans other than Mortgage	Companies	Mortgage	Retail loans other than Mortgage	Companies	
At 1 January 2022	(90)	(2 840)	(5 439)	(1 181)	(18 815)	(9 325)	(22 817)	(33 516)	(100 002)	**(194 025)**
Increases due to origination	(63)	(4 297)	(1 892)	(3)	(682)	(1 029)	-	-	-	**(7 966)**
Decrease due to derecognition /full repayment/	5	602	322	108	2 805	1 415	1 294	1 587	8 927	**17 065**
Decrease in allowance account due to write-offs/sale to third party	-	-	-	-	-	-	18 574	2 458	51 289	**72 321**
Other adjustments	-	-	-	-	-	(2)	-	-	1 943	**1 941**
Changes due to changes in model/methodology	27	1 840	-	51	(6 453)	-	-	-	-	**(4 535)**
Changes due to change in credit risk (net)	62	(3 949)	719	775	(6 178)	(4 833)	(9 420)	(14 091)	(30 517)	**(67 432)**
At 31 December 2022	**(59)**	**(8 644)**	**(6 290)**	**(250)**	**(29 323)**	**(13 774)**	**(12 369)**	**(43 562)**	**(68 360)**	**(182 631)**

1. The P&L charge not included in ECL movement related to collection expenses at the amount of BGN 738 thousand (2022:BGN 927 thousand) and BGN 787 thousand (2022: BGN 1 051 thousand), respectively on individual and consolidation level, as well as income from written-off loans at the amount of BGN 16 837 thousand (2022: BGN 17 414 thousand) and BGN 16 886 (2022: 17 414 thousand) respectively on individual and consolidated basis.
2. During the year the gross amount of written-off loans (incl. derecognition of loans due to sale to third party) is BGN 93 184 thousand both on individual and consolidate base (2022: BGN 71 894 thousand and BGN 72 321 thousand respectively on individual and consolidate base).

(d) Sensitivity of ECL under IFRS 9 to forward looking macroeconomic assumptions

A change in the weight assigned to base forward looking macro-economic set of assumptions by 50% towards the immediate downside level assumptions would result in an increase in ECL by BGN 4.5 million at 31 December 2023 (2022: BGN 5.6 million). A corresponding change towards the upside assumptions would result in a decrease in ECL by BGN 2.5 million at 31 December 2023 (2022: BGN 2.34 million).

All amounts are in thousand Bulgarian Levs, unless otherwise stated

12. LOANS AND ADVANCES TO CUSTOMERS (CONTINUES)

(e) Net receivables under finance leases

Net receivables under finance leases represent the difference between gross receivables under finance leases, less unrealized finance income and the accrued impairment.

	Year ended 31-12-2023 CONSOLIDATED
With maturity up to 1 year	145 653
With maturity from 1 to 5 years	256 057
With maturity over 5 years	8 220
Gross receivables from financial leasing contracts	**409 930**
Unrealized financial income	(30 587)
Lease payments	**379 343**
Impairment	(6 413)
Net receivables under finance leases	**372 930**

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Year ended 31.12.2023 SEPARATE AND CONSOLIDATED	Year ended 31.12.2022 SEPARATE AND CONSOLIDATED
Bulgarian government securities (listed)	9 215	5 233
TOTAL	**9 215**	**5 233**

Total financial assets at fair value through profit or loss by type of currency and by type of interest rates are as follows:

As of 31.12.2023

SEPARATE AND CONSOLIDATED		
Currency	**Fixed interest**	**Total**
BGN	3 294	**3 294**
EUR	5 921	**5 921**
TOTAL	**9 215**	**9 215**

As of 31.12.2022

SEPARATE AND CONSOLIDATED		
Currency	**Fixed interest**	**Total**
BGN	5 218	**5 218**
EUR	15	**15**
TOTAL	**5 233**	**5 233**

All amounts are in thousand Bulgarian Levs, unless otherwise stated

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

As of 31.12.2023
SEPARATE AND CONSOLIDATED

Fair value measurement	Level 1	Level 2	Total
Government securities	8 804	411	**9 215**
TOTAL	**8 804**	**411**	**9 215**

As of 31.12.2022
SEPARATE AND CONSOLIDATED

Fair value measurement	Level 1	Level 2	Total
Government securities	8	5 225	**5 233**
TOTAL	**8**	**5 225**	**5 233**

Rating "Moody's"

	As of 31.12.2023	As of 31.12.2022	As of 31.12.2023	As of 31.12.2022
	SEPARATE	SEPARATE	CONSOLIDATED	CONSOLIDATED
BBB	9 215	5 233	9 215	5 233

14. FINANCIAL ASSETS AT FAIR VALUE IN OTHER COMPREHENSIVE INCOME

	As of 31.12.2023	As of 31.12.2022
Financial assets at fair value through OCI	SEPARATE AND CONSOLIDATED	SEPARATE AND CONSOLIDATED
Bulgarian government securities (Stage 1) *		
Listed on official stock markets	507 045	549 140
(Impairments)	(95)	(85)
Net amount after impairments	**506 950**	**549 055**
Foreign government securities (Stage 1)		
Listed on official stock markets	65 558	29 179
(Impairments)	(10)	(12)
Net amount after impairments	**65 548**	**29 167**
Equity securities FVOCI		
Equity securities in local entities		
Listed on official stock markets	182	-
Unlisted	16 885	9 951
	17 067	**9 951**
Equity securities in foreign entities		
Unlisted	10 306	3 739
	10 306	**3 739**
TOTAL	**599 871**	**591 912**

*Part of the owned Bulgarian government securities are pledged for budget attracted funds at the amount of BGN 62 945 thousand as at 31 December 2023 (2022: BGN 85 545 thousand).

The major part of equity securities represents participations in companies providing services to the financial sector.

All amounts are in thousand Bulgarian Levs, unless otherwise stated

14. FINANCIAL ASSETS AT FAIR VALUE IN OTHER COMPREHENSIVE INCOME (CONTINUED)

Total financial assets FVOCI by type of currency and interest rate are as follows:

As of 31.12.2023

SEPARATE AND CONSOLIDATED			
Currency	**Fixed interest**	**Non-Interest bearing**	**Total**
BGN	161 653	17 067	**178 720**
USD	35 948	10 178	**46 126**
EUR	374 897	128	**375 025**
TOTAL	**572 498**	**27 373**	**599 871**

As of 31.12.2022

SEPARATE AND CONSOLIDATED			
Currency	**Fixed interest**	**Non-Interest bearing**	**Total**
BGN	138 163	9 950	**148 113**
USD	12 188	3 633	**15 821**
EUR	427 871	107	**427 978**
TOTAL	**578 222**	**13 690**	**591 912**

Equity investments have been classified under the currency categories based on the currency of the countries which they were incorporated in.

As of 31.12.2023

SEPARATE AND CONSOLIDATED				
Fair value measurement	**Level 1**	**Level 2**	**Level 3**	**Total**
Government securities	419 709	143 940	8 850	**572 499**
Equity securities FVOCI	3 047		24 325	**27 372**
TOTAL	**422 754**	**143 940**	**33 175**	**599 871**

As of 31.12.2022

SEPARATE AND CONSOLIDATED				
Fair value measurement	**Level 1**	**Level 2**	**Level 3**	**Total**
Government securities	489 489	73 625	15 108	**578 222**
Equity securities FVOCI	-	-	13 690	**13 690**
TOTAL	**489 489**	**73 625**	**28 798**	**591 912**

Movement for the year of FVOCI financial instruments allocated to Level 3

SEPARATE AND CONSOLIDATED	Carrying amount 31.12.2022	Effect from business combination	Transferred out of Level 3	Change in Fair value	Disposal	Carrying amount 31.12.2023
Debt securities	**15 108**	8 967	- 15 110	- 115	-	**8 850**
Equity securities	**13 690**	4 645	-	6 041	- 50	**24 26**

SEPARATE AND CONSOLIDATED	Carrying amount 31.12.2021	Transferred out of Level 3	Change in Fair value	Disposal	Carrying amount 31.12.2022
Debt securities	**17 609**	-	- 2 501	-	**15 108**
Equity securities	**16 573**	-	588	- 3 471	**13 690**

All amounts are in thousand Bulgarian Levs, unless otherwise stated

15. DEBT SECURITIES AT AMORTIZED COST

	As of 31.12.2023 SEPARATE AND CONSOLIDATED	As of 31.12.2022 SEPARATE AND CONSOLIDATED
Bulgarian government securities after impairments (Stage 1) *	**3 998 271**	**2 391 408**
listed on official stock markets	3 999 114	2 391 858
(Impairments)	(843)	(450)
Foreign government securities after impairments (Stage 1)	**1 117 450**	**814 364**
listed on official stock markets	1 073 273	769 185
Unlisted	44 322	45 247
(Impairments)	(145)	(68)
Debt securities of corporate entities (Stage 1)	**187 041**	-
listed on official stock markets	187 105	-
(Impairments)	(64)	-
TOTAL	**5 302 762**	**3 205 772**

*Part of the owned Bulgarian government securities are pledged for budget attracted funds at the amount of BGN 382 172 thousand as at 31 December 2023 (2022: BGN 252 263 thousand).

Total investments at amortized cost by type of currency and interest rate are as follows:

As of 31.12.2023
SEPARATE AND CONSOLIDATED

Currency	Fixed interest	Total
BGN	1 773 362	**1 773 362**
USD	422 307	**422 307**
EUR	3 107 093	**3 107 093**
TOTAL	**5 302 762**	**5 302 762**

As of 31.12.2022
SEPARATE AND CONSOLIDATED

Currency	Fixed interest	Total
BGN	1 213 889	**1 213 889**
USD	358 230	**358 230**
EUR	1 633 653	**1 633 653**
TOTAL	**3 205 772**	**3 205 772**

Fair value of debt securities measured at amortized cost

As of 31.12.2023
SEPARATE AND CONSOLIDATED

Fair value measurement	Level 1	Level 2	Level 3	Total
Government securities	4 195 314	613 445		**4 808 759**
Debt securities of corporate entities	165 795	18 734		**184 529**
TOTAL	**4 361 109**	**632 179**		**4 993 288**

As of 31.12.2022
SEPARATE AND CONSOLIDATED

Fair value measurement	Level 1	Level 2	Level 3	Total
Government securities	1 863 656	867 643	24 433	**2 755 732**
Debt securities of corporate entities	16 235			**16 235**
TOTAL	**1 879 891**	**867 643**	**24 433**	**2 771 967**

All amounts are in thousand Bulgarian Levs, unless otherwise stated

16. DERIVATIVE FINANCIAL INSTRUMENTS

The concluded contracts for derivative financial instruments include short-term currency forwards currency and interest rate swaps as follows:

DERIVATIVE FINANCIAL INSTRUMENTS	SEPARATE AND CONSOLIDATED			SEPARATE AND CONSOLIDATED		
			31.12.2023			31.12.2022
	Contract/ notional amount	Assets	Fair value Liabilities	Contract/ notional amount	Assets	Fair value Liabilities
Derivatives held for trading	**9 434 065**	**19 335**	**28 578**	**1 777 992**	**8 082**	**8 961**
Of which Currency forwards	6 334 562	10 586	10 363	428 568	2 998	1 283
Of which Currency swaps	2 654 426	2 174	10 624	1 317 616	1 697	1 878
Of which Open forwards	48 190	414	392	14 650	1	2 209
Of which Interest Rate swaps	396 887	6 161	7 199	17 158	3 386	3 591
Hedging derivatives	**117 350**	**2 679**	**-**	**117 350**	**5 351**	**-**
Of which Interest Rate swaps	117 350	2 679	-	117 350	5 351	-
Total derivative financial instruments	**9 551 415**	**22 014**	**28 578**	**1 895 342**	**13 433**	**8 961**

Fair value of derivative financial instruments allocated to fair value level

As of 31.12.2023

SEPARATE AND CONSOLIDATED				
Fair value	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets				
Derivatives held for trading	-	19 335	-	19 335
Hedging derivatives	-	2 679	-	2 679
Liabilities				
Derivatives held for trading	-	28 578	-	28 578
Hedging derivatives	-	-	-	-

As of 31.12.2022

SEPARATE AND CONSOLIDATED				
Fair value measurement	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets				
Derivatives held for trading	-	8 082	-	8 082
Hedging derivatives		5 351		5 351
Liabilities				
Derivatives held for trading	-	8 961	-	8 961
Hedging derivatives				

All amounts are in thousand Bulgarian Levs, unless otherwise stated

16. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

The table below presents summary for hedging derivatives as of 31 December 2023

HEDGING DERIVATIVES	**Hedged item**		**Impact of equity**							
As of 31.12.2023	Notional amounts		Carrying value							
Hedging strategy	Purchased	Sold	Assets	Liabilities	Change in fair value of hedging items used as basis for recognising hedge ineffectiveness for the period	Type	Total (including fair value changes)	Change in fair value of hedged items used as basis for recognising hedge ineffectiveness for the period	Ineffective portion recognised in profit or loss	Effective portion recognised in OCI
Fair value hedge										
Interest Rate swaps	117 350	117 350	2 679	-	(2 883)	Debt securities held at FVOCI	117 667	(326)	51	2 557
Total	**117 350**	**117 350**	**2 679**	**-**	**(2 883)**	**Total**	**117 667**	**(326)**	**51**	**2 557**

HEDGING DERIVATIVES	**Hedged item**		**Impact of equity**							
As of 31.12.2022	Notional amounts		Carrying value							
Hedging strategy	Purchased	Sold	Assets	Liabilities	Change in fair value of hedging items used as basis for recognizing hedge ineffectiveness for the period	Type	Total (including fair value changes)	Change in fair value of hedged items used as basis for recognizing hedge ineffectiveness for the period	Ineffective portion recognized in profit or loss Purchased	Effective portion recognize d in OCI Sold
Fair value hedge										
Interest Rate swaps	**117 350**	**117 350**	**5 351**	-	**(9 170)**	Debt securities held at FVOCI	**117 642**	**(11 176)**	**(109)**	**(2 006)**
Total	**117 350**	**117 350**	**5 351**	-	**(9 170)**	**Total**	**117 642**	**(11 176)**	**(109)**	**(2 006)**

1. In this table, both legs of the derivatives are reported in the notional amounts.
2. Ineffectiveness is recognized in profit or loss.

All amounts are in thousand Bulgarian Levs, unless otherwise stated

17.INVESTMENTS IN SUBSIDIARIES AND ASSOCIATED COMPANIES

Subsidiaries are consolidated applying full consolidation method. Investments in associated companies are accounted for using the equity method.

As of 31.12.2023
SEPARATE

Company name	Country of incorporation	% of ownership	Number of shares	Currency of transaction	Acquisition cost	Carrying value
UBB Factoring EOOD	Bulgaria	100%	30 000	BGN	3 000	3 000
East Golf Properties EOOD	Bulgaria	100%	7 546 365	BGN	9 046	9 046
UBB Centre Management EOOD	Bulgaria	100%	6 992	BGN	-	-
Drujestvo za Kasovi Uslugi AD	Bulgaria	25%	3 125	BGN	2 976	2 976
KBC Leasing Bulgaria EOOD	Bulgaria	100%	359 930	BGN	50 274	50 274
Total investments in subsidiaries and associated companies					**65 296**	**65 296**

As of 31.12.2022
SEPARATE

Company name	Country of incorporation	% of ownership	Number of shares	Currency of transaction	Acquisition cost	Carrying value
UBB Factoring EOOD	Bulgaria	100%	30 000	BGN	3 000	3 000
East Golf Properties EOOD	Bulgaria	100%	9 146 365	BGN	9 046	9 046
UBB Centre Management EOOD	Bulgaria	100%	6 992	BGN	-	-
Drujestvo za Kasovi Uslugi AD	Bulgaria	25%	3 125	BGN	2 976	2 976
Total investments in subsidiaries and associated companies					**15 022**	**15 022**

All investments in subsidiaries and associated companies are registered in Bulgaria.

Associated companies:

As of 31.12.2023
CONSOLIDATED

Company name	Type of investment	% of ownership	Number of shares	Currency of transaction	Acquisition cost	Carrying value
Drujestvo za Kasovi Uslugi AD	Associate	25%	3 125	BGN	2 976	4 225
Total investments in associates					**2 976**	**4 225**

As of 31.12.2022
CONSOLIDATED

Company name	Type of investment	% of ownership	Number of shares	Currency of transaction	Acquisition cost	Carrying value
Drujestvo za Kasovi Uslugi AD	Associate	25%	3 125	BGN	2 976	3 839
Total investments in associates					**2 976**	**3 839**

Summarized financial information for the associates of UBB:

	As of 31.12
BALANCE AS OF 1 JANUARY 2022	**3 416**
Additions – increase of shareholding	
Income from equity method investments (net of tax)	421
Other	2
BALANCE AS OF 31 DECEMBER 2022	**3 839**
Income from equity method investments (net of tax)	415
Other	(29)
BALANCE AS OF 31 DECEMBER 2023	**4 225**

All amounts are in thousand Bulgarian Levs, unless otherwise stated

17.INVESTMENTS IN SUBSIDIARIES AND ASSOCIATED COMPANIES (CONTINUED)

	As of 31.12.2023	As of 31.12.2022
	Druzhestvo za Kasovi Uslugi	Druzhestvo za Kasovi Uslugi
Carrying amount	4 225	3 839
Revenue	17 414	8 856
Depreciation and amortization	1 512	1 238
Gross profit from continuing operation	1 905	1 869
Net profit for the year	1 660	1 682
Other comprehensive income	(118)	8
Total comprehensive income	1 542	1 690
Group's share of profits of associates	415	421
% Holding	25%	25%
Statement of financial position:	21 561	17 639
Current assets	6 904	11 220
incl. cash and cash equivalents	3 171	9 440
Non-current assets	14 657	6 419
Current liabilities	1 922	839
Current liabilities (excl. trade and other payables and provisions)	24	27
Non-current liabilities	2 143	846

18.INTANGIBLE ASSETS, PROPERTY AND EQUIPMENT

Intangible assets, property and equipment as of 31 December 2023 are as follows:

SEPARATE

COST	Land and buildings	Equipment and other assets	**Total property and equipment**	Intangible assets*	**Total**
As of 1 January, 2023	121 408	103 625	**225 033**	51 087	**276 120**
Impact of business combination	376	114 457	**114 833**	135 868	**250 701**
Additions	4 001	18 137	**22 138**	10 805	**32 943**
Disposals	(489)	(20 878)	**(21 367)**	(12 958)	**(34 325)**
As of 31 December, 2023	**125 296**	**215 341**	**340 637**	**184 802**	**525 439**
DEPRECIATION/ AMORTIZATION					
As of 1 January, 2023	(57 221)	(73 748)	**(130 969)**	(30 425)	**(161 394)**
Impact of business combination	(235)	(93 374)	**(93 609)**	(114 613)	**(208 222)**
Charge for 2023	(2 896)	(17 022)	**(19 918)**	(15 249)	**(35 167)**
Impairments for 2023	-	-	-	(609)	**(609)**
Depreciation/Amortization charged on disposals	330	22 447	**22 777**	12 628	**35 405**
Impairments charged on disposals	-	10	**10**	270	**280**
As of 31 December, 2023	(60 022)	(161 687)	**(221 709)**	(147 998)	**(369 707)**
NET BOOK VALUE	**65 274**	**53 654**	**118 928**	**36 804**	**155 732**

All amounts are in thousand Bulgarian Levs, unless otherwise stated

18. INTANGIBLE ASSETS, PROPERTY AND EQUIPMENT (CONTINUED)

Intangible assets, property and equipment as of 31 December 2023 are as follows (continued):

CONSOLIDATED

COST	Land and buildings	Equipment and other assets	**Total property and equipment**	Intangible assets*	**Total**
As of 1 January, 2023	121 408	103 996	**225 404**	51 549	**276 953**
Impact of business combination	814	124 898	**125 712**	137 513	**263 225**
Additions	4 001	19 790	**23 791**	10 814	**34 605**
Disposals	(489)	(22 818)	**(23 307)**	(13 251)	**(36 558)**
As of 31 December, 2023	**125 734**	**225 866**	**351 600**	**186 625**	**538 225**
DEPRECIATION/ AMORTIZATION					
As of 1 January, 2023	(57 221)	(74 079)	**(131 300)**	(30 869)	**(162 169)**
Impact of business combination	(235)	(98 597)	**(98 832)**	(115 999)	**(214 831)**
Charge for 2023	(2 896)	(17 402)	**(20 298)**	(15 326)	**(35 624)**
Impairments for 2023	-	-	-	(609)	**(609)**
Depreciation/Amortization charged on disposals	330	22 884	**23 214**	12 861	**36 075**
Impairments charged on disposals	-	10	**10**	270	**280**
As of 31 December, 2023	(60 022)	(167 184)	**(227 206)**	(149 672)	**(376 878)**
NET BOOK VALUE	**65 712**	**58 682**	**124 394**	**36 953**	**161 347**

Intangible assets, property and equipment as of 31 December 2022 are as follows:

SEPARATE

COST	Land and buildings	Equipment and other assets	**Total property and equipment**	Intangible assets*	**Total**
As of 1 January, 2022	121 903	123 794	**245 697**	41 742	**287 439**
Additions	895	8 925	**9 820**	9 725	**19 545**
Disposals	(1 390)	(29 094)	**(30 484)**	(380)	**(30 864)**
As of 31 December, 2022	**121 408**	**103 625**	**225 033**	**51 087**	**276 120**
DEPRECIATION/ AMORTIZATION					
As of 1 January, 2022	(55 322)	(93 102)	**(148 424)**	(26 345)	**(174 769)**
Charge for 2022	(2 830)	(9 396)	**(12 226)**	(4 451)	**(16 677)**
Impairments for 2022	-	-	-	(9)	**(9)**
Depreciation/Amortization charged on disposals	931	28 750	**29 681**	380	**30 061**
As of 31 December, 2022	(57 221)	(73 748)	**(130 969)**	(30 425)	**(161 394)**
NET BOOK VALUE	**64 187**	**29 877**	**94 064**	**20 662**	**114 726**

CONSOLIDATED

COST	Land and buildings	Equipment and other assets	**Total property and equipment**	Intangible assets*	**Total**
As of 1 January, 2022	121 903	124 165	**246 068**	42 803	**288 871**
Additions	895	8 925	**9 820**	9 126	**18 946**
Disposals	(1 390)	(29 094)	**(30 484)**	(380)	**(30 864)**
As of 31 December, 2022	**121 408**	**103 996**	**225 404**	**51 549**	**276 953**
DEPRECIATION/ AMORTIZATION					
As of 1 January, 2022	(55 322)	(93 410)	**(148 732)**	(26 775)	**(175 507)**
Charge for 2022	(2 830)	(9 419)	**(12 249)**	(4 465)	**(16 714)**
Impairments for 2022	-	-	-	(9)	**(9)**
Depreciation/Amortization charged on disposals	931	28 750	**29 681**	380	**30 061**
As of 31 December, 2022	(57 221)	(74 079)	**(131 300)**	(30 869)	**(162 169)**
NET BOOK VALUE	**64 187**	**29 917**	**94 104**	**20 680**	**114 784**

*Intangible assets include software products, other rights- licenses etc.

All amounts are in thousand Bulgarian Levs, unless otherwise stated

19.INVESTMENT PROPERTIES

	SEPARATE	CONSOLIDATED
	Investment properties	Investment properties
As of 1January 2023	107 028	116 493
Impact of business combination	2 214	2 214
Reclassified*	19 489	19 489
Additions	277	277
Disposals	(12129)	(13 468)
As of 31December 2023	116 879	125 005
DEPRECIATION		
As of 1January 2023	(8 648)	(10 823)
Impact of business combination	(1 046)	(1 046)
Reclassified* (impairment)	(11 947)	(11 947)
Charge for 2023	(2 550)	(2 830)
Depreciation/Amortization charged on disposals	4 221	4 543
Impairment for the period	(1 529)	(1 529)
As of 31December 2023	(21 499)	(23 632)
NET BOOK VALUE	**95 380**	**101 373**

*Assets acquired through foreclosure proceedings reclassified from Other assets category

	SEPARATE	CONSOLIDATED
	Investment properties	Investment properties
As of 1January 2022	138 076	148 113
Additions	2 338	2 338
Transfers	(369)	(369)
Disposals	(33 017)	(33 589)
As of 31December 2022	107 028	116 493
DEPRECIATION		
As of 1January 2022	(20 797)	(22 775)
Charge for 2022	(2 729)	(3 038)
Depreciation/Amortization charged on disposals	16 918	17 030
Impairment for the period	(2 040)	(2 040)
As of 31December 2022	(8 648)	(10 823)
NET BOOK VALUE	**98 380**	**105 670**

The fair value of the investment property held by UBB as at 31 December 2023 and as at 31 December 2022 does not differ substantially from their carrying amount. The fair value (Level 3) is determined by independent certified appraisers performed regularly at the end of each reporting period.

Direct operating expenses related to investment properties which do not generate rental income amount to BGN 1 698 thousand as at 31 December 2023 (2022: BGN 2 155 thousand). Direct expenses and rental income are disclosed in Note 7.

Fair value of the investment property has been categorized as fair value based on the input data used in the valuation techniques.

All amounts are in thousand Bulgarian Levs, unless otherwise stated

19.INVESTMENT PROPERTIES (CONTINUED)

	SEPARATE		CONSOLIDATED	
Type of property	2023 in BGN thousands	2022 in BGN thousands	2023 in BGN thousands	2022 in BGN thousands
Residential	1 903	1 998	1 903	1 998
Vacation	13 745	13 544	19 739	20 834
Industrial	2 672	4 833	2 672	4 833
Plots (land)	15 163	16 155	15 163	16 155
Commercial	35 243	39 413	35 243	39 413
Millennium center (investment office building)	48 430	44 508	48 430	44 508
Fair value of investment property	**117 156**	**120 451**	**123 150**	**127 741**

Type of investment property	Valuation technique	Significant unobservable Inputs	Range (weighted average) 2022	2023
Residential	RVM	Standard construction prices per sq.m.	€ 500 - € 600	€ 500 - € 650
		Annual growth of standard and construction prices	3%	0.03
	MVM	Offer (deal) price per sq.m.	€ 350 - € 1000	€ 385 - € 1100
		Annual growth of market comparatives (real deals)	5.00%	10.00%
Vacation properties	RVM	Standard construction prices per sq.m.	€ 500 - € 600	€ 500 - € 650
		Annual growth of standard and construction prices	5%	3.00%
	MVM	Offer (deal) price per sq.m.	400 € - 800 €	450 € - 900 €
		Annual growth of market comparatives (real deals)	-	8.00%
Industrial properties	RVM	Standard construction prices per sq.m.	€ 350 - € 650	€ 350 - € 650
		Annual growth of standard and construction prices	5%	-
	MVM	Offer (deal) price per sq.m.	€ 200 - € 400	€ 250 - € 500
		Annual growth of market comparatives (real deals)	0%	5.00%
	MCFCF	Estimated monthly rent per	€ 0.75 - € 4.6	€ 1 - € 4.6
		Annual growth of rent rates	1%	3.00%
		Long-term vacancy	1%	1.00%
		Rate of return	6% - 7.5%	6% - 7.5%
Plots (land)	MVM	Offer (deal) price per sq.m.	€ 7 - € 800	€ 10 - € 1000
		Annual growth of market comparatives (real deals)	-	5.00%
Commercial properties	MVM	Offer (deal) price per sq.m.	€ 230 - € 1000	€ 250 - € 1200
		Annual growth of market comparatives (real deals)	1%	8.00%
	MCFCF	Estimated monthly rent per sq.m.	€ 10 - € 35	€ 10 - € 35
		Annual growth of rent rates	0%	5% - 10%
		Long-term vacancy	5% - 10%	5% - 10%
		Rate of return	6.5% - 7.5%	6% - 7%

The valuation techniques used for valuation of investment properties are recovery value method (“RVM”), market value method (“MVM”) and cash flow method (“MCFCF “).

All amounts are in thousand Bulgarian Levs, unless otherwise stated

20. RIGHT-OF-USE ASSETS, LEASE LIABILITIES (IFRS 16)

	As of 31.12.2023	As of 31.12.2022	As of 31.12.2023	As of 31.12.2022
Right-of-use assets	**SEPARATE**	**SEPARATE**	**CONSOLIDATED**	**CONSOLIDATED**
Buildings	43 985	16 640	44 451	16 660
Vehicles	24	336	24	336
	44 009	**16 976**	**44 475**	**16 996**

	As of 31.12.2023	As of 31.12.2022	As of 31.12.2023	As of 31.12.2022
Lease liabilities	**SEPARATE**	**SEPARATE**	**CONSOLIDATED**	**CONSOLIDATED**
Current	29 818	6 450	29 818	6 450
Non-current	14 881	10 465	14 881	10 482
	44 699	**16 915**	**44 699**	**16 932**

	As of 31.12.2023	As of 31.12.2022	As of 31.12.2023	As of 31.12.2022
Lease liabilities	**SEPARATE**	**SEPARATE**	**CONSOLIDATED**	**CONSOLIDATED**
Balance at 1 January	16 915	22 185	16 915	22 283
Changes through business combinations	32 039	-	32 039	-
Cash flows on principal repayment	(14 553)	(8 773)	(14 553)	(8 854)
Adjustment for new/terminated contracts	10 298	3 503	10 298	3 503
Balance at 31 December	**44 699**	**16 915**	**44 699**	**16 932**

			SEPARATE			**CONSOLIDATED**
Right-of use asset	Buildings	Vehicles	**Total**	Buildings	Vehicles	**Total**
Cost						
As at 1 January 2023	36 217	735	**36 952**	36 377	762	**37 139**
Changes through business combinations	58 691	2 272	**60 963**	59 501	2 272	**61 773**
Additions – new lease contracts	15 187	815	**16 002**	15 187	815	**16 002**
Termination of lease contracts	(21 871)	(3 756)	**(25 627)**	(21 871)	(3 756)	**(25 627)**
As at 31 December 2023	**88 224**	**66**	**88 290**	**89 194**	**93**	**89 287**
Accumulated depreciation:						
As at 1 January 2023	(19 577)	(399)	**(19 976)**	(19 717)	(426)	**(20 143)**
Changes through business combinations	(28 396)	(1 372)	**(29 768)**	(28 396)	(1 372)	**(29 768)**
Charge for 2023	(13 928)	(386)	**(14 314)**	(14 271)	(386)	**(14 657)**
Depreciation/Amortization charged on disposals	17 662	2 115	**19 777**	17 641	2 115	**19 756**
As at 31 December 2023	**(44 239)**	**(42)**	**(44 281)**	**(44 743)**	**(69)**	**(44 812)**
Net Book Value as at 1 January 2023	**16 640**	**336**	**16 976**	**16 660**	**336**	**16 996**
Net Book Value as at 31 December 2023	**43 985**	**24**	**44 009**	**44 451**	**24**	**44 475**

			SEPARATE			**CONSOLIDATED**
Right-of use asset	Buildings	Vehicles	**Total**	Buildings	Vehicles	**Total**
Cost						
As at 1 January 2022	40 594	721	**41 315**	40 808	748	**41 556**
Additions – new lease contracts	6 461	178	**6 639**	6 461	178	**6 639**
Termination of lease contracts	(10 838)	(164)	**(11 002)**	(10 892)	(164)	**(11 056)**
As at 31 December 2022	**36 217**	**735**	**36 952**	**36 377**	**762**	**37 139**
Accumulated depreciation:						
As at 1 January 2022	(18 843)	(302)	**(19 145)**	(18 961)	(329)	**(19 290)**
Charge for 2022	(8 081)	(257)	**(8 338)**	(8 103)	(257)	**(8 360)**
Depreciation/Amortization charged on disposals	7 347	160	**7 507**	7 347	160	**7 507**
As at 31 December 2022	**(19 577)**	**(399)**	**(19 976)**	**(19 717)**	**(426)**	**(20 143)**
Net Book Value as at 1 January 2022	**21 751**	**419**	**22 170**	**21 847**	**419**	**22 266**
Net Book Value as at 31 December 2022	**16 640**	**336**	**16 976**	**16 660**	**336**	**16 996**

All amounts are in thousand Bulgarian Levs, unless otherwise stated

21. DEFERRED TAX

The amounts of deferred tax assets and liabilities in the consolidated statement of financial position in respect of each type of temporary differences are as follows:

	As of 31.12.2023 SEPARATE	As of 31.12.2022 SEPARATE	As of 31.12.2023 CONSOLIDATED	As of 31.12.2022 CONSOLIDATED
Deferred tax assets:				
Retirement benefit obligations	495	375	495	375
Fixed assets and investment properties	(2 548)	(609)	(2 548)	(609)
Provisions for legal cases	184	124	184	124
Other employee benefits	3 350	1 481	3 350	1 481
Other temporary differences	5 103	1 420	5 113	1 448
IFRS 16	80	(10)	80	(10)
Total Deferred tax assets	**6 664**	**2 781**	**6 674**	**2 809**
Deferred tax liabilities:				
Financial assets – FVOCI	(616)	(454)	(616)	(454)
Total Deferred tax liabilities	**(616)**	**(454)**	**(616)**	**(454)**
Recognized in the statement of financial position as follows:				
Deferred tax assets:	**6 048**	**2 327**	**6 058**	**2 355**
Deferred tax liabilities:	-	-	-	-

MOVEMENT IN DEFERRED TAXES	SEPARATE Balance as of 31.12.2022	SEPARATE Recognized during the period in profit or loss	SEPARATE Recognized during the period in equity	SEPARATE Effect from business combinations	SEPARATE Balance as of 31.12.2023
Deferred tax assets:					
Retirement benefit obligations	375	68	(208)	260	**495**
Fixed assets and investment properties	(609)	(255)	-	(1 684)	**(2 548)**
Provisions for legal cases	124	27	-	33	**184**
Other employee benefits	1 481	1 008	-	860	**3 350**
Other temporary differences	1 420	2 242	-	1 441	**5 103**
IFRS 16	(10)	112	-	(21)	**80**
Total Deferred tax assets	**2 781**	**3 202**	**(208)**	**889**	**6 664**
Deferred tax liabilities:					
Financial assets – FVOCI	(454)	-	-	(162)	**(616)**
Total Deferred tax liabilities	**(454)**	-	-	**(162)**	**(616)**
	2 327	**3 202**	**(208)**	**727**	**6 048**

MOVEMENT IN DEFERRED TAXES	CONSOLIDATED Balance as of 31.12.2022	CONSOLIDATED Recognized during the period in profit or loss	CONSOLIDATED Recognized during the period in equity	CONSOLIDATED Effect from business combinations	CONSOLIDATED Balance as of 31.12.2023
Deferred tax assets:					
Retirement benefit obligations	375	68	(208)	260	**495**
Fixed assets and investment properties	(609)	(255)	-	(1 684)	**(2 548)**
Provisions for legal cases	124	27	-	33	**184**
Other employee benefits	1 481	1 008	-	860	**3 350**
Other temporary differences	1 448	2 242	-	1 423	**5 113**
IFRS 16	(10)	112	-	(21)	**80**
Total Deferred tax assets	**2 809**	**3 202**	**(208)**	**871**	**6 674**
Deferred tax liabilities:					
Financial assets – FVOCI	(454)	-	-	(162)	**(616)**
Total Deferred tax liabilities	**(454)**	-	-	**(162)**	**(616)**
	2 355	**3 202**	**(208)**	**709**	**6 058**

All amounts are in thousand Bulgarian Levs, unless otherwise stated

22.OTHER ASSETS

Non-financial other assets	As of 31.12.2023 SEPARATE	As of 31.12.2022 SEPARATE	As of 31.12.2023 CONSOLIDATED	As of 31.12.2022 CONSOLIDATED
Assets acquired through foreclosure proceedings	-	7 542	-	7 542
Prepaid expenses	13 211	2 864	13 339	2 864
Accrued Income from clients	2 707	2 210	2 727	2 210
Other	3 544	1 127	9 635	1 128
Total non-financial other assets	**19 462**	**13 743**	**25 701**	**13 744**
Total other assets	**19 462**	**13 743**	**25 701**	**13 744**

Assets acquired through foreclosure proceedings	As of 31.12.2023 SEPARATE	As of 31.12.2022 SEPARATE	As of 31.12.2023 CONSOLIDATED	As of 31.12.2022 CONSOLIDATED
Buildings	-	2 650	-	2 650
Land	-	4 892	-	4 892
Total financial other assets	**-**	**7 542**	**-**	**7 542**

23.DEPOSITS FROM BANKS

	As of 31.12.2023 SEPARATE	As of 31.12.2022 SEPARATE	As of 31.12.2023 CONSOLIDATED	As of 31.12.2022 CONSOLIDATED
Sight deposits	8 030	15 606	8 030	15 606
Time deposits	2 752 615	1 955 203	2 752 615	1 955 203
Other due to banks	-	27	-	27
TOTAL	**2 760 645**	**1 970 836**	**2 760 645**	**1 970 836**

24.DEPOSITS FROM CUSTOMERS

	As of 31.12.2023 SEPARATE	As of 31.12.2022 SEPARATE	As of 31.12.2023 CONSOLIDATED	As of 31.12.2022 CONSOLIDATED
Individuals	15 598 392	7 906 665	15 598 391	7 906 665
Non-bank financial institutions	948 369	850 476	934 749	843 421
Companies	9 155 327	4 499 802	9 152 025	4 497 967
Government entities	401 240	258 726	401 240	258 726
Other Financial liabilities	153 494	16 546	169 180	20 261
TOTAL	**26 256 822**	**13 532 215**	**26 255 585**	**13 527 040**

25.OTHER BORROWED FUNDS

OTHER BORROWED FUNDS	Currency	As of 31.12.2023 SEPARATE	As of 31.12.2022 SEPARATE	As of 31.12.2023 CONSOLIDATED	As of 31.12.2022 CONSOLIDATED
Credit lines from international institutions	EUR	6 553	8 592	10 579	8 592
Other credit lines	EUR	1 258 493	362 341	1 325 139	480 838
Subordinated debt	EUR	179 677	-	179 677	-
TOTAL		**1 444 723**	**370 933**	**1 515 395**	**489 430**

All amounts are in thousand Bulgarian Levs, unless otherwise stated

25.OTHER BORROWED FUNDS (CONTINUED)

Borrowings from banks include long-term loans from international financial institutions for financing small and medium-sized enterprises in the fields of environmental protection, energy, services, industry and tourism, as well as municipalities and private individuals.

Other credit lines represent mainly senior non-preferred debt qualifying as eligible liabilities according to the Law on the Recovery and Resolution of Credit Institutions and Investment Firms.

Subordinated debt instrument with principal in the amount of BGN 177,981 thousand (carrying amount BGN 179 677 thousand). The instrument issued initially in 2001 and assumed by UBB AD being the general successor of KBC Bank Bulgaria. The repayment of the debt-equity hybrid instrument is not time-bound.

The Bank has received permission from the Bulgarian National Bank to include these subordinated liabilities in its additional capital reserves and to increase its equity for capital adequacy purposes.

The Bank regularly services the contractual payments under the subordinated liabilities.

26.PROVISIONS

a) Provisions for risks and charges

	As of 31.12.2023	As of 31.12.2022	As of 31.12.2023	As of 31.12.2022
	SEPARATE	SEPARATE	CONSOLIDATED	CONSOLIDATED
Provisions for risks and charges				
Provisions for restructuring	3 081	3 445	3 081	3 445
Provisions for Legal cases	1 836	1 244	1 836	1 244
Provisions for Off- balance sheet commitment	10 489	3 325	10 607	3 322
Other provisions	4 410	-	4 410	-
TOTAL PROVISIONS FOR RISK AND CHARGES	**19 816**	**8 014**	**19 934**	**8 011**

	SEPARATE AND CONSOLIDATED			
Provisions for Off- balance sheet position commitment movement	Opening balance as of 01.01.2023	Business combination	Changes due to change in credit risk (net)	Ending balance as of 31.12.2023
Undrawn Credit commitments and Financial Guarantees (Stage 1)	2 438	4 817	(1 850)	5 405
Undrawn Credit commitments and Financial Guarantees (Stage 2)	887	1 949	(401)	2 435
Undrawn Credit commitments and Financial Guarantees (Stage 3)	-	5 430	(2 781)	2 649
TOTAL PROVISIONS FOR OFF-BALANCE SHEET POSITION COMMITMENT	**3 325**	**12 196**	**(5 032)**	**10 489**

All amounts are in thousand Bulgarian Levs, unless otherwise stated

26.PROVISIONS (CONTINUED)

b) Retirement benefit obligations

	As of 31.12.2023 SEPARATE	As of 31.12.2022 SEPARATE	As of 31.12.2023 CONSOLIDATED	As of 31.12.2022 CONSOLIDATED
Present value of unfunded obligations	4 951	3 748	4 979	3 748
	4 951	**3 748**	**4 979**	**3 748**

	As of 31.12.2023 SEPARATE	As of 31.12.2022 SEPARATE	As of 31.12.2023 CONSOLIDATED	As of 31.12.2022 CONSOLIDATED
Amount recognized in profit and loss				
Current service cost	963	670	963	670
Net interest on the net defined benefit liability	259	105	259	105
Total P&L Charge	**1 222**	**775**	**1 222**	**775**

	As of 31.12.2023 SEPARATE	As of 31.12.2022 SEPARATE	As of 31.12.2023 CONSOLIDATED	As of 31.12.2022 CONSOLIDATED
Reconciliation of retirement benefit obligation				
Retirement benefit obligation at the beginning of period	3 748	5 653	3 748	5 653
Business combination	2 683	-	2 783	-
Current service cost	963	670	891	670
Net interest on the net defined benefit liability	259	105	259	105
Benefits paid directly by the Bank/ Group	(623)	(311)	(623)	(311)
Actuarial gain	(2 079)	(2 369)	(2 079)	(2 369)
Retirement benefit obligation at the end of period	**4 951**	**3 748**	**4 979**	**3 748**

	As of 31.12.2023 SEPARATE	As of 31.12.2022 SEPARATE	As of 31.12.2023 CONSOLIDATED	As of 31.12.2022 CONSOLIDATED
Cumulative amount recognized in the OCI, net of tax	2 927	1 133	2 907	1 133

	As of 31.12.2023 SEPARATE	As of 31.12.2022 SEPARATE	As of 31.12.2023 CONSOLIDATED	As of 31.12.2022 CONSOLIDATED
Re-measurements				
Actuarial gain due to changes in assumptions	(2 079)	(2 369)	(2 079)	(2 369)
Total amount recognized in OCI over the period	**(2 079)**	**(2 369)**	**(2 079)**	**(2 369)**

	As of 31.12.2023 SEPARATE	As of 31.12.2022 SEPARATE	As of 31.12.2023 CONSOLIDATED	As of 31.12.2022 CONSOLIDATED
Net liability in statement of financial position at the beginning of the period	3 748	5 653	3 748	5 653
Business combination	2 683	-	2 783	-
Benefits paid directly	(623)	(311)	(695)	(311)
Total expense recognized in the statement of profit or loss	1 222	775	1 222	775
Total amount recognized in the OCI	(2 079)	(2 369)	(2 079)	(2 369)
Net liability in statement of financial position	**4 951**	**3 748**	**4 979**	**3 748**

All amounts are in thousand Bulgarian Levs, unless otherwise stated

26.PROVISIONS (CONTINUED)

	As of 31.12.2023 SEPARATE	As of 31.12.2022 SEPARATE	As of 31.12.2023 CONSOLIDATED	As of 31.12.2022 CONSOLIDATED
Assumptions				
Discount rate	4.03%	1.85%	4.03%	1.85%
Rate of compensation increase	3.35%	4.50%	3.35%	4.50%

The defined benefit obligations above are linked only to obligation of UBB to provide one-off lump sum payment at retirement determined as a certain number of gross salaries based on criteria for the duration of the employment contract of respective employees as per local legislation.

Effect of the change in wage increases	+0.25% (+25 bp)	-0.25% (-0.25 bp)
Effect of the change in the provision allocated as of 31.12.2023 for the retirement benefit obligation	-6.0%	6.0%
expressed in absolute values	(290 677)	316 546
Effect of change in wage growth	1.0%	-1.0%
Effect of the change in the provision allocated as of 31.12.2023 for the retirement benefit obligation	1.0%	-1.0%
expressed in absolute values	47 249	(47 249)
Effect of change in the stages of the dropouts	1.0%	-1.0%
Effect of the change in the provision allocated as of 31.12.2023 for the retirement benefit obligation	-1.0%	1.0%
expressed in absolute values	(46 881)	46 881
Effect of change in stages of the mortality	+0.25% (+25 bp)	-0.25% (-0.25 bp)
Effect of the change in the provision allocated as of 31.12.2023 for the retirement benefit obligation	-1.0%	1.0%
expressed in absolute values	(48 258)	48 258

27.OTHER LIABILITIES

OTHER LIABILITIES	As of 31.12.2023 SEPARATE	As of 31.12.2022 SEPARATE	As of 31.12.2023 CONSOLIDATED	As of 31.12.2022 CONSOLIDATED
Other Financial Liabilities				
Dividend payable	56	56	56	56
TOTAL FINANCIAL OTHER LIABILITIES	**56**	**56**	**56**	**56**

	As of 31.12.2023 SEPARATE	As of 31.12.2022 SEPARATE	As of 31.12.2023 CONSOLIDATED	As of 31.12.2022 CONSOLIDATED
Non-financial other Liabilities				
Accruals for employees' remuneration	36 003	17 604	36 127	17 758
Creditors and suppliers	37 114	14 049	37 252	14 170
Accrued expenses and deferred income	12 633	6 697	13 195	6 697
Taxes payable - other than income taxes	3 779	1 236	4 756	1 236
Other	13 269	2 504	15 386	2 652
TOTAL NON-FINANCIAL OTHER LIABILITIES	**102 798**	**42 090**	**106 716**	**42 513**
TOTAL OTHER LIABILITIES	**102 854**	**42 146**	**106 772**	**42 569**

28.EQUITY

Share capital

As of 31 December 2023, the registered and paid-in share capital of the UBB AD comprises of 177 168 448 ordinary shares with a nominal value of BGN 1 each, compared to 93 838 321 ordinary shares as of 31 December 2022.

In 2023 additional 83 330 127 ordinary shares with nominal value of BGN 1 each have been issued as a result of the merger of UBB AD and KBC Bank Bulgaria EAD.

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Share premium and Statutory reserves

The "Statutory Reserve" Fund includes reserves designated to meet the requirements of the local legislation. According to the Commercial Act, the Bank allocates one tenth of its profits after taxes and before the payment of dividends to the "Statutory Reserve" Fund, until the amounts allocated reach 10% of its share capital. This Reserve cannot be distributed as a dividend and can only be used for covering losses from the current or previous financial year.

The share-premium of newly issued ordinary shares is also allocated into statutory reserves.

Retained earnings

This item accounts for all other general reserves after the "Statutory Reserve" Fund is allocated, which, can be used to distribute dividends and cover future losses.

Revaluation and other reserves

Reserves represents the accumulated net changes in the fair value of the financial assets measured at fair value through other comprehensive income until the financial asset is derecognized.

The accumulated actuarial (gain) / loss on the liabilities under defined benefit plans is also recognized through other comprehensive income.

Additional Tier 1 instrument included in equity

In 2022 the former Raiffeisenbank Bulgaria EAD (operating after the acquisition by KBC NV under the name KBC Bank BG) issued Additional Tier I capital instrument in the form of perpetual debt bond in the amount of EUR 58,000 thousand (BGN 113,438 thousand).

UBB AD being the general successor of KBC Bank Bulgaria EAD assumes the obligation under the instrument.

The instrument is fully compliant with the requirements of Regulation EU 575/2013 to qualify as own funds for the purpose of capital adequacy. The distributions under this instrument are paid out from the distributable items (the amount of the profits at the end of the last financial year plus any profits brought forward and reserves available for that purpose, before distributions to holders of own funds instruments, less any losses brought forward). The yield of the instrument is 6.31% p.a.

The Bank has received permission from the Bulgarian National Bank to include these subordinated liabilities in its additional capital and to increase its own funds for capital adequacy purposes.

All amounts are in thousand Bulgarian Levs, unless otherwise stated

29.CONTINGENT LIABILITIES AND COMMITMENTS

The following table represents the contractual amounts of UBB's off-balance financial instruments that commit it to extend credit to customers:

CONTINGENT LIABILITIES AND COMMITMENTS	As of 31.12.2023 SEPARATE	As of 31.12.2022 SEPARATE	As of 31.12.2023 CONSOLIDATED	As of 31.12.2022 CONSOLIDATED
Credit commitments				
Undrawn Credit commitments	**4 565 211**	**2 105 127**	**4 540 377**	**2 270 070**
Of which government entities	68 279	81 871	68 279	81 871
Of which credit institutions	11 306	14 995	11 306	14 995
Of which companies	3 768 315	1 612 566	3 743 221	1 777 509
Of which retail	530 734	259 370	530 994	259 370
Of which other financial institutions	186 577	136 325	186 577	136 325
Guarantees, documentary and commercial letters of credit	**943 103**	**412 520**	**943 103**	**412 520**
Of which government entities	-	18 632	-	18 632
Of which companies	885 224	372 450	885 224	372 450
Of which retail	12 427	9 779	12 427	9 779
Of which other financial institutions	5 690	2 702	5 690	2 702
Of which other credit institutions	39 762	8 957	39 762	8 957
TOTAL	**5 508 314**	**2 517 647**	**5 483 480**	**2 682 590**

The following table represents commitments per stages:

CONTINGENT LIABILITIES AND COMMITMENTS	As of 31.12.2023 SEPARATE	As of 31.12.2022 SEPARATE	As of 31.12.2023 CONSOLIDATED	As of 31.12.2022 CONSOLIDATED
Credit commitments				
Undrawn Credit commitments	**4 565 211**	**2 105 127**	**4 540 377**	**2 270 070**
Of which Stage 1	4 173 884	1 872 215	4 184 630	1 872 215
Of which Stage 2	386 457	227 626	350 877	392 569
Of which Stage 3	4 870	5 286	4 870	5 286
Guarantees, documentary and commercial letters of credit	**943 103**	**412 520**	**943 103**	**412 520**
Of which Stage 1	776 758	318 035	776 758	318 035
Of which Stage 2	161 007	87 234	161 007	87 234
Of which Stage 3	5 338	7 251	5 338	7 251
TOTAL	**5 508 314**	**2 517 647**	**5 483 480**	**2 682 590**

All amounts are in thousand Bulgarian Levs, unless otherwise stated

30.ADDITIONAL INFORMATION ABOUT CASH AND CASH EQUIVALENTS IN THE CASH FLOW STATEMENT

ADDITIONAL INFORMATION ABOUT CASH AND CASH EQUIVALENTS IN THE CASH FLOW STATEMENT	As of 31.12.2023	As of 31.12.2022	As of 31.12.2023	As of 31.12.2022
	SEPARATE	**SEPARATE**	**CONSOLIDATED**	**CONSOLIDATED**
Cash in hand	609 597	238 719	609 602	238 719
Current accounts in Central Bank	5 168 877	708 337	5 168 877	708 337
Placements with banks with original maturity of up to 3 months	354 418	1 157 181	354 418	1 157 181
Repo deals with banks up to 3 months	-	1 585 181	-	1 585 181
TOTAL	**6 132 892**	**3 689 418**	**6 132 897**	**3 689 418**

The minimum reserves with the Central Bank amounting to BGN 2 659 966 thousand as at 31 December 2023 (2022: BGN 1 327 708 thousand) are not included in cash and cash equivalents as they are with restricted usage.

31.FINANCIAL RISK MANAGEMENT

Risk management principles and policies of UBB

UBB is exposed to risk arising out of its lending activity. Credit risk could arise for UBB as a result of the debtor’s failure to make the necessary payments on a transaction. The credit risk management is carried out through regular analyses of the contractors’ creditworthiness. In order to further mitigate the credit risk UBB accepts collateral and guarantees on its credit transactions. UBB strictly complies with the requirements of the Regulations (EU) 575/2013. The Regulation (EU) 575/2013 provides the limit to large exposures whereby a large exposure is defined as the sum of all exposures of a bank to a single counterparty that are equal to or above 10% of its own funds (regulatory capital). The limit is set at 25% of own funds (regulatory capital). UBB strictly complies with the requirements of the Credit Institution Act and BNB Ordinance 37 related to exposures to related parties. The Act provides the limits for the maximum amount of credit exposure to a related party as following:

- The total exposure of UBB to a person who/which is not a credit institution, or an investment intermediary shall not exceed 10% of UBB's own finds (regulatory capital) and
- The total amount of all exposures of UBB to related parties shall not exceed 20% of UBB’s own funds (regulatory capital).

The main credit risk to which UBB is exposed arises out of the loans granted to clients. The amount of credit exposure in this case is determined by the carrying amount of the assets. At the same time UBB is exposed to off-balance sheet credit risk as a result of commitments for granting loans and issuing Letter of Guarantees and Letter of Credits.

Credit risk

Credit risk management decisions are made in compliance with the approved risk management principles and risk appetite credit risk management framework, risk appetite and respective credit policies which are regularly reviewed.

Moreover, UBB possesses and applies numerous detailed procedures relevant to the lending activity regulating the acceptance and management of collaterals, credit analysis, credit administration etc. In order to provide support for the assessment of the credit risk of the borrower, UBB rates retail and non-retail obligors by using an internal rating model system which provides probabilities of default according to a 12-level rating scale.

UBB uses the output generated by these models to split the non-defaulted loan portfolio into internal (main) rating classes ranging from 1 (lowest risk) to 9 (highest risk) for the PD and expresses the chance that a customer will default on his obligations towards the bank within the next year. The Bank assign three an internal rating ranging (from PD 10 to PD 12) to a defaulted obligor. PD class 12 is assigned when either one of the obligor's credit facilities is terminated by the bank, or when a court order is passed instructing repossession of the collateral.

31.FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk

PD class 11 groups obligors that are more than 90 days past due (in arrears or overdrawn by applying above the materiality thresholds rules, according to regulatory requirements), but that do not meet PD 12 criteria. PD class 10 is assigned to obligors for which full repayment on maturity is uncertain and/or there is reason to believe that they are unlikely to pay (on time), but that do not meet the criteria for classification as PD 11 or PD 12.

For the decision making in the corporate (non-retail) lending activity there are levels of approving bodies (credit committees) at different levels, depending on the size and the status (performing, non-performing) of the loans under consideration.

In compliance with its risk strategy, UBB targets maintaining a low level of credit risk concentration at obligor level and by industries. UBB regularly monitors and reports the large exposures at obligor level and by industries. The largest sectors in corporate portfolio are Distribution (Wholesale and Retail), Metals, Agriculture, Food Producers, Agriculture & Farming and Finance & Insurance.

For all segments, additional monitoring activities are performed in order to identify risk exposure arising in the loan portfolio and to take measures for internal classification and provisioning of loans in compliance with the requirements of the IFRS on a monthly basis.

UBB has adopted an NPL Strategy that is in line with regulatory requirements and aims at reaching low levels of NPL.

Credit risk exposures towards bank counterparties are approved as limits at group ALCO level. As a general rule UBB investments in securities are also aligned within KBC group depending on investment strategy and group exposures to specific countries in order to prevent undue concentrations.

Liquidity risk

UBB manages its assets and liabilities in a manner guaranteeing that the bank is able to fulfill its day-to-day obligations regularly and without delay both in going concern and stressed environment. The bank invests mainly in liquid assets. Following the legal merger with KBC Bank Bulgaria in April 2023, UBB reports unified liquidity risk regulatory reports to the local national authorities.

The average level of the regulatory liquidity risk ratios for the unified bank are as follows:
275% Liquidity Coverage Ratio (LCR) for 2023 г. (2022: 228%) and
165% Net Stable Funding Ratio (NSFR) for 2023 г. (2022: 166%).
Both LCR and NSFR are above the regulatory requirements of 100% during 2023.

In addition, UBB has a stable funding structure. The bank aims at maintaining diversified deposit base and access to alternative funding sources by thus limiting the potential funding costs in case unexpected events occur.

Liquidity risk (Continued)

UBB applies regular stress-tests in order to evaluate the liquidity risk for UBB under unfavorable economic and market scenarios. The stress-tests are based on assumptions with different parameters of shock and on their impact on the inflow and outflow of funds.

Market risk

The market risk is related to possible unfavorable impact to the profit and capital of UBB from adverse movements in bond equity currency and derivative prices. It includes equity risk, interest rate risk and foreign exchange risk.

UBB’s total exposure to market risk in the trading book is very low where the main business is client driven without significant open risk position for proprietary purposes. The largest market risk exposure in the trading book is related to interest rate risk resulting from positions in bonds. UBB manages the market risk in the trading book by using limits for interest rate sensitivities (BPV), VaR and limits for FX open positions.

31.FINANCIAL RISK MANAGEMENT (CONTINUED)

Currency risk

This is the risk for the profit and capital of UBB arising from adverse movements in foreign currency exchange rates in the Banking and Trading books. UBB statement of financial position structure includes assets and liabilities denominated in different currencies mostly in BGN and EUR. Taking into consideration the existence of Currency Board in Bulgaria (pegged EUR/BGN rate) the currency risk undertaken by UBB mainly evolves from changes in the EUR/USD exchange rate and to a very limited extent from the exchange rates of other currencies to the Euro. UBB manages the risk of the other than EUR open FX positions aiming to minimize the possibility of loss in case of unfavorable exchange rates' fluctuations and thus maintains the FX risk exposure under the set FX limit.

Interest rate risk in the banking book (IRRBB)

The interest rate risk in the banking book is related to possible unfavorable impact to the profit and capital of UBB from adverse movements in interest rates affecting UBB's non-trading positions. UBB activity is subject to interest rate fluctuations as much as interest-bearing assets and liabilities mature or undergo changes in interest rate levels in different time and degree. Interest rate risk management policy aims to optimize the net interest income and achieve market interest rate levels in compliance with UBB`s strategy.

The prevailing part of UBB`s assets are with floating interest rate while the liabilities are mainly short-term which interest rate changes according to instrument term. Thus, the net balance is slightly sensitive to changes in ongoing interest rate levels. Banks aim to limit the interest rate risk in acceptable levels by maintaining adequate structure of its interest sensitive assets and liabilities and minimizing their mismatch. UBB realizes the importance of interest rate risk in the banking book and manages it through effective management of assets and liabilities, capital and incomes.

The techniques for managing interest rate risk in the banking book are: change in the administered interest rates on loans and deposits, change in the maturity of the offered credit and deposit products, change in the amount of fees and commissions, interest rate derivatives etc. UBB measures the sensitivity of net interest incomes (NII) and economic value of equity (EVE) to unfavorable changes in interest rates separately for any of the main currencies in which UBB operates and the results are used for making management decisions. The used scenarios are +/- 100 bps and +/- 200 bps parallel shift in interest rates as disclosed in Note 33.

Operational risk

This is the risk of a loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk but excludes compliance risk.

In UBB the KBC Operational Risk Management Framework is implemented. The operational risk management involves application of Group Key Controls (GKCs) at process level. GKCs are implemented for all processes in KBC as every GKC includes key risks and measures for their mitigation (zero tolerances and key controls). The assessment of the GKCs at process level aims to check and document the extent of compliance with these controls as the application and assessment of the GKCs is a priority for UBB. The initial assessment of the GKCs in UBB was done in 2017 and since then it is performed on a regular basis, once per year as a minimum. The assessment of the GKCs is registered in the KBC tool B-Wise.

Following a Group initiative called PRIOR (Project for redesign of operational and information risk), UBB has started applying also an enhanced approach towards operational risk management. From processes we gradually move to business lines, and from assessment of GKCs - to building and keeping up to date Risk and Control Inventories (RCIs). The aim is to have more correct oversight and better assurance to stakeholders on operational risk exposures as well as on the quality of internal control environment. To support the new approach, a new tool 'GRACE' was selected to replace BWise as central GRC (Governance, Risk & Compliance) tool within the KBC group. After fine-tuning the business requirements, the implementation has started and testing is ongoing. UBB is actively participating in the working group.

31.FINANCIAL RISK MANAGEMENT (CONTINUED)

Operational risk (continued)

A building block of the framework is the registration and analysis of operational risk losses and events. In UBB the KBC Loss Data Collection Procedure is implemented regulating the process of collection and registration of operational risk losses and events. The operational risk losses and events are registered in KBC tool - GLORY. The registered losses and operational risk events with high potential impact for materialization are analysed and reported to LRMC as well as corrective measures to avoid future losses and events are proposed.

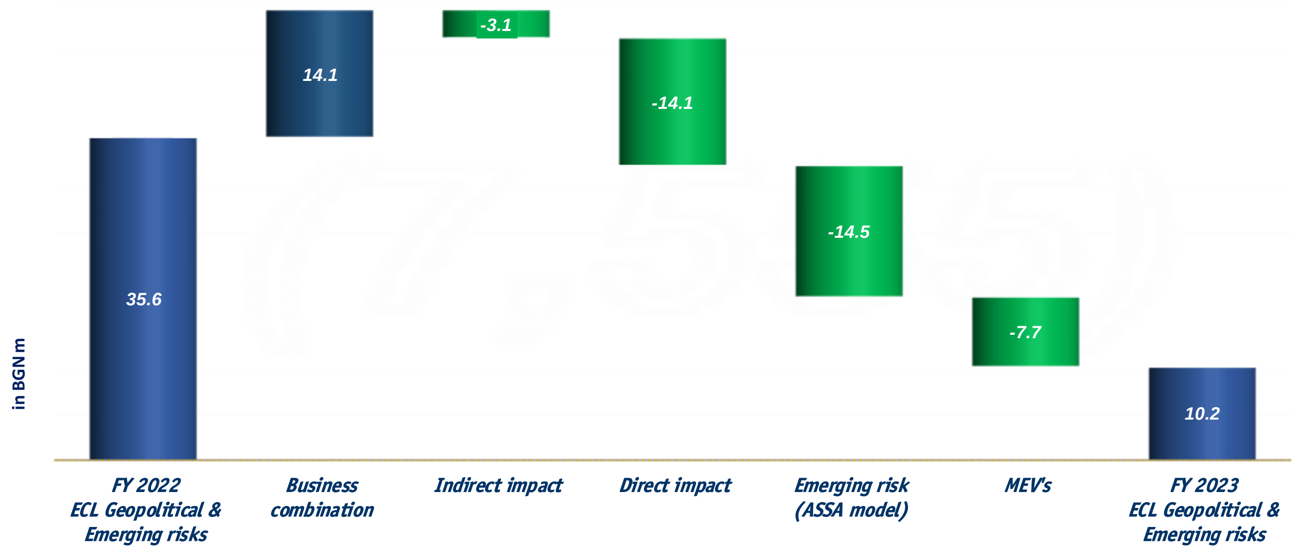
Business Continuity Management

Business Continuity Management (BCM) is performed in accordance with the Group standards, BCM Framework and GKC BCM. BCM is defined as strategic and tactical ability of an entity to plan and react properly in the event of a serious disruptions, crisis or disasters. BCM focuses on availability i.e. the Recovery Time Objective (RTO) or the amount of time in which business activities need to be operational again following a serious disruption, crisis or disaster. BCM is coordinated by local risk function as the business units are responsible for BCM framework implementation. Business Impact Analyses are prepared for all processes in UBB and for each activity a recovery time objective is defined. For each process a BC coordinator is assigned who has the task to define the critical processes/ activities, systems and people in the business unit, to prepare the Business Continuity Plan (BCP) for crisis situations as well as to coordinate the BCP testing.

Geopolitical and emerging risks

Introduction:

The outstanding balance of the ECL for geopolitical and emerging risks is BGN 10.2 million at the end of 2023 (2022 - BGN 35.6 million), decrease being mainly due to the improved micro and macroeconomic outlook.



All amounts are in thousand Bulgarian Levs, unless otherwise stated

31.FINANCIAL RISK MANAGEMENT (CONTINUED)

Geopolitical and emerging risks (continued)

Introduction (continued):

This ECL is determined based on individual counterparties and certain sub-segments in our portfolio that are deemed to have incurred an increase in credit risk because they:

-Are subject to the current emerging risks (high inflation, increased interest rates, high(er) energy prices, supply chain disruption) which impacts our corporate and SME customers operating in a number of vulnerable sectors (e.g. automotive, building and construction, chemicals and metals) and our Retail customers with limited spare capacity to absorb the higher cost of living and/or to pay higher repayments due to rising interest rates.

-Either directly or indirectly exposed to among others Russia, Ukraine and Belarus (i.e., related to military conflicts). As of 2022, UBB doesn't have direct exposures to Russia, Ukraine & Belarus. In April 2023, BGN 14 million ECL for direct exposure (bond issued by International Bank for Economic Co-operation) was included in the balance sheet of the bank through the business combination. The amount was fully released due to early repayment of the bond.

The above analysis showed that for BGN 660 million (2022: BGN 585 million) of stage 1 positions the credit risk has significantly increased, which are not (yet) captured in the normal staging assessment. The total ECL for the indirect impact amounted to BGN 0.7 million in 2023 (2022: BGN 3.8m).

Excluding the collective ECL for management overlay, the Credit Cost Ratio (Net Credit Impairments recognized in the Profit or Loss relative to the average loan portfolio) amounted to 0.31% in 2023 (2022: 0.36%).

Including the collective ECL for management overlay, the Credit Cost Ratio is lower than the one in 2022 due to release of the management overlay in 2023.

Credit cost %	2023	2022
Without collective Geopolitical & Emerging risks ECL	0.31%	0.36%
With collective Geopolitical & Emerging risks ECL	0.02%	0.55%

32.CREDIT RISK

Credit risk is summarized as follows:

Maximum exposure to credit risk before collateral and other credit enhancements

CREDIT RISK	As at 31.12.2023 Gross maximum exposure	As at 31.12.2023 Net maximum exposure	As at 31.12.2023 Gross maximum exposure	As at 31.12.2023 Net maximum exposure
	SEPARATE	**SEPARATE**	**CONSOLIDATED**	**CONSOLIDATED**
Exposure				
Balances with Central bank	8 438 440	8 438 440	8 438 445	8 438 445
Loans and advances to banks	1 350 899	1 350 722	1 351 308	1 351 131
Loans to customers	18 174 057	17 855 943	18 308 605	17 980 134
Other financial receivables	76 690	76 690	76 691	76 691
Derivative financial instruments	22 014	22 014	22 014	22 014
Financial assets at fair value through P/L	9 215	9 215	9 215	9 215
Financial assets at FVOCI	599 976	599 871	599 976	599 871
Securities at AC	5 303 814	5 302 762	5 303 814	5 302 762
Total balance sheet items	**33 975 105**	**33 655 657**	**34 110 068**	**33 780 263**
Commitments	4 565 211	4 565 211	4 540 377	4 540 377
Total off-balance sheet positions	**4 565 211**	**4 565 211**	**4 540 377**	**4 540 377**

All amounts are in thousand Bulgarian Levs, unless otherwise stated

32.CREDIT RISK (CONTINUED)

Credit risk is summarized as follows (continued):

Maximum exposure to credit risk before collateral and other credit enhancements (continued)

CREDIT RISK	As at 31.12.2022 Gross maximum exposure	As at 31.12.2022 Net maximum exposure	As at 31.12.2022 Gross maximum exposure	As at 31.12.2022 Net maximum exposure
	SEPARATE	SEPARATE	CONSOLIDATED	CONSOLIDATED
Exposure				
Balances with Central bank	2 274 763	2 274 763	2 274 763	2 274 763
Loans and advances to banks	1 166 488	1 166 303	1 166 488	1 166 303
Reverse repo deals with banks	1 585 181	1 585 181	1 585 181	1 585 181
Loans to customers	8 574 476	8 395 368	8 696 269	8 513 638
Other financial receivables	21 979	21 979	22 043	22 043
Derivative financial instruments	13 433	13 433	13 433	13 433
Financial assets at fair value through P/L	5 233	5 233	5 233	5 233
Financial assets at FVOCI	592 009	591 912	592 009	591 912
Securities at amortized cost	3 206 291	3 205 772	3 206 291	3 205 772
Total balance sheet items	**17 439 853**	**17 259 944**	**17 561 710**	**17 378 278**
Commitments	2 105 127	2 105 127	2 270 070	2 270 070
Total off-balance sheet positions	**2 105 127**	**2 105 127**	**2 270 070**	**2 270 070**

Quality of loans and collateral

SEPARATE	**Individuals**	**Companies**	**Financial institutions**	**Total**
Unsecured loans	2 896 774	1 792 222	729 271	**5 418 267**
Loans secured with:				
Residential Real Estate	4 737 757	309 031	2 960	**5 049 748**
Commercial Real Estate	100 526	3 497 262	-	**3 597 788**
Cash	2 322	56 600	-	**58 922**
Other collaterals	300 134	3 317 065	114 019	**3 731 218**
Total loans to customers as at 31.12.2023	**8 037 513**	**8 972 180**	**846 250**	**17 855 943**

CONSOLIDATED	**Individuals**	**Companies**	**Financial institutions**	**Total**
Unsecured loans	2 920 114	2 030 872	397 338	**5 348 324**
Loans secured with:				
Residential Real Estate	4 737 757	309 031	2 960	**5 049 748**
Commercial Real Estate	100 526	3 508 904	-	**3 609 430**
Cash	2 322	56 600	-	**58 922**
Other collaterals	332 556	3 466 991	114 163	**3 913 710**
Total loans to customers as at 31.12.2023	**8 093 275**	**9 372 398**	**514 461**	**17 980 134**

SEPARATE	**Individuals**	**Companies**	**Financial institutions**	**Total**
Unsecured loans	1 349 105	223 280	49 818	**1 622 203**
Loans secured with:				
Residential Real Estate	2 063 479	52 229	2 487	**2 118 195**
Commercial Real Estate	10 972	1 970 397	5 322	**1 986 691**
Cash	1 178	9 957		**11 135**
Other collaterals	228 929	2 345 018	83 197	**2 657 144**
Total loans to customers at 31.12.2022	**3 653 663**	**4 600 881**	**140 824**	**8 395 368**

All amounts are in thousand Bulgarian Levs, unless otherwise stated

32.CREDIT RISK (CONTINUED)

CONSOLIDATED	Individuals	Companies	Financial institutions	Total
Unsecured loans	1 349 105	327 910	49 818	**1 726 833**
Loans secured with:				
Residential Real Estate	2 063 479	52 229	2 487	**2 118 195**
Commercial Real Estate	10 972	1 971 083	5 322	**1 987 377**
Cash	1 178	22 911		**24 089**
Other collaterals	228 929	2 345 018	83 197	**2 657 144**
Total loans to customers at 31.12.2022	**3 653 663**	**4 719 151**	**140 824**	**8 513 638**

The table below provides information about UBB's exposure to credit risk as of 31 December 2023, except for loans and advances to customers, by classifying assets according to the credit rating of counterparties. Fitch Ratings AAA is the highest possible rating. UBB's policy is to maintain accurate and consistent risk ratings. This allows management to focus on applicable risks and exposure comparison. The rating system is supported by a number of financial analyzes combined with processed market information to provide the main inputs for the counterparty risk assessment. Information on the respective asset ratings as at 31 December 2023 and 31 December 2022 is presented in the table below:

SEPARATE AND CONSOLIDATED				
31 December 2023 г.	**AAA to A-**	**BBB+ to B-**	**Not rated**	**Total**
Government Bonds	991 800	4 123 921		**5 115 721**
Bank Bonds		19 659		**19 659**
Corporate Bonds	83 310		84 072	**167 382**
Cash with BNB and balances due from banks	1 350 722	7 828 843	-	**9 179 565**
Total	**2 425 832**	**11 972 423**	**84 072**	**14 482 327**

SEPARATE AND CONSOLIDATED				
31 December 2022 г.	**AAA to A-**	**BBB+ to B-**	**Not rated**	**Total**
Government Bonds	908 209	2 277 875	-	**3 186 084**
Bank Bonds		19 688	-	**19 688**
Corporate Bonds	-	-	-	-
Cash with BNB and resources provided to banks	1 771 755	3 015 773	-	**4 787 528**
Total	**2 679 964**	**5 313 336**		**7 993 300**

All amounts are in thousand Bulgarian Levs, unless otherwise stated

32.CREDIT RISK (CONTINUED)

Loans that are stage 1 split by PD class as of the end of 2023 and 2022 respectively are presented in the table below:

SEPARATE	As of 31.12.2023	As of 31.12.2023	As of 31.12.2023	As of 31.12.2023
PD	Mortgage	Other retail loans	Companies' loans	Total
1	2 012 979	51 396	72 113	2 136 488
2	480 007	447 477	538 637	1 466 121
3	759 356	972 924	808 939	2 541 219
4	690 800	514 054	1 696 861	2 901 715
5	181 422	373 018	2 492 535	3 046 975
6	172 918	252 473	1 697 441	2 122 832
7	105 169	123 325	843 446	1 071 940
8	47 140	75 885	112 445	235 470
not rated *	-	26 255	5 907	32 160
Gross Carrying Amount/Outs. Balance Total	**4 449 791**	**2 836 807**	**8 268 324**	**15 554 922**
ECL	**(4 294)**	**(12 675)**	**(18 172)**	**(35 141)**
Net loans	**4 445 497**	**2 824 132**	**8 250 152**	**15 519 781**

- Not rated exposures are specific products for which not sufficient information for development of a rating model is available such as student loans, etc.

SEPARATE	As of 31.12.2022	As of 31.12.2022	As of 31.12.2022	As of 31.12.2022
PD	Mortgage	Other retail loans	Companies' loans	Total
1	746 351	31 559	5	777 915
2	397 651	347 713	49 604	794 968
3	337 104	512 515	164 031	1 013 650
4	281 003	219 879	500 891	1 001 773
5	91 880	132 223	1 461 773	1 685 876
6	32 083	79 110	1 021 327	1 132 520
7	9 990	35 161	561 573	606 724
8	3 268	19 516	40 425	63 209
Gross Carrying Amount/Outs. Balance Total	**1 899 330**	**1 377 676**	**3 799 629**	**7 076 635**
ECL	**(59)**	**(8 644)**	**(6 311)**	**(15 014)**
Net loans	**1 899 270**	**1 369 032**	**3 793 318**	**7 061 621**

Loans that are stage 2 split by PD class as of the end of 2023 and 2022 respectively are presented in the table below

All amounts are in thousand Bulgarian Levs, unless otherwise stated

32.CREDIT RISK (CONTINUED)

SEPARATE	As of 31.12.2023	As of 31.12.2023	As of 31.12.2023	As of 31.12.2023
PD	Mortgage	Other retail loans	Companies' loans	Total
1	46 757	-	788	47 545
2	806	513	63 703	65 022
3	13 250	9 487	52 481	75 218
4	115 923	49 786	56 910	222 619
5	41 755	68 784	458 854	569 393
6	43 348	56 555	295 477	395 379
7	46 760	35 369	220 672	302 801
8	29 482	28 422	192 534	250 438
9	61 924	94 774	94 295	250 993
not rated	1 530	3 106	1 116	5 753
Gross Carrying Amount/Outs. Balance Total	**401 535**	**346 796**	**1 436 830**	**2 185 161**
ECL	**(16 389)**	**(33 618)**	**(25 000)**	**(75 006)**
Net loans	**385 146**	**313 178**	**1 411 830**	**2 110 155**

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SEPARATE	As of 31.12.2022	As of 31.12.2022	As of 31.12.2022	As of 31.12.2022
PD	Mortgage	Other retail loans	Companies' loans	Total
1	350	-	-	350
2	1 165	177	-	1 342
3	1 774	791	49 878	52 443
4	67 341	30 127	9 526	106 994
5	23 340	44 783	298 664	366 787
6	22 249	40 494	196 333	259 076
7	19 634	23 335	161 151	204 120
8	9 449	17 980	85 263	112 692
9	18 445	48 450	45 153	112 048
Gross Carrying Amount/Outs. Balance Total	**163 747**	**206 137**	**845 968**	**1 215 852**
ECL	**(250)**	**(29 323)**	**(12 869)**	**(42 442)**
Net loans	**163 497**	**176 814**	**833 099**	**1 173 410**

All amounts are in thousand Bulgarian Levs, unless otherwise stated

32.CREDIT RISK (CONTINUED)

Forborne Loans by product line:

Forborne Loans	As at 31.12.2023 SEPARATE	As at 31.12.2022 SEPARATE	As at 31.12.2023 CONSOLIDATED	As at 31.12.2022 CONSOLIDATED
Retail Loans other than mortgage	35 118	18 513	35 250	18 513
Mortgage	29 502	24 229	29 370	24 229
SME Loans	189 686	190 610	203 252	190 610
Corporate Loans	53 186	33 363	53 186	33 363
Total	**307 492**	**266 715**	**321 058**	**266 715**

Industry Concentration risk

Analysis by industries net of impairments	Year ended 12/31/2023 SEPARATE	Year ended 12/31/2022 SEPARATE	Year ended 12/31/2023 CONSOLIDATED	Year ended 12/31/2022 CONSOLIDATED
Individuals and households	8 037 513	3 653 663	8 093 275	3 653 663
Industry	2 367 061	1 574 936	2 510 945	1 650 476
Trade and services	2 942 392	1 403 480	3 074 317	1 484 173
Agriculture	800 289	389 051	845 170	389 051
Electricity and heat	688 969	279 222	690 114	279 222
Transportation	410 634	248 520	499 271	256 799
Construction	382 804	194 248	396 176	194 248
Financial and Insurance companies	937 636	141 218	485 336	92 218
Other	388 983	122 138	433 195	122 172
Real estate	328 640	114 592	344 787	114 592
Public sector	151 138	87 931	151 377	87 933
IT and communications	139 650	77 608	144 349	78 845
Water supply	99 071	51 491	126 650	52 748
Hotel management	151 724	38 260	154 443	38 260
Mining	29 439	19 010	30 729	19 238
Total	**17 855 943**	**8 395 368**	**17 980 134**	**8 513 638**

Counterparty concentration risk

The next table presents the information of the large exposure of UBB as for 31 December 2023 and 2022:

SEPARATE	As of 31.12.2023 Amount	As of 31.12.2023 % of Equity	As of 31.12.2022 Amount	As of 31.12.2022 % of Equity
The largest total exposure	293 570	8.70%	170 603	10.84%
Total amount of five largest exposures	**905 197**	**26.81%**	**481 347**	**30.59%**

CONSOLIDATED	As of 31.12.2023 Amount	As of 31.12.2023 % of Equity	As of 31.12.2022 Amount	As of 31.12.2022 % of Equity
The largest total exposure	293 570	8.68%	170 603	10.84%
Total amount of five largest exposures	**905 197**	**26.75%**	**481 347**	**30.58%**

33.MARKET RISK

Foreign currency risk

The tables below summarize the exposure to foreign currency exchange rate risk as of 31 December 2023 and 2022. Included in the table are UBB's assets and liabilities at carrying amounts in thousands BGN categorized by currency.

SEPARATE

Currency analysis 2023	**EUR**	**USD**	**BGN**	**Other**	**Total**
ASSETS					
Cash and balances with central banks	55 054	19 009	8 349 270	15 107	**8 438 440**
Due from banks	829 070	155 779	315 259	50 614	**1 350 722**
Loans and advances to customers, net	3 896 805	63 861	13 970 453	1 514	**17 932 633**
Financial Assets through PL	5 921	-	3 294	-	**9 215**
Derivative financial instruments	8 834	-	13 180	-	**22 014**
Financial Assets at FVOCI	375 025	46 126	178 720	-	**599 871**
Securities at AC	3 107 094	422 307	1 773 361	-	**5 302 762**
Investments in subsidiaries and associates	-	-	65 296	-	**65 296**
Intangible assets	-	-	36 804	-	**36 804**
Fixed assets and Right-of-use Assets	-	-	162 937	-	**162 937**
Investment property	-	-	95 380	-	**95 380**
Deferred tax assets and corporate income tax receivables	-	-	6 048	-	**6 048**
Other assets	5 648	33	13 780	1	**19 462**
TOTAL ASSETS	**8 283 451**	**707 115**	**24 983 782**	**67 236**	**34 041 584**

SEPARATE

LIABILITIES	**EUR**	**USD**	**BGN**	**Other**	**Total**
Due to banks	2 744 820	6 494	7 518	1 813	**2 760 645**
Due to customers	6 857 534	1 465 178	17 743 974	190 136	**26 256 822**
Derivative financial instruments	7 198	-	21 380	-	**28 578**
Other borrowed funds	1 444 723	-	-	-	**1 444 723**
Current income tax liabilities	-	-	2 729	-	**2 729**
Provisions	2 843	168	21 755	1	**24 767**
Lease liabilities	24 460	-	20 239	-	**44 699**
Deferred tax liabilities	-	-	-	-	-
Other liabilities	25 347	1 126	72 458	3 923	**102 854**
TOTAL LIABILITIES	**11 106 925**	**1 472 966**	**17 890 053**	**195 873**	**30 665 817**
TOTAL EQUITY	-	-	3 375 767	-	**3 375 767**
NET BALANCE SHEET POSITION	**(2 823 474)**	**(765 851)**	**7 093 729**	**(128 637)**	**3 375 767**
NET OFF-BALANCE SHEET POSITION	**2 879 714**	**772 476**	**(3 786 037)**	**125 908**	**(7 939)**

All amounts are in thousand Bulgarian Levs, unless otherwise stated

33.MARKET RISK (CONTINUED)

Foreign currency risk (continued)

SEPARATE

Currency analysis **31 December 2022**	**EUR**	**USD**	**BGN**	**Other**	**Total**
ASSETS					
Cash and balances with central banks	19 727	9 189	2 239 448	6 399	**2 274 763**
Due from banks (incl. Reverse repos with banks)	2 420 951	230 031	63 678	36 824	**2 751 484**
Loans and advances to customers, net	2 146 539	86 214	6 184 514	80	**8 417 347**
Financial Assets through PL	15	-	5 218	-	**5 233**
Derivative financial instruments	8 729	-	4 704	-	**13 433**
Financial Assets at FVOCI	427 978	15 821	148 113	-	**591 912**
Securities at AC	1 633 653	358 230	1 213 889	-	**3 205 772**
Investments in subsidiaries and associates	-	-	15 022	-	**15 022**
Intangible assets	-	-	20 662	-	**20 662**
Fixed assets and Right-of-use Assets	-	-	111 040	-	**111 040**
Investment property	-	-	98 380	-	**98 380**
Deferred tax assets and corporate income tax receivables	-	-	8 487	-	**8 487**
Other assets	5 298	22	8 422	1	**13 743**
TOTAL ASSETS	**6 662 890**	**699 507**	**10 121 577**	**43 304**	**17 527 278**

LIABILITIES	**EUR**	**USD**	**BGN**	**Other**	**Total**
Due to banks	1 965 215	-	5 621	-	**1 970 836**
Due to customers	3 753 183	896 906	8 743 556	138 570	**13 532 215**
Derivative financial instruments	3 590	-	5 371	-	**8 961**
Other borrowed funds	370 933	-	-	-	**370 933**
Provisions	1 253	44	10 464	1	**11 762**
Lease liabilities	15 118	-	1 797	-	**16 915**
Other liabilities	7 668	775	33 706	(3)	**42 146**
TOTAL LIABILITIES	**6 116 960**	**897 725**	**8 800 515**	**138 568**	**15 953 768**
TOTAL EQUITY	**-**	**-**	**1 573 510**	**-**	**1 573 510**
NET BALANCE SHEET POSITION	**545 930**	**(198 218)**	**1 321 062**	**(95 264)**	**1 573 510**
NET OFF-BALANCE SHEET POSITION	**(626 248)**	**200 511**	**329 707**	**95 514**	**(515)**

CONSOLIDATED

Currency analysis **2023**	**EUR**	**USD**	**BGN**	**Other**	**Total**
ASSETS					
Cash and balances with central banks	55 054	19 009	8 349 275	15 107	**8 438 445**
Due from banks	829 070	155 779	315 668	50 614	**1 351 131**
Loans and advances to customers, net	4 053 672	63 601	13 938 042	1 510	**18 056 825**
Financial Assets through PL	5 921	-	3 294	-	**9 215**
Derivative financial instruments	8 833	-	13 181	-	**22 014**
Financial Assets at FVOCI	375 025	46 126	178 720	-	**599 871**
Securities at AC	3 107 093	422 307	1 773 362	-	**5 302 762**
Investments in associates	-	-	4 225	-	**4 225**
Intangible assets	-	-	36 953	-	**36 953**
Fixed assets and Right-of-use Assets	-	-	168 869	-	**168 869**
Investment property	-	-	101 373	-	**101 373**
Deferred tax assets	-	-	6 058	-	**6 058**
Other assets	5 648	34	20 018	1	**25 701**
TOTAL ASSETS	**8 440 316**	**706 856**	**24 909 038**	**67 232**	**34 123 442**

All amounts are in thousand Bulgarian Levs, unless otherwise stated

33.MARKET RISK (CONTINUED)

Foreign currency risk (continued)

CONSOLIDATED

Currency analysis

LIABILITIES	EUR	USD	BGN	Other	Total
Due to banks	2 744 820	6 494	7 518	1 813	**2 760 645**
Due to customers	6 853 848	1 465 178	17 746 423	190 136	**26 255 585**
Derivative financial instruments	7 198	-	21 380	-	**28 578**
Other borrowed funds	1 515 395	-	-	-	**1 515 395**
Current income tax liabilities	-	-	2 952	-	**2 952**
Provisions	2 843	168	21 901	1	**24 913**
Lease liabilities	24 460	-	20 239	-	**44 699**
Deferred tax liabilities					
Other liabilities	25 347	1 126	76 376	3 923	**106 772**
TOTAL LIABILITIES	**11 173 911**	**1 472 966**	**17 896 789**	**195 873**	**30 739 539**
TOTAL EQUITY	-	-	3 383 903	-	**3 383 903**
NET BALANCE SHEET POSITION	**(2 733 595)**	**(766 110)**	**7 012 249**	**(128 641)**	**3 383 903**
NET OFF-BALANCE SHEET POSITION	**2 879 714**	**772 476**	**(3 786 037)**	**125 908**	**(7 939)**

CONSOLIDATED

Currency analysis

31 December 2022	EUR	USD	BGN	Other	Total
ASSETS					
Cash and balances with central banks	19 727	9 189	2 239 448	6 399	**2 274 763**
Due from banks	2 420 951	230 031	63 678	36 824	**2 751 484**
Loans and advances to customers, net	2 146 539	86 214	6 302 848	80	**8 535 681**
Financial Assets through PL	15	-	5 218	-	**5 233**
Derivative financial instruments	8 729	-	4 704	-	**13 433**
Financial Assets at FVOCI	427 978	15 821	148 113	-	**591 912**
Securities at AC	1 633 653	358 230	1 213 889	-	**3 205 772**
Investments in associates	-	-	3 839	-	**3 839**
Intangible assets	-	-	20 680	-	**20 680**
Fixed assets and Right-of-use Assets	-	-	111 100	-	**111 100**
Investment property	-	-	105 670	-	**105 670**
Deferred tax assets and corporate income tax receivables	-	-	8 515	-	**8 515**
Other assets	5 298	22	8 423	1	**13 744**
TOTAL ASSETS	**6 662 890**	**699 507**	**10 236 125**	**43 304**	**17 641 826**

LIABILITIES	EUR	USD	BGN	Other	Total
Due to banks	1 965 215	-	5 621	-	**1 970 836**
Due to customers	3 753 183	896 906	8 738 381	138 570	**13 527 040**
Derivative financial instruments	3 590	-	5 371	-	**8 961**
Other borrowed funds	489 430	-	-	-	**489 430**
Provisions	1 253	44	10 461	1	**11 759**
Lease liabilities	15 118	-	1 814	-	**16 932**
Other liabilities	7 668	775	34 129	(3)	**42 569**
TOTAL LIABILITIES	**6 235 457**	**897 725**	**8 795 777**	**138 568**	**16 067 527**
TOTAL EQUITY	**-**	**-**	**1 574 299**	**-**	**1 574 299**
NET BALANCE SHEET POSITION	**427 433**	**(198 218)**	**1 440 348**	**(95 264)**	**1 574 299**
NET OFF-BALANCE SHEET POSITION	**(626 248)**	**200 511**	**329 707**	**95 514**	**(516)**

All amounts are in thousand Bulgarian Levs, unless otherwise stated

33.MARKET RISK (CONTINUED)

Interest rate risk

UBB measures the net interest incomes (NII) and economic value of equity (EVE) vulnerability to unfavorable changes in interest rates separately for any of the main currencies in which UBB operates and the results are used for making management decisions. The negative sign of the mismatch means that the interest rate sensitive liabilities are larger than the interest rate sensitive assets in the concrete time band. The techniques for managing interest rate risk generated by the positions in the banking book are: change in the administered interest rates on loans and deposits, change in the maturity of the offered credit and deposit products, change in the amount of fees and commissions interest rate derivatives etc.

UBB interest rate risk relating to financial instruments based on next re-pricing date is summarized as follows:

SEPARATE

31 December 2023	With fixed interest rate	With floating interest rate	Interest free	Total
Assets				
Cash and cash balances with the Central Bank	-	-	8 438 440	**8 438 440**
Deposits placed with banks	1 012 089	338 633	-	**1 350 722**
Financial assets at fair value through profit or loss	9 215	-	-	**9 215**
Derivatives	-	22 014	-	**22 014**
Financial assets at FVOCI	572 498	-	27 373	**599 871**
Securities at AC	5 302 762	-	-	**5 302 762**
Loans and advances customers	202 759	17 729 874	-	**17 932 633**
Total assets	**7 099 323**	**18 090 521**	**8 465 813**	**33 655 657**
Liabilities				
Deposits from banks and Other borrowed funds	3 794 644	410 724	-	**4 205 368**
Deposits from customers	26 256 822	-	-	**26 256 822**
Derivatives	-	28 578	-	**28 578**
Total liabilities	**30 051 466**	**439 302**	**-**	**30 490 768**
Interest Rate Mismatch	**(22 952 143)**	**17 651 219**	**8 465 813**	**3 164 889**

SEPARATE

31 December 2022	With fixed interest rate	With floating interest rate	Interest free	Total
Assets				
Cash and cash balances with the Central Bank	-	-	2 274 763	**2 274 763**
Deposits placed with banks (incl. reverse repos)	2 193 730	557 754	-	**2 751 484**
Financial assets measured at fair value through profit and loss	5 233	-	-	**5 233**
Derivatives	-	13 433	-	**13 433**
Financial assets trading and at FVOCI	578 222	-	13 690	**591 912**
Securities at AC	3 205 772	-	-	**3 205 772**
Loans and advances to clients	453 041	7 964 306	-	**8 417 347**
Total assets	**6 435 998**	**8 535 493**	**2 288 453**	**17 259 944**
Liabilities				
Deposits from banks and Other borrowed funds	2 341 769	-	-	**2 341 769**
Derivatives	-	8 961	-	**8 961**
Deposits from clients	13 532 215	-	-	**13 532 215**
Total liabilities	**15 873 984**	**8 961**	**-**	**15 882 945**
Interest Rate Mismatch	(9 437 986)	8 526 532	2 288 453	**1 376 999**

All amounts are in thousand Bulgarian Levs, unless otherwise stated

33.MARKET RISK (CONTINUED)

Interest rate risk (continued)

CONSOLIDATED

31 December 2023	With fixed interest rate	With floating interest rate	Interest free	Total
Assets				
Cash and cash balances with the Central Bank	-	-	8 438 445	**8 438 445**
Deposits placed with banks	1 012 498	338 633	-	**1 351 131**
Financial assets at fair value through profit or loss	9 215	-	-	**9 215**
Derivatives	-	22 014	-	**22 014**
Financial assets trading and at FVOCI	572 498	-	27 373	**599 871**
Securities at AC	5 302 762	-	-	**5 302 762**
Loans and advances customers	202 761	17 854 065	-	**18 056 826**
Total assets	**7 099 734**	**18 214 712**	**8 465 818**	**33 780 264**
Liabilities				
Deposits from banks	3 860 874	415 166	-	**4 276 040**
Deposits from customers	26 255 585	-	-	**26 255 585**
Derivative financial instruments	-	28 578	-	**28 578**
Total liabilities	**30 116 459**	**443 744**	**-**	**30 560 203**
Interest Rate Mismatch	(23 016 725)	17 770 968	8 465 818	**3 220 061**

CONSOLIDATED

31 December 2022	With fixed interest rate	With floating interest rate	Interest free	Total
Assets				
Cash and cash balances with the Central Bank	-	-	2 274 763	**2 274 763**
Deposits placed with banks (incl. reverse repos)	2 193 730	557 754	-	**2 751 484**
Financial assets at fair value through profit or loss	5 233	-	-	**5 233**
Derivatives	-	13 433	-	**13 433**
Financial assets trading and at FVOCI	578 222	-	13 690	**591 912**
Securities at AC	3 205 772	-	-	**3 205 772**
Loans and advances to clients	453 041	8 082 640	-	**8 535 681**
Total assets	**6 435 998**	**8 653 8278**	**2 288 453**	**17 378 278**
Liabilities				
Deposits from banks and Other borrowed funds	2 419 194	41 072	-	**2 460 266**
Deposits from clients	13 527 040	-	-	**13 527 040**
Derivatives	-	8 961		**8 961**
Total liabilities	**15 946 234**	**50 033**	**-**	**15 996 267**
Interest Rate Mismatch	(9 510 236))	8 603 794	2 288 453	**1 382 011**

33.MARKET RISK (CONTINUED)

Interest rate risk (continued)

The table below provides information of net interest income sensitivity and the sensitivity of equity as at 31.12.2023 and 31.12.2022 assuming reasonably change in interest rates, ceteris paribus:

31 December 2023	in `000 BGN	in `000 BGN
Increase in basis point	**Sensitivity of net interest income**	**Sensitivity of equity**
100/ (-100)	(-39 506)/(21 719)	(39 655)/(-8 827)
200/ (-200)	(-72 217)/(11 153)	(79 310)/(-17 655)

31 December 2022	in `000 BGN	in `000 BGN
Increase in basis point	**Sensitivity of net interest income**	**Sensitivity of equity**
100/ (-100)	(7 668)/ (-10 297)	(-71 852)/ (-8 630)
200/ (-200)	(17 399)/ (-17 593)	(-143 706)/ (-17 260)

The Net Interest Income Sensitivity for December 2023 and December 2022 is calculated with compliance to the reporting criteria of EBA Guidelines "Interest Rate Risk in the Banking Book"

34.LIQUIDITY RISK

UBB manages its assets and liabilities in a manner guaranteeing that the bank is able to fulfill its day-to-day obligations regularly and without delay both in going concern and stressed environment. The bank invests mainly in liquid assets. Following the legal merger with KBC Bank Bulgaria in April 2023, UBB reports unified liquidity risk regulatory reports to the local national authorities.

The average level of the regulatory liquidity risk ratios for the unified bank are as follows:

- 275% Liquidity Coverage Ratio (LCR) for 2023 г. (2022: 228%) and
- 165% Net Stable Funding Ratio (NSFR) for 2023 г. (2022: 166%).

Both LCR and NSFR are above the regulatory requirements of 100% during 2023.

In addition, UBB has a stable funding structure. The bank aims at maintaining diversified deposit base and access to alternative funding sources by thus limiting the potential funding costs in case unexpected events occur.

SEPARATE	Subject to notice and up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years and non-stated maturity	Total
MATURITY ANALYSIS						
31 December 2023						
ASSETS	9 417 881	894 056	3 651 903	11 026 092	9 051 652	**34 041 584**
TOTAL ASSETS	**9 417 881**	**894 056**	**3 651 903**	**11 026 092**	**9 051 652**	**34 041 584**
LIABILITIES						
Deposits from banks	1 782 730	782 332	195 583	-	-	2 760 645
Due to customers	23 898 543	607 181	1 680 491	70 607	-	26 256 822
Derivative financial instruments	28 578	-	-	-	-	28 578
Other borrowed funds	-	-	-	772 308	672 415	1 444 723
Lease liabilities (IFRS 16)	768	2 248	5 272	36 207	204	44 699
Other liabilities	130 350	-	-	-	-	130 350
TOTAL LIABILITIES	**25,840,969**	**1 391 761**	**1 881 346**	**879 122**	**672 619**	**30 665 817**
Contingent liabilities	5 508 314					5 508 314

All amounts are in thousand Bulgarian Levs, unless otherwise stated

34.LIQUIDITY RISK (CONTINUED)

SEPARATE	Subject to notice and up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years and non-stated maturity	Total
MATURITY ANALYSIS						
31 December 2022						
ASSETS						
TOTAL ASSETS	3 487 860	1 537 897	1 516 029	6 704 978	4 280 514	**17 527 278**
	3 487 860	**1 537 897**	**1 516 029**	**6 704 978**	**4 280 514**	**17 527 278**
LIABILITIES						
Deposits from banks	1 286 295	684 541	-	-	-	**1 970 836**
Deposits from customers	12 042 405	352 113	1 097 805	39 892	-	**13 532 215**
Derivative financial instruments	8 961	-	-	-	-	**8 961**
Other borrowed funds	-	-	-	8 592	362 341	**370 933**
Lease liabilities (IFRS 16)	768	2 248	5 272	8 423	204	**16 915**
Other liabilities	53 908	-	-	-	-	**53 908**
TOTAL LIABILITIES	**13 392 337**	**1 038 902**	**1 103 077**	**56 907**	**362 545**	**15 953 768**
Contingent liabilities	2 517 647	-	-	-	-	**2 517 647**

CONSOLIDATED	Subject to notice and up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years and non-stated maturity	Total
MATURITY ANALYSIS						
31 December 2023						
ASSETS	9 446 872	847 912	3 629 308	11 166 223	9 033 127	**34 123 442**
TOTAL ASSETS	**9 446 872**	**847 912**	**3 629 308**	**11 166 223**	**9 033 127**	**34 123 442**
LIABILITIES						
Deposits from banks	1 782 730	782 332	195 583	-	-	**2 760 645**
Deposits from customers	23 897 306	607 181	1 680 491	70 607	-	**26 255 585**
Derivative financial instruments	28 578	-	-	-	-	**28 578**
Long term borrowings	4 890	10 162	43 397	784 531	672 415	**1 515 395**
Lease liabilities (IFRS 16)	768	2 248	5 272	36 207	204	**44 699**
Other liabilities	134 637	-	-	-	-	**134 637**
TOTAL LIABILITIES	**25 848 909**	**1 401 923**	**1 924 743**	**891 345**	**672 619**	**30 739 539**
Contingent liabilities	5 483 480	-	-	-	-	**5 483 480**

CONSOLIDATED	Subject to notice and up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years and non-stated maturity	Total
MATURITY ANALYSIS						
31 December 2022						
ASSETS						
TOTAL ASSETS	3 487 925	1 537 897	1 526 191	6 809 299	4 280 514	**17 641 826**
	3 487 925	**1 537 897**	**1 526 191**	**6 809 299**	**4 280 514**	**17 641 826**
LIABILITIES						
Deposits from banks	1 286 295	684 541	-	-	-	**1 970 836**
Deposits from customers	12 037 230	352 113	1 097 805	39 892	-	**13 527 040**
Derivative financial instruments	8 961	-	-	-	-	**8 961**
Other borrowed funds	-	-	10 162	116 927	362 341	**489 430**
Lease liabilities (IFRS 16)	768	2 248	5 272	8 440	204	**16 932**
Other liabilities	54 328	-	-	-	-	**54 328**
TOTAL LIABILITIES	**13 387 582**	**1 038 902**	**1 113 239**	**165 259**	**362 545**	**16 067 527**
Contingent liabilities	2 682 590	-	-	-	-	**2 682 590**

Funding sources generally have a shorter maturity than the funded assets, resulting in a negative net liquidity gap in the shorter time buckets and a positive net liquidity gap in the longer-term buckets. This may create liquidity risk if UBB would be unable to renew its maturing short-term funding. The funding strategy applied by the bank ensures that the liquidity risk remains within the KBC Group risk appetite.

All amounts are in thousand Bulgarian Levs, unless otherwise stated

35.FAIR VALUE MEASUREMENT

Financial instruments not measured at fair value

The table below summarises the carrying amounts and fair value of those financial assets and liabilities not presented on UBB's statement of financial position at fair value.

SEPARATE		2023		2022
	Carrying amount	Fair value	Carrying amount	Fair value
ASSETS				
Cash and balances with the Central Bank	8 438 440	8 438 440	2 274 763	2 274 763
Due from banks	1 350 722	1 350 722	2 751 484	2 751 484
Financial assets at amortized cost	5 302 762	4 993 288	3 205 772	2 771 967
Loans and advances to customers net	17 932 633	17 952 430	8 417 347	8 433 512
TOTAL ASSETS	**33 024 557**	**32 734 880**	**16 649 366**	**16 231 726**
LIABILITIES				
Deposits from banks	2 760 645	2 760 645	1 970 836	1 970 836
Deposits from customers	26 256 822	26 256 822	13 532 215	13 531 651
Other borrowed funds	1 444 723	1 444 723	370 933	373 161
TOTAL LIABILITIES	**30 462 190**	**30 462 190**	**15 873 984**	**15 875 648**

CONSOLIDATED		2023		2022
	Carrying amount	Fair value	Carrying amount	Fair value
ASSETS				
Cash and balances with the Central Bank	8 438 445	8 438 445	2 274 763	2 274 763
Due from banks	1 351 131	1 351 131	2 751 484	2 751 484
Financial assets at amortized cost	5 302 762	4 993 288	3 205 772	2 771 967
Loans and advances to customers net	18 056 825	18 097 559	8 535 681	8 551 846
TOTAL ASSETS	**33 149 163**	**32 880 423**	**16 767 700**	**16 350 060**
LIABILITIES				
Deposits from banks	2 760 645	2 760 645	1 970 836	1 970 836
Deposits from customers	26 255 585	26 255 585	13 527 040	13 526 476
Other borrowed funds	1 515 395	1 515 395	489 430	491 658
TOTAL LIABILITIES	**30 531 625**	**30 531 625**	**15 987 306**	**15 988 970**

The following methods and assumptions were used to estimate the fair values of the above financial instruments at 31.12.2023 and 31.12.2022:

- The carrying amount of cash and balances with the Central Bank, due from and due to banks as well as accrued interest equals their fair value. The fair values of the amounts due from banks, due to customers and other borrowed funds are categorized in Level 3.
- The fair value of loans and advances to customers is estimated using discounted cash flow models (the expected loan related cash flows discounted by the market interest rates) and it is categorized in Level 3.
- The fair value for accounts and deposits from customers is determined to be their carrying amount considering that they could be withdrawn at any time (short term liabilities, Interest rate of zero for majority of deposits).
- Fair value of bank borrowings and subordinated liabilities approximates their carrying amount, because these liabilities bear floating interest rates and are repriced to current market rates on a regular basis

UBB conducts a review of the fair value hierarchy classifications on an annually basis. No transfers into or out of Level 3 occurred for the year ended 31.12.2023 and 31.12.2022.

35.FAIR VALUE MEASUREMENT (CONTINUED)

Valuation Process and Control Framework

UBB has various processes in place to ensure that the fair values of its assets and liabilities are reasonably estimated and has established a control framework which is designed to ensure that fair values are validated by functions independent of the risk-taker. To that end UBB utilizes various sources for determining the fair values of its financial instruments and uses its own independent functions to validate these results where possible.

Fair values of debt securities are determined either by reference to prices for traded instruments in active markets to external quotations or widely accepted financial models which are based on market observable or unobservable information where the former is not available as well as relevant market-based parameters such as interest rates option fluctuations currency rates etc. and may also include a liquidity risk adjustment where UBB considers it appropriate.

UBB may sometimes also utilize third-party pricing information and perform validating procedures on this information or base its fair value on the latest transaction prices available given the absence of an active market or similar transactions. All such instruments are categorized within the lowest level of fair value hierarchy (i.e. Level 3).

Generally fair values of debt securities including significant inputs on the valuation models are independently checked and validated by Risk Management Directorate on a regular basis. Fair value of derivatives is determined using valuation models which include discounted cash-flow models or other appropriate models. Adequate control procedures are in place for the validation of these models including the valuation inputs on systematic basis. Risk Management Directorate provides the control valuation framework necessary to ensure that the fair values are reasonably determined reflecting current market and economic conditions.

Market Valuation Adjustments

The output of a valuation technique is always an estimate or approximation of a fair value that cannot be measured with complete certainty. As a result, valuations are adjusted where appropriate to reflect close-out costs credit exposure model driven valuation uncertainty trading restrictions and other factors when such factors would be considered by market participants in measuring fair value.

Sensitivity of Fair Value measurements to changes in unobservable inputs

Due to UBB’s limited exposure to investment securities measured at fair value for which the market valuation adjustments are significant to their fair value a reasonable change in the unobservable inputs would not be significant to UBB.

36.CAPITAL AND CAPITAL BASE

UBB determines its risk-bearing capacity on the basis of the capital resources available for covering losses generated by UBB’s risk profile. During the management of its capital-at-risk UBB observes the regulatory instructions as well as its own objectives.

The minimum requirements as of December 2023 applicable to UBB AD following the implementation of the requirements of Directive 2013/36/EU and Regulation (EU) No 575/2013 include maintaining of total capital adequacy of not less than 19.00% on individual basis and consolidated basis and tier-one capital adequacy of not less than 16.63% on individual basis and on consolidated basis.

These levels included for Pillar I respectively: 8% total capital adequacy and 6% tier-one capital adequacy as well as 2.5% Capital Conservation Buffer, 3% Systemic Risk Buffer, 1% Buffer for O-SIIs and 2% Countercyclical buffer. On individual and consolidated basis 1.5% Pillar II requirement and 1% Pillar II Guidance are required additionally.

All amounts are in thousand Bulgarian Levs, unless otherwise stated

36.CAPITAL AND CAPITAL BASE (CONTINUED)

UBB has complied with the regulatory requirements of minimum capital adequacy for 2023 and for 2022. In accordance with the regulatory framework UBB allocates capital for covering the capital requirements for credit risk, market risk and operational risk, applying the Standardized Approach.

Regulatory Capital (Own Funds)

The capital base (own funds) includes tier-one and tier-two capital in accordance with the applicable regulatory requirements.

CAPITAL AND CAPITAL BASE	As of 31.12.2023 SEPARATE	As of 31.12.2022 SEPARATE	As of 31.12.2023 CONSOLIDATED	As of 31.12.2022 CONSOLIDATED
Paid up Capital Instruments	177 168	93 838	177 168	93 838
Reserves incl. retained earnings	2 612 211	1 328 794	2 609 609	1 328 464
Other comprehensive income	1 151	(624)	1 130	(623)
Common Equity Tier I deductions	(31 302)	(48 214)	(31 339)	(48 239)
Common Equity Tier I Capital	2 759 228	1 373 794	2 756 568	1 373 440
Additional Tier I Capital	113 438	-	113 438	-
Tier II Capital	177 981	-	177 981	-
Total Regulatory Capital (own funds)	**3 050 647**	**1 373 794**	**3 047 987**	**1 373 440**
Common Equity Tier 1 Capital ratio	17.59%	18.64%	17.55%	18.29%
Tier 1 Capital ratio	18.31%	18.64%	18.28%	18.29%
Total capital ratio	**19.44%**	**18.64%**	**19.41%**	**18.29%**
Surplus(+)/Deficit(-) of total capital	**1 795 481**	**784 273**	**1 791 682**	**772 566**

Risk Weighted Assets

The changes in the RWA structure and amounts are related to the respective changes in UBB's assets structure.

Capital requirements

As of 31 December 2023, and 31 December 2022, the capital requirements for credit market and operational risks are as follows:

Risk Weighted Assets	As of 31.12.2023 SEPARATE	As of 31.12.2022 SEPARATE	As of 31.12.2023 CONSOLIDATED	As of 31.12.2022 CONSOLIDATED
Credit Risk including exposures to:	14 440 611	6 688 333	14 420 490	6 808 141
Central governments or central banks	329 437	8 956	329 437	8 956
Regional governments or local authorities	44 504	31 518	44 600	31 518
Public sector entities	2 648	1 281	2 648	1 281
Institutions	666 695	565 424	666 712	565 428
Corporates	6 786 929	2 859 895	6 729 236	2 979 857
Retail	3 662 417	1 654 846	3 735 266	1 661 344
Secured by mortgages on immovable property	2 109 708	1 095 258	2 113 295	1 095 424
Exposures in default	224 778	178 148	228 905	178 205
Items associated with particular high risk	120 531	-	120 531	-
Covered bonds	6 373	-	6373	-
Equity	101 633	37 676	37 936	23 288
Other items	384 958	255 331	405 551	262 840
Operational Risk	1 245 500	657 238	1 279 863	679 063
Market Risk	3 275	23 438	3 275	23 451
Risk for credit valuation adjustment	188	-	188	-
TOTAL RISK EXPOSURE AMOUNT	**15 689 574**	**7 369 009**	**15 703 816**	**7 510 655**

All amounts are in thousand Bulgarian Levs, unless otherwise stated

37.RELATED PARTY TRANSACTIONS

The ultimate parent bank is KBC Group NV Belgium. UBB is controlled by KBC Bank N.V. which owns 99.96% of the ordinary shares of UBB. Parties are considered to be related if one party has the ability to control or exercise significant influence over the other party in making financial or operational decisions. A number of banking transactions are performed with related parties in the normal course of business. These include mostly loans and deposits. These transactions were carried out on commercial terms and conditions and at market rates.

Business transactions with related parties are carried out in the normal course of business. These transactions were made at market prices and commercial terms as would be done between independent trading partners. The amount of the remuneration of the members of the management and supervisory bodies of UBB for the financial year 2023 is BGN 3 055 thousand on individual base and 3 276 thousand on consolidated base (2022: BGN 2 637 thousand on individual base and 2 888 thousand on consolidated base).

Amounts owed to and from companies of the KBC Bank Group and the related income and expense are as follows: As of 31 December 2023, UBB has performed transactions with the following related parties:

As of 31 December 2023– Separate	KBC Bank NV	KBC Group	Subsidiaries companies	Associate companies
Loans and advances from clients (agreed int rate from -0.31% to 15.90%, weighted average int rate 4.61%)*	947 986	249 598	452 529	-
Other demand deposits due to banks	229 312	763	-	-
Derivatives held for trading- assets	13 448	-	-	-
Derivatives held for hedging- assets	2 679	-	-	-
Other assets	-	2 573	-	-
Right of use assets	-	684	-	-
Total Assets	**1 193 425**	**253 618**	**452 529**	**-**
Deposits from Banks - Time Deposits (agreed int rate from 4.01% to 4.09%, weighted average average int rate 4.05%)*	2 744 344	-	-	-
Deposits from Banks - Sight Deposits	2 391	351	-	-
Funds attracted from clients (agreed int rate from 0% to 3.5%, weighted average average int rate 0.16%)*	-	172 713	17 331	106
Other borrowed funds (agreed int rate from 0.46% to 3.95%, weighted average average int rate 2.92%)*	1 258 494	-	-	-
Derivatives held for trading – liability	15 044	-	-	-
Subordinated term debt (agreed int rate 3.95%)	179 677	-	-	-
Other liabilities	-	343	-	-
Leasing liabilities	-	685	-	-
Total Liabilities	**4 199 950**	**174 092**	**17 331**	**106**
Additional Tier-1 instr incl.in equity (agreed int rate 6.3%)	113 438	-	-	-
Total equity	**113 438**	-	-	-
Interest income	142 515	1 044	8 574	-
Fee and commission income	19	29 375	23	1
Dividend income	-	-	6 898	-
Other income	-	151	79	-
Rental income	-	567	98	-
Total income	**142 534**	**31 137**	**15 672**	**1**
Interest expense	(78 796)	(1 023)	-	-
Fee and commission expenses	-	(739)	-	-
Administrative expenses	(13 412)	(23 528)	(1 135)	-
Other expenses	-	(21)	-	-
Interest expenses on lease liabilities	-	(17)	(4)	-
Total Expenses	**(92 208)**	**(25 328)**	**(1 139)**	**-**
Net expense from interest rate derivatives	(6 183)	-	-	-

All amounts are in thousand Bulgarian Levs, unless otherwise stated

37.RELATED PARTY TRANSACTIONS (CONTINUED)

As of 31 December 2023 – Consolidated	KBC Bank NV	KBC Group	Associate companies
Loans and advances from clients (agreed int rate from -0.31% to 15.90%, weighted average average int rate 4.68%)*	947 986	249 617	-
Other demand deposits due to banks	229 312	763	-
Derivatives held for trading- assets	13 448	-	-
Derivatives held for hedging- assets	2 679	-	-
Other assets	-	2 573	-
Right of use assets	-	684	-
Total Assets	**1 193 425**	**253 637**	-
Deposits from Banks - Time Deposits (agreed int rate from 4.01% to 4.09%, weighted average average int rate 4.05%)*	2 744 344	-	-
Deposits from Banks - Sight Deposits	2 391	351	-
Funds attracted from clients (agreed int rate from 0% to 3.5%, weighted average average int rate 0.18%)*	-	172 713	106
Other borrowed funds (agreed int rate from 0.46% to 4.28%, weighted average average int rate 3.25%)*	1 325 140	-	-
Derivatives held for trading – liability	15 044	-	-
Subordinated term debt (agreed int rate 3.95%)	179 677	-	-
Other liabilities	-	350	-
Leasing liabilities	-	685	-
Total Liabilities	**4 266 596**	**174 099**	**106**
Additional Tier-1 instr incl.in equity	113 438	-	-
Total equity	**113 438**	-	-
Interest income	142 545	1 044	-
Fee and commission income	19	29 375	1
Other income	276	557	-
Rental income	-	567	-
Total income	**142 840**	**31 543**	**1**
Interest (expenses)	(81 699)	(1 023)	-
Fee and commission expenses	-	(739)	-
Administrative expenses	(13 412)	(23 536)	-
Other expenses	-	(21)	-
Interest expenses on lease liabilities	-	(5)	-
Total Expenses	**(95 111)**	**(25 324)**	-
Net expense from interest rate derivatives	(6 183)	-	-

As of 31 December 2022 – Separate	KBC Bank NV	KBC Group	Subsidiaries companies	Associate companies
Loans and advances from clients (agreed int rate from -0.31% to 15.90%, weighted average int rate 3.90%)*	840 620	753	5 466	-
Deposits placed (agreed int rate from -2.25% to 4.90%, weighted average int rate 4.82%)*	186 574	-	-	-
Receivables on repo agreements (agreed int rate from 0.25% to 2.0%, weighted average int rate 1.49%)*	1 585 181	-	-	-
Other demand deposits due to banks	96 843	-	-	-
Derivatives held for trading- assets	7 907	-	-	-
Derivatives held for hedging- assets	5 351	-	-	
Other assets	-	2 210	30	-
Right of use assets	-	489	-	-
Total Assets	**2 722 476**	**3 452**	**5 496**	-
Deposits from Banks - Time Deposits (agreed int rate from 1.53% to 2.18%, weighted int rate 1.93%) *	1 955 203	-	-	-
Deposits from Banks - Sight Deposits	14 721	-	-	-
Funds attracted from clients (agreed int rate 0%, weighted average int rate 0%) *	-	79 986	8 890	3 960
Other borrowed funds (agreed int rate from 0.46% to 4.58%, weighted average int rate 3.00%) *	362 342	-	-	-
Derivatives held for trading – liability	1 539	-	-	-
Other liabilities	13	543	-	-
Leasing liabilities	-	490	-	-
Total Liabilities	**2 333 818**	**81 019**	**8 890**	**3 960**
Interest income	19 249	251	417	-
Fee and commission income	649	24 575	2	1
Other income		5	80	-
Rental income	-	386	96	-
Total income	**19 898**	**25 217**	**595**	**1**
Interest expense	(15 906)	(2 837)	-	-
Fee and commission expenses	(455)	(858)	-	-
Administrative expenses	(8 328)	(11 824)	(743)	(2 042)
Other expenses	-	(33)	-	-
Interest expenses on lease liabilities	-	2	-	-
Total Expenses	**(24 689)**	**(15 550)**	**(743)**	**(2 042)**
Net expense from interest rate derivatives	4 217	-	-	-

All amounts are in thousand Bulgarian Levs, unless otherwise stated

37.RELATED PARTY TRANSACTIONS (CONTINUED)

As of 31 December 2022 – Consolidated	KBC Bank NV	KBC Group	Associate companies
Loans and advances from clients (agreed int rate from 0.00% to 15.90%, weighted average int rate 3.77%)*	840 620	753	-
Deposits placed (agreed int rate from -2.25% to 4.90%, weighted average int rate 4.82 %)*	186 574	-	-
Receivables on repo agreements (agreed int rate from 0.25% to 2.0%, weighted average int rate 1.49%)*	1 585 181	-	-
Other demand deposits due to banks	96 843	-	-
Derivatives held for trading- assets	7 907	-	-
Derivatives held for hedging- assets	5 351	-	-
Other assets	-	2 210	-
Right of use assets	-	489	-
Total Assets	**2 722 476**	**3 452**	-
Deposits from Banks - Time Deposits (agreed int rate 0%, weighted average int rate 0%)*	1 955 203	-	-
Deposits from Banks - Sight Deposits	14 721	-	-
Funds attracted from clients (agreed int rate 0%, weighted average int rate 0%)*	149	79 986	3 960
Other borrowed funds (agreed int rate from 0.46% to 4.58%, weighted average int rate 3.00%)*	480 839	-	-
Derivatives held for trading – liability	1 539	-	-
Other liabilities	13	550	-
Leasing liabilities	-	490	-
Total Liabilities	**2 452 464**	**81 026**	**3 960**
Interest income	19 439	251	-
Fee and commission income	649	25 240	1
Other income	381	298	-
Rental income	-	386	-
Total income	**20 469**	**26,175**	**1**
Interest (expenses)	(16 348)	(2 837)	-
Fee and commission expenses	(455)	(858)	-
Administrative expenses	(8 328)	(11 831)	(2 042)
Other expenses	-	(33)	-
Interest expenses on lease liabilities	-	2	-
Total Expenses	**(25 131)**	**(15 557)**	**(2 042)**
Net expense from interest rate derivatives	4 217	-	-

*UBB has a netting agreement regarding repos, reverse repos with the same end date, same currency and same legal entity and derivatives (with the same characteristics). Currently the Bank does not use this option in preparation on its Financial Statements. In 2023 and 2022, there are no deals that meet the requirements for offsetting in regards for Reverse Repo and Repo. In 2023, respectively 2022 there are no derivative deals subject to netting agreement.

38.INFORMATION BASED ON REQUIREMENT OF ART. 70 § 6 FROM LAW FOR CREDIT INSTITUTIONS

The Bank holds a bank license granted by the Bulgarian National Bank to take deposits in local and foreign currency trade with foreign currencies trade with and invest in treasury bonds and other securities and perform other banking operations. The Bank does not have subsidiaries and branches located outside Bulgaria.

The subsidiaries are operating in leasing and factoring line of business. UBB has not received any government grants as of 31 December 2023 and 31 December 2022. The separate and consolidated performance is presented below:

All amounts are in thousand Bulgarian Levs, unless otherwise stated

38.INFORMATION BASED ON REQUIREMENT OF ART. 70 § 6 FROM LAW FOR CREDIT INSTITUTIONS (CONTINUED)

As at 31 December 2023	Geographical location	Size of the turnover	Equivalent number of full-time employees	Financial result before tax	Taxation	Return on assets obtained as the ratio of net profit to total assets
United Bulgarian Bank AD	Bulgaria	924 227	4 267	462 256	(44 802)	1.44%
UBB Factoring EOOD	Bulgaria	4 338	13	2 750	(275)	1.30%
East Golf Properties EOOD	Bulgaria	600		247		2.97%
UBB Centre Management EOOD	Bulgaria	2 420	19	672	(67)	68.44%
KBC Leasing Bulgaria EOOD	Bulgaria	13 958	8	13 155	(1 434)	2.53%

As at 31 December 2022	Geographical location	Size of the turnover	Equivalent number of full-time employees	Financial result before tax	Taxation	Return on assets obtained as the ratio of net profit to total assets
United Bulgarian Bank AD	Bulgaria	448 608	2 372	168 206	(16 704)	0.86%
UBB Factoring EOOD	Bulgaria	3 985	15	805	(81)	0.43%
East Golf Properties EOOD	Bulgaria	338	-	-	-	-%
UBB Centre Management EOOD	Bulgaria	2 496	21	690	(69)	79.01%

39.MERGER OF ENTITIES UNDER COMMON CONTROL

On 07 July 2022 KBC Bank NV finalized the acquisition of Raiffeisenbank Bulgaria EAD (or “acquiree”), renamed after the acquisition to KBC Bank Bulgaria EAD. KBC Bank NV recognized goodwill of 433 million euros in its consolidated financial statements, taking into account limited fair value adjustments.

KBC Bank NV took a decision to operate its business in Bulgaria by combined / merged Bank, transferring Assets / Liabilities of KBC Bank Bulgaria EAD (Transforming Bank) into UBB (Acquiring Bank) in order to (i) create a solid and stable client base with a view to further strengthen the position of the KBC group as one of the top three banking group on the Bulgarian market; (ii) develop an even more stable and reliable Bulgarian bank which shall further favor the Bulgarian economy; (iii) provide a highly attractive banking and other financial services of high value to the current clients of the Banks by allowing cost and revenue synergies. The legal merger date was on 10 April 2023 when the merger was registered in the Trade registry.

From IFRS point of view the transaction of business combination is accounted for by applying the book-value method. As both banks are under common control, IFRS 3 is not applicable (reference to IFRS 3 paragraphs is included below). The accounting treatment of the merger between UBB and KBC Bank Bulgaria EAD is based on ‘predecessor accounting’ value’ method (or also referred to as ‘pooling of interest’).: this method is based on accounting continuity for both companies so no purchase price accounting involved is applied and no goodwill is calculated and booked. In case of no relevant IFRS for a merger of entities under common control, from accounting point of view, the carrying amounts of Assets and Liabilities of the Transforming bank as of the Merger date become the carrying amount of assets and liabilities A/L in the Acquiring bank. The alignment of accounting policies is done before the merger date so that the United bank (merged bank) applies one and the same accounting policies.

For practical reasons the book value of assets and liabilities were taken as of the date of 31 March 2023 instead of legal merger’s date as there were no material differences in the amount. As of 31 March 2023 the financial data of KBC Bank Bulgaria EAD were as follows:

39.MERGER OF ENTITIES UNDER COMMON CONTROL (CONTINUED)

In BGN thousand	SEPARATE	CONSOLIDATED
Cash and balances with banks	3 371 491	3 371 624
Loans to customers after impairment	7 739 985	7 784 386
Investments in Debt securities carried at amortized cost	1 138 185	1 138 185
Investment in Debt securities carried at fair value trough OCI	148 775	148 775
Deposits from customers	10 179 370	10 172 590
Total equity	1 380 395	1 380 237
Of which equity instruments other than capital	113 438	113 438

As a result of the merger the share capital of the UBB has increased from BGN 93 838 321 to BGN 177 168 448 (with nominal value of BGN 1) applying a share exchange ratio of 0.13809 as determined by external valuator. The difference between the share capital of KBC Bank BG of BGN 603 447 952 and the newly issued share capital of BGN 83 330 127 was recognized as Share premium.

40.EVENTS AFTER THE REPORTING PERIOD

There are no events after the date of preparation of the financial statements, which might have impact on the presentation of financial information for the year ended 31 December 2023 except for:

- the share capital increase by 16 840 389 ordinary shares with nominal value of BGN 1 and emission price of BGN 18.35. The difference between the emission price and the nominal value is attributed to Share Premium reserves and amounts to BGN 292 181 thousand. The share capital is registered in the Trade registry on 27.03.2024. The share capital was increased following the loan growth as well as due to regulatory capital requirements (for exposures to central governments denominated in the currency of another member state; Pillar 2 buffer requirements). The total number of shares after the new issuance is 194 008 837.