ALLIANZ BANK BULGARIA AD
ANNUAL MANAGEMENT REPORT
NON-FINANCIAL STATEMENT
CORPORATE GOVERNANCE DECLARATION

INDEPENDENT AUDITORS' REPORT
ANNUAL FINANCIAL STATEMENT
for the year ended 31 December 2023

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ANNUAL MANAGEMENT REPORT

Dear Shareholders,

During the past 2023 Allianz Bank Bulgaria AD, continued to function as a loyal and honest partner of its clients and partners on the local and international markets.

Despite the challenges of the crisis caused by the Russian invasion of Ukraine, together with the following international sanctions which have a significant economic impact, and serious competition, the Bank achieved good financial results due to its efficient management and the excellent work of its employees.

As at 31.12.2023, the amount of the Bank's assets is BGN 3,945,690 thousand, and the realized profit after taxation in the amount of BGN 57,476 thousand

Borrowings

As of the end of 2023, client deposits with the bank increased by 7.12% and reached BGN 3,404,615 thousand (2022: (BGN 3,665,790 thousand)

Sources of financing for the bank are deposits of citizens - BGN 2,042,133 thousand and deposits with corporate clients - BGN 1,362,482 thousand

As of the end of 2023, Allianz Bank Bulgaria serves 24,103 corporate accounts and 171.604 personal accounts.

Capital

The main capital of Allianz Bank Bulgaria AD as at 31.12.2023 was BGN 76,825 thousand, distributed in 76,825 thousand registered voting shares with a nominal value of BGN 1 each.

As at 31.12.2023 the Bank's equity is BGN 344,864 thousand. The total risk component of the bank's balance sheet and off-balance sheet assets is BGN 1,694,635 thousand. The capital base of the Bank, according to the capital framework of the ECB / Basel 3 / for the end of 2023 is BGN 310,271 thousand.

By decision of the Board of Directors of the BNB No. 414 of 26/09/2023, the bank has included in its common equity Tier 1 its net audited interim profit as of 30.06.2023 in the amount of BGN 30,310 thousand.

According to art. 92 of Regulation 575 of the European parliament and of the Council of Wednesday, June 26, 2013, minimum requirements for the ratios of capital adequacy of Tier 1 capital and of Total capital adequacy are respectively no less than 6% and no less than 8%.

By the end of 2023, Allianz Bank Bulgaria AD has complied with the recommendations of the BNB /decision of the Board of Directors of BNB No. 290 of 15.06.2023 for capital stability - the total capital adequacy should not be less of 16.25%, formed on the basis of:

Minimum total capital ratio of 8% for risk-weighted assets in accordance with Article 92 (1) of Regulation 575/2013 and additional common equity requirement of 0.75% for risk-weighted assets, or 8.75% total capital requirement under the Supervisory Review and Evaluation Process/ SREP; EBA/GL/2014/13/.

Systemic risk buffer equal to 3% of the amount of risk-weighted assets

Safeguard capital buffer, equal to 2.5% of the amount of risk-weighted assets

Bulgaria - by the end of 2023, equal to 2% of the sum of risk-weighted assets / in force from 01.10.2023, according to a decision of the BNB /.

As of the end of 2023, the bank reported a capital adequacy ratio and a Tier 1 capital adequacy ratio of 18.31%. As at 31.12.2023, the Bank does not recognize Tier 2 capital in its capital base.

Assets

The bank's assets at the end of 2023 amount to BGN 3,945,690 thousand, decreasing by 1.27% for one year.

The structure of the asset is preserved, taking into account an increase in the amount of loans and advances to clients by 15.73% compared to the previous year. The volume of the securities portfolio is maintained without changing the proportion of the types of portfolios, taking into account a decrease of 26.45% of the securities reported at fair value in other comprehensive income and 6.52% of the securities reported at amortized cost value. Cash and cash equivalents decreased significantly by 27.16%, mainly from balances with the Central Bank.

The loans and advances to clients as of December 31 may be presented as follows:

Loans and advances to clients

In BGN thousand	**31.12.2023**	**31.12.2022**
Loans and advances to clients at amortized cost	2,008,018	1,740,494
Factoring receivables	140,376	143,813
Claims from a cash pool	9,756	9,405
Other financial receivables from related parties	163,543	119,923
Minus losses from impairment	(96,704)	(91,071)
Total loans and advances to clients	**2,224,989**	**1,922,564**

Under the new Basel III financial reporting framework (FINREP), non-performing loans amounted to BGN 57,880 thousand. (2022: BGN 52,258 thousand) and constitute 2.49% (2022: 2.61% of the Bank's loan portfolio; the analogous indicator for the entire banking system as at 31.12.2023 is 3.64% and 5.47% for 2nd group of banks.

Net financial income

In the past 2023, the Bank retained the proportions in the structure of net financial income, with net interest income and net fee and commission income remaining the main factor in profit formation.

The highest relative share of interest income is interest income on loans and advances to clients - BGN 69,869 thousand, which represents 70,56% of the total interest income, compared to 71.21% in the previous year. Interest income from investments is BGN 12,744 thousand and has a relative share of 12.87% compared to 19.04% at the end of 2022. The net income from commercial operations was reported at BGN 3,636 thousand,

The net income from fees and commissions amounted to BGN 21,749 thousand, marking a minor decrease compared to the level of the previous year 2022 by BGN 22,086 thousand. Gross income from fees and commissions for cash operations and money transfers marked a growth of 1.23%. The income realized from loan fees and commissions grew by 24.50%, from bank cards by 11.83%. The net income from foreign exchange trading for 2023 is BGN 3,553 thousand, increasing by 3.34% in one year (BGN 3,438 thousand in 2022).

Administrative expenses

Operating expenses of the Bank for 2023 amounted to BGN 56,165 thousand (2022: BGN 47,473 thousand), marking an increase compared to 2022 by 18.31%. The cost of salaries and social security payments of the staff marked a growth of 27.02% compared to the end of 2022).

The volume of funds intended to cover the contribution to the Deposit Insurance Fund amounted to BGN 4,784 thousand. (2022: BGN 4,421 thousand) The bank also charged BGN 1,751 thousand costs for a restructuring fund.

Operating expenses for hired services (including audit) and materials amount to BGN 11,706 thousand, an increase of 38.86% compared to 2022.

Administrative Expenses (continued)

Management, marketing and other expenses decreased almost by double to BGN 1,498 thousand.

In BGN thousand	31.12.2023	31.12.2022
Staff expenses	(27,253)	(21,456)
Expenses for hired services, incl. audit	(11,706)	(8,430)
Expenses for deposit insurance	(4,784)	(4,421)
Bank restructuring costs	(1,751)	(2,038)
Management, marketing and other costs	(1,498)	(3,419)
Depreciation costs (App. 20, 22)	(3,813)	(2,681)
Depreciation costs of right-of-use assets(App. 21)	(2,528)	(2,714)
Other costs	(1,308)	(1,356)
Rental costs	(880)	(536)
Expenses for inventory	(644)	(422)
Total administrative costs	**(56,165)**	**(47,473)**

The Cost / Income ratio at the end of 2023 was 42.9% compared to 54.3% in 2022. The 2023 plan was CIR 43.8%.

Information on services provided by independent auditors

The amounts accrued in 2023 for services provided by registered auditors for statutory independent financial audit are as follows: for PricewaterhouseCoopers Audit OOD - BGN 292 thousand excluding VAT and for HLB Bulgaria OOD - BGN 46 thousand excluding VAT.

The amounts accrued in 2022 for services provided by registered auditors for statutory independent financial audit are as follows: for PricewaterhouseCoopers Audit OOD - BGN 158 thousand excluding VAT and for HLB Bulgaria OOD - BGN 16 thousand excluding VAT.

For the audited period and on the date of this report PricewaterhouseCoopers Audit OOD provided, is in the process of providing or negotiating with the Bank, the following services:

- Joint mandatory statutory financial audit of the Bank's financial statements prepared for the year ended 31 December 2023, in accordance with IFRS adopted by the EU;

- Commitment to perform procedures as of 31 December 2023 in connection with the fulfillment of the requirements of Art. 76, para. 7, item 1 of the Credit Institutions Act and Art. 5 of Ordinance 14 of the Bulgarian National Bank (BNB) of February 4, 2010 regarding the internal control systems of Allianz Bank Bulgaria AD.
- Commitment to carry out procedures for issuing a prospectus for admission to trading on the regulated market of the issue of subordinated bonds of Allianz Bank AD.

- Performed transfer pricing services with preparation of a local file for Allianz Bank AD.

For the audited period and at the date of this report, HLB Bulgaria Ltd provided or is in the process of providing the following services

- Joint mandatory statutory financial audit of the Bank's financial statements prepared for the year ended 31 December 2023, in accordance with IFRS adopted by the EU;

- Commitment to perform procedures as of 31 December 2023 by the joint auditors in connection with the fulfillment of the requirements of Art. 76, para. 7, item 1 of the Credit Institutions Act and Art. 5 of Ordinance 14 of the Bulgarian National Bank (BNB) of February 4, 2010 regarding the internal control systems of Allianz Bank Bulgaria AD.

- Commitment to carry out procedures for issuing a prospectus for admission to trading on the regulated market of the issue of subordinated bonds of Allianz Bank AD.

Financial targets for 2024

The financial targets that the Bank should achieve in 2024 are fully consistent with the country's macroeconomic development framework and the expected dynamics in the market environment, and are included in the Bank's business plan, agreed and approved in the Plan dialogue with Allianz CEE.

The bank sets ambitious goals regarding the dynamics of profitable assets, with their planned amount at the end of the year amounting to BGN 4,025 million with a growth of 10.4%. The loan portfolio remains dominant in the volume of profitable assets with a share of 63.9%. At the end of 2024, its gross value will reach BGN 2,573 million, with a planned annual growth of 13.0%. This volume of business should generate a profit after tax of BGN 44 ,5 million, which would ensure a return on equity (ROE) of 12.6%.

The strategic plan of Allianz Bank Bulgaria AD encompasses a three-year period, and it is finally approved by the Board of directors of Allianz CEE, a subsidiary of Allianz SE, managing the holding's business (Allianz Group) in the countries in Central and Eastern Europe.

The Bank's strategic goals and the planned values of major capital adequacy, liquidity and profitability indicators reflect the shareholders' and the management's vision for the Bank's development in a stable economic environment.

The Bank's business strategy in 2024 is based on five main development lines:

- Establishing the institution as a leader in client service in the digital and real space;
- Accelerated client base growth by adding at least 10,000 active clients by the end of 2024;
- Achieving market position No. 5 in total assets on the Bulgarian banking market;
- New digital solutions to support credit activity in the Retail Banking business line;
- The most powerful distribution channel for selling insurance and pension insurance products.

In the implementation of the financial goals set for 2024, the Bank will use the advantages of the already established business model for the production and distribution of banking products and services, based on the reorganized branch network with a focus on sales and client satisfaction. The other important item is the implementation of the following key initiatives:

- Significant growth in the number of active clients by attracting companies that transfer the salaries of their employees to the Bank. Adding new clients from the client portfolio of the insurance companies and the pension fund, which will result in an increase in cross-selling and higher income from fees and commissions.

- Retail business - increasing the Bank's market presence in retail banking and expanding the product range with new payment services, loans with a high margin and rapid approval procedures through an optimized digital application process; growth in mortgage and consumer lending faster than the market average; preserving the good quality of the loan portfolio.

- Corporate banking – creating new product lines for financing the construction of photovoltaic capacities to ensure energy independence of the business and risk diversification in the supply of different types of energy carriers; focus on attracting international, multinational and local export-oriented companies in order to increase revenues from trade financing and factoring; growth in the volume of bank loans intended for corporate clients with a high rating to ensure lower capital consumption.

- The intensified preparation for the adoption of the euro as the national currency is a mandatory and irrevocable part of the Bank's activities in 2024. In this context, the main priority will be the work on fulfilling the schedule to satisfy the requirements set by the Central Bank. A considerable amount of resources is planned for the implementation of all the changes related to our ascension to the Eurozone. The most important of them are related to an update of the terms of the contracts with our clients and the product range, specific settings in the Bank's IT systems, preparation of cash exchange procedures free of charge for clients, new cash limits, additional transport costs of cash and security, hiring additional staff to secure the processes.

The Bank as an Investment firm

Allianz Bank Bulgaria AD is a primary dealer of government securities, an investment firm with full license, member of BSE-Sofia AD and Central Depository AD. Investment intermediation activities include transactions with financial instruments for own account or for the account of clients of the bank. The main set of financial instruments that are traded are government and corporate bonds, shares and related rights, compensatory instruments, and shares in collective investment schemes.

In 2023, ABB sought to optimize its investments in fixed income instruments in terms of risk and profitability. In addition, the Bank served its clients' orders both on local and international financial markets. In the transactions with financial instruments realized in 2023, those with government securities and corporate bonds prevail.

New products and services

The reversal in the trend of interest rates towards an increase in 2023 is reflected in the retention and slight increase of interest rates on loans in the Retail Banking and Corporate Banking business lines, after the end of the third quarter.

Retail Banking Business Line:

For 2023, several key goals were set in the "Retail Banking" business line, which were the basis of all business activities:

- increase in the number of active clients with a focus on the payroll segment;
- strengthening the bank's leading positions in mortgage lending as a preferred partner for both clients and credit intermediaries;
- improving the client experience in digital channels;
- development of relationships with companies in the “Microbusiness” segment;
- increasing revenues from fees and commissions through adequate pricing and effective distribution;
- sustainable growth of the borrowed resources;

An annual activity plan for all business units was created to attract new payroll clients. It was also supported by a special "Allianz Smart" transaction package for employees of selected companies. A focus on client retention was placed through active communication with the bank's existing clients. As a result, all key indicators reflecting dynamics in the client base have positive values at the end of 2023 - more new clients and accounts, fewer closed clients and accounts, 3% growth in the number of active clients , 8% growth in payroll clients.

An attractive promotional deposit “Advantage” was launched at the beginning of the year with the aim of attracting new funds from depositors. In general, the other deposit products offered by the bank were not changed.

In accordance with the regulatory requirements of the Payment Services and Payment Systems Act from 01.09.2023, the bank offers a payment account
for basic operations and does not collect charges for payment operations in BGN on the territory of the country, when the account receives and stores funds from wages/salaries, pensions, social aid and benefits under social insurance and social assistance, stipends for schoolchildren, students and doctoral students and the interest on these funds, and the performed operations are at the expense of these funds.

Offering products for the targeted financing of consumer needs is the focus of credit products for individuals. In this regard, a new car financing product was created - "My Car". Price advantages are provided for the purchase of electric cars and hybrids, as part of the bank's ESG strategy for sustainable finance.

After analyzing the portfolio of loans under the Student and Doctoral-Candidate Loans Act and taking into account the manual process of administering the loans until they are fully utilized, the Board of Directors made a decision to terminate the bank's participation in the program.

In an adequate response to the economic environment and increased market risks, the bank changed the interest rates on all loan products. As a result, the weighted average price of new credit production at the end of 2023 is higher by 26 b.p. compared to the previous year.

New products and services, (continued)

Clients in the Microbusiness segment were offered the following new products:

- two new transaction packages;
- investment loan for the purchase of residential real estate from legal entities;
- loans for the needs of small freelance traders,

The projects related to the digital transformation of the processes in the bank continued in 2023, and the credit process for mortgage loans was fully completed. The processing of mortgage transactions from offer to the client to fully automated utilization takes place entirely on the DiGiWave platform. A number of processes are automated - generation of declarations, forms and contracts, checks in external and internal databases, calculations of risk indicators and ratios.

Corporate Banking Business Line:

In the Corporate Banking business line, the Bank's priority was the development of various corporate financial products that meet the growing needs of companies for working capital and investment financing, as well as the need to use transactional services. The focus in 2023 was both active sales of loan products (incl. factoring services) and maintaining the purity of the corporate credit portfolio, as well as growth in cross-selling, including the sale of payroll services together with colleagues from Retail Banking in order to position ourselves as the main servicing bank in the SME segment.

And in 2023, the Bank continued the trend of actively supporting its existing and new clients so that they implement their investment programs, develop and innovate. The long-standing partnership and good relations with the European Investment Bank (EIB), the European Investment Fund (EIF), the European Bank for Reconstruction and Development (EBRD), the National Guarantee Fund (NGF), the Bulgarian Development Bank (BDB) allowed us to actively support and we finance SME clients through various risk sharing schemes.

At the end of 2023, a synthetic securitization agreement was signed with the European Investment Fund and the support of the European Investment Bank. This financial instrument will provide a mechanism to reduce credit risk and support the financing of sustainable investments. Allianz Bank has committed to grant new loans in the amount of around BGN 712 million (EUR 364 million) to SMEs and mid-caps. Nearly 30% of this funding will go to projects related to climate action and environmental sustainability, underscoring the Bank's commitment to the transition to a low-carbon economy and supporting clients in their adaptation to climate change.

The main focus of the Corporate Banking Business Line in 2023 was optimization via simplification and facilitation of the credit process and digitalization of the credit process. We have implemented new functionalities in the “Credit Quest” software system for reviewing and approving credits for corporate clients. We have centralized and improved the processes for issuing bank guarantees and letters of credit.

We finalized the process of developing and implementing the Relationship pricing module in the main FlexCube banking system, which contributes to the more efficient management of individual preferences. We have created packages of transaction services according to the needs of different groups of business clients.

Factoring remains among the main priorities of the bank. In 2023, the mFactor application was introduced and actively offered. The focus is on digitalization of services, optimization of processes and improvement of the client experience. Despite the challenges facing our clients' businesses in the past year, Allianz Bank has maintained its stable positions and we continue to expand our market share.

Card payments and digital channels:

In 2023 the Bank successfully complete a project for implementation of digital payments. Clients were offered the service of paying with a mobile device through the GooglePay and ApplePay wallets.
Clients have the option of initial digitization of their card by directly entering the number in the wallet, as well as through a button in mobile banking.

The bank has included its cards in the M4M platform, which allows and supports tokens at online merchants, instead of real card numbers, which increases the security of online payments.

New products and services, (continued)

Card payments and digital channels (continued)

In the first quarter of the year, the Bank launched a new mobile banking application for iOS and Android mobile devices. In November, the Bank launched a new web-based application for online banking Allianz Bank Online with an adaptive design. The new application has an intuitive design, new functionalities related to payments, credit products, access to information and real-time management of bank card parameters. Through the new electronic banking platform, cardholders have a range of real-time services: use an personalized name for a card, track and manage card statuses, have information about current card availability, track details of additional cards to your account, change your transaction limits for card operations, submit applications for issuing new debit and credit cards with the possibility of choosing a business center from which to receive the physical card, receive information about each card operation online, search for transactions according to certain criteria, retrieve your monthly credit card statements.

The bank continued to include card products in its package offers to clients: for individuals (for clients who receive their salary in their account) and business clients (“Allianz Business Start” and “Allianz Business Plus”).

During the year, two campaigns to stimulate bank card payments were organized and successfully completed, during which clients had the opportunity to receive a bonus on their accounts, as well as to participate in a raffle to receive tangible prizes.

The bank provided the options for its clients to withdraw up to BGN 2,000 at its own ATMs, thereby optimizing service costs.

The bank provided round-the-clock service for questions and solving incidents when working with POS terminal devices in the commercial network of its clients.

Sales network

The bank's branch network as of 31.12.2023 consists of 52 business centers and 1 small financial center located in 34 settlements. The changes made in the last 6 years have achieved the goal of optimal geographical coverage and no changes have been made in the number of branch networks during the year. The process of renovating the offices and repositioning them within the settlements continues. 6 regional teams take care of clients in the SME segment.

The bank also successfully develops alternative sales channels in partnership with over 80 credit agents and over 200 partners

Information Technology

In 2018 the bank developed a comprehensive digitalization plan, including optimizing the IT architecture and infrastructure and providing more digital services to clients. The comprehensive digitalization program (2019-2023) aims to help the bank meet current client expectations by making communication easier and more convenient. The initiative envisages the implementation of a digital banking platform to be used by clients, employees and third parties.

In 2019, a Strong Client Authentication (SCA) Integration and Consent Management Platform was implemented in order to secure online payments through the internet and mobile banking system and in connection with the implementation of the Payment Services Directive (Regulation (EU) 2015/2366) for additional identification for operating systems – Android (Google Play) and iOS (App Store), as well as integration with APIs under BISTRA – PSD2 for receiving and processing requests initiated through third party payment service providers (TPP).

In 2020, new E2E processes for client and account registration and credit processes for individuals were implemented.

In 2020, the bank's backup data center was upgraded in order to fully back up the ever-expanding services it offers to its clients.

Information Technology (continued)

In 2020 AML software was implemented - a priority for the bank on which it has worked since 2019. The software will ensure better monitoring of cash flows and it complies with all anti-money laundering standards.

In 2021, package payments will be introduced within the BISERA 6 payment system.

In terms of payments, in 2020, the development and implementation of a consolidated platform for payments in EURO - TARGET services was launched, which will unite at a technical and functional level the TARGET2 payment system, the TARGET2-Securities settlement system and the instant EUR transfer processing service TIPS. Planned implementation by the ECB – March 2024.

In 2022, the following applications were put into operation:

- E2E Origination and Underwriting Mortgage process in the Digi Wave Platform - automation of the mortgage loan approval process;
- E2E Origination and Underwriting Corporate process in Credit Quest - automation of the corporate credit approval process, calculation of financial analysis and rating;
- Documents Flow Management in the Digi Wave Platform - archiving of client and credit files;
- Econt Wallet – a service bank for servicing a digital wallet-type mobile application, which Econtis wallet clients can use to make free and secure payments;
- CBS Flex Cube – implementation of new Mortgages and Commitment modules, with creation of new products corresponding to the functionality of the system, and development of web services and API for integration with the Digi Wave platform;
- CBS Flex Cube - implemented new functionality for automatic payment of assigned lease contracts, in the main banking system;
- Ultimat - main system for assigned lease contracts, register of contracts, implementation of banking operations and regulatory reporting;

mFactor was also implemented - a mobile application for a fully digital process for servicing invoice assignments and funding requests (including invoice OCR and automatic master document generation), digital QES document signing with signature rules, real-time dashboards and transaction information, reports and notifications.

A new Mobile banking/Mobile app is in advanced stages of implementation, as well as a modernized platform for internet banking.

A Web portal was also implemented for individual loan applications with included digital identification of an applicant who is already a client of the bank, using the client's identification for mobile/internet banking, integration with digital services and access to the digital process.

Work continues in the direction of ensuring the continuity of business processes. Disaster recovery data center communication and server equipment is being upgraded to provide business continuity management while complying with disaster recovery regulatory requirements and equipment renewal.

The development of services continues with the implementation of new modules in the main banking system: deposit boxes servicing module; Relationship pricing module for bundled services, modernization of activities related to the servicing of mortgage loans and commitments through the implementation of a specialized module Mortgages and Commitment.

In 2022, the detoxification process continued, and the most significant project in this direction was the successful completion of the upgrade of the database version of the main banking system to Oracle 19.

In 2023, the main priority of the bank are the changes and all projects related to the introduction of the Euro currency, including ANA credit.

In 2023, the bank successfully migrated to the Office 365 cloud platform, as well as migrating its mail server to the cloud. The SD-WAN project was also completed as a part of Allianz Group's Workplace and Network strategy.

The year was also successful in the area of information asset detoxification, which is a priority task for the Allianz Group.

Information Technology (continued)

The bank has assessed and planned the following projects as important in 2024:

- migration to the Euro as the main currency, according to the national plan.
- implementation of a new version of the main banking system FlexCube 14;
- implementation of Allianz Group's Workplace strategy with the Allianz Mobile Client and MFA-Veridium projects, as well as a number of other infrastructure projects.

In 2024 and 2025 the bank will continue to develop information technologies in order to promptly respond to all changes in the legal and regulatory framework in the country, business challenges and client satisfaction.

Development will continue in the area of digitalization, which will aid clients with regard to both transactions and the client-bank relationship in general.

Other information

In the past 2023, the Bank did not have any R & D activities.

Events that occurred after the date of preparation of the financial statements and the activity report

There are no significant events occurring after the date of preparation of the statement of financial position and the statement of operations that would require additional disclosures or adjustments to the financial statements.

Management and supervisory boards

The total remuneration received in 2023 by the members of the Management and Supervisory Board of ALLIANZ BANK BULGARIA AD amounted to BGN 1,580 thousand (2022: BGN 1,297 thousand) In 2023, no shares and bonds of the bank were acquired, owned or transferred by the members of the Supervisory and Management Board, with the exception of Mr. Georgi Kostadinov Zamanov, who owns 1 (one) bond from an issue of corporate bonds registered in Central Depository AD with ISIN code BG 2100003230, issued by Allianz Bank Bulgaria AD. The Bank's Articles of Association do not provide for any restrictions or preferential arrangements for the members of the Management Board and the Supervisory Board when acquiring shares and bonds issued by the Bank.

The shares in the capital of ALIANZ BANK BULGARIA AD are not traded on a regulated market and therefore the provisions of Directive 2004/25 / EC of the European Parliament and of the Council of 21.04.2004 on takeover bids are not applicable.

Participation of the members of the Management and Supervisory Board in business companies as general partners, the ownership of more than 25 percent of the capital of another company, as well as their participation in the management of other companies or cooperatives as procurators, managers or board members as of 31.12 .2023:

1. Dimitar Georgiev Jelev - does not participate in commercial companies as a partner with unlimited liability; owns more than 25% of the capital of BULLS AD and DZH AD; is the administrator of ALLIANZ BULGARIA HOLDING AD, DZH AD, BULLS AD, REAL ESTATES DEVELOPMENT EAD, ALLIANZ BULGARIA AD, ALLIANZ BULGARIA LIFE INSURANCE COMPANY AD and of Drazky Varna EAD.

2. Christoph Plein - does not participate in commercial companies as a general partner; does not own more than 25% of the capital of another company. administrator of ALLIANZ INVESTMENT MANAGEMENT SE, ADS, Analysis and Reporting Services GmbH, PENSION INSURANCE COMPANY ALLIANZ BULGARIA AD, European Reliance SA, Allianz ZB d.o.o

3. Raymond Seamer- does not participate in commercial companies as an unlimited liability partner; does not hold more than 25% of the capital of another company; administrator of AL KAWTHAR INTERNATIONAL LTD.

4. Rainer Franz- does not participate in commercial companies as an unlimited liability partner; does not hold more than 25% of the capital of another company; is not an administrator of other companies.

Management and supervisory boards (continued)

5. Kai Müller (member of the SB until 17.01.2023) - does not participate in commercial companies as a general partner; does not own more than 25% of the capital of another company; is the administrator of Allianz Asset Management GMBH, Allianz Pemzijni Spolecnost a.s., Allianz Invest Kapitalanlagegesellschaft mbH, Allianz Poistovna a.s., Allianz Slovenska Poistovna a.s., ALLIANZ-TIRIAC ASIGURARI S.A., Diamond Point a.s.

6. Eduard Gerardus Martin Gus (member of the SB until 25.04.2023)- does not participate in commercial companies as an unlimited liability partner; does not hold more than 25% of the capital of another company; is not an administrator of commercial companies.

7. Petr Sosik (Member of the SB from 17.01.2023) does not participate in commercial companies as a general partner; does not own more than 25% of the capital of another company; is the administrator of ALLIANZ BULGARIA HOLDING AD, ALLIANZ BULGARIA PENSION INSURANCE COMPANY AD, Allianz Invest Kapitalanlagegesellschaft mbH., ALLIANZ ZB d.o.o. Obligatory and Voluntary Pension Funds Management Company, Allianz pojišťovna, a.s., Allianz penzijni spolexnost, a.s., Allianz Lietuva gyvybės draudimas UAB "Allianz Lietuva, TFI Allianz Polska S.A., TUiR Allianz Polska S.A., TU Allianz Życie Polska S.A, Santander Allianz Towarzystwo Life Insurance ARE and Expander Advisors Sp. z o. o.

8. Georgi Emilov Enchev (member of the SB from 26.07.2023)- does not participate in commercial companies as an unlimited liability partner; does not hold more than 25% of the capital of another company; is not an administrator of commercial companies.

Members of the Management Board as at 31.12.2023:

1. Ioannis Kotsianos - does not participate in commercial companies as a general partner; does not own more than 25% of the capital of another company; Administrator of ALLIANZ BULGARIA HOLDING AD, ALLIANZ BULGARIA AD, ALLIANZ BULGARIA LIFE INSURANCE COMPANY AD, PENSION INSURANCE COMPANY ALLIANZ BULGARIA AD, ALLIANZ LEASING BULGARIA EAD, INSURANCE COMPANY ENERGY AD and European Reliance S.A., Greece.

2. Georgi Kostadinov Zamanov- does not participate in commercial companies as an unlimited liability partner; does not hold more than 25% of the capital of another company; is not an administrator of commercial companies.

3. Hristina Marinova Martsenkova- does not participate in commercial companies as an unlimited liability partner; does not hold more than 25% of the capital of another company; is not an administrator of commercial companies. Registered is a sole trader - ET with company "HM - Hristina Hristova".

4. Yordan Marinov Suvandzhiev - does not participate in commercial companies as an unlimited liability partner; does not hold more than 25% of the capital of another company; is an administrator of ALLIANZ LEASING BULGARIA EAD.

5. Lyuba Georgieva Pavlova – does not participate in other commercial companies as a general partner; the sole owner of the capital of Risk Farmer EOOD and does not own more than 25% of the capital of another company; is the administrator of Risk Farmer EOOD and ALLIANZ LEASING BULGARIA EAD.

There is no information on the conclusion in 2023 of contracts under Art. 240b of the Commercial Act between the members of the Boards and the Bank, which go beyond the normal activity of the Company or materially deviate from the market conditions.

No transferred own shares or acquired shares in 2023 under Article 187e of the Commerce Act. ALIANZ BANK BULGARIA AD does not hold its own shares.

Responsibility of the Management

As at 31 December 2023, the main capital of the Allianz Bank AD is 76,825,000 divided into 76,825,000 registered shares, with voting rights and nominal value 1 BGN each. The total capital is paid up.
In 2023 the Bank did not acquire treasury shares.

Responsibility of the Management (continued)

The Bulgarian legislation requires from the management of the Bank to prepare a financial statement for each financial year, which gives a true and fair view of the financial position of the Bank at the end of the year and its financial results.

The Management has prepared the attached individual and consolidated financial statements in accordance with IFRS adopted by the EU. Management confirms that appropriate accounting policies have been used. The Management also confirms that it has adhered to the legislation applicable to banks in Bulgaria, and the financial statements have been prepared on a going concern basis.

Management is responsible for keeping proper accounting records, safeguarding assets and taking reasonable steps to prevent and detect potential fraud and other irregularities.

By the end of 2023, the Bank is stable and will continue to respond adequately to unforeseen risks and fluctuations in the marketplace.

The institution carries the name of a world-famous financial leader and enjoys an excellent reputation in professional circles and among its clients. We are confident that offering integrated banking, insurance and pension insurance products, quality client service and sustainable business growth will deliver even better results.

This Management Report was adopted by the Bank's Management Board on 12 February 2024 and was signed on its behalf by:

Georgi Zamanov	Hristina Martsenkova
CEO	*Executive director*

Field of activity

Allianz Bank AD is a credit institution that publicly solicits deposits or other recoverable funds and provides loans or other financing for its own account and at its own risk. The BANK also performs the following activities included in its license:

- providing payment services within the meaning of the Payment Services and Payment Systems Act;
- issuing and administering other means of payment (traveler's checks and letters of credit), insofar as this activity is not covered by item 1;
- accepting valuables on deposit;
- activity as a depository or custodial institution;
- finance lease;
- guarantee transactions;
- trading for own account or for the 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 performance of activities under Article 5, Paragraph 2 and Paragraph 3 of the Financial Instruments Markets Act;
- money brokerage;
- acquisition of credit debts and other forms of financing (factoring, forfeiting and others);
- acquisition and management of shareholdings;
- rental of safety deposit boxes;
- collecting, providing information and references regarding the creditworthiness of clients;
- . other similar activities defined by an ordinance of the Bulgarian National Bank (BNB).
- The license for the BANK gives the right to carry out mediation in the provision of the services for which the BANK is licensed, as well as to act as an insurance agent and insurance intermediary.

Credit, market, liquidity, and operating risk

The Bank manages the credit risk through rules and procedures related to the characteristics of the credit transactions concluded by it, the order, terms and manner of their research, analysis, evaluation, authorization, coordination, management and provision approved by the Bank's Management Board. actively manages its credit risk.

As required by IFRS 9, the Bank applies the “expected credit loss” (ECL) model. In this regard, the Bank applies substantial judgment on the way changes in economic factors are reflected in ECL, which is determined on a likelihood-weighted basis. The impairment model is applied to the following financial assets which are not assessed by Fair value in profit and loss (FVPL):

- financial assets comprising debt instruments;
- lease receivables;
- issued loan commitments and contracts for financial guarantee.

According to IFRS 9, impairment losses are not recognized for equity securities.

IFRS 9 requires recognition of a correction of losses amounting to ECL for 12 months and ECL for the entire duration of the instrument. ECL for the entire duration of the instrument is ECL arising from all possible cases of non-performance throughout the expected duration of a financial instrument, and ECL for 12 months is the part of ECL derived from cases of non-performance which may occur within 12 months after the reporting date.

According to IFRS 9, when recognizing the amount of ECL for a financial instrument, the Bank shall adhere to one of the following approaches:

General approach

The general approach to measuring of impairment is applied to all financial assets, credit commitments, and financial guarantees, lease receivables within the scope of impairment of IFRS 9, unless the simplified approach is applied.

Credit, market, liquidity, and operating risk (continued)

General approach (continued)

According to the general approach, ECL is measured as 12-month expected credit losses or expected credit losses throughout the life depending on whether substantial increase of credit risk is present after initial recognition. More specifically:

According to the General approach, the Bank calculates 12-month or expected credit loss for the entire financial instrument (ECL) depending on the severity of change in the financial instrument's credit risk after initial recognition.

To this end, the Bank applies three stages as described below:

- Stage 1 encompasses all new financial assets upon initial recognition and instruments which have not deteriorated substantially in credit quality after initial recognition;
- Stage 2 encompasses financial instruments which have deteriorated substantially in credit quality after their initial recognition, but which have no objective proof of event of credit loss;
- Stage 3 encompasses financial assets which have objective proof of impairment at the reporting date.

The Bank has defined in its rules and practice total correspondence between the definition of “non-performance", “impaired", and “non-performing” to ensure a homogeneous approach to practices for categorization of loans for supervisory and reporting purposes. As a result:

Stage 1 and 2 include only performing financial assets,
Stage 3 includes only non-performing financial assets.

Expected credit loss for 12 months is recognized for assets classified in Stage 1. Expected credit losses throughout their entire lifetime are recognized for financial assets classified in Stage 2. Expected credit losses throughout their entire lifetime are recognized for financial assets classified in Stage 2 and interest income is calculated based on net book value. For financial assets classified in Stage 3, the Bank stops recognizing balance-sheet interest.

Simplified approach

The simplified approach to measuring impairment is applied to all commercial receivables (including the factoring portfolio) and all cash funds.

As of 31.12.2023, non-performing exposures classified in Phase 3 amounted to BGN 57,880 thousand or 49% of the loan portfolio. The impairments accrued on them amount to BGN 55,506 thousand.

Applying the principle of full coverage of the risk of loss, the Bank charged as at 31.12.2023 provisions for loan balance sheet exposures and unutilized commitments classified as performing in Phase 1 and Phase 2 totaling BGN 42,796 thousand. The provisions based on the applicable accounting standards are determined on the basis of the adopted Provisioning Policy.

In order to limit the counterparty credit risk, the Bank uses a system of limits to local and foreign banks/ financial institutions/ corporate clients – established according to the definitions and logic embedded in the methodology for their calculation of the CRisP system. Limits are updated monthly and are available daily through the CRisP system. Disbursement of limits is monitored on a daily basis.

In addition to the system of limits and in order to minimize counterparty credit risk, when concluding repo transactions, the Bank also applies additional limits established in Minimum standards for repo transactions of companies within the Allianz SE group as follows:

Credit, market, liquidity, and operating risk (continued)

Acceptable collateral:

- Primary: State securities of countries and international development banks and organizations with minimum credit rating AAA, deposit with one-day maturity;
- Secondary: State securities of countries with a minimum credit rating of AA, A, and BBB, corporate (senior) securities with a minimum rating of A, deposit certificates from banks with a minimum rating of A, deposit with maturity up to three months, state guaranteed securities;
- Tertiary: Regular stock (with established requirements for free float, listed on established exchanges within the G7 and EU countries), convertible investment-grade bonds.

The following shall not be accepted as collateral: Commodities, loans, structured products such as (CDOs; CLOs; ABSs); properties, as well as shares of CIS investing in properties; variants; issued own issues of securities; any type of assets on emerging markets; exchange-traded funds (ETF), preference shares, subordinated term debt, collateral from issuers classified in “Watch” and “Restricted” lists in the CRisP system.

As at 31.12.2023, the majority of receivables from local and foreign banks are short-term (mostly overnight and up to 7-day deposits). Distribution of exposures to banks (deposits, repos, currency transactions, securities, and guarantees), according to credit rating from ECAA is as follows:

%	Deposits	Nostro accounts	Securities	Spot currency transactions (gross value)
Investment grade	100%	100%	99.76%	100%
Speculative grade	0%	0%	0.24%	0%
No rating	0%	0%	0.00%	0%
Total	**100%**	**100%**	**100%**	**100%**

As of 31.12.2023, 89.95% of the total allocated capital is for credit risk under regulatory framework Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms.

The Bank manages market risk through an appropriate organizational structure for identification, measurement, monitoring and management. The processes are documented and informationally secured. The assigned capital for operational risk at the end of 2023, calculated according to a standardized approach - basic indicator approach, according to Article 315 of the EU Regulation No 575/2013, is 9.06% of the total assigned capital. There is also an administrative organization for recording and measuring potential operational risk losses.

The Bank owns a portfolio of liquid assets at the end of 2023, in accordance with the requirements of EBA and the BNB on liquidity in banks, amounting to BGN 1 841 514 thousand, which allows it to maintain an appropriate balance between the maturity of the borrowed resource ongoing financing of its activities. The bank maintains a liquidity coverage ratio (%) of 579.90% (2022: 256.99%) and a net stable funding ratio (%) of 190.00% by the end of 2023. (2022: 193.24%)

Responsibilities of the three lines of defense

The first line of defense (the business) identifies, assesses and monitors all climate and environmental risks that are relevant to a client's creditworthiness and rating, and conducts due diligence on climate and environmental risks in line with expectations for identifying, assessing, measuring, monitoring and reporting climate and environmental risks.

The risk management function ensures that all risks are identified, assessed, measured, monitored, managed and properly reported by the relevant units in the Bank. The risk management function provides appropriate independent information, analysis and expert judgments regarding risk exposures.

Responsibilities of the three lines of defense(continued)

The compliance function ensures that compliance risks arising from climate and environmental risks are properly considered and effectively integrated into all relevant processes. The compliance function advises the governing body on the measures to be taken to ensure compliance with applicable laws, rules, regulations and standards and assesses the possible impact of any changes in the legal or regulatory environment on the Bank's operations and compliance framework .

The internal audit function reviews the Bank's internal control and risk management framework, taking into account external developments, changes in the risk profile and in products and/or business lines.

Staff

As at 31.12.2023 Allianz Bank Bulgaria AD employs 570 employees on an employment contract (2022: 569 employees).

The employees of Allianz Bank Bulgaria AD play a key role in the development of the Bank, they are valuable human capital that the Bank strives to develop and build professionally. They are the basis for quality client service and client satisfaction. The bank has a policy of supporting work-life balance, supporting mental health, aiming to create a productive and efficient working environment. The desire of employees not only to develop and improve their qualifications and skills, but also their career growth and retention is valued and supported.

Indicators	Value	Relative weight (%)
Total registered number as of 31.12.2023.	590	
including managers	104	17.63%
Men	128	21.69%
Male managers	43	7.29%
Women	462	78.30%
Women managers	61	10.34%

Staff (continued)

Age structure:

Indicators	Value	Relative weight (%)
Total actually employed workers	**570**	
Up to 20 years	-	-
From 21 to 39 years	128	22.46%
From 40 to 59 years	397	69.65%
More than 60	45	7.89%
Average age of the actually employed:	**45.86**	
including average age for men	47,67	
including average age for women	46,08	

Structure by place of residence:

Indicators	Number	Relative weight (%)
Total number in Business Line	364	61.70%

In the past year 2023, in the environment of highly competitive labor financial market, rising prices and high inflation, the Bank's efforts were directed at retaining its key employees and those with high potential. To successfully achieve its business strategy and objectives, the Bank depends on retaining its best employees and keeping them motivated and engaged. Its approach is based on talent management and assessment, promoting employee inclusion and rights, and supporting wellbeing and engagement - supported by strategic HR frameworks, principles and tools built on the principles of client service excellence, collaborative leadership, entrepreneurship and trust .

Staff (continued)

To achieve this important goal, in 2023, trainings were organized to upgrade leadership skills, sales skills, increase knowledge and improve risk management culture, and a number of others related to increasing the professional qualifications of employees and their knowledge. In addition to the 2021 Co-Worker Wellbeing and Mental Health Support Program with 24/7 hotline consultations, lectures were organized by specialist psychologists on coping with stress in the workplace, managing remote work, managing of conflicts, with the aim to resolve a wide range of issues that negatively affect work and personal life.

The bank values employee engagement as a high priority and works to build a highly client-centric workforce. It uses specific indexes that measure employee engagement (Employee Engagement Index - EEI), the development of a company culture in which people and work matter (Inclusive Meritocracy Index - IMIX), as well as satisfaction with the work environment (Work Well Index - WWI). This is done in order to analyze the root causes of work-related stress, identify effective solutions and implement changes in the work environment so as to enable employees to reach their full potential. EEI includes 4 indicators measuring employee satisfaction and commitment to the company. IMIX includes 10 indicators covering the areas of client service, leadership and corporate culture. WWI includes 15 indicators covering the areas of work environment, work performance and career development.

In 2023, all three indices show an increase again compared to the previous year 2022, with the improvement in the results varying between 1 and 2 points. The results show development not only in employee engagement and company culture, but also improved work-life balance, satisfaction with the work environment, improved communication and client service.

The bank supports social inclusion through diversity and wellbeing programs, supporting groups such as Women in Management and People with Disabilities. In 2023, we continued the strategy of renewing and improving the Bank's social policies in order to achieve maximum employee satisfaction

Allianz Bank Bulgaria was recertified by EDGE /Economic Distribution for Gender Equality/ in 2023. We are committed to not offering differential compensation based on gender for the same or similar positions. Our leadership programs focus on gender equality and ensure equal opportunities for career development.

The results of the employee satisfaction survey for 2023 showed an increase in the indexes for their commitment, development of company culture, work-life balance.

Measures against corruption and bribery

In its activities, Allianz Bank Bulgaria AD complies with the principles and requirements laid down by the Code of Ethics (“Code of Conduct for Business Ethics and Compliance”), the Standard for Combating Financial Crimes, the Functional Rules for Combating Financial Crimes, as well as and the provisions of the anti-corruption and anti-bribery legislation.

The aim is to ensure compliance with the principles of transparency and good business practice, with a view to avoiding all forms of corruption and bribery. The main risk areas of corruption are covered, namely: conflict of interest, special business treatment, gifts and entertainment, assessment of the integrity of third parties (suppliers, intermediaries), political donations, charitable donations, sponsorship, as well as actions aimed at securing an advantage.

Allianz Bank Bulgaria AD undertakes and implements a zero-tolerance approach to fraud throughout the organization. This principle applies regardless of whether the bank or any other internal party (such as an employee, intermediary and/or third parties acting on behalf of Allianz) benefits from the fraud.

Allianz Bank Bulgaria AD does not tolerate bribery and corruption. Employees are strictly prohibited from directly or indirectly offering, soliciting, accepting, providing, paying, promising, permitting or receiving “anything of value” (defined broadly to include anything monetary or non-monetary that provides any benefit) to or from any public official or from anyone in the private sector to obtain or retain business or an improper personal or business advantage.

Measures against corruption and bribery (continued)

In Allianz Bank Bulgaria AD there are Rules for whistleblowing, which specify all the channels through which a violation can be reported. Retaliation against employees who report illegal or questionable activities in good faith is prohibited.

Environmental issues

Within the Bank's corporate responsibility strategy, the “low-carbon economy” pillar addresses issues related to climate change and the environment as one of the three most significant risks and megatrends. As part of a risk-focused group, environmental impact management is an important part of the Bank's approach. Climate change continues to be the biggest environmental risk and opportunity for the entire value chain, which covers both the Bank's internal operations and all of its investment and insurance products. Allianz Bank Bulgaria AD is committed to addressing climate challenges and related health risks by managing emissions from its operations as it strives to remain a carbon neutral company. Allianz Bank Bulgaria AD is committed to effectively managing its most significant environmental impacts, including pollution prevention, and strives to continuously improve the environmental performance of its operations. We also consider various environmental factors in our sourcing and delivery processes. In this way, we aim to raise our suppliers' awareness of our environmental commitments, encouraging them to take appropriate action.

Basic principles for managing climate and environmental risks

The Bank understands and assesses the impact of climate and environmental risks on the business environment in which it operates in the short, medium and long term in order to make informed strategic and business decisions.

Allianz Bank Bulgaria AD integrates into its business strategy the risks related to the climate and the environment, which have an impact on the business environment in which it operates in the short, medium or long term. The Bank's Management Board considers climate and environmental risks when developing the Bank's overall business strategy, business objectives and risk management framework, and exercises effective oversight of climate and environmental risks.
Allianz Bank Bulgaria AD includes climate and environmental risks in its risk appetite framework.

The Bank assigns relevant responsibilities for managing climate and environmental risks in accordance with the three lines of defense model.

For the purposes of internal reports, the Risk Department of Allianz Bank Bulgaria AD reports aggregate risk data that reflect exposures to climate and environmental risks with a view to enabling the Management Board, the Supervisory Board and the relevant committees to the management bodies of the Bank to make informed decisions.

Allianz Bank Bulgaria AD includes climate and environmental risks in the risk assessment at the risk exposure level, as well as in the assessment of the Bank's risk profile, as part of an existing risk management framework, with a view to managing, monitoring and mitigating climate and environmental risks over a sufficiently long-term, and reviews these assessments at least once a year.

The Bank identifies and quantifies these risks as part of its overall capital adequacy process. In credit risk management, the Bank considers climate and environmental risks at all relevant stages of the lending process and monitors the risks in its portfolios.

The Bank regularly assesses the reputational impact of risks related to events that could have an adverse impact on business continuity and the extent to which the nature of their activities may increase reputational and/or liability risks. The Bank continuously monitors the effect of climate and environmental factors on market risk positions and future investments and develops stress tests that include climate and environmental risks.

Basic principles for managing climate and environmental risks (continued)

Allianz Bank Bulgaria AD assesses at least once a year the appropriateness of its stress tests with a view to including them in its base and adverse scenarios.

The Bank assesses whether material climate and environmental risks could cause net cash outflows or depletion of liquidity buffers and, if so, incorporate these factors into the liquidity risk management and liquidity buffer calibration process and policies.

For the purposes of its financial disclosures, Allianz Bank Bulgaria AD publishes meaningful information and key indicators of risks related to the climate and the environment, which it considers to be significant, duly taking into account the Guidelines of the European Commission on non-financial reporting.

In connection with the management of climate and the environmental risks, the Bank has established a Committee for the identification and management of ESG risks to advise and assist the Board in determining the ESG strategy (including climate and environmental risks).

Members of the task force of the ESG Risk Identification and Management Committee are representatives of all three lines of defense in the Bank. The task force examines climate and environmental risks, setting both targets and proposals for exposure limits to specific sectors.

The Bank is reinforcing the available capacity and resources by providing appropriate training for all relevant functions.

Taxonomy

Pursuant to Article 8, paragraph 1 of Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088, of undertakings covered by Article 19a or 29a of Directive 2013/34/EU of the European Parliament and of the Council (2), are required to disclose how and to what extent their activities are related to environmentally sustainable economic activities. In this regard, Allianz Bank Bulgaria AD has an obligation to report information on environmentally friendly assets as of 31.12.2022 and 31.12.2023.

Green Asset Indicators

Pursuant to Article 10 of Delegated Regulation (EU) 2021/2178 , from 1 January 2022 until 31 December 2023, the Bank shall only disclose:

- the proportion in their total assets of exposures to Taxonomy non-eligible and Taxonomy-eligible economic activities;

  "Taxonomy-eligible economic activity" means an economic activity that is described in the delegated acts adopted pursuant to Article 10(3), Article 11(3), Article 12(2), Article 13(2), Article 14(2) and Article 15(2) of Regulation (EU) 2020/852, regardless of whether that economic activity meets some or all of the technical verification criteria set out in those delegated acts.

  "Taxonomy non-eligible economic activity" is any economic activity not described in the delegated acts adopted pursuant to Article 10(3), Article 11(3), Article 12(2), Article 13(2), Article 14(2) 2 and Article 15(2) of Regulation (EU) 2020/852.

- the proportion in their total assets of the exposures referred to in Article 7, paragraphs 1 and 2 of Delegated Regulation (EU) 2021/2178, including Exposures to central governments, central banks and supranational issuers and Derivatives;
- the proportion in their total assets of the exposures referred to in Article 7(3) of Delegated Regulation (EU) 2021/2178, including exposures to undertakings that are not required to publish non-financial information under Article 19a or 29a of Directive 2013/ 34/EU;
- the qualitative information under Annex XI of Delegated Regulation (EU) 2021/2178.

Green Asset Indicators (continued)

Based on the above, the ratios as of 31 December 2022 and 31 December 2023 for the Bank in accordance with the provisions of Delegated Regulation (EU) 2021/2178 are as follows:

Table 1. Total Green Asset Ratio (GAR), expressed as a % of total asset value

% of the total asset value	2023	2022
% of Total Greet Asset Ratio (GAR)*; Counterparties with Taxonomy-eligible economic activity	4.29%	2.69%
% of Other Assets excluded from the numerator for the calculation of GAR; Counterparties with Taxonomy-ineligible economic activity	33.09%	40.90%
Of which % of Exposures to central governments, central banks and supranational issuers	33.09%	40.90%
% of exposures to companies that are not required to publish non-financial information	23.37%	20.23%
% of Trading Portfolio	0.00%	0.00%
% of Deposits on the interbank market and repo transactions	2.67%	2.65%
% of Derivatives	0.00%	0.00%

Table 2. KPI for off-balance sheet exposures, expressed as a % of the total value of eligible off-balance sheet assets

% of the total value of eligible off-balance sheet assets	2023	2022
% of financial guarantees securing loans, advances and other debt instruments of enterprises	0%	0%
% of assets under management	0%	0%

The Bank's exposure to individuals is assessed for Taxonomy eligibility only in respect of mortgage loans, building renovation loans and car loans.

The eligibility of economic activities according to the EU sustainability taxonomy is a broader concept than environmental sustainability. It should be noted that this is not an environmental performance indicator, but rather an indicator that shows economic activities that have the potential to be aligned with the technical criteria established by Commission Delegated Regulation (EU) 2021/2139 of 4 June 2021 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by establishing the technical verification criteria in order to determine the conditions under which an economic activity qualifies as contributing significantly to the mitigation of climate change or to adaptation to climate change, and in order to determine whether this economic activity does not cause significant harm in relation to the achievement of any of the other environmental objectives. That is, these activities are included in the taxonomy, but this does not mean that they can be considered sustainable in all cases, since for the purposes of the disclosed ratios, the exposures of the Bank have not been analyzed whether they strictly meet the technical criteria established by the Delegated Regulation (EU) 2021/2139 to qualify as contributing significantly to climate change mitigation or adaptation to climate change respectively, and to establish any relevant environmental objective provided for in Article 9 of Delegated Regulation (EU) 2021/2139, whether the technical verification criteria are met in order to determine whether this economic activity does not cause significant damage in relation to the achievement of one or more of these environmental objectives.

Thus, activities that are included in the regulatory framework for the Taxonomy will be eligible, although they do not necessarily meet the technical criteria to be classified as sustainable, while ineligible activities will be those that are excluded or not yet included in the Taxonomy.

To determine eligibility, the Bank uses information from the Statistical Classification of Economic Activities in the European Community (NACE).

Green Asset Indicators (continued)

From 2023, companies subject to the Non-Financial Information Directive (NFRD) are obliged to make public the information corresponding to the economic activities they carry out in relation to the Taxonomy. The Bank has taken this information into account in its analysis of economic activities, thereby achieving greater precision in measuring the economic activities it finances based on the taxonomy.

The calculation of the green asset ratio (GAR) for balance sheet exposures covers the following accounting categories of financial assets, including loans and advances, debt securities, equity interests and collateral drawn:

- Financial assets at amortized cost;
- Financial assets at fair value through other comprehensive income;
- investments in subsidiaries;
- joint ventures and associates;
- financial assets reported at fair value through profit and loss and non-trading financial assets necessarily reported at fair value through profit and loss;
- immovable property provided as collateral and received by credit institutions by taking possession in exchange for writing off the obligation.

The debt securities in the “financial assets at fair value through other comprehensive income” and “financial assets at amortized cost” portfolios represent exposures to central governments and, pursuant to Article 7(1) of Delegated Regulation (EU) 2021/2178, are excluded from the scope of GAR.

The following assets are excluded from the green assets ratio numerator (GAR):

- financial assets held for trading;
- interbank loans on demand;
- exposures to entities not covered by an obligation to publish non-financial information under Articles 19a and 29a of Directive 2013/34/EU.

The calculation of the KPI for off-balance sheet exposures takes into account the financial guarantees provided by the Bank, the assets under management for the guarantee and the non-financial investee companies. Other off-balance sheet exposures, such as credit commitments, are excluded from this calculation.

		KPI****	KPI*****	% of coverage (of the total asset value)
Basic KPI	**Green Assets Ratio (GAR) - amount as of a certain date (availability)**	**116,158**	**2,705,024**	**4.29%**
Basic KPI	**Green Assets Ratio (GAR) - amount as of a certain date (availability)**	**65,155**	**2,419,871**	**2.69%**

In Appendix 1, Form 1 — Assets included in the calculation of GAR to the disclosure, numerical information is presented on the aggregated GAR for the covered balance sheet assets and the distribution by environmental goals and types of counterparties.

Green Asset Indicators (continued)

	Disclosure reference date T								Disclosure reference date T-1						
		Climate Change Mitigation (CCM)			**Climate Change Adaptation (CCA)**	**TOTAL (CCM+CCA)**				**Climate Change Mitigation (CMC)**		**Climate Change Adaptation (CCA)**	**TOTAL (CCM+CCA)**		
		Including to taxonomy-relevant sectors (taxonomy-eligible)			Including to taxonomy-relevant sectors (taxonomy-eligible)	Including to taxonomy-relevant sectors (taxonomy-eligible)				Including to taxonomy-relevant sectors (taxonomy-eligible)		Including to taxonomy-relevant sectors (taxonomy-eligible)	Including to taxonomy-relevant sectors (taxonomy-eligible)		
			Including. environmentally sustainable (taxonomy-aligned)				Including. environmentally sustainable (taxonomy-aligned)				Including. environmentally sustainable (taxonomy-aligned)			Including. environmentally sustainable (taxonomy-aligned)	
BGN thousand	Total gross carrying amount			Including transitional/ adaptation				Including transitional/adaptation	Total gross carrying amount		Including transitional/adaptation				Including transitional/ adaptation
GAR — Covered assets included in both the numerator and denominator	**2,507,129**	**446,244**	**116,158**	**116,158**	**1,818**	**448,062**	**116,158**	**116,158**	**2,225,281**	**341,580**	**65,155**	**1,516**	**343,096**	**65,155**	**65,155**
Loans and advances, debt securities and equity instruments not held for trading and eligible for inclusion in the GAR calculation	2,504,432	446,244	116,158	116,158	1,818	448,062	116,158	116,158	2,202,746	341,580	65,155	1,516	343,096	65,155	65,155
Financial enterprises	230,534	0	0	0	58	58	0	0	275,465	0	0	46	46	0	0
Credit institutions	175,457	0	0	0	0	0	0	0	223,004	0	0	0	0	0	0
Loans and advances	175,093	0	0	0	0	0	0	0	204,252	0	0	0	0	0	0
Debt securities, incl. with some use of the proceeds	364	0	0	0	0	0	0	0	18,752	0	0	0	0	0	0
Other financial companies	55,077	0	0	0	58	58	0	0	52,461	0	0	46	46	0	0
Non-financial enterprises subject to disclosure obligations under the Non-Financial Reporting Directive (NFRD)	961,612	350,757	20,671	20,671	1,760	352,517	20,671	20,671	842,249	276,425	0	1,470	277,895	0	0
Non-financial undertakings not covered by disclosure obligations under the Non-Financial Reporting Directive (NFRD)	944,611	350,757	20,671	20,671	1,760	352,517	20,671	20,671	828,253	276,425	0	1,470	277,895	0	0
Loans and advances	8,812	0	0	0	0	0	0	0	7,611	0	0	0	0	0	0
Equity instruments	8,189		0			0	0	0	6,385	0	0	0	0	0	0
Households	1,312,286	95,487	95,487	95,487	0	95,487	95,487	95,487	1,085,032	65,155	65,155	0	65,155	65,155	65,155
Including. loans secured by residential real estate	867,096	95,254	95,254	95,254	0	95,254	95,254	95,254	725,295	65,039	65,039	0	65,039	65,039	65,039
Including loans for building repairs	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Including loans for vehicles	42,235	0	0	0	0	0	0	0	34,796	0	0	0	0	0	0
Financing of local government bodies	2,496	0	0	0	0	0	0	0	22,303	0	0	0	0	0	0
Collateral acquired through foreclosure: residential and commercial real estate	201	0	0	0	0	0	0	0	232	0	0	0	0	0	0

Green Asset Indicators (continued)

	Disclosure reference date T								Disclosure reference date T-1						
		Climate Change Mitigation (CCM)			**Climate Change Adaptation (CCA)**	**TOTAL (CCM+CCA)**				**Climate Change Mitigation (CCM)**		**Climate Change Adaptation (CCA)**	**TOTAL (CCM+CCA)**		
		Including to taxonomy-relevant sectors (taxonomy-eligible)			Including to taxonomy-relevant sectors (taxonomy-eligible)	Including to taxonomy-relevant sectors (taxonomy-eligible)				Including to taxonomy-relevant sectors (taxonomy-eligible)		Including to taxonomy-relevant sectors (taxonomy-eligible)	Including to taxonomy-relevant sectors (taxonomy-eligible)		
			Including. environmentally sustainable (taxonomy-aligned)				Including. environmentally sustainable (taxonomy-aligned)				Including. environmentally sustainable (taxonomy-aligned)			Including. environmentally sustainable (taxonomy-aligned)	
BGN thousand	Total gross carrying amount			Including transitional/ adaptation				Including transitional/adaptation	Total gross carrying amount		Including transitional/adaptation				Including transitional/ adaptation
Other Assets excluded from the numerator when calculating GAR (included in the denominator)	197,895	0	0	0	0	0	0	0	194,590	0	0	0	0	0	0
Interbank loans on demand	107,867								108,461						
Cash and cash-related assets	33,768								29,974						
Other assets (including goodwill, goods, etc.)	56,260								56,155						
Total Asset Value in (GAR)	**2,705,024**	**446,244**	**116,158**	**116,158**	**1,818**	**448,062**	**116,158**	**116,158**	**2,419,871**	**341,580**	**65,155**	**1,516**	**343,096**	**65,155**	**65,155**
Other assets excluded from both the numerator and the denominator of the GAR calculation	1,337,792								1,674,554						
Exposures to central banks	1,337,789								1,674,551						
Trading book	3								3						
Total Asset Value	**4,042,816**	**446,244**	**116,158**	**116,158**	**1,818**	**448,062**	**116,158**	**116,158**	**4,094,425**	**341,580**	**65,155**	**1,516**	**343,096**	**65,155**	**65,155**
Off-balance sheet positions-enterprises that are not covered by disclosure obligations under the NFRD															
Financial guarantees	53,704	0	0	0	0	0	0	0	51,455	0	0	0	0	0	0

Green Asset Indicators (continued)

In addition to GAR in Appendix 1, Form 1 - Assets included in the calculation of GAR, the disclosure contains numerical information on the total value of the Bank's assets, which are excluded from the numerator of GAR in accordance with Article 7(2) of the Delegated Regulation (EU) 2021/2178 and point 1.1.2 of Annex V "KPI FOR CREDIT INSTITUTIONS" of Delegated Regulation (EU) 2021/2178.
In Annex 1, Form 2 — GAR— information by sector, information on exposures in the banking portfolio to the sectors covered by the Taxonomy (NACE level four sectors) is disclosed, using the relevant NACE codes based on the main activity of the counterparty.

	Climate Change Mitigation (CCM)	**TOTAL (CCM+CCA)**
	SMEs and other non-financial enterprises that are not covered by NFRD	SMEs and other non-financial enterprises that are not covered by NFRD
Breakdown by sector - NACE level four (code and label)	Gross carrying amount in BGN thousand	Gross carrying amount in BGN thousand
0220 - Logging	974	974
0240 - Support services to forestry	291	291
1610 - Sawmilling and planing of wood	549	549
1621 - Manufacture of veneer sheets and wood-based panels	3862	3862
1624 - Manufacture of wooden containers	857	857
1629 - Manufacture of other products of wood; manufacture of articles of cork, straw and plaiting materials	990	990
1712 - Manufacture of paper and paperboard	231	231
1721 - Manufacture of corrugated cardboard and paper and cardboard packaging	1597	1597
1722 - Manufacture of household and sanitary goods and of toilet requisites	246	246
2219 - Manufacture of other rubber products	759	759
2221 - Manufacture of plastic plates, sheets, tubes and profiles	896	896
2222 - Manufacture of plastic containers	887	887
2223 - Manufacture of builders' ware of plastic	195	195
2229 - Manufacture of other plastic products	1541	1541
2312 - Shaping and processing of flat glass	42	42
2319 - Manufacture and processing of other glass, including technical glassware	37	37
2320 - Manufacture of refractory products	102	102
2349 - Manufacture of other ceramic products not classified elsewhere	28	28
2352 - Manufacture of lime and plaster	29	29
2363 - Manufacture of ready-mixed concrete	2472	2472
2369 - Manufacture of other articles of concrete, plaster and cement	67	67
2370 - Cutting, shaping and finishing of construction and decorative stone articles	299	299
2391 - Manufacture of abrasive products	10	10
2399 Manufacture of other non-metallic mineral products, not classified elsewhere	32	32
2420 -Manufacture of tubes, pipes, hollow profiles and related fittings, of steel	3392	3392
2511 - Manufacture of metal structures and parts of structures	1386	1386
2512 - Manufacture of doors and windows of metal	126	126
2561 - Treatment and coating of metals	177	177
2562 - Machining	4484	4484
2572 - Manufacture of locks and hinges	38	38

Green Asset Indicators (continued)

	Climate Change Mitigation (CCM)	TOTAL (CCM+CCA)
	SMEs and other non-financial enterprises that are not covered by NFRD	SMEs and other non-financial enterprises that are not covered by NFRD
Breakdown by sector - NACE level four (code and label) (continued)	Gross carrying amount in BGN thousand	Gross carrying amount in BGN thousand
2592 - Manufacture of light metal packaging	6304	6304
2599 - Manufacture of other fabricated metal products not elsewhere classified	1992	1992
2630 - Manufacture of radio-, television and telecommunication equipment	22	22
2670 - Manufacture of optical instruments and photographic equipment	1	1
2711 - Manufacture of electric motors, generators and transformers	42	42
2720 - Manufacture of batteries and accumulators	11	11
2740 - Manufacture of electric lighting equipment	5662	5662
2790 - Manufacture of other electrical equipment	4881	4881
2812 - Manufacture of hydraulic pumps, hydraulic and pneumatic drives	11009	11009
2823 - Manufacture of office machinery and equipment, except computer equipment	8	8
2829 - Manufacture of other general-purpose machinery not elsewhere classified	2447	2447
2830 - Manufacture of agricultural and forestry machinery	191	191
2899 - Manufacture of other special-purpose machinery, not elsewhere classified	307	307
2910 - Manufacture of motor vehicles	107	107
3011 - Building of ships and floating structures, except pleasure and sporting boats	6	6
3012 - Building of pleasure and sporting boats	851	851
3092 - Manufacture of bicycles and invalid carriages	9683	9683
3312 - Repair of machinery and equipment, for general and special purposes	42	42
3315 - Repair and maintenance of ships and boats	7	7
3511 - Production of electricity	53682	53682
3522 - Distribution of gaseous fuels through mains	941	941
3700 - Waste water collection, treatment and disposal activities	10	10
3811 - Collection of non-hazardous waste	380	380
3832 - Recovery of sorted materials	1647	1647
3900 - Recovery and other waste management services	80	80
4110 - Development of building projects	16956	16956
4120 - Construction of residential and non-residential buildings	25816	25816
4211 - Construction of roads, motorways and runways	2203	2203
4221 - Construction of utility projects for fluids	3177	3177
4222 - Construction of utility projects for electricity and telecommunications	146	146
4291 - Construction of water projects	2616	2616
4299 - Manufacture of other civil engineering project not elsewhere classified	953	953
4311 - Demolition	73	73
4313 - Test drilling and boring	14	14
4321 - Electrical installation	2068	2068
4322 - Plumbing, heat and air-conditioning installation	296	296

Green Asset Indicators (continued)

Breakdown by sector - NACE level four (code and label) (continued)	Climate Change Mitigation (CCM)	TOTAL (CCM+CCA)
	SMEs and other non-financial enterprises that are not covered by NFRD	SMEs and other non-financial enterprises that are not covered by NFRD
	Gross carrying amount in BGN thousand	Gross carrying amount in BGN thousand
4329 - Other construction installation	215	215
4333 - Floor and wall covering	136	136
4339 - Other building completion and finishing	1072	1072
4391 - Roofing activities	35	35
4399 - Other specialised construction activities not elsewhere classified	3656	3656
4931 - Urban and suburban passenger land transport	76	76
4932 - Taxi operation	129	129
4939 - Other passenger land transport not elsewhere classified	8977	8977
4941 - Freight transport by road	26665	26665
5010 - Sea and coastal passenger water transport	136	136
5020 - Sea and coastal freight water transport	1448	1448
5030 - Inland passenger water transport	46	46
5210 - Warehousing and storage	144	144
5320 - Other postal and courier activities	96	96
5911 - Motion picture, video and television programme production activities	0	720
5913 - Motion picture, video and television programme distribution activities	0	47
5920 - Sound recording and music publishing activities	0	107
6010 - Radio broadcasting	0	280
6110 - Wired telecommunications activities	49	49
6190 - Other telecommunication activities	5	5
6201 - Computer programming	769	769
6202 - Computer consultancy activities	204	204
6203 - Computer facilities management activities	45	45
6209 - Other information technology activities	1746	1746
6810 - Buying and selling of own real estate	56997	56997
6820 - Renting and operating of own or leased real estate	17513	17513
6831 - Real estate agencies	1735	1735
6832- Real estate management	9625	9625
7111 - Architectural activities.	2684	2684
7112 - Engineering activities and related technical consultancy	2572	2572
7120 - Technical testing and analysis	1041	1041
7711 - Renting and leasing of cars and light motor vehicles, without driver	31652	31652
7739 - Renting and leasing of other machinery, equipment and tangible goods, not elsewhere classified	45	45
8553 - Driving school activities	0	106
8559 - Other educational activities not elsewhere classified	0	129

Green Asset Indicators (continued)

	Climate Change Mitigation (CCM)	TOTAL (CCM+CCA)
	SMEs and other non-financial enterprises that are not covered by NFRD	SMEs and other non-financial enterprises that are not covered by NFRD
	Gross carrying amount	Gross carrying amount
Breakdown by sector - NACE level four (code and label) (continued)	in BGN thousand	in BGN thousand
8710 - Nursing care facilities	0	80
8730 - Residential care activities for the elderly and disabled	0	81
9002 - Support activities to performing arts	0	138
9003 - Artistic creation in the field of literature and arts	0	1
9004 - Operation of performance facilities	0	69
9522 - Repair of household appliances and home and garden equipment	12	12

In Appendix 1, Form 3 — KPI— GAR— amount as of a certain date (availability) the disclosure includes information on the percentage share of the total value of the covered assets intended for financing sectors relevant to the taxonomy (taxonomy-eligible).

Green Asset Indicators (continued)

	Disclosure reference date T								Disclosure reference date T-1						
	Climate Change Mitigation (CCM)			**Climate Change Adaptation (CCA)**	**TOTAL (CCM+CCA)**				**Climate Change Mitigation (CCM)**		**Climate Change Adaptation (CCA)**	**TOTAL (CCM+CCA)**			
	Proportion of the total value of covered assets intended to finance sectors relevant to the taxonomy (taxonomy-eligible)			Proportion of the total value of covered assets intended to finance sectors relevant to the taxonomy	Proportion of the total value of covered assets intended to finance sectors relevant to the taxonomy (taxonomy-eligible)				Proportion of the total value of covered assets intended to finance sectors relevant to the taxonomy (taxonomy-eligible)		Proportion of the total value of covered assets intended to finance sectors relevant to the taxonomy	Proportion of the total value of covered assets intended to finance sectors relevant to the taxonomy (taxonomy-eligible)			
		Including. environmentally sustainable (taxonomy-aligned)				Including. environmentally sustainable (taxonomy-aligned)				Including. environmentally sustainable (taxonomy-aligned)			Including. environmentally sustainable (taxonomy-aligned)		
			Including transitional				Including transitional	Proportion of the total value of covered assets		Including transitional				Including transitional/adaptation	Proportion of the total value of covered assets
GAR — Covered assets included in both the numerator and denominator	17.80%	4.63%	4.63%	0.07%	17.87%	4.63%	4.63%	62.01%	15.35%	0.00%	2.93%	0.07%	15.42%	2.93%	2.93%
Loans and advances, debt securities and equity instruments not held for trading and eligible for inclusion in the GAR calculation	17.82%	4.64%	4.64%	0.07%	17.89%	4.64%	4.64%	61.95%	15.51%	0.00%	2.96%	0.07%	15.58%	2.96%	2.96%
Financial enterprises	0.00%	0.00%	0.00%	0.03%	0.03%	0.00%	0.00%	5.70%	0.00%	0.00%	0.00%	0.02%	0.02%	0.00%	0.00%
Credit institutions	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	4.34%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Loans and advances	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	4.33%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Debt securities, incl. with some use of the proceeds	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.01%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Other financial companies	0.00%	0.00%	0.00%	0.11%	0.11%	0.00%	0.00%	1.36%	0.00%	0.00%	0.00%	0.09%	0.09%	0.00%	0.00%

Green Asset Indicators (continued)

	Disclosure reference date T								Disclosure reference date T-1						
	Climate Change Mitigation (CCM)			**Climate Change Adaptation (CCA)**	**TOTAL (CCM+CCA)**				**Climate Change Mitigation (CCM)**		**Climate Change Adaptation (CCA)**	**TOTAL (CCM+CCA)**			
	Proportion of the total value of covered assets intended to finance sectors relevant to the taxonomy (taxonomy-eligible)			Proportion of the total value of covered assets intended to finance sectors relevant to the taxonomy	Proportion of the total value of covered assets intended to finance sectors relevant to the taxonomy (taxonomy-eligible)				Proportion of the total value of covered assets intended to finance sectors relevant to the taxonomy (taxonomy-eligible)		Proportion of the total value of covered assets intended to finance sectors relevant to the taxonomy	Proportion of the total value of covered assets intended to finance sectors relevant to the taxonomy (taxonomy-eligible)			
		Including. environmentally sustainable (taxonomy-aligned)				Including. environmentally sustainable (taxonomy-aligned)				Including. environmentally sustainable (taxonomy-aligned)			Including. environmentally sustainable (taxonomy-aligned)		
			Including transitional				Including transitional	Proportion of the total value of covered assets		Including transitional				Including transitional/adaptation	Proportion of the total value of covered assets
Non-financial enterprises subject to disclosure obligations under the Non-Financial Reporting Directive (NFRD)	36.48%	2.15%	2.15%	0.18%	36.66%	2.15%	2.15%	23.79%	32.82%	0.00%	0.00%	0.17%	32.99%	0.00%	0.00%
Non-financial undertakings not covered by disclosure obligations under the Non-Financial Reporting Directive (NFRD)	37.13%	2.19%	2.19%	0.19%	37.32%	2.19%	2.19%	23.37%	33.37%	0.00%	0.00%	0.18%	33.55%	0.00%	0.00%
Households	7.28%	7.28%	7.28%	0.00%	7.28%	7.28%	7.28%	32.46%	6.00%	0.00%	6.00%	0.00%	6.00%	6.00%	6.00%
Including. loans secured by residential real estate	10.99%	10.99%	10.99%	0.00%	10.99%	10.99%	10.99%	21.45%	8.97%	0.00%	8.97%	0.00%	8.97%	8.97%	8.97%
Including loans for vehicles	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	1.04%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Green Asset Indicators (continued)

	Disclosure reference date T								Disclosure reference date T-1						
	Climate Change Mitigation (CCM)			Climate Change Adaptation (CCA)	TOTAL (CCM+CCA)				Climate Change Mitigation (CCM)		Climate Change Adaptation (CCA)	TOTAL (CCM+CCA)			
	Proportion of the total value of covered assets intended to finance sectors relevant to the taxonomy (taxonomy-eligible)			Proportion of the total value of covered assets intended to finance sectors relevant to the taxonomy	Proportion of the total value of covered assets intended to finance sectors relevant to the taxonomy (taxonomy-eligible)				Proportion of the total value of covered assets intended to finance sectors relevant to the taxonomy (taxonomy-eligible)		Proportion of the total value of covered assets intended to finance sectors relevant to the taxonomy	Proportion of the total value of covered assets intended to finance sectors relevant to the taxonomy (taxonomy-eligible)			
		Including. environmentally sustainable (taxonomy-aligned)				Including. environmentally sustainable (taxonomy-aligned)				Including. environmentally sustainable (taxonomy-aligned)			Including. environmentally sustainable (taxonomy-aligned)		
EUR million			Including transitional				Including transitional	Proportion of the total value of covered assets		Including transitional				Including transitional/adaptation	Proportion of the total value of covered assets
Financing of local government bodies	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.06%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Collateral acquired through foreclosure: residential and commercial real estate	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Total Asset Value in (GAR)	16.50%	4.29%	4.29%	0.07%	16.56%	4.29%	4.29%	66.91%	14.12%	0.00%	2.69%	0.06%	14.18%	2.69%	2.69%

Green Asset Indicators (continued)

In Appendix 1, Form 4—KPI— GAR— change for a certain period (flow), the Bank has announced the KPI -GAR for the change in loans for a certain period (flow) (new loans on a net basis), calculated on the basis of the data disclosed in Appendix 1, Form 1 — Assets included in the calculation of GAR, regarding covered assets.

		Референтна дата на оповестяване Т									
		Смекчаване на изменението на климата (СИК)			**Адаптиране към изменението на климата (АИК)**			**ОБЩО (СИК + АИК)**			
		Дял на общата стойност на обхванатите активи, предназначени за финансиране на сектори от значение за таксономията (допустими за таксономията)			Дял на общата стойност на обхванатите активи, предназначени за финансиране на сектори от значение за таксономията (допустими за таксономията)			Дял на общата стойност на обхванатите активи, предназначени за финансиране на сектори от значение за таксономията (допустими за таксономията)			Дял на общата стойност на обхванатите активи
			В т.ч. екологично			В т.ч. екологично			В т.ч. екологично		
				В т.ч. преходни			В т.ч. преходни			В т.ч. преходни	
1	ОЕА — Обхванати активи, включени и в числителя, и в знаменателя	37.13%	41.21%	18.10%	0.11%	0.00%	0.00%	37.24%	18.10%	18.10%	-546.13%
2	Кредити и аванси, дългови ценни книжа и капиталови инструменти, които не са държани за търгуване и са допустими за включване в изчислението на ОЕА	34.69%	38.50%	16.91%	0.10%	0.00%	0.00%	34.79%	16.91%	16.91%	-584.56%
3	**Финансови предприятия**	0.00%	0.00%	0.00%	-0.03%	0.00%	0.00%	-0.03%	0.00%	0.00%	87.06%
4	Кредитни институции	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	92.13%
5	Кредити и аванси	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	56.50%
6	Дългови ценни книжа, в т.ч. с известно използване на постъпленията	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	35.63%
8	Други финансови предприятия	0.00%	0.00%	0.00%	0.46%	0.00%	0.00%	0.46%	0.00%	0.00%	-5.07%
21	**Нефинансови предприятия, за които се прилагат задължения за оповестяване съгласно Директивата относно оповестяването на нефинансова информация (ДОНФИ)**	62.27%	17.32%	17.32%	0.24%	0.00%	0.00%	62.52%	17.32%	17.32%	-231.28%
22	Нефинансови предприятия, които не са обхванати от задължения за оповестяване съгласно Директивата относно оповестяването на нефинансова информация (ДОНФИ)	63.88%	17.77%	17.77%	0.25%	0.00%	0.00%	64.13%	17.77%	17.77%	-225.46%
23	Кредити и аванси	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	-2.33%
25	Капиталови инструменти	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	-3.50%
26	**Домакинства**	13.35%	42.02%	13.35%	0.00%	0.00%	0.00%	13.35%	13.35%	13.35%	-440.34%
27	В т.ч. кредити, обезпечени с жилищен недвижим имот	21.31%	67.17%	21.31%	0.00%	0.00%	0.00%	21.31%	21.31%	21.31%	-274.76%
29	В т.ч. кредити за моторни превозни средства	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	-14.41%
30	**Финансиране на органи на местното управление**	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	38.38%
31	Обезпечения, придобити чрез влизане във владение: жилищни и търговски недвижими имоти	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.06%
49	**Обща стойност на активите в (ОЕА)**	36.70%	40.74%	17.89%	0.11%	0.00%	0.00%	36.81%	17.89%	17.89%	-552.53%

Green Asset Indicators (continued)

In Appendix 1, Form 5—KPI for off-balance sheet exposures, the green ratios for financial guarantees and Assets under management are disclosed.

% от общата стойност на допустимите задбалансови активи		Референтна дата на оповестяване Т														
		Смекчаване на изменението на климата (СИК)					Адаптиране към изменението на климата					ОБЩО (СИК + АИК)				
		Дял на общата стойност на обхванатите активи, предназначени за финансиране на сектори от значение за таксономията (допустими за таксономията)					Дял на общата стойност на обхванатите активи, предназначени за финансиране на сектори от значение за таксономията (допустими за таксономията)					Дял на общата стойност на обхванатите активи, предназначени за финансиране на сектори от значение за таксономията (допустими за таксономията)				
			В т.ч. екологично устойчиви (съобразени					В т.ч. екологично устойчиви					В т.ч. екологично устойчиви			
				В т.ч. специализирано кредитира	В т.ч. преходни	В т.ч. спомагащи			В т.ч. специализирано кредитира	В т.ч. преходни	В т.ч. спомагащи			В т.ч. специализирано кредитира	В т.ч. преходни	В т.ч. спомагащи
1	Финансови гаранции (КПР за финансови гаранции)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
2	Активи под управление (КПР за активи под управление)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Qualitative information in relation to the disclosed indicators

Contextual information to support the quantitative indicators, including assets and activities covered by the KPI , information on data sources and limitations.

The bank has complied with the following disclosure rules in accordance with Article 7 "Disclosure rules common to all financial undertaking" of Delegated Regulation (EU) 2021/2178:

- Exposures to central governments, central banks and supranational issuers are excluded in the calculation of the numerator and denominator of the Bank's key performance indicators.
- Derivatives are excluded from the numerator of the Bank's key performance indicators.
- Exposures to companies that are not required to report non-financial information under Article 19a or 29a of Directive 2013/34/EU are excluded from the numerator of the Bank's key performance indicators.

Regarding the eligibility of an asset, the economic activities of the Bank's clients are classified as eligible under the Delegated Regulations, which supplement Regulation (EU) 2020/852 of the European Parliament and of the Council. "Taxonomy-eligible economic activity" means an economic activity that is described in the delegated acts adopted pursuant to Article 10(3), Article 11(3), Article 12(2), Article 13(2), Article 14(2) and Article 15(2) of Regulation (EU) 2020/852, regardless of whether that economic activity meets some or all of the technical verification criteria set out in those delegated acts.

The counterparties in the "Non-financial undertakings" category which are not required to report non-financial information under Article 19a or 29a of Directive 2013/34/EU, located in the European Union, as well as counterparties with headquarters outside the European Union, are not subject to an environmental compliance check.. In this regard, all exposures in the "Non-financial undertakings" category that do not meet the following conditions are excluded: have an average number of employees in the financial year 2022 and financial year 2023 of more than 500 people and a total balance sheet of more than BGN 38 million or a net turnover of more than BGN 76 million and their shares are traded on a regulated exchange in a member state of EU (listed entities).

For the undertakings financed by the Bank which are obliged to report non-financial information under Article 19a or 29a of Directive 2013/34/EU, the subject of the investment was analyzed and on this basis, based on the corresponding NACE-code of the respective client, it was determined whether the financed activity corresponds to taxonomy-eligible economic activity.

The Bank's exposure to individuals is assessed for Taxonomy eligibility only in respect of mortgage loans, building renovation loans and car loans.

To determine eligibility, the Bank uses information from the Statistical Classification of Economic Activities in the European Community (NACE).

Qualitative information in relation to the disclosed indicators (continued)

Contextual information to support the quantitative indicators, including assets and activities covered by the KPI , information on data sources and limitations (continued)

From 2023, companies subject to the Non-Financial Information Directive (NFRD) are obliged to make public the information corresponding to the economic activities they carry out in relation to the Taxonomy. The Bank has taken this information into account in its analysis of economic activities, thereby achieving greater precision in measuring the economic activities it finances based on the taxonomy.

The calculation of the green asset ratio (GAR) for balance sheet exposures covers the following accounting categories of financial assets, including loans and advances, debt securities, equity interests and collateral drawn:

- Financial assets at amortized cost;
- Financial assets at fair value through other comprehensive income;
- investments in subsidiaries;
- joint ventures and associates;
- financial assets reported at fair value through profit and loss and non-trading financial assets necessarily reported at fair value through profit and loss;
- immovable property provided as collateral and received by credit institutions by taking possession in exchange for writing off the obligation.

The debt securities in the "financial assets at fair value through other comprehensive income" and "financial assets at amortized cost" portfolios represent exposures to central governments and, pursuant to Article 7(1) of Delegated Regulation (EU) 2021/2178, are excluded from the scope of GAR.

The following assets are excluded from the green assets ratio numerator (GAR):

- financial assets held for trading;
- interbank loans on demand;
- exposures to entities not covered by an obligation to publish non-financial information under Articles 19a and 29a of Directive 2013/34/EU.

The calculation of the KPI for off-balance sheet exposures takes into account the financial guarantees provided by the Bank, the assets under management for the guarantee and the non-financial investee companies. Other off-balance sheet exposures, such as credit commitments, are excluded from this calculation.

In its long-term building renovation strategy, each Member State sets out a roadmap with measures and nationally defined measurable progress indicators, with a view to the long-term 2050 target of reducing the Union's greenhouse gas emissions by 80-95% compared to 1990 levels, to ensure a highly energy-efficient and decarbonised national building stock and to facilitate the cost-effective transformation of existing buildings into near-net-zero energy buildings. The roadmap includes indicative milestones for 2030, 2040 and 2050 and indicates how they contribute to the achievement of the Union's energy efficiency targets in accordance with Directive 2012/27/EU. In accordance with the requirements, Member States shall take the necessary measures to ensure that new buildings meet the minimum energy performance requirements. For new buildings, Member States should ensure that the technical, environmental and economic feasibility of alternative high-efficiency installations, if available, is taken into account before construction begins.

Pursuant to Article 9 of Directive 2010/31/EU OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 19 May 2010 on the energy performance of buildings, Member States shall ensure that by 31 December 2020 all new buildings have close to zero net energy consumption energy. In this regard, all mortgage loans granted to finance new buildings with a year of completion after 31 December 2020 are considered Taxonomy-eligible.

The green ratio for financial guarantees provided to undertakings is defined as the share of financial guarantees securing debt instruments intended for the financing of taxonomy-aligned economic activities out of all financial guarantees securing debt instruments provided to undertakings. This includes disclosure of stocks and flows. In relation to climate change mitigation, this also includes disclosures about the accompanying and transitional activities involved. In relation to climate change adaptation, this includes disclosures about the enabling and adaptation activities involved.

Qualitative information in relation to the disclosed indicators (continued)

Contextual information to support the quantitative indicators, including assets and activities covered by the KPI , information on data sources and limitations (continued)

The methodology for calculating KPI for financial guarantees is the same as the methodology defined for KPI for corporate loans and advances and/or debt securities, but applies to the underlying loans and advances/debt securities maintained by the credit institution.

Clarifications regarding the nature and objectives of the taxonomy-aligned economic activities and regarding the development of these economic activities from the second year of their implementation onwards, distinguishing between the elements related to the economic activity and the elements related to the methodology and data.

Economic activity

The bank provides loans secured by a residential real estate mortgage and their terms are determined depending on the purpose of the financing, the type of mortgaged real estate and the client's profile. The bank also finances the construction of single-family residential buildings and the purchase of real estate in the country by Bulgarian citizens living and working abroad.

Credit products for clients in the “Non-financial undertakings” segment includes: loans for working capital purposes, such as overdrafts, revolving loans and installment loans, providing short-term financing for capital needs regarding current expenses of the borrowers' core business; investment loans providing medium-term and long-term financing of corporate projects and the purchase of tangible assets with pre-agreed repayment installments, consistent with cash receipts from commercial activity.

Methodology and data

Integrating ESG risks into client assessment

The Bank has integrated into its credit review and approval processes an initial assessment approach that is based on questionnaires and quantitative information that is available from external sources. The Bank has integrated ESG risks and opportunities into its credit approval decisions, assessing clients through standardized questionnaires that contain key environmental, social and corporate matters. These issues include, for example, carbon emissions, product safety and quality, data protection and corruption.

Integrating climate change into risk planning

Climate change risks (transitional and physical) are considered an additional factor affecting the risk categories already identified and defined in the bank and are therefore managed through the bank's risk management framework (credit, market, liquidity, operational and other non-financial risks).

As a result, the integration of climate change risks into the Bank's risk management framework is based on their inclusion in governance and operational processes, taking into account regulatory and supervisory requirements.

One of the main goals of the Bank in 2023 - 2024 is to create a sustainable and systematic process for collecting the necessary data for client assessment, using external assessments of companies specializing in this field for this purpose. All this is aimed at ensuring that the Bank has a comprehensive view of the risks of climate change in order to ensure their proper control and management. Responding to both regulatory and management needs, the data considered includes data related to greenhouse gas emissions, collateral location and industry-specific indicators, etc.

The Bank's climate change risk management is based on the risk planning process, which is within the defined risk appetite and uses management frameworks that establish how these risks should be addressed in day-to-day business activities.

Clarifications regarding the nature and objectives of the taxonomy-aligned economic activities and regarding the development of these economic activities from the second year of their implementation onwards, distinguishing between the elements related to the economic activity and the elements related to the methodology and data (continued)

Training

The Bank is reinforcing the available capacity and resources by providing appropriate training for all relevant functions in the field of identification, assessment and reporting of ESG risks.

Bank strategy for implementation of Regulation (EU) 2020/852, including the implementation of the requirements in the process of creating products and the interaction with clients and counterparties.

Strategic goals of the Bank

The Bank has analyzed the risks and opportunities related to climate and environmental change and has structured an ESG risk management model. In this regard, the Bank has structured a project plan, established an ESG committee and working group, and an ESG management framework.

The commitment for net zero emissions in 2050 (Net Zero 2050) also includes emissions from clients who receive financing from the Bank. The bank has an additional target to its decarbonisation goal to channel €70 million into sustainable business between 2024 and 2026.

The Bank's approach to creating sustainable finance involves directing financial flows to activities or clients deemed sustainable according to the EU's taxonomy of climate change mitigation and adaptation objectives.

The Bank's efforts are aimed at developing and implementing environmental and social risk management procedures to cover all borrowers, and for this purpose they will be integrated into the overall credit operations of the Borrower, including: client segmentation according to environmental and social risk levels; environmental and social due diligence procedures commensurate with the level of environmental and social risk and post-contract environmental and social monitoring commensurate with the level of environmental and social risk.

The Bank is committed that all renewable energy loans will be compliant with the eligibility criteria for hydro, wind, bioenergy, geothermal and solar projects, and with the detailed environmental and social procedures.

In this regard, the Bank has developed internal procedures and implemented procedural rules for environmental and social management, as well as appointed a member of the Bank's Management Board fully responsible for the implementation of environmental and social requirements. The Bank also has adopted a black list for environmental and social exclusion.

The Bank is committed to making its financial flows consistent with the path to low greenhouse gas emissions and climate-sustainable development, thereby ensuring over time the alignment of all its financial activities with the goals of the Paris Agreement.

Managing climate and environmental risks

The Bank has a Framework for managing climate and environmental risks The basic principles for managing climate and environmental risks are the following:

- The Bank identifies, assesses and monitors the business environment in which it operates, as it provides a significant contribution to the assessment of the risks by which it may be affected.
- The Bank documents significant factors affecting the business environment in which it operates. The business environment encompasses a wide range of external factors and trends that shape the business conditions in which a Bank operates or is likely to operate based on its principal or material geographic and business exposures. Factors include macroeconomic variables, competitive environment, policy and regulation, technology, societal/demographic development and geopolitical trends. Climate and environmental risks can affect all of these areas. When scanning its business environment, the Bank identifies risks arising from climate change and environmental degradation at the level of key sectors, geographies and products and services. Climate and environmental risks may affect economic growth, employment or the prices of real estate collateralized by loans.

Bank strategy for implementation of Regulation (EU) 2020/852, including the implementation of the requirements in the process of creating products and the interaction with clients and counterparties (continued)

Managing climate and environmental risks (continued)

- The Bank determines which climate and environmental risks impact business strategy in the short, medium and long term by using stress test scenarios.
- The Bank takes into account the limitations, vulnerabilities and shortcomings found in internal stress tests and scenario analysis when defining its business strategy. The scenarios include assumptions about the impacts of climate and environmental risks and the time frames over which those impacts are expected to materialize. The scenarios involve qualitative and quantitative assumptions as well as expert judgment, as the given nature of climate change as a driver of financial risk will pose new challenges that have not yet materialized.
- Scenario analyzes are used to assess risks in the short to medium term as well as in the long term.
- The short- to medium-term assessment includes an analysis of climate and environmental risks to which the Bank is exposed within its current business planning horizon (three to five years). A longer-term assessment (more than five years, in line with commitments to transition to a more sustainable economy), assesses the sustainability of the current business model against a set of plausible future scenarios related to the assessment of climate and environmental risks.
- To support its business strategy, the Bank identifies Key Risk Indicators (KRIs) for each type of climate or environmental risk. KRIs should be measurable and quantifiable whenever possible. They should be cascaded to the relevant business lines and portfolios.
- The Bank integrates all material climate and environmental risks by assigning specific duties to individual functions, monitoring progress, taking prompt corrective actions and tracking all related budget expenditures.
- In setting strategic objectives, the Bank reflects the risks to its credit and trade portfolios arising from the transition to a more sustainable, low-carbon economy.
- All strategic decisions related to significant climate and environmental factors are integrated into credit policies by sectors and by products.

ESG Risk Identification and Management Committee of Allianz Bank Bulgaria AD (ESG Committee)

In connection with the management climate and the environmental risks and the Climate and Environmental Risks Management Framework adopted by the Bank, an ESG Risk Identification and Management Committee of Allianz Bank Bulgaria AD (ESG Committee) was established in 2023 and the Rules for the Committee's work have been adopted. The ESG Committee is a specialized body that deals with environmental, social and governance (ESG) issues within the Bank.

Members of the task force of the ESG Risk Identification and Management Committee are representatives of all three lines of defense in the Bank. The task force examines climate and environmental risks, setting both targets and proposals for exposure limits to specific sectors.

The main functions of the ESG Committee

The ESG Committee is responsible for the supervision and management of ESG risks in Allianz Bank Bulgaria AD according to internal rules and regulations, it advises and assists the Management Board in determining the bank's ESG strategy (including climate and environmental risks), review of climate and environmental risks as well as goals and constraints.

Risk management

Main risk factors related to the climate and the environment to which the Bank is exposed

Climate change and environmental degradation are sources of structural changes that affect economic activity and, in turn, the financial system and the Bank. Climate and environmental risks are generally understood to include two main risk factors: physical risk and transition risk.

Bank strategy for implementation of Regulation (EU) 2020/852, including the implementation of the requirements in the process of creating products and the interaction with clients and counterparties (continued)

Managing climate and environmental risks (continued)

Impact on the business model

These risks affect the sustainability of the Bank's business model in the medium to long term in case the business model includes sectors and markets that are particularly vulnerable to climate and environmental risks. In addition, physical risks and transition risks may cause additional losses arising directly or indirectly from legal claims (commonly referred to as “liability risk”) and loss of reputation as a result of the public, the Bank's counterparties and/or investors associating the Bank with adverse effects on the environment (“reputational risk”).

Risk Appetite Framework

The risk appetite framework results in a target risk profile that defines the general principles of the risk strategy. The risk strategy includes a commitment to sustainable development as one of the elements defined in the Bank's business model, focused on supporting the client in the transition to a sustainable future and including the climate factor in risk management. This commitment is complemented and detailed by quantifying the appetite for ESG risk through indicators and thresholds that represent a clear definition of the maximum acceptable risk profile.

Identifying, measuring and integrating climate change risk into risk management

The Bank is in the process of developing the methodologies it needs to identify and measure the different components of climate change risk, as well as to analyze the financial impact of each of them for their subsequent integration into management. These methodologies are based on the indicators of financed emissions, alignment with decarbonisation pathways, analysis of the vulnerability and exposure to climate hazards of our clients and their collateral and analysis of climate scenarios that allow a forward-looking view of risks, opportunities and their financial impacts .

Qualitative information on compliance of trading books with Regulation (EU) 2020/852, including overall composition, observed trends, objectives and policy.

Financial assets reported at fair value through profit and loss amount to BGN 3 thousand as of 31.12.2022 and 31.12.2023. In practice, the Bank does not have a trading book which requires the development of a strategy and indicators for monitoring in accordance with Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088

Additional or auxiliary information in support of the Bank's strategy and the weight that the financing of taxonomy-aligned economic activities has in the Bank's overall activity.

Green Asset Ratios (GARs) are prepared in accordance with regulatory definitions and the Taxonomy. However, the European Commission allows for the possibility of supplementing the mandatory information with voluntary information, and in this regard, the EU Platform for Sustainable Finance recommends that banks include voluntary information that they consider appropriate.

For the calculation of the percentage of exposures for activities that meet the requirements of Article 3 of Regulation (EU) 2020/852 (taxonomy-aligned exposures), to these counterparties, the Bank used: a) information obtained from its counterparties on a voluntary and bilateral basis in the processes of granting loans and of regular review and monitoring of loans, when such information is available; and predominantly b) internal estimates and analogues where the counterparty is unable to provide relevant data on a bilateral basis.

Internal control

In 2023, the Internal Audit department had planned 34 audit engagements and carried out 35 audit engagements, of which 14 on activities/processes/units in Headquarters, 3 regulatory audits and 18 on units from the Bank's branch network. Detailed information on the results of the audits can be found in the Annual Report on the activities of the SIAA.

The Bank's management reacts in a timely manner and takes adequate measures to implement the recommendations proposed by the Internal Audit to improve internal control in the main banking processes and activities. In general, the control procedures introduced are adequate, the internal control system is reliable and facilitates limiting the inherent risks to the business to levels acceptable for the Bank's Management.

Responsibility of the Management

According to the Bulgarian legislation, the management should prepare a financial statement for each financial year, which gives a true and fair view of the state of the Bank at the end of the year and its accounting results. The financial statement shall be prepared in accordance with International Financial Reporting Standards (IFRS) adopted by the European Union.

The Management confirms that it has consistently applied adequate accounting policies and that in preparing the financial statements as at 31 December 2023, it complied with the precautionary principle for the recognition and measurement of assets, liabilities, income and expenses.

The Management also confirms that it has adhered to the accounting standards in force, and the financial statements have been prepared on a going concern basis.

The Management is responsible for the proper keeping of accounting records, for the proper management of assets, and for taking the necessary measures to avoid and detect possible misuse and other irregularities.

This Non-financial statement is prepared in accordance with Article 48 of the Accountancy Act and was approved by the Management Board for issuing on 12 February 2023, and in an integral part of the annual report for 2023 by Allianz Bank Bulgaria AD.

Georgi Zamanov	Hristina Martsenkova
CEO	*Executive director*

Allianz Bank Bulgaria AD views good corporate management as a part of contemporary business practice, an aggregate of balanced relations between the Management bodies of the Company, its shareholders and all stakeholders – employees, clients, partners and the community as a whole. The bank implements appropriate practices for good corporate governance, which result from the current Bulgarian legislation and the requirements of Allianz Group. The upper management of the Bank believes the effective implementation of good corporate management practices contribute to achieving sustainable growth and the long-term goals of the Company, as well as establishing transparent and honest relation to all stakeholders. *(information under Article 100n, paragraph 8, item 1b) of the Public Offering of Securities Act)*.

Allianz Bank Bulgaria AD adopts and implements a Business Ethics and Compliance Code of Conduct / Code of Ethics *(information under Article 100n, paragraph 8, item 1c) of the Public Offering of Securities Act)*:

When selecting persons for management positions in Allianz Bank Bulgaria AD, the principles laid down in the Allianz Group Qualification and Reliability Policy, the Policy for the Selection and Assessment of the Suitability of the Members of the Management Board and the Supervisory Board of Allianz Bank Bulgaria AD are applied, as well as the regulatory requirements laid down in the Credit Institutions Act and Ordinance 20 of the BNB for the requirements for the members of the management and control body of a credit institution, as well as for assessing their suitability and the persons occupying key positions.

1. In compliance with the above policies, Allianz Bank Bulgaria AD declares their commitment to the application of the principles of transparency, independence and responsibility of the managerial and supervisory bodies of the Bank (Supervisory and Management Board) in compliance with the established vision, goals, strategies of the companies and the interests of the shareholders. *(information under Article 100m, paragraph 8, item 5) of the Public Offering of Securities Act).*

1.1. The Supervisory board of Allianz Bank Bulgaria AD consists of 6 (six) members, who are appointed by the General assembly of the shareholders for a set term.
1.2. The Supervisory board performs their activity in compliance with the Bank Statute and the Supervisory Board Working Regulations, as well as the applicable legislation.
1.3. The Management board of Allianz Bank Bulgaria AD consists of 5 (five) members, appointed by the Management board.
1.4. The Management board performs their activity in compliance with the Bank Statute and the Management Board Working Regulations, as well as the applicable legislation.
1.5. In the performance of their functions and powers the Supervisory and Management boards are governed by the current legislation, by internal regulations and the standards for integrity and competence.
1.6. The members of the managerial bodies can only be competent individuals, without restrictions as to age, gender, nationality or education.
1.7. The members of the Management board and Supervisory board include individuals with good reputation, professional experience and managerial skills. Forming the composition of the managerial and supervisory bodies aims a balance between experience, professionalism, knowledge of the activity as well as independence and objectivity in expressing opinions and decision-making.
1.8. The members of the Management and Supervisory boards can be reappointed without limitation.
1.9. The managerial bodies are assisted in their activities by internal bank bodies (committees and commissions) with particular powers, regulated by legislation or internal bank rules and procedures.

1.10.Specialized bodies to the Management and Supervisory Board of the Bank
1.10.1.RiskCommittee / RiCo /

The Risk Committee is an independent body to the Management Board of the Bank, whose main objective is to establish and maintain control over risk management activities. Creates, develops and approves the risk strategy in line with business strategy and risk appetite. Controls the risk capital allocation. Ensures appropriate monitoring and risk control at the individual and portfolio levels. The risk management structure covers systems, processes, organizational units and individuals whose main purpose is to implement the function independent of the operational units in identifying, monitoring and managing the risk assumed by the bank.

Risk management at the bank ensures identification, measurement and reporting of all material risks. The respective responsible persons performing risk management functions in the bank participate in the design of the risk management strategy when making all decisions related to the management of significant risks and are able to present a full overview of the risks to which it is exposed or may be exposed to the bank.

1. In compliance with the above policies, Allianz Bank Bulgaria AD declares their commitment to the application of the principles of transparency, independence and responsibility of the managerial and supervisory bodies of the Bank (Supervisory and Management Board) in compliance with the established vision, goals, strategies of the companies and the interests of the shareholders. *(information under Article 100m, paragraph 8, item 5 of the Public Offering of Securities Act) (continued)*

1.10.Specialized bodies to the Management and Supervisory Board of the Bank (continued)
1.10.1. RiskCommittee /RiCo/ (continued)

The risk committee is chaired by the Chief Risk Officer and meets at least once a month on a proposed agenda. The Risk Committee's work is defined in detail in the "Operating Rules of the ABB Risk Management Committee". The members of the Committee are the Chief Executive Officer, Chief Operating Officer, the Chief Financial Officer, the Head of the Credit Risk Department, the Head of the Compliance and Regulatory Oversight Department and the Head of the Risk Controlling and Reporting Department.

A Risk Committee at the Supervisory Board level is a subsidiary body of the Supervisory Board that monitors and oversees the management and control of risks. The approval of transactions with gross exposures of more than 5% of the capital base must be approved by that committee before being submitted for approval to the Supervisory Board. Members are two members of the Supervisory Board. The Chief Executive Officer and Chief Risk Officer are "permanent guests". They meet quarterly.

1.10.2. Asset and Liability Management Committee (ALMC)

The Asset and Liability Management Committee supports the Management Board's business strategy, policies and the overall asset and liability management system as well as management of the Bank's liquidity. It approves investment policy for new products. The main purpose of asset and liability management is to ensure stable earnings and optimize the return on capital of the Bank while maintaining acceptable levels of risk and capital adequacy in the implementation of the development strategy and the assigned tasks in the plan for the respective financial year.

The Committee shall be chaired by the Chief Financial Officer and shall meet at least once a month. The Deputy Chairperson of the Committee is the Head of the Liquidity and Markets Department. The members of the Committee are the Chief Executive Officer, the Chief Business Officer, the Chief Risk Officer and the Head of the Planning and Controlling Department. The Chief Risk Officer has the right to veto decisions related to liquidity management.

The Chief Financial Officer of ABB and/or the Head of Investments of ABB are permanently involved in the work of ABB's ALMC, having the right to vote on determining the limits for investments in securities and financial institutions (deposits).

The Chief Financial Officer of ABB and/or the Head of Investments of ABB receive monthly reports on investments in securities and financial institutions. The Chief Financial Officer and/or the Head of Investments have the right to give advice/written proposal to the ALMC for future investments/divestment in order to better manage the bank's liquidity and capital.

1.10.3. Credit board

The Credit Board of Allianz Bank Bulgaria AD, hereinafter referred to as the CB, is a permanent internal bank collective body for making decisions regarding credit transactions.

The activities within the competence of the Credit Board of Allianz Bank Bulgaria AD are:

Any undertaking of credit risk in the portfolio, renegotiation and review of existing exposures in the three segments - Retail Banking, Corporate Banking and Investment Banking, whereby a net credit exposure of the client and its affiliates on the relevant business line is formed in excess of the specified competences.

The Credit Board is chaired by the Chief Executive Officer. The members of the Board are the Chief Business Officer, the Deputy Business Officer, the Chief Risk Officer and the Head of the Credit Risk Department.

1. In compliance with the above policies, Allianz Bank Bulgaria AD declares their commitment to the application of the principles of transparency, independence and responsibility of the managerial and supervisory bodies of the Bank (Supervisory and Management Board) in compliance with the established vision, goals, strategies of the companies and the interests of the shareholders. *(information under Article 100m, paragraph 8, item 5 of the Public Offering of Securities Act) (continued)*

1.10.Specialized bodies to the Management and Supervisory Board of the Bank (continued)
1.10.4. Non-Performing Loans Credit Committee

The Non-Performing Loans Credit Committee of Allianz Bank Bulgaria AD, is a standing internal bank collective body for making decisions on restructuring of problematic credit exposures for the purpose of their reorganization, approval of an action plan for collection / , as well as the approval of out-of-court agreements for the collection / recovery of the bank's claims.

The activities within the competence of the Non-Performing Loans Credit Committee are:

- termination of balance sheet or off-balance sheet exposures
- Restructuring of credit transactions, approval of an action plan / proposal on problematic claims, incl. decision on early claims, incl. determining how to recover the claim and making an out-of-court settlement; taking a decision for the Bank to foreclose on collateral assets for sale or management; making a cession decision; write-off of the claim at the expense of provisions, etc.
- Other functions deriving from domestic banking regulations approved in the appropriate order - Procurement Policy; Rules and procedures regarding the activity of managing the bank's problematic claims; as well as regulatory documents of the Allianz Group.

The Non-Performing Loans Credit Committee is chaired by the Head of the Non-Performing Loans Division and meets regularly every Tuesday at 14:00 h and on the last working day of the current month. The members of the committee are the Head of the Early Collection and Restructuring at the Non-Performing Loans Department, the Head of the Non-Performing Loans Administration Department at the Non-Performing Loans Department, the Head of the Judicial Collection Department at the Non-Performing Loans Department and Legal Adviser in the Non-Performing Loans Department.

1.11. Diversity policy regarding the members of the administrative, managerial and supervisory bodies *(information under Article 100m, paragraph 8, item 6 of the Public Offering of Securities Act).*

The Allianz Group Code of Ethics and the Policy for the Selection and Assessment of the Suitability of the Members of the Management Board and the Supervisory Board of Allianz Bank Bulgaria AD introduce the principles and rules for promoting diversity - when selecting candidates for members of the Management and Supervisory Board, their age , gender, geographical origin, education and professional experience to be different enough to ensure a diversity of qualities and competences in the governing body. The criteria taken into account to ensure and promote diversity in the Management and Supervisory Board include: gender, age, education, professional experience, geographic origin. Discrimination on the basis of age, disability, ethnic origin, gender, race, political views or representation of labor or professional organizations, religion or sexual orientation is not tolerated.

2. Description of the main characteristics of the internal control system and of the risk management system of the issuer in connection with the financial reporting process *(information under Article 100m, paragraph 8, item 3 of the Public Offering of Securities Act)*

Internal control system

2.1. Allianz Bank Bulgaria AD has established an internal control system, for the purpose of protecting the interests and the rights of shareholders and clients, as well as contributing to lowering the risks, ensuring reliability and authenticity of reporting in compliance with the regulatory requirements.

2.1.1. Audit Committee

The Audit Committee of the Bank is established and acts in accordance with the requirements of the Independent Financial Audit Act (prom. SG 95/29.11.2016), Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities and Directive 2006/43 / EC of the European Parliament and of the Council Of the European Parliament and of the Council of 17 May 2006 on statutory audits of annual accounts and consolidated accounts.

2. Description of the main characteristics of the internal control system and of the risk management system of the issuer in connection with the financial reporting process *(information under Article 100m, paragraph 8, item 3 of the Public Offering of Securities Act) (continued)*

Internal control system (continued)

2.1. Allianz Bank Bulgaria AD has established an internal control system, for the purpose of protecting the interests and the rights of shareholders and clients, as well as contributing to lowering the risks, ensuring reliability and authenticity of reporting in compliance with the regulatory requirements. (continued)

2.1.1. Audit Committee (continued)

The Audit Committee is an independent permanent body, the members of which are elected and dismissed by the General Meeting of Shareholders on the proposal of the Chairman of the Supervisory Board of the Bank. The organization and activity of the Audit Committee are regulated in the Rules of Procedure of the Audit Committee, adopted by the General Meeting of Shareholders.

The Audit Committee assists the Bank's governing bodies in the performance of their duties relating to the supervision of financial reporting, internal audit, internal control and compliance with legal and regulatory provisions as well as the Allianz Group Business Ethics and Compliance Code of Conduct (Ethical Code).

2.1.2. The Bank's Specialized Internal Audit Service (SIAS)

The Specialized Internal Audit Service was established on the grounds of Art. 74 of the Credit Institutions Act under the requirements of BNB Ordinance No. 10 on the organization, management and internal control in banks and the Statute of the Bank. The primary objective of the SIAS is to improve the Bank's operations and achieve its objectives by implementing a systematic and disciplined approach to assessing and improving the Bank's risk management, control and management processes. It assists the Bank's governing bodies in taking decisions of a financial and organizational nature in order to protect the interests of the Bank, its shareholders and depositors and monitor their implementation

The internal audit carried out by the SIAS is an independent and objective valuation of bank transactions and control operations and systems that is being verified and evaluated.

- the legality of operations, compliance with internal rules and procedures and the implementation of management decisions;
- internal control procedures for conducting transactions;
- risk management systems, risk assessment methods and capital adequacy;
- performance of contracts and commitments;
- the compliance of banking practices with the Bank's operational and strategic policy;
- protection of assets and bank records from negligence and abuse;
- a reporting and information system, the usefulness of analyzes, electronic information systems and data loyalty;
- the efficiency and the results of the bank transactions and operations carried out;
- the selection and qualification of staff, and the relevance of job descriptions and competences;
- the reliability and timeliness of the supervisory reports.

2.2. Regulatory Control

The compliance management function is limited to preventing and limiting the occurrence of regulatory discrepancies, violations and conflicts of interest **.** The ultimate goal is to preserve the Bank's reputation and client loyalty.

Risk management system

2.3. The management of the Bank strives to develop active management of all types of risks arising from the specifics of banking activity - market, liquid, credit, operational and reputational.

2.4. The risk management system determines the powers and responsibilities in the separate structural divisions of the Bank, the organization and order of cooperation in risk management, analysis and assessment of information, related to risk, preparing periodic reports of risk management.

2. Description of the main characteristics of the internal control system and of the risk management system of the issuer in connection with the financial reporting process *(information under Article 100m, paragraph 8, item 3 of the Public Offering of Securities Act)* **(continued)**

2.2. Regulatory control (continued)

Risk management system (continued)

2.5. The organization and activity of officials and units related to risk management in the Bank are fully compliant with the requirements of the Credit Institutions Act, the issued Ordinance No. 7 of the BNB dated 24 April 2014 on the organization and risk management in banks, and all other relevant legislation, rules and policies.

2.6. RiskCommittee /RiCo/ The Risk Committee is an independent body to the Management Board of the Bank, whose main objective is to establish and maintain control over risk management activities. Creates, develops and approves the risk strategy in line with business strategy and risk appetite. Controls the risk capital allocation. Ensures appropriate monitoring and risk control at the individual and portfolio levels. The risk management structure covers systems, processes, organizational units and individuals whose main purpose is to implement the function independent of the operational units in identifying, monitoring and managing the risk assumed by the bank.

Risk management at the bank ensures identification, measurement and reporting of all material risks. The respective responsible persons performing risk management functions in the bank participate in the design of the risk management strategy when making all decisions related to the management of significant risks and are able to present a full overview of the risks to which it is exposed or may be exposed to the bank.

Detailed risk management in the Bank is described in the Annual Financial Statement and Activity Report.

Components and main characteristics of internal control system and of the risk management system in connection with the financial reporting process of the Bank

2.7. Controlled environment. The controlled environment includes the following elements:

- Communication and imposition of integrity and ethical values. Imposing integrity and ethical values includes, but is not limited to, action by the management for elimination or mitigation of stimuli or temptation which could induce the staff to engage in dishonest, illegal or unethical conduct. The policy of integrity and ethical values of the Bank includes communication of ethical standards to the staff via following the Business Ethics Code of Conduct / Ethical Code of Conduct of Allianz Group

- Commitment to competence. Competence means the knowledge and skills, necessary for performance of the tasks included in the job description of the respective person.

- Participation of those charged with governance via monitoring of the model design and the effective functioning of the alert procedures and efficiency review procedures of the internal Bank control.

- Philosophy and operational style of the management.

- Established proper organizational structure, including taking into consideration the main areas of powers and responsibilities and the proper hierarchy levels of reporting

- Assigning appropriate powers and responsibilities.

- Policy and practice, related to human resources, including high standards of recruiting qualified personnel – focused on , education level and former professional experience, with accent on continued education

2. Description of the main characteristics of the internal control system and of the risk management system of the issuer in connection with the financial reporting process *(information under Article 100m, paragraph 8, item 3 of the Public Offering of Securities Act)* **(continued)**
2.2. Regulatory control (continued)

<u>Risk management system (continued)</u>

Components and main characteristics of internal control system and of the risk management system in connection with the financial reporting process of the Bank (continued)

2.8. Risk Assessment Process of the Bank. For the purpose of financial reporting, the Bank's risk assessment process includes the manner in which the management identifies business risks, material for the preparation of a financial statement in compliance with the financial reporting framework applicable to the enterprise, assesses their significance, assesses the probability of their occurrence and decides on the best response to these risks and the way to manage them and to assess the results. The risks, material to reliable financial reporting include internal and external events, transactions and circumstances, which can occur and negatively impact the ability of the Bank to initiate, register, process and report financial information, in compliance with the assertions made by the management in the financial statement.

Risks can occur or change due to circumstances like the ones listed below:

- Changes in the regulatory environment;
- New staff;
- New or updated information systems;
- Rapid growth;
- New technologies;
- New business models, products or activities;
- Corporate restructuring; and
- New accounting standards and clarifications.

2.9. Information system, including the related business processes, relevant to financial reporting and communications. The information system includes infrastructure (physical and hardware components), software, people, procedures and data. The information system of the Bank, related to the purposes of financial reporting, which includes the financial reporting system, includes methods and documentation which:

- Identify and reflect all valid deals and operations;
- Describe promptly the deals and operations with enough detail, allowing their proper classification for the purposes of financial reporting;
- Assess the value of the deals and operations in a manner which allows the reflection of their proper monetary value in the Bank's financial statement
- Determine the time period during which the deals and operations in order to allow their recording in the proper reporting period;
- Properly represent the deals and operations and the related disclosures in the financial statement.

2.10. Control activities. The Bank has adopted a number of policies and procedures regarding the following:

- Performance and results reviews;
- Information processing;
- Physical controls (asset security, approval of access to computer programs and data files; periodic counting and comparison of amounts in the accounting registers); and
- Separation of duties.

2.11. Current monitoring of controls. An important responsibility of the management is to establish and maintain continuous internal control. The current monitoring of controls by the management includes assessment whether they work as intended and whether they are modified appropriately to reflect changes in the circumstances. Internal auditors and other staff with similar functions contribute to the current monitoring of controls thought separate assessments.

3. Information on the existence of takeover or merger bids in 2023 *(information under Article 100m, paragraph 8, item 4 of the Public Offering of Securities Act – respectively under Article 10, paragraph 1, letters "c", "d", "f", "h" and "i" of Directive 2004/25/EC of the European Parliament and the Council of 21 April 2004 on takeover bids)*

3.1. As at 31.12.2023 Allianz Bank Bulgaria AD has not received any takeover or merger bids from other companies.

Allianz Bank Bulgaria AD, cognizant of the public significance of their performance results, observes the principle of transparency of information regarding their activity, strives to achieve and maintain stable, constructive relations with the BNB, FSC, NSSI, NRA and other state bodies and institutions, which are related or have control over their activity. These relations are based on the principles of responsibility, good faith, professionalism, partnership, trust, and also respect and observance of commitments.

The Bank carries out their activity in strict compliance with the laws and other regulations of Republic of Bulgaria.

This Declaration of corporate management is prepared in accordance with Article 40 of the Accountancy Act and was approved by the Management Board for issuing on 12 February 2023, and in an integral part of the annual report for 2018 by Allianz Bank Bulgaria AD, together with the annual financial statement and the Management activity report.

On behalf of the Management Board of Allianz Bank Bulgaria AD:

Georgi Zamanov	Hristina Martsenkova
CEO	*Executive director*

For the year ended 31 December

In BGN thousand	**App.**	**2023**	**2022**
Income from interest	8	99,022	69,855
Interest expenses	8	(11,104)	(693)
Net interest income		**87,918**	**69,162**
Fee and commission income	9	33,694	31,625
Expenses for fees and deductions	9	(11,945)	(9,539)
Net income from fees and commissions		**21,749**	**22,086**
Net income /(loss) from trade operations	10	3,636	(20,715)
Income from investment operations	11	101	145
Total income from banking operations		**113,404**	**70,678**
Other operating income	13	6,745	8,404
Net impairment losses on financial assets measured at amortized cost and fair value through other comprehensive income	19	(80)	(5,837)
Net impairment losses on other financial assets		-	(1)
Administrative and other costs	12	(56,165)	(47,473)
Profit before tax on profit		**63,904**	**25,771**
Tax expenses	14	(6,428)	(2,558)
Profit for the year		**57,476**	**23,213**

The profit or loss account should be read in conjunction with the appendices on page 51 to 133 that are an integral part of the financial statements. The financial statement was approved by the Management Board for publishing on 12 February 2024.

Georgi Zamanov
CEO

Hristina Martsenkova
Executive director

Slava Filipova
Chief Accountant - Compiler

According to the independent auditors' report

PricewaterhouseCoopers Audit OOD

"HLB Bulgaria" OOD

Jock Nunan
Procurator

Stoycho Milev
Manager

Anna Boteva
Registered Auditor, responsible for the audit

Stoyan Stoyanov
Registered Auditor, responsible for the audit

For the year ended 31 December

In BGN thousand	App.	2023	2022
Profit for the year		**57,476**	**23,213**
Other components of comprehensive income:			
Items that may be reclassified in profit or loss:			
Net change in the fair value reserve		4,759	(28,557)
Other comprehensive income from sale of debt instruments transferred to profit or loss		0	21,006
Income tax related to components of other comprehensive income that can be reclassified		(475)	756
		4,284	**(6,795)**
Items that will not be reclassified in profit or loss:			
Net change in the fair value reserve of capital instruments		2,277	(666)
Income tax related to components of other comprehensive income that will not be reclassified		(228)	66
Subsequent measurement of obligations under a defined benefit plan		(73)	(42)
Tax on subsequent measurement of obligations under a defined benefit plan		26	4
		2,002	**(638)**
Other comprehensive income, net of taxes		**6,286**	**(7,433)**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**63,762**	**15,780**

The statement of comprehensive income should be read in conjunction with the appendices on page51 to 133 that are an integral part of the financial statements. The financial statement was approved by the Management Board for publishing on 12 February 2024.

Georgi Zamanov	Hristina Martsenkova	Slava Filipova
CEO	Executive director	Chief Accountant - Compiler

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In BGN thousand	App.	31 DECEMBER 2023	31.12.2022
Assets			
Cash and cash equivalents	15	692,638	950,874
Financial assets held for trading	16	3	3
Financial assets at fair value through profit and loss	16	364	0
Loans and advances to banks	17	66,053	64,154
Loans and advances to clients	19	2,224,989	1,922,564
Financial assets at fair value through other comprehensive income	18	117,608	159,910
Financial assets measured at amortized cost	18	787,757	842,663
Property, plant and equipment	20	20,463	18,778
Right-of-use assets	21	12,142	13,357
Intangible assets	22	8,443	9,739
Current tax assets		0	241
Deferred tax assets	29	352	97
Other financial assets	23	944	3,141
Other assets	24	13,934	10,802
Total assets		**3,945,690**	**3,996,323**
Liabilities			
Deposits from banks	26	15,455	20,044
Deposits from clients	25	3,404,615	3,665,790
Other borrowed funds	26	48,733	1,078
Issued debt securities	27	81,096	0
Liabilities under lease agreements	28	12,803	14,077
Provisions for guarantees		2,479	4,351
Other financial liabilities	30	8,862	7,227
Other liabilities	31	26,783	10,479
Total liabilities		**3,600,826**	**3,723,046**
Equity			
Fixed capital		76,825	69,000
Statutory reserves		9,850	9,850
Retained earnings		255,464	197,797
Revaluation reserves		2,725	(3,370)
Total equity		**344,864**	**273,277**
Total liabilities and equity		**3,945,690**	**3,996,323**

The statement of financial position should be read in conjunction with the appendices on page 51 to 133 that are an integral part of the financial statements. The financial statement was approved by the Management Board for publishing on 12 February 2024.

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CEO	Executive director	Chief Accountant - Compiler

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Registered Auditor, responsible for the audit

For the year ended 31 December

In BGN thousand	App.	2023	2022
Cash flows from operating activity			
Profit for the year		57,476	23,213
Adjustments for non-cash transactions:			
Net impairment losses on financial assets		1,068	5,131
Net impairment (gains)/losses on other financial assets		(329)	707
Depreciation	20,22	3,813	2,681
Depreciation of right-of-use assets	21	2,528	2,714
Revenue from dividends		(66)	(145)
Revenue from interest	8	(99,022)	(69,855)
Interest expenses	8	11,104	693
Net loss from financial asset transactions, including currency revaluation	10,11	3,553	19,322
Net loss from remeasurement of financial assets measured at fair value through profit or loss;	10,11	0	1,392
Income tax expenses	14	6,428	2,558
Dividends received		31	145
Interest gained		92,827	75,226
Paid interest		(11,412)	(1,220)
Tax paid on profit		(6,400)	(2,208)
Cash flows used in operating activities before changes in operating assets and liabilities		**61,599**	**60,354**
Changes in assets and liabilities in operating activities:			
Financial assets reported at fair value through profit or loss.			
Loans and advances to banks		(1,745)	(54,401)
Loans and advances to clients		(315,030)	(302,665)
Other assets		5,438	(1,174)
Deposits from banks		(5,213)	(4,670)
Deposits from clients		(256,093)	358,826
Other borrowed funds		47,655	(929)
Other liabilities		9,862	4,078
Net cash flows from financial activities		**(453,527)**	**59,419**
Cash flows from investing activities			
Purchase of property, plant and equipment		(2,830)	(9,702)
Purchase of intangible assets		(1,372)	(1,234)
Purchase of investment securities		(54,345)	(349,902)
Proceeds from sale and maturity of investment securities		171,654	318,108
Net cash flows used in investment activities		**113,107**	**(42,730)**

For the year ended 31 December

In BGN thousand	App.	2023	2022
Cash flows from financing activity			
Issued debt securities		77,009	0
(Increase) in Right-of-use assets		(1,313)	(1,311)
Increase in lease liabilities		1,263	1,371
Increase of fixed capital through cash contribution		7,825	0
Lease principal payments	28	(2,662)	(2,359)
Lease interest payments	28	62	(67)
Net cash flows used in financial activities		**82,184**	**(2,366)**
Net (decrease)/increase in cash and cash equivalents		(258,236)	14,323
Cash and cash equivalents at 1 January		950,874	936,551
Cash and cash equivalents at 31 December		**692,638**	**950,874**

The statement of cash flows should be read in conjunction with the appendices on page51 to 133 that are an integral part of the financial statements. The financial statement was approved by the Management Board for publishing on 12 February 2024.

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CEO

Hristina Martsenkova
Executive director

Slava Filipova
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In BGN thousand	Fixed share capital	Statutory reserves	Retained earnings	Fair value reserve	Total
Balance as at 1 January 2022	**69,000**	**9,850**	**174,622**	**4,025**	**257,497**
Profit for the year	0	0	23,213	0	**23,213**
Other components of comprehensive income	0	0	0	(7,395)	**(7,395)**
Defined benefit plans	0	0	(38)	0	**(38)**
Total comprehensive income for the year	**0**	**0**	**23,175**	**(7,395)**	**15,780**
Balance as at 31 December 2022	**69,000**	**9,850**	**197,797**	**(3,370)**	**273,277**
Balance as at 1 January 2023	**69,000**	**9,850**	**197,797**	**(3,370)**	**273,277**
Increase due to additional contributions	**7,825**	**0**	**0**	**0**	**7,825**
Profit for the year	0	0	57,476	0	**57,476**
Other components of comprehensive income	0	0	0	6,333	**6,333**
Defined benefit plans	0	0	191	(238)	**(47)**
Total comprehensive income for the year	**0**	**0**	**57,667**	**6,095**	**63,762**
Balance as at 31 December 2023	**76,825**	**9,850**	**255,464**	**2,725**	**344,864**

The statement of changes in equity should be read in conjunction with the appendices on page51 to 133 that are an integral part of the financial statements. The financial statement was approved by the Management Board for publishing on 12 February 2024.

Georgi Zamanov	Hristina Martsenkova	Slava Filipova
CEO	Executive director	Chief Accountant - Compiler

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Registered Auditor, responsible for the audit

1. Legal status and ownership

Allianz Bank Bulgaria AD (the Bank) was registered in the Republic of Bulgaria, with a business address at: city of Sofia, Metropolitan municipality and management address: city of Sofia 1407, Lozenets district, 16 Srebarna Str. The Bank is a universal commercial bank and has a full banking license issued by the Bulgarian National Bank (BNB), on the basis of which it operates in all areas of banking in the country.

The ultimate parent and controlling entity of the Bank is Allianz SE, Germany. Direct majority owner of the Company is Allianz Bulgaria Holding AD.

(a) Management

As at 31 June 2023, the management of the Bank, namely the Management Board, consists of five members, namely: Ioannis Kotsianos, Georgi Kostadinov Zamanov, Hristina Marinova Martsenkova, Lyuba Georgieva Pavlova and Yordan Marinov Suvandzhiev.

As of December 31, 2023, the Bank's Supervisory Board consists of the following members: Dimitar Georgiev Zhelev, Christoph Plaine, Raymond Seymour, Rainer Franz, Pert Sosik and Georgi Emilov Enchev.

The Bank has an Audit Committee that monitors the work of its external auditors, internal auditing, risk management and accounting and financial reporting.

As at 31 December 2023, the Audit Committee has the following composition: Stefan Stefanov, Petr Sosik and Maksim Sirakov.

(b) Structure of the Bank

As at 31 December 2023, the Bank has 54 structural units, including headquarters, 52 business centers, 1 small business centers located in 34 cities and towns within the country.

2. Preparation basis

This financial statement has been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the Interpretation Committee (IFRIC), applicable to companies reporting under the IFRC, adopted by the European Union (EU). IFRS adopted by the EU is the generally accepted designation of a generic framework for fair presentation equivalent to the definition of the framework introduced in paragraph 8, item 1of the Additional Provisions of the Accounting Act - International Accounting Standards (IAS)

The financial statements have been prepared on a historical cost basis, except for financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and defined benefit plans at present value.

The financial statements have been prepared on a going concern basis.

The preparation of financial statements in conformity with IFRS requires the application of specific accounting estimates. The Company's management is required to make its own judgments and assumptions in applying the accounting policies. Items in the financial statements whose presentation requires a higher degree of subjective judgment, as well as those items for which estimates have a significant effect on the financial statements as a whole, are disclosed separately in Note 4.

3. Functional currency and reporting currency

This financial statement is presented in Bulgarian currency (BGN), which is the functional currency of the Bank. All amounts are and rounded up to thousand, unless otherwise stated.

4. Significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. The accounting policies have been applied consistently in the reporting years presented, unless explicitly stated otherwise.

(a) Recognition of interest revenue and expense

Interest revenue and expense are recognized in profit or loss using the effective interest method. The effective interest rate is the one that accurately discounts the expected future cash payments and proceeds over the life of the financial asset or liability to the carrying amount of the asset or liability.

The calculation of the effective interest rate includes all fees and commissions received or paid which are

an integral part of the effective interest rate. Transaction costs are intrinsic costs directly attributable to the acquisition and issue of a financial asset or liability.

Interest revenue and expense presented in profit or loss include:

- interest on financial assets and liabilities at amortized cost calculated using the effective interest method;
- interest on financial assets at fair value through other comprehensive income (FVOCI) and at fair value through profit or loss (FVPL).

(b) Foreign currency transactions

Transactions in a foreign currency are stated in functional currency at the exchange rate ruling on the date of the transaction. Monetary assets and liabilities denominated in a foreign currency are stated in the functional currency at the closing exchange rate on the financial position statement drafting date.

Exchange rate differences arising from monetary items are the difference between the amortized cost in a functional currency at the beginning of the period, adjusted for effective interest and payments over the period, and the amortized cost in foreign currency translated at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are reported at fair value are translated into the functional currency at the rate at the date that the fair value was determined.

Exchange differences arising on the translation in the functional currency are recognized in profit or loss except for differences arising on the translation of available-for-sale equity instruments.

Since 1998 the exchange rate of the Bulgarian lev (BGN) has been fixed to Euro (EUR). The exchange rate is BGN 1.95583 / EUR 1.0.

(c) Fees and commissions

IFRS 15 *Revenue from Contracts with Clients*

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. The standard is based on the principle that revenue is recognized when the control of the good or service is transferred to the client.

IFRS 15 is only applicable to contracts where a contract counterparty is a party that can be identified as a client in accordance with the requirements of the Standard.

Additionally, the standard provides guidance on accounting for certain costs of obtaining / performing the contract. Under IFRS 15, these costs are capitalized and should be recognized as an asset under contracts with clients only if they: (a) are made in relation to and pertain to a client contract that is within the scope of IFRS 15; (b) are not included in other IFRSs; and (c) are directly related to the contract, help generate resources for use in the course of the contract and are expected to be recovered.

4. Significant accounting policies (continued)

(c) Fees and commissions (continued)

Revenue from fees and commissions

The Bank realizes revenue from fees and commissions that are formed from performance and asset management. Fee and commission revenue arises from:

- Cash transactions and cash transfers
- Guarantees and letters of credit
- Loans
- Bank cards
- Other

The management fees mentioned above are recognized when providing the services. Performance fees are recognized as revenue after the end of the respective reference period.

(d) Net income from trade operations

Net trading income consists of gains less losses on assets and liabilities in trading portfolio and includes all realized and unrealized changes in fair value, interest, dividends and exchange differences.

(e) IFRS 9 Financial instruments

(i) Recognition, classification and valuation - financial assets

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed, as well as their cash flow characteristics.

IFRS 9 includes three principal classification categories of financial assets: at amortized cost, at fair value through other comprehensive income (FVOCI) and at fair value through profit or loss (FVPL).

A financial asset is measured at amortized cost if it meets both of the following conditions and is not classified under FVPL::

- the financial asset is held in a business model whose purpose is to hold assets in order to collect the contractual cash flows; and
- According to the contractual terms of the financial asset, cash flows arise at specific dates, which are only payments on principal and interest on the outstanding amount of the principal.

A financial asset is measured at FVOCI if it meets both conditions and is not classified under FVPL:

- the financial asset is held within a business model that targets both the collection of contractual cash flows and the sale of financial assets; and
- According to the contractual terms of the financial asset, cash flows arise at specific dates, which are only payments on principal and interest on the outstanding amount of the principal.

Upon the initial recognition of an equity instrument that is not held for trading, the Bank may take an irrevocable decision to present subsequent changes in fair value in other comprehensive income. This decision is made for each particular investment. All financial assets that are not classified as measured at amortized cost or at FVOCI as described above are measured at FVPL. In addition, upon initial recognition, the Bank may take an irrevocable decision and designate a financial asset that otherwise qualifies for measurement at amortized cost or at FVOCI, as measured at FVPL. if this would remove or reduce substantially the accounting mismatch, would have arisen.

Financial assets are classified in one of these categories at initial recognition.

4. Significant accounting policies (continued)

(e) IFRS 9 Financial instruments (continued)

(i) Recognition, classification and valuation - financial assets (continued)

Assessment of business model

The Bank will assess the purpose of the business model within which the financial asset is held at the portfolio level as it provides the best insight into how business is managed and how information is provided to management. The information to be considered includes:

- the policies and goals for the portfolio and the impact of these policies in practice, including whether the management strategy focuses on earning interest on contractual interest by maintaining a certain interest profile by comparing the term of the financial assets with the maturity of the liabilities that finance these assets , or on the realization of cash flows through the sale of assets;
- how the portfolio's performance is evaluated and reported to the management of the Bank;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how these risks are managed;
- how the compensation of managers is determined - e.g. whether the it is based on the fair value of the assets under management or the contractual cash flows collected; and
- the frequency, volume and moment of sales of financial assets in prior periods, the reasons for such sales and expectations of future sales. Sales information is not considered in itself, but as part of the overall assessment of how the entity's stated objective of managing financial assets and how cash flows are being met.

Financial assets held for trading and those that are managed and whose results are measured at fair value will be measured at FVPL because they are neither held for the purpose of collecting contractual cash flows nor for the purpose of both collecting contractual cash flows and sales of financial assets.

Estimating whether contractual cash flows are only principal and interest payments:

For the purposes of this estimate, the "principal" is determined as the fair value of the financial asset at initial recognition. “Interest" includes the remuneration for the value of money over time and for credit risk associated with the outstanding principal amount over a certain period of time and for other major credit risks and costs (e.g. liquidity risk and administrative costs) and a margin of profit.
In assessing whether contractual cash flows are only principal and interest payments, the Bank examines the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual clause that could change the time or value of the contractual cash flows so that they do not meet this condition. In this assessment, the Bank examined:

- contingency events that would change the amount or timing of cash flows;
- characteristics of leverage;
- conditions for extension and early repayment;
- conditions that limit the Bank's claims to cash flows from certain assets (for example, a “no-recourse” asset); and features that change the reward for the value of money over time – e.g. periodic recalculation of interest rates.

The interest rates of certain loans to individuals granted by the Bank are based on standard floating rates (SFRs), which are determined at the Bank's discretion. The Bank will assess whether the SFR meets the IASB criterion by examining a number of factors, including:

- whether the borrower can repay early loans without significant penalties;
- whether market competition guarantees comparable interest rates between banks; and
- whether regulatory frameworks or consumer protection frameworks are in place that oblige banks to treat their clients fairly.

All loans provided by the Bank contain early redemption features. The early amortization feature meets the IASB criterion if the amount of early repayment is essentially the sum of the principal outstanding and the interest on the principal outstanding amount that may include reasonable compensation for early termination of the contract.

In addition, the early repayment feature is deemed to meet this criterion if the financial asset is acquired or created at a premium or a discount on the contractual nominal amount, the amount of the early repayment is essentially the contractual nominal amount plus the accrued (but not paid) contractual interest which may also include reasonable compensation for early termination), and the fair value of the early amortization provision is insignificant on initial recognition.

4. Significant accounting policies (continued)

(e) IFRS 9 Financial instruments (continued)

(i) Recognition, classification and valuation - financial assets (continued)

Estimating whether contractual cash flows are only principal and interest payments (IASB) continued

All loans provided by the Bank contain early redemption features. The early amortization feature meets the IASB criterion if the amount of early repayment is essentially the sum of the principal outstanding and the interest on the principal outstanding amount that may include reasonable compensation for early termination of the contract.

In addition, the early repayment feature is deemed to meet this criterion if the financial asset is acquired or created at a premium or a discount on the contractual nominal amount, the amount of the early repayment is essentially the contractual nominal amount plus the accrued (but not paid) contractual interest which may also include reasonable compensation for early termination), and the fair value of the early amortization provision is insignificant on initial recognition.

(ii) Impairment - financial assets, loan commitments and financial guarantee contracts

IFRS 9 requires the application of a "expected credit loss" model. This requires substantial judgment on the way changes in economic factors are reflected in ECL, which is determined on a probability-weighted basis. The impairment model applies to the following financial assets which are not measured at FVPL:

- financial assets comprising debt instruments;
- lease receivables; and
- loan commitments and financial guarantee contracts (before impairment was determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets).

According to IFRS 9, impairment losses are not recognized for equity securities.

IFRS 9 requires recognition of a correction of losses amounting to 12-month ECL and lifetime ECL of the instrument. Lifetime ECL for the instrument is ECL arising from all possible cases of non-performance throughout the expected duration of a financial instrument, and 12-month ECL is the part of ECL derived from cases of non-performance which may occur within 12 months after the reporting date.

The Bank will recognize a correction for lifetime ECL except in the following cases where the recognized amount will be a 12-month ECL:

- debt investment securities that have low credit risk as of the reporting date. The Bank believes that a debt security has a low credit risk when the credit risk is equivalent to the globally accepted definition of "investment grade"; and.
- other financial instruments (other than leases) for which the credit risk has not increased significantly since initial recognition.

Loss adjustments for lease receivables are always valued at an amount equal to ECL over the expected life of the instrument.

The impairment requirements of IFRS 9 are complex and require management appraisals, estimates and assumptions, especially in the following areas, which are discussed in detail below:
- assessing whether the instrument's credit risk has increased significantly since initial recognition; and
inclusion of information for future periods in the evaluation of the ECL.

Evaluation of ECL

ECL is the probability-weighted estimated credit loss and will be determined as follows:

- *financial assets that do not have credit impairment at the reporting date:* the present value of the entire cash deficit - ie. the difference between the cash flows due under the contract and the cash flows that the Bank expects to receive;
- *financial assets that have credit impairment at the reporting date:* the difference between the gross carrying amount and the present value of the expected future cash flows;
- *unutilized credit commitments:* the present value of the difference between the contractual cash flows payable to the Bank if the commitment is utilized and the cash flows that the Bank expects to receive; and
- *financial guarantee contracts:* the present value of the expected payments of compensation to the holder minus any amount the Bank expects to repay.

Financial assets that have credit impairment are determined using IFRS 9 similar to those that are impaired under IAS 39.

4. Significant accounting policies (continued)

(e) IFRS 9 Financial instruments (continued)

(ii) Impairment - financial assets, loan commitments and financial guarantee contracts (continued)

Definition of default

Under IFRS 9, the Bank shall assume a financial asset is in default when:

- the borrower is unlikely to fulfill its credit obligations to the Bank in its entirety, without recourse by the Bank to actions such as the realization of the collateral (if any); or
- the borrower is over 90 days in arrears for any credit liability to the Bank. Overdrafts are considered overdue when the client exceeds the specified limit or has a limit lower than the current amount due.

The definition largely corresponds to the definition of regulatory objectives.

In assessing whether the borrower is in default, the Bank will report indicators that are:

- qualitative: e.g. breach of clauses;
- quantitative: e.g. overdue status and non-payment of other liabilities by the same issuer to the Bank;
- based on data received internally or externally.

Input information in the assessment of whether a financial instrument is defaulted and its significance may change over time to reflect changes in circumstances.

Significant increase in credit risk

Under IFRS 9, when assessing whether a credit risk (e.g. a default risk) of a financial instrument has increased significantly since initial recognition, the Bank will consider reasonable and reasoned information that is relevant and available without undue expense or effort, including qualitative and quantitative information; an analysis based on past experience, expert credit assessment and future information.

The Bank shall determine whether there has been a significant increase in the credit risk of a particular exposure mainly by comparing:

- the probability of default (PD) for the remaining term of the instrument at the reporting date; and
- the probability of default for the remaining duration of the instrument that was determined at the initial recognition of the exposure.

Assessing whether credit risk has increased significantly since the initial recognition of the financial instrument requires the determination of the date of initial recognition of the instrument. For certain revolving products (e.g. credit cards and overdraft), it may have been a long time since the date they were concluded. Modification of the contractual terms of the financial instrument may also influence this assessment as described below.

Credit risk levels;

The Bank shall determine the level of credit risk for each exposure based on a variety of data that is determined to predict the risk of default and applying credit based on experience. The Bank shall use these levels in determining the existence of significant credit risk increases under IFRS 9. Credit risk levels are defined by qualitative and quantitative factors that are indicative of the risk of default. These factors may vary according to the nature of the exposure and the type of borrower.

The credit risk levels are determined and calibrated so that the risk of default increases exponentially with the credit risk deterioration - e.g. the difference in default risk between credit risk level 1 and 2 is less than the difference between credit risk level 2 and 3.

For each exposure, a credit risk level at initial recognition will be determined on the basis of available information about the borrower. Exposures are subject to constant monitoring, which may lead to a shift of exposure to another level.

Credit risk levels are the main input in determining the time structure of the probability of default. The Bank shall collect information on the performance and non-performance of its exposures to credit risk, analyzed by jurisdiction, by product type and by the borrower, and by the level of credit risk. For some portfolios, information purchased from external credit information agencies can also be used.

4. Significant accounting policies (continued)

(e) IFRS 9 Financial instruments (continued)

(ii) Impairment - financial assets, loan commitments and financial guarantee contracts (continued)

Generating a term structure for probability of default

The bank shall use statistical models to analyze the collected data and generate estimates of default probability for the remaining exposure period and how it is expected to change over time.

This analysis involves identifying and calibrating the relationship between changes in default rates and changes in key macroeconomic factors as well as an in-depth analysis of the impact of certain other factors (e.g., the existence of restructuring) on the risk of default. For most exposures, key macroeconomic factors include:

- CPI – Inflation measured using the harmonized consumer price index, average annual change, (%).
- GDP - production method
- Unemployment – Unemployment rate, seasonally weighted data, monthly
- Interest rates

For exposures to certain industries and / or regions, the analysis expands to the relevant commodity and / or real estate prices. The Bank's approach to the inclusion of future information in this assessment is described below.

Determining whether credit risk has increased significantly

The Bank has defined a framework that includes both qualitative and quantitative information to determine whether the credit risk of a particular financial instrument has increased significantly since initial recognition. The framework is in line with the Bank's internal credit risk management process. The criteria for determining whether the credit risk has increased significantly varies according to the portfolio and includes a default mechanism. The Bank will consider the credit risk of a particular exposure substantially increased after initial recognition if, based on quality modeling performed by the Bank, the probability of default for the remaining time is determined to be increased after initial recognition under the accounting policy adopted. When assessing the increase in the credit risk, the ECLs are adjusted against the changes in maturity.

In certain cases, relying on expert judgment and, where possible, relevant past experience, the Bank may determine that a particular exposure has suffered a significant increase in credit risk if specific qualitative factors indicate this and these indices can not shall be fully and timely covered by the quantitative analysis. As a safeguard mechanism and in line with IFRS 9, the Bank accepts that there is a significant increase in credit risk when the asset was past due for no more than 30 days. The Bank sets the days past due by counting the days after the earliest expired term against which no payment was received.

The Bank monitors the effectiveness of the criteria used to identify significant credit risk increases through regular reviews confirming that:

- - the criteria are capable of identifying significant increases in credit risk before exposures are defaulted;
- the criteria do not coincide with the time at which the asset becomes past due by 30 days;
- the average period between identifying a significant increase in credit risk and default seems reasonable;
- exposures in general are not transferred directly from the 12-month ECL to credit impairment;
- there is no unjustified volatility in the correction of losses from transfers between 12-month ECL and lifetime ECL of the instrument.

4. Significant accounting policies (continued)

(e) IFRS 9 Financial instruments (continued)

(ii) Impairment - financial assets, loan commitments and financial guarantee contracts (continued)

Modified financial assets

The contractual terms of credit may be modified for many reasons, including changes in market conditions, client retention, and other factors that are not related to current or potential deterioration in the client's solvency. An existing credit, the terms for which it has been modified, may be derecognized and the renegotiated credit recognized as a new credit at fair value.

Under IFRS 9, when the condition of the financial asset is modified and the modifications do not lead to write-off, determining whether the credit risk of the asset has increased significantly reflects a comparison between:

- the probability of default for the remaining duration of the instrument based on the modified terms with the probability of default for the remaining duration of the instrument based on the data at initial recognition and the original contractual terms.

The Bank renegotiates loans to clients who have financial difficulties (called "restructuring practices") in order to maximize the possibilities for collecting claims and to minimize the risk of default. Under the Bank's Restructuring Policy, this is allowed selectively if the debtor is currently in default or if there is a high risk of default if there is evidence that the debtor has made all reasonable efforts to pay according to the original contractual terms and conditions expects the debtor to be able to comply with the revised terms.

Renegotiated terms typically include extending maturity, changing interest payment times, and changing loan terms. Both corporate and corporate loans are subject to restructuring. The Bank's Credit Committee frequently reviews the restructuring reports.

For financial assets modified as part of the Bank's Restructuring Policy, the probability of default will reflect the extent to which the modification has improved or restored the Bank's ability to collect interest and principal and prior experience with the Bank in respect of such restructuring activities. As part of this process, the Bank will assess the performance of the borrower's payments under the modified contractual terms and consider different behavioral indicators.

Overall, restructuring is a qualitative indicator of default and credit impairment, and expectations of restructuring are relevant in assessing whether there is a significant increase in credit risk. After the restructuring, the client must demonstrate a regular payer's behavior for a certain period of time before the exposure ceases to be considered a default / credit impairment, or the probability of default has declined so that the loss correction is again measured in the 12-month ECL.

Input information for the estimation of ECL

The key input to the estimation of ECL includes the term structure of the following variables:
- Probability of default (PD)
- Loss given Default (LGD); and
- Exposure at Default (EAD).

These parameters will be derived from internally developed statistical models and other historical data that affect regulatory models. They will be adjusted to reflect future information as described below.

PD estimates are estimates at a certain date that will be calculated based on statistical rating models and will be evaluated using rating instruments tailored to different categories of counterparties and exposures. These statistical models will be based on internally compiled data containing qualitative and quantitative factors. Where available, market data can also be used to determine PD for large corporate counterparties. If a counterparty or exposure migrates between categories, this leads to a change in the PD estimate. PDs are calculated in terms of contractual maturities of the exposures and the expected repayment rates.

4. Significant accounting policies (continued)

(e) IFRS 9 Financial instruments, (continued)

(ii) Impairment - financial assets, loan commitments and financial guarantee contracts ,(continued)

Input information for the estimation of ECL (continued)

The LGD is the amount of the alleged loss given default. The Bank determines the parameters of LGD based on the history of the level of recovery of receivables from non-performing counterparties. LGD models take into account the structure, collateral, order of receivables, counterparty industry, and collateral security costs that are part of the financial asset. For loans secured by commercial property, the credit value / collateral value coefficients will be a key parameter in the determination of LGD. LGD estimates are calibrated for different economic scenarios and for real estate loans to reflect possible changes in property prices. They are calculated on the basis of discontinued cash flows using the effective interest rate for the discount rate. EAD is the expected exposure in the event of a default.

The Bank determined the EAD from the current exposure to the counterparty and the potential changes in the current amount authorized under the contract, including amortization and early repayment. The EAD of the financial asset will be the gross carrying amount at the default date. For loan commitments and financial guarantees

the EAD recognizes the amount utilized, as well as potential future amounts that may be utilized or repaid under the contract that will be provided on the basis of past and forward looking observations. For some financial assets, the Bank may designate an EAD by modeling the set of possible exposure outcomes at different times in time using scenarios and statistical techniques.

As described above, and provided that maximum 12 month PD is used for financial assets whose financial risk has not increased significantly, the Bank assesses the ECL by considering the default risk for the maximum duration of the contract (including the possibility of prolongation on the part of the borrower) for which he is exposed to credit risk, even if the Bank considers a longer period for the purposes of risk management. The maximum term of the contract extends to the date on which the Bank is entitled to request repayment of the advance or to terminate a credit commitment or guarantee.

For consumer overdraft and credit cards and certain corporate revolving products that include credit and commitment for undrawn amounts, the Bank assesses the ECL for a period longer than the maximum term of the contract if the Bank's contract law requires repayment or cancellation of the uncommitted commitment limits the exposure of the Bank to credit losses up to the contractual period of notice. These products do not have a fixed term or repayment structure and are managed collectively. The Bank may cancel them with immediate effect, but this right does not apply to normal day-to-day management, but only when the Bank becomes aware of an increase in credit risk at the product level. The longer period will be assessed taking into account the credit risk management measures that the Bank intends to undertake to reduce the ECL. These include lowering the limit and canceling the product.

When modeling a particular parameter is done collectively, the financial instruments will be grouped on the basis of common risk characteristics that include:

- instrument type
- credit risk level;
- type of collateral;
- value of the loan / collateral value;
- date of initial recognition,
- remaining time to maturity;
- branch; and
- geographical location of the borrower.

Grouping is subject to regular review in order to ensure that exposures in a given group remain homogeneous.

4. Significant accounting policies (continued)

(e) IFRS 9 Financial instruments, (continued)

(ii) Impairment - financial assets, loan commitments and financial guarantee contracts ,(continued)

Input information for the estimation of ECL (continued)

For portfolios for which the Bank has limited past performance data, external reference information will be used to supplement available internal data.

Portfolios for which the external reference information represents a significant input in the evaluation of the ECL are:

	External reference benchmarks used	
	PD	**LGD**
measured at amortized cost (AMORTCOST)	Studies by Fitch, S & P and other licensed agencies on default	Studies by Fitch, S & P and other licensed agencies on default
Reported at fair value in other comprehensive income (FVOCI);	Studies by Fitch, S & P and other licensed agencies on default	Studies by Fitch, S & P and other licensed agencies on default

Information for future periods

Under IFRS 9, the Bank will include future-time information, both in its assessment of whether the credit risk of a particular instrument has increased significantly after initial recognition and in the evaluation of the ECL. The Bank will formulate a "baseline scenario" for the future development of the relevant economic variables and a representative set of other possible scenarios based on an opinion from the Bank's Risk Committee and economic experts and a variety of up-to-date and forecasted external information. This process will involve developing two or more additional economic scenarios and considering the relative probabilities of each result.

External information may include economic data and forecasts published by state and monetary authorities, superstate organizations such as the Organization for Economic Cooperation and Development and the International Monetary Fund, and selected experts from the private and academic sector.

The baseline scenario will represent the most probable outcome and will be consistent with the information used by the Bank for other purposes, such as strategic planning and budgeting. Other scenarios will be more optimistic and more pessimistic. The Bank will also perform periodic stress tests for more extreme shocks to calibrate the determination of these different representative scenarios.

The Bank has identified and documented key credit risk factors and credit losses for each portfolio of financial instruments, and using historical data analysis, has roughly estimated the relationship between macroeconomic variables and credit risk and credit losses. These key factors include interest rate, unemployment rates and GDP projections. The projected relationships between key indicators and default and loss levels of different portfolio of financial assets have been developed on the basis of data analysis for the past 5 years.

The economic scenarios used were approved by the Bank's Management Board.

(iii) Classification - financial liabilities

According to IFRS 9, the changes in fair value will be presented as follows:

- the portion of the change in fair value that is due to changes in the credit risk of the liability is reflected in other comprehensive income,
- the rest of the change is reflected in profit or loss.

The Bank recognizes its financial liabilities at amortized cost.

4. Significant accounting policies (continued)

(e) IFRS 9 Financial instruments, (continued)

(iv) Deletion and modification of contracts

The Bank derecognises a financial asset when the contractual rights to cash flows from the financial asset expire or when it transfers the rights to receive the contractual cash flows from the financial asset to a transaction in which all significant risks and rewards of ownership of the financial asset are transferred. Every participation in transferred financial assets, which was created or kept by the Bank, is recognized as separate asset or liability.

The Bank derecognizes a financial liability when its contractual obligations are fulfilled, canceled or when they expire. The Bank carries out transactions that transfer assets recognized in the statement of financial position but retain all or all of the material risks and rewards of the transferred assets or part of them. If some or all of the material risks and rewards are retained, the transferred assets are not derecognised from the statement of financial position. Transferring assets with retaining some or all of the material risks and gains are, for example, securities lending or repurchase transactions.

When a third party sells swap assets with a uniform total return on the transferred assets, the transaction is accounted for as a secured financial transaction similar to a repurchase transaction.

For transactions in which the Bank neither retains nor transfers all material risks and gains from the possession of a financial asset, it derecognises the asset if it does not retain control over it. Rights and obligations retained in the transfer are separately recognized as assets and liabilities respectively.

For transactions that retain control of the asset, the Bank continues to recognize the asset to the extent of its interest, depending on how exposed it is to changes in the value of the transferred asset.

In certain transactions, the Bank retains its obligation to service the transferred financial asset for consideration. The transferred asset is derecognized entirely if it meets the derecognition criteria.

The asset or liability is recognized in the service contract depending on whether the service charge is more than sufficient (asset) or less than sufficient (liability) to perform the service.

(v) Offset

Financial assets and liabilities are offset and the net amount is recognized in the statement of financial position when and only when the Bank has a legally enforceable right to offset the recognized amounts and intends to settle the asset and liability on a net basis.
Revenue and expense are presented in net only in the cases permitted by accounting standards or by gains and losses that arise from a group of similar transactions such as those arising from the Bank's operations.

(vi) Capital planning

The main impact on the Bank's regulatory capital s from the application of IFRS 9 shall result from the new impairment requirements.

Under the current regulatory requirements, impairment losses are treated differently depending on whether a particular portfolio falls within the IRB or Standardized Approach.

The Bank applies a standardized approach. The capital requirement is calculated on the basis of the gross exposure, net of specific provisions - ie. net exposure. IFRS 9 increases write-downs related to individual assets, therefore the net exposure and the capital requirement will be reduced. However, this reduction in the capital requirement is exceeded by the increased loss adjustments under IFRS 9 of the capital resources.

4. Significant accounting policies (continued)

(e) IFRS 9 Financial instruments, (continued)

(vii) Measured at amortized cost

The amortized cost of a financial asset or liability is the amount by which a financial asset or liability is measured at initial recognition minus principal repayments plus or minus cumulative amortization using an effective interest rate for the difference between the initially recognized amount and the amount of the maturity minus the cost for impairment.

(viii) Principles of fair value measurement

Fair value is the price that would be received from the sale of an asset or be paid to transfer a liability in an orderly transaction between market participants at the measurement date on the main market for the Bank or in the absence thereof, in the most advantageous market to which the Bank has access at that date. The fair value of a liability reflects the risk of breach of an obligation. Whenever possible, the Bank shall measure the fair value of an instrument using quoted prices in an active market for that instrument. The market is considered as active when the transactions for the asset or liability are executed with enough frequency and volume so that it allows the provision of actual information on prices. If there is no stock market price in an active market, valuation techniques are used (such as discounted cash flows and comparison with similar instruments) by maximally using appropriate observable inputs and minimizing the use of observable ones. The chosen valuation technique covers all the factors that market participants would take into account when pricing the deal.

The best evidence of a fair value of a financial instrument at initial recognition is the price of the transaction (i.e. the fair value of the remuneration received or given). If the Bank determined that the fair value at initial recognition differs from the transaction price and there is no evidence of fair value through stock exchange price of a similar asset or liability, either it is based on a valuation technique that uses data from observable markets, then the financial instrument initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, the difference is recognized in profit and loss rescheduled of an appropriate basis for the life of the instrument, but no later than the time when the assessment can be entirely supported by observable market data or transaction is completed.

The fair value of a call deposit is not less than the amount due on demand deducted from the original date on which the deposit may become chargeable. The Bank shall disclose the transfer between the levels in the fair value hierarchy at the end of the reporting period of the change occurrence.

e) Financial assets measured amortized cost

A financial asset is measured at amortized cost if compliant with the requirements:

- the financial asset is held in a business model whose purpose is to hold assets in order to collect the contractual cash flows; and
- under the contractual terms of the financial asset at specific dates
- cash flows arise, which are only principal payments
- and interest on the outstanding amount of the principal.

This group includes loans, purchased bonds, deposits with banks and other forms of debt financing held by the bank that are held for the purpose of obtaining the contractual cash flows;

(g) Financial assets reported at fair value in other comprehensive income (FVTPL);

Financial assets are held within a business model that targets both the collection of contractual cash flows and sales of financial assets, and according to the contractual terms of financial assets at specific dates, cash flows arise, which are only principal and interest payments on the outstanding principal amount.

This group includes debt instruments measured at fair value in other comprehensive income and equity instruments without subsequent reclassification of changes in the income statement on derecognition.

4. Significant accounting policies (continued)

(h) Financial assets reported at fair value through profit and loss (FVPL)

All other financial assets that are not classified in the above two categories are measured at fair value through profit or loss of debt instruments measured at fair value through profit or loss.

Depending on the classification of the financial assets, for the purpose of their subsequent measurement, the differences arising from the change in their value are recognized in profit or loss or other comprehensive income. Recognition of differences from the subsequent evaluation is performed only on assets that are measured at fair value. In summary, the subsequent evaluation of financial assets is presented in the following table

Categories of financial assets	Subsequent evaluation	Recognition of differences of subsequent evaluation
Financial assets, measured at amortized cost	Amortized cost	The value of the asset is sequentially brought to its amortized cost at cost
Financial assets measured by fair value in other comprehensive income	Fair value	In other comprehensive income
Financial assets evaluation at fair value through profit and loss.	Fair value	in profit and loss

The Bank has not reclassified FVTPL assets in other categories during the reporting period.

(i) IFRS 16 Leases

(i) Leases - the Bank as a lessee

Leases are recognized as an asset with a right of use and, accordingly, a liability on the lease on the date that the leasing asset is available for use by the Bank. Each lease payment is apportioned between the lease liability and the financial cost. Financial expenses are accrued in profit or loss during the lease term so that a constant periodic interest rate is payable on the balance of the liability for each period. The right-of-use asset is depreciated over the lease term using the straight-line method.

A right-of-use asset is presented separately in the statement of financial position., except for right-of-use assets that meet the requirements for classification as investment property, which are also presented in the statement of financial position on a separate line - “investment properties ”.

Assets and liabilities arising from a lease are initially measured at their present value. Leasing liabilities include the net present value of the following lease payments:

- fixed payments, net of receivables on incentives received;
- variable lease payments, which are determined on the basis of an index or percentage;
- amounts expected to be payable by the lessee in the form of residual value guarantees;
- the purchase price if the lessee is reasonably certain that this option will be exercised, and
- lease termination penalty payments if the lease term reflects the lessee's ability to exercise this option.

Lease payments shall be discounted at the rate of interest set out in the lease if that rate can be directly determined. If this rate cannot be directly determined, the Bank uses the differential interest rate. This is the percentage that the Bank would have to pay to borrow for a similar period of time and with similar collateral the funds needed to obtain an asset of similar value to an asset with a right to use in a similar economic environment.

4. Significant accounting policies (continued)

(i) IFRS 16 Leases (continued)

(i) Leases - the Bank as a lessee (continued)

Each lease payment is apportioned between the lease liability and the financial cost. Subsequently, the lease liabilities are valued using the effective interest method. The carrying amount of the lease liability is remeasured to reflect revaluations or changes to the lease, or to reflect the substantially adjusted lease payments.

The lease term is the irrevocable period for which the lessee has the right to use the underlying asset; the periods in respect of which there is an option to extend or terminate the lease, if it is reasonably certain that the lessee will exercise that option.

Right-of-use assets are initially measured at cost, which includes:

- - the value of the initial valuation of the lease liability, the lease payments made before or on the date of the lease occurrence, less lease incentives received;
- any initial direct costs associated with the lease, and
- leasing reimbursement costs.

Subsequently, the eligible assets are measured at cost less any accumulated depreciation and any accumulated impairment losses and are adjusted for any revaluation of the lease liability due to a revaluation or change in the lease. Right-of-use assets are depreciated on a straight-line basis over the lease term.

Payments related to short-term leases and leasing of low-value assets are recognized as an expense on a straight-line basis over the term of the lease in the statement of comprehensive income. The Bank considers the possibility of derecognition in respect of the lease of low value assets for each lease separately. When an asset is acquired through a lease agreement, it is recognized as an asset with a right to use and a lease liability. For all other low-value asset leases, the lessee recognizes the related lease payments as an expense on a straight-line basis over the lease term. Short-term leases have a term of no more than 12 months and include rents of parking spaces and ATMs, IT equipment and others.

(ii) Lease activity of the Bank

The Bank leases various assets (administrative offices and buildings, computer equipment and cars), other small equipment. Lease contracts are concluded on an individual basis and contain a wide range of conditions. The main characteristics of leases are summarized below:

- Offices and buildings are leased for specific periods of 1 to 10 years, with terms determined individually. Contracts may contain clauses for renewal and / or early termination of the lease. Lease payments are usually fixed, and in some cases price indexation clauses are negotiated under certain conditions. Annexes are signed for the changes under the initially agreed conditions.
- Vehicles are leased for a fixed period of 1 year with the possibility of extension.
- Computer equipment is leased for a fixed period of 2 years.

Leases do not have covenants, but leased assets cannot be used as collateral for loans.

(iii) Extension and termination options

A number of the Bank's leases include options for extension and termination. They are used to provide maximum operational flexibility with respect to the management of the assets used in the Bank's operations. For significant accounting estimates and judgments in determining the lease term, please see Appendix 7..

(iv) Short-term leases

The Bank has short-term leases for buildings, vehicles and equipment and expenses are recognized on a straight-line basis over the reporting period.

4. Significant accounting policies (continued)

(i) IFRS 16 Leases (continued)

(v) Leases - the Bank as a Lessor

When the Bank is the lessor under a lease under which a significant portion of the risks and rewards of ownership of an asset is transferred to the lessee, a finance lease is recognized and a net investment made by the Bank is reported and shown in loans and receivables.

(j) Loans and advances

Loans and advances are non-derivative financial instruments with fixed or determinable payments that are not quoted in an active market and which the Bank does not intend to sell immediately or in the near future.

Loans and advances to banks are classified as loans and receivables. Loans and advances to clients include:

- those classified as loans and receivables;
- receivables under a finance lease
- receivables under factoring contracts;
- receivables under cash pool agreements.

Loans and advances are initially recognized at fair value, including the initial direct cost of acquiring the assets. Upon subsequent evaluation, loans and advances are stated at amortized cost on an effective interest rate basis.

When a bank acquires a financial asset and simultaneously concludes a reverse repurchase agreement (or similar instrument) at a fixed price at a future date (reverse repurchase agreement), the agreement is accounted for as a loan or advance and the asset subject to collateral is not recognized in the statement of financial position.

(k) Receivables under factoring contracts

Factoring is a transfer of one-off or recurring claims arising from the supply of goods or the provision of services. Receivables arising from factoring include non-derivative financial assets with fixed or determinable payments that are not traded on an active market. The Bank recognizes its receivables on factoring depending on the extent of the risks and rewards of ownership of the transferred asset.

In the case of a factoring contract without regression, the contract client transfers substantially all the risks and rewards of ownership of the financial asset to the Bank. In this case, the Bank recognizes and reports in the financial statements the transferred receivable in its entirety as a financial asset.

Under a factoring agreement with regression, the risk of the transferred asset is retained by the client under the contract. The transfer of the claim in this case is not a sufficient condition for the derecognize \the financial instrument sold to the client under a factoring contract. At the Bank, receivables under factoring agreements with regression are recognized and recognized in the financial statements up to the amount of the amount paid, representing an advance to the clients with whom factoring contracts have been concluded. Upon initial recognition of the receivables, the Bank assesses them at their fair value, including the costs directly attributable to the acquisition of the financial asset. In the reporting year 2022, the Bank has concluded domestic and export factoring contracts with and without regression.

The subsequent evaluation of claims depends on the original term of the factoring contract. If it is greater than a year, the receivable is measured at amortized cost using the effective interest method. For factoring contracts with a term of up to one year, as is customary practice, no amortized cost is applied, as this method has no significant effect in shorter terms. At each reporting date, receivables are impaired on a simplified basis. Undrawn limits on factoring contracts with regression are not recognized as a financial asset in the Bank's financial statements and are reported off-balance sheet.

4. Significant accounting policies (continued)

(l) Property, plant and equipment

Property, plant and equipment are reported in the statement of financial position at their cost less accumulated depreciation and impairment losses.

Profit and losses from sale of property, plant and equipment are recognized in profit or loss.

Depreciation is accrued based on the straight line method, according to set norms for the purpose of the full depreciation of the value of property, plant and equipment for the expected period of use. The following are the annual depreciation rates used:

Assets	%
Buildings	4
Property, plant and equipment	20-30
Computers and computer equipment	20-50
Fixtures and fittings	10
Motor vehicles	25

Assets are not depreciated until they are put into operation and / or transferred from the cost of acquiring fixed assets in the relevant asset category.

The depreciation methods, the useful life and the residual values of property plant and equipment are reassessed at each reporting date and should be corrected if appropriate.

(m) Intangible assets

Intangible assets acquired by the Bank are presented at cost, less the accrued depreciation and impairment loss.

Expenditure on internally generated intangible assets is recognized as an asset when the Bank demonstrates the ability to complete the asset, its use results in future economic benefits, and its value can be reliably measured.

Subsequent costs are capitalized only when they increase the future economic benefit of the specific asset to which they relate. All other future expenses are recognized as expenses as they are incurred.

Depreciation is calculated on the basis of the straight-line method over the expected useful life. The following are the annual depreciation rates used:

Intangible assets	%
Software and licenses	10-50
Other fixed intangible assets	10

The depreciation methods, the useful life and the residual values of intangible assets are reassessed at each reporting date and should be corrected if appropriate.

(n) Impairment of non-financial assets

The reporting amounts of the Bank's non-financial assets are reviewed at each reporting date in order to determine whether there are indications of impairment. If such indications exist, an estimate of the recoverable amount of the asset is made.

For the purpose of the impairment test, assets that can not be tested individually are grouped together into the smallest possible group of assets generating cash proceeds from continuing use that are largely independent of the cash receipts from other assets or cash-generating unit (CGU).

The recoverable amount of an asset or a CGU is the higher of its value in use and its fair value less costs to sell. When assessing the value in use, future cash flows are discounted to their present value using a pre-tax discount rate reflecting current market assessments, time money, and asset- or CGU-specific risk. An impairment loss is recognized if the carrying amount of an asset or a CGU exceeds its recoverable amount.

The impairment losses are recognized in profit and loss. They are allocated first to reduce the value of the goodwill allocated to the CGU and subsequently to reduce the carrying amount of the assets part of the CGU.

4. Significant accounting policies (continued)

(o) Deposits and other borrowed funds

Deposits from clients and banks and attracted funds from public funds are the sources of the Bank to finance loans and advances. When the Bank sells a financial asset and simultaneously concludes a repurchase agreement for that (or similar) asset at a fixed price at a future date ("repo"), the agreement is accounted for as a deposit and the principal asset continues to be recognized in the Bank's financial statements. Deposits and other borrowings are initially measured at fair value, including directly attributable transaction costs, and are subsequently measured at amortized cost using the effective interest method.

(p) Issued debt securities

Issued debt securities are reported as financial liabilities at amortized cost. These financial liabilities at amortized cost reflect the Bank's commitments to repay the commitments until maturity by means of cash or other financial assets. The issued debt securities are measured at fair value, including directly attributable transaction costs, and are subsequently measured at amortized cost using the effective interest method. This financial liability is derecognized from the balance sheet when it is repaid, i.e. the obligation defined in the contract has lapsed or its term has expired.

(q) Provisions

A provision is recognized in the statement of financial position when there is a present legal or constructive obligation as a result of past events and it is probable that an outflow of cash that can be reliably measured will be required to repay it. Provisions are determined by discounting future cash flows at a pre-tax discount rate that reflects the current market valuation of the time value of money and the specific risks for the respective liability.

(r) Income tax

The tax expense includes current and deferred taxes. It is recognized in profit or loss except when it pertains to items recognized directly in equity or in other comprehensive income. Interest and income tax losses, including uncertain tax procedures, are reported in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

(i) Current taxes

Current tax is the expected tax payable or receivable on the taxable profit or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and all correction to tax liabilities or receivables for previous years. The amount of the current tax liability or receivable is the best estimate of the amount of tax that is expected to be paid or received that reflects the income tax uncertainties.

(ii) Deferred taxes

Deferred tax are recognized on temporary differences between the amounts of assets and liabilities recognized in the financial statements and the amounts used for taxation purposes. Deferred tax are not recognized for:

- temporary differences on initial recognition of assets and liabilities in a transaction that is not a business combination and that affects profit or loss, neither accounting nor taxable;
- temporary differences relating to investments in subsidiaries and jointly controlled entities, as much as the Bank can control in time the reversal of the temporary differences and it is likely that they will not reverse in the foreseeable future.

Deferred tax assets shall be recognized for unused tax losses, unused tax credits and deductible temporary differences, to the extent that it is probable future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and reduced as long as future profits are unlikely to be realized and such rebates are restored when the probability of future taxable profits improves.

In the determination of current and deferred tax the Bank takes into account the impact of uncertain tax positions and whether additional taxes and interest may have been due. The Bank believes that the accruals for taxation liabilities are adequate for all open tax years based on the assessment of many factors, including interpretations of tax law and prior experience. This assessment is based on estimates and assumptions and may involve judgments about future events. It is possible new information becomes available whereby the Bank to change its judgment on the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination be made.

4. Significant accounting policies (continued)

(r) Income tax, (continued)

(ii) Deferred taxes (continued)

Deferred tax is measured at the tax rates expected to apply to temporary differences when they occur back, based on laws that were in force or were essentially the reporting date.

The deferred tax assets and liabilities are compensated only if there is a legal basis for deduction of current tax assets and liabilities, and they relate to income taxes imposed by the same taxation authority.

(s) Staff benefits

(i) Short-term employee benefits

Payables for short-term employee benefits are recognized as an expense when related services are provided. A liability is recognized for the amount that is expected to be paid if the Bank has a legal or constructive obligation to pay that amount as a result of past service provided by an employee and the liability can be measured reliably.

(ii) Defined contribution plans

Contributions to defined contribution plans include contributions to government institutions and statutory pension funds managed by private management companies according to legal requirements or individual choice. The obligation to transfer contributions to defined contribution plans is recognized as an expense when the related services are provided.

The Bank's obligation for defined benefit plans is limited to the statutory requirements for paying employees between two and six months of retirement depending on their length of service. The amount of the liability that the employee will receive is determined by his remuneration in previous and current periods, this amount being discounted at an appropriate discount rate, which represents the yield of bonds that have an appropriate credit rating and a maturity approximating the term of the Bank's obligation; which are denominated in the currency of the liability.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected credit unit method. The Bank sets the net interest rate on the net defined benefit obligation net of the defined benefit plan using the discount rate used at the beginning of the period to discount the liability to a net defined benefit plan liability.

Revaluations arising from defined benefit plans are actuarial gains and losses that are recognized in other comprehensive income. Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

(t) Assets acquired from collateral

Assets acquired from collateral are reported at the lower of their cost and net realizable value. The cost includes the cost of acquiring the asset, government fees for private enforcement agents, etc. Net realizable value represents the estimated selling price less the estimated costs necessary to complete the sale.

(u) New and amended standards adopted by the Bank

The Company has applied the following standards and amendments for the first time for its annual reporting period beginning on 1 January 2023.

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

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

Amendments to IAS 12 Income tax“(issued on 7 May 2021 and effective for annual periods beginning on or after 1 January 2023)

4. Significant accounting policies (continued)

(u) New and amended standards adopted by the Company ,(continued)

IFRS 17 Insurance Contracts (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2023), **including Amendment to IFRS 17 and Amendment to IFRS 4** (issued on 25 June 2020 and effective for annual periods beginning on or after 1 January 2023)

Amendment to IFRS 17 Insurance Contracts: Option for transition of insurance companies applying IFRS 17 (issued on 9 December 2021 and effective for annual periods beginning on or after 1 January 2023).

The bank has prepared an analysis at the credit product level and there are no indications of applying IFRS 17. Based on the analysis, the Bank has concluded that it will continue to apply IFRS 9. The bank does not offer products where the assessment of the insurance risk related to an individual client is reflected in determining the price of a contract with that client. No contracts have been identified that provide credit or payment arrangements that transfer significant insurance risk as defined in IFRS 17 to the Bank. The interpretation of “contractual term” should be in accordance with IFRS 9 (as the contract is within the scope of IFRS 9). In particular, paragraph B4.1.13 of the interpretation should be consistent with the interpretation applied to IFRS 9, which clarifies that where payments arise only as a result of legislation that gives the regulatory authority the power to impose changes to an instrument, they should not be taken into account in the assessment of the SPPI criterion as this power is not part of the contractual terms of a financial instrument. Instrument E in B4.1.13 of IFRS 9 specifically refers to loss sharing instruments as an example that may meet the SPPI criterion.

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).

All changes in the adopted standards have no impact on the amounts recognized in prior periods and are not expected to have a significant impact on current or future periods.

(v) New standards and interpretations which have not yet been applied by Bank

Certain new accounting standards and explanations have been published as non-mandatory for the reporting period as at 31 December 2023 and have not been previously adopted by the Company. The Company's assessment of the impact of these new standards and interpretations is set out below.

Amendment to IFRS 16 Leases: Lease liability in a sale and leaseback (issued 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 and Classification of Liabilities as Current or Non-current — Deferral of Effective Date (issued originally on 23 January 2020 and then amended on 15 July 2020 and 31 October 2022, finally 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 Company during the current or future reporting period as well as in prospective future transactions.

(w) **New standards, clarifications and amendments not yet adopted by the EU**

Amendment of IAS 7 “Statements of Cash Flows” and IFRS 7 “Financial Instruments”: Supplier Finance Agreements (issued on 25 may 2023 and as effective for annual periods beginning on or after 1 January 2014)

Amendment to IAS 21 “Effects of Changes in Foreign Exchange Rates”: Lack of exchangeability(issued on25 May 20231 and effective for annual periods beginning on or after 1 January 20253).

5. Disclosure of the financial risk management policy

(a) Introduction and general

The Bank is exposed to the following types of risk in its operations with financial instruments:

- credit Risk
- liquidity risk
- market risk
- compliance with capital adequacy requirements

This appendix provides information about the Bank's exposures to each of the financial risks, the Bank's purposes, policies, and processes to measure and manage these risks.

General provisions of risk management

The Management Board is responsible for the preparation and implementation of the Bank's risk management general position. The Management Board selects the Asset and Liability Management Committee and the Risk Committee (RICO), which are responsible for the preparation and monitoring of the Bank's risk management policies in their specific areas.

The Bank's risk management policies are designed to identify and analyze the risks faced by the Bank to provide appropriate risk and control limits and to observe compliance with these limits. The policies and systems for risk management are reviewed periodically in order to reflect changes on the market conditions, products and services offered.

The Specialized Internal Audit Service division monitors whether applied risk management policies are in compliance with the Bank's risk management policies, and also the extent to which the general principles of management match the acceptable risk for management.

(b) Credit Risk

When performing commercial operations, credit and investment activity, and also in cases where it plays the role of an intermediary on behalf of clients or other organizations and in its capacity as guarantor, Allianz Bank Bulgaria AD is exposed to credit risk.

Concentration of credit risk arises mainly depending on the sector of activity and the type of clients. There is also a risk of significant concentration of credit risk on financial instruments in counterparties with similar economic characteristics for the Bank, and therefore changes in economic and other conditions would have a similar effect on their ability to meet their contractual obligations .

Credit risk management

The Management Board of the Bank delegates the responsibility for managing the credit risk of the Executive Officers of the Bank, Credit Risk Division, Risk Control and Reporting Division, Non-Performing Loans Division, Large Corporate and International Clients Directorate, Corporate Banking Division, Retail Banking Division, Sales Control Division and the Bank’s Credit Board.
The Management Board of the Bank formulates credit policies with the support of business units, taking into account the collateral, credit risk, valuation and legal requirements for documentary and legal justification. The Bank's Management Board determines the amount of competence to approve and renew credit transactions. Credit Risk Division prepares an opinion with a credit risk assessment for all credit exposures that exceed certain limits.

After issuing a credit risk assessment opinion, credits are submitted for review and approval by the bank's competent authority.

5. Disclosure of the financial risk management policy, continued

(b) Credit Risk (continued)

Credit risk management, (continued)

Qualitative assessment is based on evaluation of indicators such as company history and ownership, management, credit history, professional experience, sectoral analysis, environmental assessment, etc. The Bank implements specialized software (Litis-POD) to generate a behavioral scoring model based on the borrower's credit history for corporate clients and individuals. Behavioral scoring is prepared for every individual and legal entity. As a factor in the specialized software of the bank was implemented the internal corporate rating model (MicroCap) and application scoring (Critesis).

The application rating is established based on a quantitative assessment (financial scoring) and a qualitative assessment of the borrower and his/her related persons. Financial scoring is calculated based on the latest available annual financial statements and calculation of the main financial ratios for the respective reporting period.

The Risk Control and Reporting Department performs "back testing" of the impairment model at least once a year. The distribution, the significance of the Kolmogorov-Smirnov coefficient and the Gini coefficient, as well as the achieved levels of default rates, are compared with the predictions (limits of the rating intervals). Any change in the structure of the model that results in a change in the individual credit ratings of the borrowers is approved by the Bank's RICO.

The Bank has implemented a dedicated DGW system that covers the entire business process of the Retail Banking business, from the submission of the loan application, the processing of the request, the decision making, the signing of the loan agreement to the loan utilization. The system is designed to have separate modules for each product (mortgage loans, consumer credits, credit cards, etc.), with a separate set of indicators for each module. The system calculates a rating for credit risk assessment.

The Bank's Management board approves at the beginning of each calendar year and reviews the concentration of exposures by credit programs, sectors, sectors, types of clients, loan amount, maturity, etc., as well as issuers, credit rating, liquidity and state (for investment securities books).

The Credit Risk, Monitoring and Provisioning Department and the Early Collection and Resolution Department are responsible for managing the Bank's credit risk in respect of the review, assessment and classification of the Bank's risk exposures, depending on the allowed delay of due liabilities, according to the terms set in the Bank legislation and assessment of the debtor's financial condition and the sources of payment of his obligations, focusing the management's attention on the risk under consideration.

The Credit Risk, Monitoring and Provisioning Department performs a periodic review of the compliance of the business centers / financial centers with their credit limits, in compliance with the Bank's Rules and Procedures for Credit Activity. Periodic reports on the results of inspections and the quality of local portfolios are provided to the Executive Directors of the Bank. The Bank carries out ongoing monitoring, including an analysis of the debtor's financial position, depending on the amount of the total credit exposure of the borrower and the related parties, as follows: minimum once a year for all exposures and extraordinary monitoring in case of change in risk.

The bank monitors the value of accepted collateral real estate periodically - for commercial real estate at least once a year, and for residential real estate once every three years. The Bank also monitors more frequently when significant changes occur in market conditions. Accepted collateral for risk exposures in default are reassessed at least once a year. The collateral is revalued by an independent valuer by determining market value. For loans exceeding EUR 3 million or 5% of the Bank 's equity, the valuation of real estate is subject to review by a valuer at least once per year.

The Bank classifies the risk exposures according to the degree of credit risk in the following classification groups, in accordance with the adopted "Provisioning policy" - performing exposures and defaulting risk exposures.

The credit board approves corporate exposures from BGN 1.5 million to BGN 5 million, but no more than 2% of the bank's capital base and for exposures in the retail banking business line from BGN 500 thousand to BGN 4 million.

5. Disclosure of the financial risk management policy, continued

(b) Credit Risk (continued)

Credit risk management, (continued)

Performing exposures

A risk exposure is classified as performing if it meets the following conditions at the same time: the principal and interest are paid in accordance with the terms of the contract or with a delay of up to 90 days and there is no recorded default event.

Defaulting risk exposures

It is considered that a default has occurred in respect of a particular debtor where at least one of the following conditions is met:

a) It is unlikely that the borrower will pay his/her credit liabilities to the Bank in full without taking of actions by the Bank, e.g. Realization of collateral, regardless of the size of overdue payment and days overdue;
b) the borrower is over 90 days overdue for a substantial part of his/her credit liability to the Bank.
The classification of the risk groups is as follows:

“Performing " are risk exposures on loans and other receivables that are being repaid and for which the debtor's financial statements do not give reason to doubt that he will fully settle his obligations.
“Under Supervision" exposures are risk exposures on loans and other receivables where there are minor breaches in their servicing or there is a possibility for a deterioration in the debtor's financial condition that may call into question the full repayment of the obligation.

Non-performing exposures are risk exposures on loans and other receivables where there are significant breaches in their service, or there is evidence that the debtor's financial position is not stable, its current and expected receipts are insufficient to fully pay off its debts to the Bank and to other creditors, as well as when there are identified weaknesses with a clear possibility for the Bank to suffer a loss.

“Loss" exposures are risk exposures where, owing to a deterioration in the financial condition of the obligor, it is probable that its liabilities will become irrecoverable, even though they have a partial recoverable amount that can be realized in the future.

Risk exposures in default are classified as "non-performing" and "loss". The Bank assesses individually all significant risk exposures in default. If a debtor has more than one exposure, the highest risk class is assigned to all of his exposures.

Credit risk analysis

The table below provides information on maximum exposure to credit risk.

5. Disclosure of the financial risk management policy, continued

(b) Credit Risk (continued)

Credit Risk analysis (continued)

Credit risk exposure

In BGN thousand	**31 DECEMBER 2023**	**31.12.2022**
Cash and cash equivalents (excluding cash at hand)	658,868	920,900
Financial assets at fair value through profit and loss (excl. equity instruments)	3	1
Financial assets at fair value through profit and loss	364	0
Loans and advances to banks	66,053	64,154
Financial assets reported at fair value in other comprehensive income;(excl. equity instruments)	117,608	151,895
Financial assets at amortized cost:	787,757	842,663
Loans and advances to clients	2,224,989	1,922,564
incl. Cash pool	9,756	9,405
Total book value of the credit risk	**3,855,642**	**3,902,177**
Off-balance sheet commitments		
Unutilized overdrafts and credit lines	204,508	181,845
Guarantees	47,512	43,281
Letters of credit	6,192	9,486
Total off-balance sheet commitments	**258,212**	**234,612**
Total credit risk exposure	**4,113,854**	**3,775,628**

The table below provides information on the distribution of loans in the loan portfolio of Allianz Bank Bulgaria AD by type of loan for each of the products offered by the Bank. Securities and promissory notes are not included in the collateral.

Loan type	**Consumer loans**	**Mortgage loans**	**Corporate loans and loans to SMEs**	**Financial Institutions**	**Total net carrying amount**
Unsecured Loans	492,200	4,214	126,853	503	623,770
Loans secured by:	44,779	881,751	728,187	43,206	1,697,923
Residential Properties	624	859,621	108,274	782	969,301
Commercial properties	1,195	21,489	271,715	1,877	296,276
Cash	2,453	12	4,290	0	6,755
Other collateral	40,507	629	343,908	40,547	425,591
Total loans at 31.12.2023	**536,979**	**885,965**	**855,040**	**43,709**	**2,321,693**

5. Disclosure of the financial risk management policy, continued

(b) Credit Risk (continued)

Credit Risk analysis (continued)

Loan type	Consumer loans	Mortgage loans	Corporate loans and loans to SMEs	Financial Institutions	Total net carrying amount
Unsecured Loans	373,366	4,473	115,633	815	494,287
Loans secured by:	42,622	740,547	695,571	40,608	1,519,348
Residential Properties	48	717,734	81,783	0	799,565
Commercial properties	0	22,051	246,116	3,568	271,735
Cash	2,641	12	4,831	0	7,484
Other collateral	39,933	750	362,841	37,040	440,564
Total loans at 31.12.2022	**415,988**	**745,020**	**811,204**	**41,423**	**2,013,635**

The analysis of loans and advances to clients, banks and other financial institutions and investment securities classified by risk is presented below:

In BGN thousand	**Loans and advances to clients**		**Loans and advances to banks**		**Investment securities (excluding equity instruments)**		**Off-balance sheet commitments**	
	31.12.2023	**31.12.2022**	**31.12.2023**	**31.12.2022**	**31.12.2023**	**31.12.2022**	**31.12.2023**	**31.12.2022**
Regular	2,112,179	1,767,678	66,054	9,783	896,177	991,333	47,450	47,686
Under supervision	151,634	193,699	0	0	0	10,009	5,785	3,295
Non-performing	57,880	52,258	0	0	0	0	469	474
Totals	**2,321,693**	**2,013,635**	**66,054**	**9,783**	**896,177**	**1,001,342**	**53,704**	**51,455**
Impairment losses	(96,704)	(91,071)	(1)	(1)	(697)	(6,784)	(374)	(562)
Carrying amount	**2,224,989**	**1,922,564**	**66,053**	**9,782**	**895,480**	**994,558**	**53,330**	**50,893**
W/o arrears or impairment								
Regular	2,112,158	1,767,678	66,053	9,783	0	991,333	47,450	47,686
Under supervision	151,634	193,699	0	0	0	10,009	5,785	3,295
including restructured	*11,934*	*46,157*	*0*	*0*	*0*	*0*	*0*	*0*
	2,263,792	**1,961,377**	**66,053**	**9,783**	**0**	**1,001,342**	**53,235**	**50,981**

5. Disclosure of the financial risk management policy, continued

(b) Credit Risk (continued)

Credit Risk analysis (continued)

In BGN thousand	Loans and advances to clients		Loans and advances to banks		Investment securities (excluding equity instruments)		Off-balance sheet commitments	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022	31.12.2023	31.12.2022	31.12.2023	31.12.2022
Individually impaired								
Non-performing	28,906	19,139	0	0	0	0	0	0
Loss	28,648	31,981	0-	0	0	0	469	474
including restructured	*26,147*	*18,937*	*0*	*0*	*0*	*0*	*0*	*0*
	57,554	**51,120**	**0**	**0**	**0**	**0**	**469**	**474**
Overdue, but not impaired								
1≤ 30 days	88	912	0	0	0	0	0	0
> 30 days ≤ 60 days	228	100	0	0	0	0	0	0
> 60 days ≤ 90 days	10	126	0	0	0	0	0	0
> 90 days ≤ 180 days	0	0	0	0	0	0	0	0
> 180 days	0	0	0	0	0	0	0	0
including restructured	*29*	*213*	*0*	*0*	*0*	*0*	0	*0*
	326	**1,138**	**0**	**0**	**0**	**0**	**0**	**0**

In BGN thousand

	Loans and advances to clients		Loans and advances to banks		Investment securities (excluding equity instruments)		Off-balance sheet commitments	
Impairment losses	31.12.2023	31.12.2022	31.12.2023	31.12.2022	31.12.2023	31.12.2022	31.12.2023	31.12.2022
Individually impaired	55,506	(47,374)	0	(1)	697	(6,784)	17	(23)
Collectively impaired	41,198	(43,697)	0	0	0	0	357	(539)
	96,704	**(91,071)**	**0**	**(1)**	**697**	**(6,784)**	**374**	**(562)**

Credit analysis and client advances for 2023, by type of loan, classified by Stages is presented below:

5. Disclosure of the financial risk management policy, continued

(b) Credit Risk (continued)

Credit Risk analysis (continued)

Loan type	Mortgage loans	Consumer loans	Credit cards individuals	Other loans	Working capital loans	Investment loans	Credit cards entities	Total
Stage 1 (Performing)	826,907	333,287	6,815	118,755	499,812	326,199	404	2,112,179
Stage 2 (Under supervision)	36,262	16,717	1,445	41,974	38,189	16,932	115	151,634
Stage 3 (Non-performing)	22,796	14,546	394	3,520	10,427	6,160	37	57,880
Total Gross value before impairment	**885,965**	**364,550**	**8,654**	**164,249**	**548,428**	**349,291**	**556**	**2,321,693**
Stage 1 (Performing)	(3,935)	(3,091)	(31)	(2,493)	(6,895)	(7,955)	(6)	(24,406)
Stage 2 (Under supervision)	(4,107)	(1,281)	(42)	(2,237)	(5,866)	(3,252)	(7)	(16,792)
Stage 3 (Non-performing)	(20,582)	(14,427)	(394)	(3,520)	(10,367)	(6,179)	(37)	(55,506)
Impairment losses	**(28,624)**	**(18,799)**	**(467)**	**(8,250)**	**(23,128)**	**(17,386)**	**(50)**	**(96,704)**
Carrying amount	**857,341**	**345,751**	**8,187**	**155,999**	**525,300**	**331,905**	**506**	**2,224,989**

Credit analysis and client advances for 2022, by type of loan, classified by Stages is presented below:

Loan type	Mortgage loans	Consumer loans	Credit cards individuals	Other loans	Working capital loans	Investment loans	Credit cards entities	Total
Stage 1 (Performing)	681,105	257,351	6,501	71,040	485,117	266,290	273	1,767,677
Stage 2 (Under supervision)	36,710	16,028	1,452	47,143	47,821	44,477	69	193,700
Stage 3 (Non-performing)	27,205	14,803	553	1,916	6,162	1,560	59	52,258
Total Gross value before impairment	**745,020**	**288,182**	**8,506**	**120,099**	**539,100**	**312,327**	**401**	**2,013,635**
Stage 1 (Performing)	(4,112)	(2,260)	(33)	(832)	(7,486)	(4,703)	(5)	(19,431)
Stage 2 (Under supervision)	(3,458)	(1,319)	(32)	(1,639)	(7,934)	(9,881)	(3)	(24,266)
Stage 3 (Non-performing)	(23,310)	(14,618)	(551)	(1,916)	(5,390)	(1,530)	(59)	(47,374)
Impairment losses	**(30,880)**	**(18,197)**	**(616)**	**(4,387)**	**(20,810)**	**(16,114)**	**(67)**	**(91,071)**
Carrying amount	**714,140**	**269,985**	**7,890**	**115,712**	**518,290**	**296,213**	**334**	**1,922,564**

5. Disclosure of the financial risk management policy, continued

(b) Credit Risk (continued)

Credit Risk analysis (continued)

Credit analysis and client advances for 2023, by type of loan and days of delay, classified by Stages is presented below:

Loan type	Mortgage loans	Consumer loans	Credit cards individuals	Other loans	Working capital loans	Investment loans	Credit cards entities	Total
W/o arrears or impairment	**865,013**	**350,057**	**8,260**	**160,729**	**538,001**	**343,131**	**519**	**2,265,710**
Stage 1 (Performing)	826,907	333,287	6,815	118,755	499,812	326,199	404	**2,112,179**
Stage 2 (Under supervision)	36,262	16,717	1,445	41,974	38,189	16,932	115	**151,634**
Stage 3 (Non-performing)	1,844	53	0	0	0	0	0	**1,897**
including restructured	*1,128*	*113*	*0*	*0*	*9,803*	*1,055*	*0*	***12,099***
Individually impaired	**20,721**	**14,438**	**394**	**3,520**	**10,366**	**6,160**	**37**	**55,636**
Stage 3 (Non-performing)	20,721	14,438	394	3,520	10,366	6,160	37	**55,636**
including restructured	*11,060*	*1,938*	*0*	*70*	*6,977*	*5,923*	*14*	***25,982***
Overdue, but not impaired	**231**	**55**	**0**	**0**	**61**	**0**	**0**	**347**
1≤ 30 days	14	34	0	0	61	0	0	**109**
> 30 days ≤ 60 days	217	11	0	0	0	0	0	**228**
> 60 days ≤ 90 days	0	10	0	0	0	0	0	**10**
> 90 days ≤ 180 days	0	0	0	0	0	0	0	**0**
> 180 days	0	0	0	0	0	0	0	**0**
including restructured	*0*	*0*	*0*	*0*	*29*	*0*	*0*	***29***
	885,965	**364,550**	**8,654**	**164,249**	**548,428**	**349,291**	**556**	**2,321,693**
Impairment losses	**(28,624)**	**(18,799)**	**(467)**	**(8,250)**	**(23,128)**	**(17,386)**	**(50)**	**(96,704)**
Individually impaired	(20,583)	(14,427)	(394)	(3,520)	(10,366)	(6,179)	(37)	-55,506
Collectively impaired	(8,041)	(4,372)	(73)	(4,730)	(12,762)	(11,207)	(13)	-41,198
Total	**857,341**	**345,751**	**8,187**	**155,999**	**525,300**	**331,905**	**506**	**2,224,989**

5. Disclosure of the financial risk management policy, continued

(b) Credit Risk (continued)

Credit Risk analysis (continued)

Credit analysis and client advances for 2022, by type of loan and days of delay, classified by Stages is presented below:

Loan type	Mortgage loans	Consumer loans	Credit cards individuals	Other loans	Working capital loans	Investment loans	Credit cards entities	Total
W/o arrears or impairment	**719,973**	**273,479**	**7,955**	**118,183**	**533,022**	**310,767**	**342.00**	**1,963,721.00**
Stage 1 (Performing)	681,105	257,351	6,501	71,040	485,117	266,290	273	1,767,677
Stage 2 (Under supervision)	36,710	16,028	1,452	47,143	47,821	44,477	69	193,700
Stage 3 (Non-performing)	2,158	100	2	0	84	0	0	2,344
including restructured	*1,148*	*34*	*0*	*19,637*	*25,919*	*0*	*0*	*46,738*
Individually impaired	**23,985**	**14,627**	**551**	**1,916**	**6,078**	**1,560**	**59**	**48,776**
Stage 3 (Non-performing)	23,985	14,627	551	1,916	6,078	1,560	59	48,776
including restructured	*13,454*	*1,770*	*0*	*93*	*2,240*	*788*	*11*	*18,356*
Overdue, but not impaired	**1,062**	**76**	**0**	**0**	**0**	**0**	**0**	**1,138**
1≤ 30 days	852	60	0	0	0	0	0	912
> 30 days ≤ 60 days	92	8	0	0	0	0	0	100
> 60 days ≤ 90 days	118	8	0	0	0	0	0	126
> 90 days ≤ 180 days	0	0	0	0	0	0	0	0
> 180 days	0	0	0	0	0	0	0	0
including restructured	*213*	*0*	*0*	*0*	*0*	*0*	*0*	*213*
	745,020	**288,182**	**8,506**	**120,099**	**539,100**	**312,327**	**401**	**2,013,635**
Impairment losses	(30,880)	(18,197)	(616)	(4,387)	(20,810)	(16,114)	(67)	(91,071)
Individually impaired	(23,309)	(14,618)	(551)	(1,916)	(5,390)	(1,530)	(59)	(47,373)
Collectively impaired	(7,571)	(3,579)	(65)	(2,472)	(15,420)	(14,584)	(7)	(43,698)
	714,140	**269,985**	**7,890**	**115,712**	**518,290**	**296,213**	**334**	**1,922,564**

5. Disclosure of the financial risk management policy, continued

(b) Credit Risk (continued)

Credit Risk analysis (continued)

The analysis of loans and advances to clients for 2023 (cash pool and factoring receivables are not included in the analysis) in Stage 1 according to the internal rating assessment is presented below:

Gross book value:

Rating	Other loans	Investment loans	Mortgage loans	Credit cards	Working capital loans	Consumer loans	Other Financial assets at amortized cost:	Total
A+	0	0	0	0	0	0	0	**0**
A	0	612	0	0	0	0	0	**612**
BBB+	0	3,251	0	0	787	0	0	**4,038**
BBB	0	9,441	0	0	123	3	0	**9,567**
BBB-	0	2,455	7,765	168	104	143	59	**10,694**
BB+	0	1,646	138,464	1,658	10,714	835	254	**153,571**
BB	1	14,965	112,854	1,413	2,537	2,392	507	**134,669**
BB-	104	100,733	58,551	1,158	34,894	9,968	7,253	**212,661**
B+	454	69,248	437,598	2,296	167,577	244,169	34,896	**956,238**
B	52	91,285	61,402	416	98,603	48,404	63,458	**363,620**
B-	0	29,289	6,097	33	27,842	9,857	11,445	**84,563**
CCC+	95	83	3,261	56	2,345	13,483	176	**19,499**
CCC	0	2,753	858	17	6,941	3,837	0	**14,406**
CCC-	0	0	48	4	36	193	0	**281**
CC	0	0	9	0	0	2	0	**11**
Total	**706**	**325,761**	**826,907**	**7,219**	**352,503**	**333,286**	**118,048**	**1,964,430**

5. Disclosure of the financial risk management policy, continued

(b) Credit Risk (continued)

Credit Risk analysis (continued)

Expected credit loss:

Rating	Other loans	Investment loans	Mortgage loans	Credit cards	Working capital loans	Consumer loans	Other Financial assets at amortized cost:	Total
A+	0	0	0	0	0	0	0	**0**
A	0	0	0	0	0	0	0	**0**
BBB+	0	3	0	0	1	0	0	**4**
BBB	0	10	0	0	0	0	0	**10**
BBB-	0	3	5	0	0	0	0	**8**
BB+	0	4	181	3	24	1	0	**213**
BB	0	47	222	3	9	5	0	**286**
BB-	0	499	173	4	181	37	11	**905**
B+	1	639	2,128	14	3,008	1,455	118	**7,363**
B	0	2,032	1,009	8	2,116	779	2,224	**8,168**
B-	0	4,577	105	1	894	219	135	**5,931**
CCC+	1	2	80	2	102	424	2	**613**
CCC	0	139	29	1	416	168	0	**753**
CCC-	0	0	2	0	3	2	0	**7**
CC	0	0	0	0	0	0	0	**0**
Total	**2**	**7,955**	**3,934**	**36**	**6,754**	**3,090**	**2,490**	**24,261**
Carrying amount	**704**	**317,806**	**822,973**	**7,183**	**345,749**	**330,196**	**115,558**	**1,940,169**

5. Disclosure of the financial risk management policy, continued

(b) Credit Risk (continued)

Credit Risk analysis (continued)

The analysis of loans and advances to clients for 2022 (cash pool and factoring receivables are not included in the analysis) in Stage 1 according to the internal rating assessment is presented below:

Gross book value:

Rating	Other loans	Investment loans	Mortgage loans	Credit cards	Working capital loans	Consumer loans	Finance lease	Total
A+	-	-	-	-	1,950	-	-	**1,950**
A	-	-	-	-	654	-	-	**654**
BBB+	-	-	-	-	-	-	-	-
BBB	-	-	-	-	19,608	5	-	**19,613**
BBB-	-	1,617	6,943	177	-	236	29	**9,002**
BB+	-	2,559	18,939	1,656	206	856	12	**24,228**
BB	24	4,574	44,098	1,441	4,894	2,179	1,150	**58,360**
BB-	28	58,601	42,727	821	10,344	6,431	14,319	**133,271**
B+	0	44,773	496,662	2,191	75,642	209,784	11,072	**840,124**
B	119	128,397	61,268	386	170,250	24,582	38,802	**423,804**
B-	(9)	21,500	6,828	16	31,521	6,170	5,227	**71,253**
CCC+	-	360	2,620	48	9,525	5,247	267	**18,067**
CCC	-	3,909	939	24	13,948	1,661	-	**20,481**
CCC-	-	-	57	14	-	196	-	**267**
CC	-	-	24	-	-	2	-	**26**
Total	**162**	**266,290**	**681,105**	**6,774**	**338,542**	**257,349**	**70,878**	**1,621,100**

Expected credit loss:

Rating	Other loans	Investment loans	Mortgage loans	Credit cards	Working capital loans	Consumer loans	Finance lease	Total
A+								
A								
BBB+								
BBB					19			**19**
BBB-		2	4					**6**
BB+		5	21	3		1		**30**
BB		13	84	4	15	5	1	**122**
BB-		307	135	3	61	25	24	**555**
B+		614	2,832	16	678	1,433	30	**5,603**
B		2,860	814	7	4,267	399	722	**9,070**
B-		660	123	0	973	145	52	**1,953**
CCC+		13	64	2	467	173	3	**722**
CCC		231	32	1	854	76	-	**1,194**
CCC-		-	2	1	-	2	-	**5**
CC		-	1	-	-	-	-	**1**
Total	**1**	**4,705**	**4112**	**37**	**7,334**	**2,259**	**832**	**19,280**
Carrying amount	**161**	**261,585**	**676,993**	**6,737**	**331,208**	**255,090**	**70,046**	**1,601,820**

5. Disclosure of the financial risk management policy, continued

(b) Credit Risk (continued)

Credit Risk analysis (continued)

Expected credit loss (continued):

IFRS 9 replaces the model of “occurred loss” in IAS 39 with the model of “expected credit loss” (ECL). This will require substantial judgment on the way changes in economic factors are reflected in ECL.

The impairment model applies to the following financial assets which are not measured at FVPL:

- financial assets comprising debt instruments;
- lease receivables; and
- loan commitments and financial guarantee contracts (before impairment was determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets).

Evaluation of ECL

ECL is the probability-weighted estimated credit loss and will be determined as follows:

- *financial assets that do not have credit impairment at the reporting date:* the present value of the entire cash deficit - ie. the difference between the cash flows due under the contract and the cash flows that the Bank expects to receive;
- *financial assets that have credit impairment at the reporting date:* the difference between the gross carrying amount and the present value of the expected future cash flows;
- - *unutilized credit commitments:* the present value of the difference between the contractual cash flows payable to the Bank if the commitment is utilized and the cash flows that the Bank expects to receive;

The full description of the estimates and the method of estimating the expected credit loss are described in item 5, (e), (ii).

W/o arrears or impairment

Loans without arrears or impairment are performing exposures that have no objective impairment indicators and for which the Bank allocates collective provisions for losses incurred but unrecorded at the exposure level. For the purpose of monitoring, the Bank groups the risk exposures on a portfolio basis in separate sub-portfolios on the basis of similar characteristics, according to their type, purpose and risk profile. The Bank considers exposures subject to collective impairment for unrated exposures.

Individually impaired

Individually impaired loans are those for which the Bank considers that it will not be able to collect all principal and interest under the contractual terms of the transaction.

Overdue, but not impaired

Loans where the agreed principal and / or interest are overdue, but the Bank considers that it is not necessary to set aside uncollectible impairment on the basis of the collateral available or the collection stage of the amounts owed by the borrower.

Restructured loans

Restructured loans are risk exposures whose original terms of the agreement have been altered by the Bank's concession to the debtor, caused by a deterioration in the latter’s financial condition, leading to the inability to repay the full amount of the debt, which concessions the Bank would not consider in other circumstances.

A concession means any of the following actions:

a) modification of the previous duration and contractual terms, which the borrower is not able to comply with due to his/her financial difficulties (“problematic debt") leading to an inability to repay the debt, whereas such modifications would not have been made, had the debtor not experienced financial difficulties.
(b) Full or partial refinancing of a problematic debt contract that would not have been provided to a debtor if he had no financial difficulties.

5. Disclosure of the financial risk management policy, continued

(b) Credit Risk (continued)

Credit Risk analysis (continued)

Restructured loans (continued)

The concession may lead to a loss for the Bank.

Exposures are not treated as exposures with renegotiated terms when the Bank has reason to believe that it will collect principal and interest and there are no circumstances showing a deterioration in the debtor's financial position.

The table below presents an analysis of gross and net (after deduction of impairment losses) carrying amounts of the individually impaired assets by risk groups:

In BGN thousand

31 DECEMBER 2023	Gross	Net	% of impairment
Non-performing	29,190	2,226	92%
Loss	28,690	147	99%
Total	**57,880**	**2,373**	**96%**

31.12.2022	Gross	Net	% of impairment
Non-performing	20,068	3,935	80%
Loss	32,190	949	97%
Total	**52,258**	**4,884**	**91%**

The table below shows the amounts of derecognised loans and advances to clients:

In BGN thousand	31.12.2023	31.12.2022
Derecognized loans	2,434	4,656
Impairment losses	(2,434)	(4,656)
Value after impairment	**0**	**0**

The table below presents an analysis of restructured loans and advances to clients as of 31.12.2023 and 31.12.2022:

In BGN thousand	2023	2022
Restructured loans and advances to clients	38,111	65,307
Impairment losses	(29,266)	(30,722)
Carrying amount	**8,845**	**34,585**

5. Disclosure of the financial risk management policy, continued

(b) Credit Risk (continued)

Credit Risk analysis (continued)

Restructured loans (continued)

	Provisions				Gross carrying amount			
Loans	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
1 January 2023	(19,431)	(24,266)	(47,374)	(91,071)	1,767,678	193,699	52,258	2,013,635
Changes that affected the provisioning expense over the period	*(4,975)*	*7,474*	*(8,132)*	***(5,633)***	*344,501*	*(42,065)*	*5,622*	***308,058***
Changes due to migration from Stage 1 to Stage 2	670	(670)	0	**0**	(37,456)	37,456	0	**0**
Changes due to migration from Stage 1 and Stage 2 to Stage 3	143	275	(418)	**0**	(9,639)	(3,180)	12,819	**0**
Changes due to migration from Stage 2 and Stage 3 to Stage 1	(15,136)	12,368	2,768	**0**	60,505	(57,582)	(2,923)	**0**
Increases due to occurrence and acquisition	(7,390)	(8,348)	(23,462)	**(39,200)**	875,586	29,122	10,731	**915,439**
Decrease of the correction due to derecognition	0	0	2,434	**2,434**	0	0	(2,434)	**(2,434)**
Changes in accrued interest	0	0	0	**0**	0	0	0	**0**
Changes due to repayments	16,738	3,849	10,546	**31,133**	(544,495)	(47,881)	(12,571)	**(604,947)**
Movements with an impact on loan provision for the period 31.12.2023	**(24,406)**	**(16,792)**	**(55,506)**	**(96,704)**	**2,112,179**	**151,634**	**57,880**	**2,321,693**

5. Disclosure of the financial risk management policy, continued

(b) Credit Risk (continued)

Credit Risk analysis (continued)

Restructured loans (continued)

	Provisions				Gross carrying amount			
Loans	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
	(34,712)	**(10,426)**	**(52,036)**	**(97,174)**	**1,561,423**	**101,637**	**56,994**	**1,720,054**
01.01.2022								
Changes that affected the provisioning expense over the period	*15,281*	*(13,840)*	*4,662*	***6,103***	*206,255*	*92,062*	*(4,736)*	***293,581***
Changes due to migration from Stage 1 to Stage 2	14,447	(14,447)	0	**0**	(120,167)	120,167	0	**0**
Changes due to migration from Stage 1 and Stage 2 to Stage 3	42	955	(997)	**0**	(4,020)	(4,589)	8,609	**0**
Changes due to migration from Stage 2 and Stage 3 to Stage 1	(692)	156	536	**0**	4,219	(3,683)	(536)	**0**
Increases due to occurrence and acquisition	(9,104)	(6,499)	(12,170)	**(27,773)**	788,872	32,186	6,360	**827,418**
Decrease of the correction due to derecognition	0	0	4,656	**4,656**	0	0	(4,656)	**(4,656)**
Changes in accrued interest	0	0	0	**0**	0	0	0	**0**
Changes due to repayments	10,588	5,995	12,637	**29,220**	(462,649)	(52,019)	(14,513)	**(529,181)**
Movements with an impact on loan provision for the period 31.12.2022	**(19,431)**	**(24,266)**	**(47,374)**	**(91,071)**	**1,767,678**	**193,699**	**52,258**	**2,013,635**

5. Disclosure of the financial risk management policy, continued

(b) Credit Risk (continued)

Credit Risk analysis (continued)

Restructured loans (continued)

Financial guarantees	Stage 1	Stage 2	Stage 3	Total provisions	Gross carrying amount
Provisions for financial guarantees as at 01.01.2023	**342**	**197**	**23**	**562**	**51,455**
Changes that affected the provisioning expense for financial guarantees over the period	*(85)*	*(97)*	*(6)*	*(188)*	*2,249*
Transfer	0	0	0	0	**0**
Changes due to migration from Stage 1 to Stage 2	(66)	66	0	0	**0**
Changes due to migration from Stage 1 and Stage 2 to Stage 3	0	0	0	0	**0**
Changes due to migration from Stage 2 and Stage 3 to Stage 1	0	0	0	0	**0**
Guarantees issued and change in ECL without stage change	134	0	0	134	**23,680**
Change from tax depreciation	0	0	0	0	**0**
Changes due to modification without derecognition	0	0	0	0	**0**
Changes due to updating the institution's valuation methodology	0	0	0	0	**0**
Decrease of the correction due to derecognition	0	0	0	0	**0**
Changes resulting from cancellation of bank guarantees or change in ECL without stage change	(153)	(163)	(6)	(322)	**(21,431)**
Total cost of provisions on financial guarantees	**(85)**	**(97)**	**(6)**	**(188)**	**2,249**
Provisions for financial guarantees as at 31.12.2023	**257**	**100**	**17**	**374**	**53,704**

5. Disclosure of the financial risk management policy, continued

(b) Credit Risk (continued)

Credit Risk analysis (continued)

Restructured loans (continued)

Financial guarantees	**Stage 1**	**Stage 2**	**Stage 3**	**Total provisions**	**Gross carrying amount**
Provisions for financial guarantees as at 01.01.2022	**386**	**48**	**548**	**982**	**53,749**
Changes that affected the provisioning expense for financial guarantees over the period	*(44)*	*149*	*(525)*	*(420)*	***(2,294)***
Transfer	0	0	0	0	**0**
Changes due to migration from Stage 1 to Stage 2	(6)	6	0	0	**979**
Changes due to migration from Stage 1 and Stage 2 to Stage 3	0	0	0	0	**0**
Changes due to migration from Stage 2 and Stage 3 to Stage 1	0	0	0	0	**0**
Guarantees issued and change in ECL without stage change	124	165	0	289	**19,119**
Change from tax depreciation	0	0	0	0	**0**
Changes due to modification without derecognition	0	0	0	0	**0**
Changes due to updating the institution's valuation methodology	0	0	0	0	**0**
Decrease of the correction due to derecognition	0	0	0	0	**0**
Changes resulting from cancellation of bank guarantees or change in ECL without stage change	(162)	(22)	(525)	(709)	**(22,392)**
Total cost of provisions on financial guarantees	**(44)**	**149**	**(525)**	**(420)**	**(2,294)**
Provisions for financial guarantees as at 31.12.2021	**342**	**197**	**23**	**562**	**51,455**

5. Disclosure of the financial risk management policy, continued

(b) Credit Risk (continued)

Credit Risk analysis (continued)

Restructured loans (continued)

	Provisions				Credit commitments			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
1 January 2023	**2,715**	**331**	**742**	**3,788**	**208,708**	**16,525**	**752**	**225,985**
Changes that affected the provisioning expense over the period	*(1,253)*	*(194)*	*(237)*	***(1,684)***	*(13,099)*	*(8,130)*	*(247)*	***(21,476)***
Changes due to migration from Stage 1 to Stage 2	(12)	12	0	**0**	(1,554)	1,554	0	**0**
Changes due to migration from Stage 1 and Stage 2 to Stage 3	(1)	(1)	2	**0**	(106)	(31)	137	**0**
Changes due to migration from Stage 2 and Stage 3 to Stage 1	217	(3)	(214)	**0**	1,490	(1,276)	(214)	**0**
Increases due to occurrence and acquisition	671	42	9	**722**	103,053	1,635	113	**104,801**
Changes due to modification without derecognition	0	0	0	**0**	0	0	0	**0**
Changes due to updating the institution's valuation methodology	0	0	0	**0**	0	0	0	**0**
Decrease of the correction due to derecognition	0	0	0	**0**	0	0	0	**0**
Changes in accrued interest	0	0	0	**0**	0	0	0	**0**
Changes due to repayments	(2,128)	(244)	(34)	**(2,406)**	(115,982)	(10,012)	(283)	**(126,277)**
Movements with an impact on loan provision for the period	**1,462**	**137**	**505**	**2,104**	**195,609**	**8,395**	**505**	**204,509**

5. Disclosure of the financial risk management policy, continued

(b) Credit Risk (continued)

Credit Risk analysis (continued)

Restructured loans (continued)

	Provisions				Credit commitments			
Credit commitments	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
01.01.2022	**1,650**	**103**	**1,284**	**3,037**	**134,552**	**5,724**	**1,294**	**141,570**
Changes due to migration from Stage 1 to Stage 2	*(36)*	*36*	*0*	***0***	*(4,495)*	*4,495*	*0*	***0***
Changes due to migration from Stage 1 and Stage 2 to Stage 3	0	0	1	**1**	(81)	(33)	114	**0**
Changes due to migration from Stage 2 and Stage 3 to Stage 1	2	(2)	0	**0**	143	(143)	0	**0**
Increases due to occurrence and acquisition	2,090	277	249	**2,616**	128,508	8,907	174	**137,589**
Changes due to modification without derecognition	0	0	0	**0**	0	0	0	**0**
Changes due to updating the institution's valuation methodology	0	0	0	**0**	0	0	0	**0**
Decrease of the correction due to derecognition	0	0	0	**0**	0	0	0	**0**
Changes in accrued interest	0	0	0	**0**	0	0	0	**0**
Changes due to repayments	(991)	(83)	(792)	**(1,866)**	(49,919)	(2,425)	(830)	**(53,174)**
Movements with an impact on loan provision for the period	**2,715**	**331**	**742**	**3,788**	**208,708**	**16,525**	**752**	**225,985**

5. Disclosure of the financial risk management policy, continued

(b) Credit Risk (continued)

Credit Risk analysis (continued)

Restructured loans (continued)

The table below presents the concentration of credit risk by economic sectors.

In BGN thousand	31.12.2023	31.12.2022
Concentration by sector		
State government	2,496	22,303
Administrative and auxiliary activities	70,197	54,387
Operations with real estate	80,864	59,730
Manufacturing	166,319	170,874
Production and distribution of electricity and heat energy	62,487	70,347
Professional activities and research	16,564	8,988
Agriculture, forestry and fishery	67,594	68,339
Construction	51,072	32,541
Creation and dissemination of information and creative products; telecommunications	2,823	2,266
Transport, storage and mail	30,164	17,476
Trade, repair of motor vehicles and motorcycles	211,549	203,232
Financial and insurance services	56,175	73,382
Hospitality and restaurant business	70,520	63,365
Others	9,946	5,397
	898,770	**852,627**
Loans to the population		
Mortgage	885,965	745,020
Consumer	536,958	415,988
	1,422,923	**1,161,008**
Impairment losses	**(96,704)**	(91,071)
	2,224,989	**1,922,564**

Collateral and other credit facilities

The Bank's policy includes consideration of the need to provide collateral before granting approved loans. The degree of collateral of each specific risk exposure is established against the amount of collateral accepted by the Bank for the application of specific security margins.

Collaterals on loans, guarantees and letters of credit, excluding credit cards, include cash, property, plant and equipment, exchange-traded government securities, or other property, a pledge of receivables, a pledge of a commercial enterprise, and others.

5. Disclosure of the financial risk management policy, continued

(b) Credit Risk (continued)

Credit Risk analysis (continued)

Restructured loans (continued)

Collateral and other credit facilities (continued)

The Bank holds collateral and other credit facilities against certain credit exposures. The table below lists the major types of collateral held against different types of financial assets.

		Percentage of the exposure subject to an agreement requiring collateral	
Credit exposure type	**Main type of collateral**	**31.12.2023**	**31.12.2022**
Loans and advances to banks			
Sale and redemption agreements	Tradeable securities	100%	100%
Loans and advances to individuals			
Home loans	Residential Properties	100%	100%
Consumer lending	Guarantee, pledge of receivables originating from salary and other remuneration	100%	100%
Credit cards	None	-	0%
Loans and advances to corporate clients			
Other lending to corporate clients	Commercial property, Commercial property rights	100%	100%

The Bank requires valuers to measure net realizable value, which is the sale price of the asset on a liquid market, less the additional costs directly associated with the realization (sale) of the asset.

5. Disclosure of the financial risk management policy, continued

(b) Credit Risk (continued)

Credit Risk analysis (continued)

Collateral and other credit facilities (continued)

The table below shows the total amount before deduction of impairment of loans and advances to clients provided by the Bank:

In BGN thousand	31.12.2023	31.12.2022
Cash	**6,755**	**7,484**
Regular	6,369	6,900
Under supervision	203	278
Non-performing	48	201
Loss	135	105
Mortgage on Real Estate	**1,265,598**	**1,071,300**
Regular	1,172,073	927,155
Under supervision	62,301	113,088
Non-performing	15,520	10,850
Loss	15,704	20,207
Other collateral	**425,591**	**440,564**
Regular	391,789	421,525
Under supervision	25,902	13,583
Non-performing	5,765	2,866
Loss	2,135	2,590
Secured loans	**1,697,944**	**1,519,348**
Unsecured loans	**623,749**	**494,287**
Total loans and advances to clients	**2,321,693**	**2,013,635**

Other collateral includes pledges on current assets - inventories, receivables from third parties as well as bets on commercial enterprises.

Mortgage lending (individuals and corporate clients)

The tables below provide credit exposures from mortgage loans and advances to clients - corporate clients and corporate clients - depending on the value of the loan-to-value (LTV) ratio. LTV is calculated as the ratio of the gross loan amount (or the corresponding amount of credit commitment) to the value of the collateral. Gross value does not include accrued impairment. The valuation of the collateral includes future costs for the acquisition and realization of the collateral. The value of mortgage collateral is based on the latest valuation made by an independent expert assessor.

In BGN thousand	31.12.2023	31.12.2022
Loan to value (LTV) ratio		
Less than 50%	351,413	351,703
51% to 70%	411,140	359,546
71% to 90%	296,161	273,986
91% to 100%	10,415	52,831
More than 100%	42,037	69,585
Total	**1,111,166**	**1,107,651**

5. Disclosure of the financial risk management policy, continued

(b) Credit Risk (continued)

Credit Risk analysis (continued)

Financial assets held for trading

Below is an analysis of the credit quality of financial assets measured at fair value through profit or loss based on ratings of Standard & Poor's rating agency:

In BGN thousand	**31.12.2023**	**31.12.2022**
Corporate bonds		
No rating	2	2
Compensatory instruments		
No rating	1	1
	3	**3**

(c) Liquidity Risk

Liquidity risk occurs with regard to ensuring funds for the Bank's activities and the management of its positions. It has two dimensions – risk that the Bank will be unable to cover its liabilities when they become due; and risk of inability to realize its assets at a suitable price and within an acceptable timeframe.

Liquidity risk management

The Bank's approach to liquidity management is to ensure to the greatest degree possible the ability to always have sufficient liquidity to cover its liabilities when called, both under normal circumstances and in an emergency, without taking extraordinary losses or affecting the Bank's reputation.

The Liquidity and Markets Division receives daily information from the Bank Regulations and Compliance Directorate regarding the volume of financial assets and liabilities , as well as data about other expected cash flows arising from projected future liquidity position management activities. The Liquidity and Markets Division manages a portfolio of liquid assets which consists mainly of liquid securities, loans and receivables from banks, and other money market instruments. The objective is to maintain sufficient liquidity within the Bank as a whole.

Liquidity is monitored daily, and stress tests are performed periodically according to various scenarios which cover both normal and extraordinary market circumstances. All liquidity policies and procedures are subject to review and approval by the ALMC. Daily reports cover the liquidity position of the Bank. A summary report, including analyzes, plans, reports and actions taken, is reviewed and accepted periodically / monthly by the ALMC.

For the purposes of daily operational liquidity management, the Bank analyzes information on available financial assets and liabilities, expected inflows and outflows in all significant currencies (BGN, EUR and USD), transactions with unfinished settlement, amount of mandatory minimum reserves at the BNB, ordered and/or received client money transfers worth more than BGN 1 million equivalent. Continuous monitoring of the balances and movements of cash on the Bank's accounts at the BNB and at the main correspondent banks in foreign currency is carried out during the working day.

Funds are attracted through a set of instruments including deposits and current accounts, credit lines, other legally regulated borrowings, and equity. Funds from different types of clients are attracted, most of them from citizens and households, as well as from small and medium-sized enterprises. In addition, there are deposits from non-bank financial institutions and credit lines from development banks. An insignificant part of the funds is attracted from the interbank money market. In this way, the opportunity for flexibility when financing the activities of Allianz Bank Bulgaria AD is increased, the dependence on one source of funds is reduced, and the value of attracted resource is decreased. The Bank aims to maintain balance between term and attracted resource, and flexibility in the use of funds with different maturity structure.

5. Disclosure of the financial risk management policy, continued

(c) Liquidity Risk (continued)

Liquidity risk management (continued)

The Bank performs current assessments of liquidity risk by identifying and tracking changes with regard to the need for funds to achieve the aims embedded in the overall strategy of Allianz Bank Bulgaria AD. In addition, the Bank owns and maintains a portfolio of liquid assets as part of its liquidity risk management system.

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Liquidity risk exposure

For liquidity risk monitoring and management, the Bank calculates various indicators such as the secondary liquidity ratio (recommended by the BNB in Ordinance No. 11), liquidity coverage ratio (LCR), net stable funding ratio (NSFR), additional liquidity monitoring indicators and survival period. The liquid assets /liquid buffer/ for the Bank is determined on the basis of EU Regulation 2015/61 - supplementing Regulation (EU) No. 575/2013 of the European Parliament and of the Council regarding the requirement for liquidity coverage for credit institutions. According to the requirements of the regulation, liquid assets are: Level 1 assets - coins and banknotes, claims on the central bank, claims on central and local government, multilateral development banks awarded 0% risk weight.

The liquidity coverage ratio is expressed as a percentage and set at a minimum level of 100% when fully implemented, indicating that the credit institution holds sufficient liquid assets to meet its net liquid outflows over a 30 calendar day stress period. It is calculated as the ratio of a bank's "liquid assets" buffer to its "net liquid outflows" over a 30 calendar day stress period.

The bank maintains a portfolio of liquid assets, which consists primarily of liquid securities /central government assets/, coins and banknotes, central bank reserves and other money market instruments, called liquidity. For the purposes of LCR, the Bank calculates the amount of its liquid assets at market value, reduced by blocked securities / unencumbered liquid assets.

The amount of key parameters as of 30 December 2023 and 31 December 2022 is as follows:

	31.12.2023	**30.12.2022**
	BGN thousand / %	BGN thousand / %
Liquid buffer	1,219,216	1,489,710
Net cash outflows	210,245	579,679
Liquidity Coverage Ratio (%)	579.90%	256.99%
Stable financing available	3,204,358	2,869,877
Stable financing required	1,690,771	1,485,173
Net Stable Financing Ratio (%)	190.00%	193.24%

5. Disclosure of the financial risk management policy, continued

(c) Liquidity Risk (continued)

Liquidity risk exposure (continued)

Liquidity indicators are integrated with the Bank's Risk Strategy and Risk Appetite, as well as the minimum regulatory requirements of the BNB and the provisions of Regulation (EU) No. 575/2013.

Residual maturity of financial assets and liabilities

The table below presents the undiscounted cash flows of the Bank's financial assets and liabilities and unrecognized credit commitments based on the earliest possible maturity date. Gross Nominal incoming (outgoing) Cash Flow is the agreed undiscounted cash flow from the financial assets /liabilities or commitment. Interest income or interest expense, respectively, is included in the respective financial asset or liability from the date of the last interest payment until the end of the maturity.

The imbalance observed in the first period of less than a month is mainly due to the inclusion of current accounts for clients in this time period. The Bank's experience shows that client deposits are expected to maintain a steady or growing balance, and not all unrecognized credit commitments are expected to be absorbed immediately.

31 DECEMBER 2023

In BGN thousand	Carrying amount	Gross nominal cash inflow (outflow)	Less than 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	More than 5
Cash and cash equivalents	692,638	692,643	674,007	18,636	0	0	0
Financial assets measured at FVPL	364	364	0	0	0	361	3
Loans and advances to banks	66,053	66,053	66,053	0	0	0	0
Investment securities	947,389	948,086	0	0	97,951	534,086	316,049
Loans and advances to clients	2,224,989	2,321,693	93,065	108,283	233,389	504,130	1,382,826
Other financial assets	944	944	944	0	0	0	0
	3,932,377	**4,029,783**	**834,069**	**126,919**	**331,340**	**1,038,577**	**1,698,878**
Deposits from banks	15,540	19,288	262	0	0	1,734	17,292
Deposits from clients	3,404,615	3,414,541	2,759,830	9,909	274,455	370,347	0
Liabilities under lease agreements	12,802	13,010	0	0	2,550	6,767	3,693
Other long-term borrowed funds	48,902	63,004	96	0	0	62,666	242
Issued debt securities	81,096	81,224	0	0	3,969	77,255	0
Other financial liabilities	8,862	8,862	8,862	0	0	0	0
	3,571,817	**3,599,929**	**2,769,050**	**9,909**	**280,974**	**518,769**	**21,227**
Guarantees and letters of credit	53,704	53,704	3,032	6,481	20,180	9,617	14,394
Unutilized credit commitments	204,508	204,508	26,359	32,596	85,081	24,359	36,113
	3,830,029	**3,858,141**	**2,798,441**	**48,986**	**386,235**	**552,745**	**71,734**

5. Disclosure of the financial risk management policy, continued

(c) Liquidity Risk (continued)

Residual maturity of financial assets and liabilities (continued)

31 December 2022

In BGN thousand	Carrying amount	Gross nominal cash inflow (outflow)	Less than 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	More than 5
Cash and cash equivalents	950,874	950,899	941,116	9,783	0	0	0
Financial assets measured at FVPL	3	3	0	0	0	0	3
Loans and advances to banks	64,154	64,154	64,154	0	0	0	0
Investment securities	1,002,573	1,009,357	0	79,295	43,123	554,072	332,867
Loans and advances to clients	1,922,564	2,561,105	99,527	115,165	238,807	475,625	1,631,981
Other financial assets	3,141	3,141	3,141	0	0	0	0
	3,943,309	**4,588,659**	**1,107,938**	**204,243**	**281,930**	**1,029,697**	**1,964,851**
Deposits from banks	20,044	(21,322)	(226)	0	0	0	(21,096)
Deposits from clients	3,665,790	(3,667,545)	(2,979,849)	(7,064)	(463,603)	(217,029)	0
Liabilities under lease agreements	14,077	(14,304)	0	0	(2,592)	(8,448)	(3,264)
Other long-term borrowed funds	1,078	(1,078)	(393)	0	0	(4)	(681)
Other financial liabilities	7,227	(7,227)	(7,227)	0	0	0	0
	3,708,216	(3,711,476)	(2,987,695)	(7,064)	(466,195)	(225,481)	(25,041)
Guarantees and letters of credit	**50,893**	**(51,457)**	**(5,165)**	**(6,155)**	**(10,888)**	**(14,476)**	**(14,773)**
Unutilized credit commitments	222,196	(225,985)	(26,621)	(59,236)	(127,809)	(12,240)	(79)
	3,981,305	**(3,988,918)**	**(3,019,481)**	**(72,455)**	**(604,892)**	**(252,197)**	**(39,893)**

(d) Market risk

Market risk is the risk that a change in market conditions or parameters affecting market conditions such as interest rates, equity prices, or exchange rates for foreign currencies will affect the income or value of financial instruments held by the Bank. The market risk management policy aims to manage and control market risk exposures within the allowable limits, optimizing the risk / return ratio.

All marketable instruments are subject to market risk as a result of future changes in market conditions. Instruments are measured at fair value and any changes in market conditions directly affect net trading income.

Allianz Bank Bulgaria AD manages its tradable instruments under the changing market conditions. Exposure to market risk is managed in accordance with exposure limits, concentration on instrument types and VaR limits.

The method used to measure and manage market risk is the so-called Value at Risk (VaR). VaR is an indicator of the expected loss from trading portfolio for a certain period of time (holding period) and a certain probability level (confidence level). The VaR model used by the Bank is based on the 99% level

5. Disclosure of the financial risk management policy, continued

(d) Market risk (continued)

Market risk exposure

of credibility and a 10-day holding period. The VaR model is based on historical data from a minimum of 250 day observation period.

Although VaR is an important tool in measuring market risk, the assumptions on which the model is based lead to some constraints:

- The ten-day holding period suggests that it is possible to hedge or release positions in that period. This is considered a real assumption in almost all cases except in situations where there is low market liquidity over a prolonged period of time.
- The 99% confidence level does not account for any losses that may arise beyond that level. Even within the model, there is a 1% probability that losses may exceed VaR.
- VaR is calculated at the end of each day and does not take account of the risks that may arise during the trading day / trading session.
- VaR depends on the position of the Bank and the volatility of market prices. The VaR in unchanged position decreases when the volatility of market prices decreases and vice versa.

The 10-day VaR of the Monte Carlo simulation at 99% confidence interval as at 31 December 2023 and during the reporting period is as follows:

In BGN thousand	**2023**	**2022**
as at 31 December	3,225	5,392

Exposure to market risk - financial assets measured at fair value through profit or loss;

Financial instruments at fair value through profit or loss as at 31.12.2023 and 31.12.2022 do not include instruments measurable for market risk, reflecting the adopted policy for investing in other classes of financial assets.

Exposure to market risk - financial assets measured at fair value through other comprehensive income;

	As at 31.12.2023	**Average**	**Maximum**	**Minimum**
Currency Risk	529	1,557	1,660	526
Interest Risk	53	70	83	53
Other price risk	885	802	915	701
Correlation	(447)	(691)	(790)	(266)
	1,020	**1,737**	**1,868**	**1,014**

	As at 31.12. 2022	**Average**	**Maximum**	**Minimum**
Currency Risk	1,559	2,109	3,050	1,527
Interest Risk	83	289	999	83
Other price risk	706	724	839	546
Correlation	(643)	(863)	(1,692)	(475)
	1,705	**2,259**	**3,196**	**1,681**

5. Disclosure of the financial risk management policy, continued

(d) Market risk (continued)

Interest risk sensitivity analysis

For the management of interest rate risk and interest rate changes, observations are made on the sensitivity of the Bank's financial assets and liabilities in applying scenarios to the movement of interest rates.

Sensitivity analysis is based on the scenario of 100 basis points parallel increase of all profitability curves of all currencies simultaneously.

The model for the measuring of market risk is based on the analysis of imbalance (GAP analysis). It is used to measure the Bank's potential loss arising from projected changes in market interest rates under the hypothesis of parallel movement of interest curves.

The model is applied to the banking and trading book at the end of the year. Bank performs calculations for 6 scenarios, the results of which are shown in the table below, while parallel shock hypotheses are at 200 Bps, for a short-term shock of 250 bps, and a long-term shock of 100 Bps, according to Annex II Interest rate risk in banking book (EBA):

Scenarios 2023	**Sensitivity to interest of the value of equity (EVE)**		**Net interest income**
	%	BGN thousand	BGN thousand
parallel upward shock;	-2.91%	(9,033)	(6,946)
parallel downward shock;	-9.23%	(28,632)	6,946
short-term interest downward and long-term upward (steepener);	-7.77%	(24,119)	
short-term interest upward and long-term downward (flattener);	-3.01%	(9,345)	
short-term interest upward; and	-3.38%	(10,482)	
short-term interest downward	-5.14%	(15,939)	

Scenarios 2022	**Sensitivity to interest of the value of equity (EVE)**		**Net interest income**
	%	BGN thousand	BGN thousand
parallel upward shock;	-7.39%	(18,226)	(6,171)
parallel downward shock;	0.44%	1,094	6,171
short-term interest downward and long-term upward (steepener);	-3.97%	(9,797)	
short-term interest upward and long-term downward (flattener);	-1.74%	(4,289)	
short-term interest upward; and	-2.15%	(5,294)	
short-term interest downward	0.97%	2,385	

5. Disclosure of the financial risk management policy, continued

Currency risk

The Bank is exposed to currency risk in transactions with financial instruments denominated in foreign currency.

As a result of the introduction of a Currency Board in Bulgaria, the Bulgarian lev is fixed to the EUR. As the currency in which the Bank compiles its accounts is the Bulgarian lev, the movements in the exchange rates of the lev against the non-euro area currencies affect the accounts.

Transactions in foreign currencies result in income and expenses from foreign exchange transactions that are reported in the income statement. Such exposures are the Bank's cash assets and liabilities denominated in a currency other than the Bank's presentation currency. These exposures in foreign currency are presented in the table below.

31 December 2023

In BGN thousand	BGN	EUR	USD	Other currencies	Total
Assets					
Cash and cash equivalents	289,881	237,646	144,018	21,093	692,638
Financial assets measured at FVPL	364	0	0	0	364
Loans and advances to banks	0	0	66,053	0	66,053
Financial assets measured at FVOCI	68,388	41,031	8,189	0	117,608
Financial assets measured at AC	593,771	176,281	17,705	0	787,757
Loans and advances to clients	1,686,220	516,352	21,306	1,111	2,224,989
Total assets	**2,638,624**	**971,310**	**257,271**	**22,204**	**3,889,409**
Liabilities					
Deposits from banks	9	15,446	0	0	15,455
Deposits from other clients	2,136,499	1,001,737	244,723	21,656	3,404,615
Other borrowed funds	(501)	49,233	1	0	48,733
Issued debt securities	0	81,096	0	0	81,096
Liabilities under lease agreements	12,803	0	0	0	12,803
Total liabilities	**2,148,810**	**1,147,512**	**244,724**	**21,656**	**3,562,702**
Net currency position	**489,814**	**(176,202)**	**12,547**	**548**	**326,707**

In BGN thousand

31.12.2022

	BGN	EUR	USD	Other currencies	Total
Assets					
Cash and cash equivalents	298,960	437,725	202,130	12,059	950,874
Financial assets measured at FVPL	3	0	0	0	3
Loans and advances to banks	0	0	64,154	0	64,154
Financial assets measured at FVOCI	74,576	63,133	22,201	0	159,910
Financial assets measured at AC	604,109	220,644	17,910	0	842,663
Loans and advances to clients	1,398,888	507,522	15,552	602	1,922,564
Total assets	**2,376,536**	**1,229,024**	**321,947**	**12,661**	**3,940,168**
Liabilities					
Deposits from banks	210	19,834	0	0	20,044
Deposits from other clients	2,166,042	1,132,364	346,080	21,304	3,665,790
Other borrowed funds	0	1,078	0	0	1,078
Liabilities under lease agreements	14,077	0	0	0	14,077
Total liabilities	**2,180,329**	**1,153,276**	**346,080**	**21,304**	**3,700,989**
Net currency position	**196,207**	**75,748**	**(24,133)**	**(8,643)**	**239,179**

5. Disclosure of the financial risk management policy, continued

(e) compliance with capital adequacy requirements

The Bank prepares quarterly supervisory and monthly internal reports in accordance with the requirements of Ordinance No 8 of the Bulgarian National Bank (BNB) of 24 April 2014 on the capital buffers of banks, Implementation Regulation (EU) No. 575/2013 and Implementation Regulation (EU) 2012/451 effective from 28 June 2021 on an individual basis /amendment of Implementation Regulation (EU) No 680 of 2014./

The Bank complies with the regulatory capital adequacy requirements and discloses its annual data to the BNB according to Regulation (EU) No 575/2013 (Eighth part) and the Credit Institutions Act (Article 70 (3)) and Regulation No. 2021/876 of the EU /Articles 431-455/.

The Bank applies a standardized approach with regard to credit and market risk, and a basic indicator approach for operating risk.

The Bank monitors changes in major exposure classes, capital base, and total capital adequacy on a monthly basis, and reports the levels of regulatory and internal capital to the Management and Supervisory Board.

According to art. 92 of Regulation 575 of the European parliament and of the Council of Wednesday, June 26, 2013, minimum requirements for the ratios of capital adequacy of Tier 1 capital and of Total capital adequacy are respectively no less than 6% and no less than 8%.
At the end of 2023 Allianz Bank Bulgaria AD has complied with the recommendations of the BNB / decisions of the BNB Governing Council No. 290 of 15.06.2023 for capital stability - the total capital adequacy should not be less of 16.25%, formed on the basis of:

- Minimum total capital ratio of 8% for risk-weighted assets in accordance with Article 92 (1) of Regulation 575/2013 and additional common equity requirement of 0.75% for risk-weighted assets, or 8.75% total capital requirement under the Supervisory Review and Evaluation Process/ SREP; EBA/GL/2014/13/.
- Systemic risk buffer equal to 3% of the amount of risk-weighted assets
- Safeguard capital buffer, equal to 2.5% of the amount of risk-weighted assets
- Bulgaria - by the end of 2023, equal to 2% of the sum of risk-weighted assets / in force from 01.10.2023, according to a decision of the BNB /.

As of the end of 2023, the bank reported a capital adequacy ratio and a Tier 1 capital adequacy ratio of 18.31%. As at 31.12.2023, the Bank does not recognize Tier 2 capital in its capital base.

6. Use of estimates and assumptions

The presentation of a financial statement in accordance with International Financial Reporting Standards requires management to make the best estimates, accruals and reasonable assumptions that have an effect on the reported amounts of assets and liabilities, income and expense, and the disclosure of contingent liabilities and contingent liabilities at the reporting date. These estimates, accruals and assumptions are based on the information available at the date of the financial statements, so the future factual results could be different from them. Estimates and the underlying assumptions are reviewed on an ongoing basis. Revised accounting estimates are recognized in the period in which the measurement is reviewed and in all future periods.

Uncertainty in the assumptions and estimates

The Bank makes assumptions and assessments of uncertain events, including assumptions and assessments of the future. Such accounting assumptions and assessments are reviewed on an ongoing basis and are based on historical experience and other factors such as the expected flow from a future event that can reasonably be assumed under the circumstances but is nevertheless required to constitute a source of suspected uncertainty. The assessment of impairment of the portfolio by credit risk groups and, as a part, the assumptions about the realizable value of collateral - real estate - represents the main source of uncertainty in the valuation. This and other major sources of uncertainty in the estimates that carry a significant risk of a possible material adjustment of the carrying amount of assets and liabilities in subsequent reporting periods are described below and in the following notes.

6. Use of estimates and assumptions (continued)

Uncertainty in the assumptions and estimates, continued

Measuring expected credit loss (ECL)

Calculating the expected credit loss of financial assets carried at amortized cost and financial assets carried at fair value through other comprehensive income requires the use of models and significant accounting estimates and assumptions about future economic conditions and changes in the credit quality of assets. client fails to meet its obligations on credit exposures and losses that this would lead to).

The significant accounting estimates and assumptions required by IFRS 9 in calculating the expected credit loss are:

- Determining the criteria for significant increase in credit risk
- Selection of appropriate models for the calculation of ECL
- Selecting appropriate economic variables to produce forward-looking information
- Determining the weight of each scenario for the future development of the selected economic variables

The full description of the estimates and the method of estimating the expected credit loss are described in item 5, (e), (ii).

The specific component of the total provision for impairment for a single counterparty relates to financial assets that are individually assessed for impairment and is based on the management's best estimate of the present value of the cash flows expected to be received. When assessing these cash flows, the management makes judgments about the counterparty's financial position and the net realizable value of the collateral. Each impaired asset is measured individually, the strategy for recovering the impaired asset and the estimated cash flows that are considered recoverable are approved regardless of the credit risk assessment function.

Collectively assessed impairment losses cover losses on loans inherent in loan portfolios and receivables with similar credit risk characteristics when there is objective evidence that they contain impaired loans and receivables but individual impaired assets can not be identified. When assessing the need for portfolio impairment losses, management takes into account factors such as loan quality, portfolio size, concentrations and economic factors. In order to assess the necessary provision for impairment, assumptions are made to determine how inherent losses are based on historical experience and current economic conditions. The accuracy of the provisions depends on the estimates of future cash flows for the impairment losses of a particular counterparty as well as on the assumptions and parameters of the models used to determine the impairment losses on a portfolio basis.

Determining the fair value of financial instruments

The determination of the fair value of financial assets and liabilities for which there is no observable market price requires the use of valuation techniques described in accounting policy 5 (e) (vi). For financial instruments that are rarely traded and whose price is not available or observed on the market, fair value is less objective and requires a range of ratings depending on liquidity, concentration, uncertainty of market factors, price assumptions and other risks affecting the specific instrument.

Evaluation of financial instruments

The Bank measures fair value using the following hierarchy of methods:

- Level 1: the level 1 incoming data are the quoted (unadjusted) prices of instruments at active markets for identical financial instruments;
- Level 2- the level 2 incoming data are the incoming data for an asset or a liability different from the quoted prices included at level 1 which are directly or indirectly accessible for observation. This category includes instruments, measured using: quoted prices of similar assets or liabilities at active markets; quoted prices of identical or similar assets or liabilities at markets which are not considered active; other valuation techniques where all the significant incoming data are directly or indirectly accessible for observation using market data;
- Level 3: the level 3 incoming data are non-observable incoming data for an asset or a liability. This category includes all the instruments whereupon the valuation technique does not include observable incoming data, and the non-observable incoming data have a significant impact on the instrument valuation. This category includes instruments valuated on the basis of quoted prices of similar instruments where significant non-observable adjustments or assumptions are required to reflect the differences among the instruments.

6. Use of estimates and assumptions (continued)

Uncertainty in the assumptions and estimates, continued

Evaluation of financial instruments (continued)

The fair value of financial assets and financial liabilities that are traded in active markets are based on quoted market prices on primary or secondary markets. For all other financial instruments The Bank defines fair values using other valuation techniques.

Other valuation techniques include models based on present value and discounted cash flows compared to similar instruments for which observable market prices, option pricing models and other models exist. Assumptions and incoming data used in assessment techniques include risk-free and reference interest rates, credit spreads and other premiums used in determining discount rates, prices of debt and equity securities, exchange rates and prices of equity indices and expected fluctuations and correlation of prices. The purpose of valuation techniques is to determine fair value, which reflects the price that would be received to sell an asset or to be paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Financial instruments measured at fair value - hierarchy

The following table analyzes financial instruments measured at fair value through the fair value hierarchy.

In BGN thousand	**Level 1- Announced Market Prices in Active Markets**	**Level 2 - Evaluation techniques - using market data**	**Level 3 - Evaluation techniques - without market data**	**Total**
31 DECEMBER 2023				
Financial assets held for trading	0	3	0	3
Financial assets at fair value through profit and loss	0	364	0	364
Financial assets at fair value through other comprehensive income	112,348	0	5,260	117,608
Total:	**112,348**	**367**	**5,260**	**117,975**

In BGN thousand	**Level 1- Announced Market Prices in Active Markets**	**Level 2 - Evaluation techniques - using market data**	**Level 3 - Evaluation techniques - without market data**	**Total**
2022				
Financial assets held for trading	0	3	0	3
Financial assets at fair value through other comprehensive income	156,111	0	3,799	159,910
Total:	**156,111**	**3**	**3,799**	**159,913**

6. Use of estimates and assumptions (continued)

Uncertainty in the assumptions and estimates, continued

Financial instruments measured at fair value – hierarchy (continued)

(i) Reconciliation of Level 3 fair value

The following table presents a reconciliation of the movement from the opening to the closing balance of the Level 3 fair values

In BGN thousand	**Equity securities at fair value through other comprehensive income**
Balance as at 1 January 2023	3,799
Profit included in other comprehensive income	
Net change in fair value (unrealized)	2,277
Balance as at 31.12.2023	**6,076**

In BGN thousand	**Equity securities at fair value through other comprehensive income**
Balance as at 1 January 2022	4,501
Profit included in other comprehensive income	
Net change in fair value (unrealized)	(702)
Balance as at 31 December 2022	**3,799**

The table below analyzes the fair values of financial instruments measured at fair value through a fair value hierarchy where the fair value is categorized. In the table is not included information about the fair values of financial assets and liabilities that are not measured at fair value if the carrying value is approximately equal the fair value.

31 DECEMBER 2023	**Level 1**	**Level 2**	**Level 3**	**Total fair value**	**Total carrying amount**
In BGN thousand					
Assets					
Cash and cash equivalents	0	692,638	0	692,638	692,638
Loans and advances to banks	0	66,053	0	66,053	66,053
Financial assets measured at amortized cost:	787,757	0	0	719,898	787,757
Loans and advances to clients	0	0	2,224,989	2,146,224	2,224,989
Total assets	787,757	758,691	2,224,989	3,624,813	3,771,437
Liabilities					
Deposits from banks	0	0	15,455	17,729	15,455
Deposits from clients	0	2,744,358	660,257	3,422,727	3,404,615
Other borrowed funds	0	0	48,733	73,343	48,733
Issued debt securities	0	0	81,096	114,194	81,096
Total liabilities	0	2,744,358	805,541	3,627,993	3,549,899

6. Use of estimates and assumptions (continued)

Uncertainty in the assumptions and estimates, continued

Financial instruments measured at fair value – hierarchy (continued)

(i) Reconciliation of Level 3 fair value (continued)

The fair value of cash and cash equivalents, loans and advances to banks, deposits from banks and other borrowed funds is approximately equal to their book value because they are short-term. The fair value of loans granted to clients is based on observable market transactions. In cases where market information is not available, fair value measurement is based on valuation models, such as discounted cash flow techniques, applying interest rates to the reporting date for loans with similar terms and conditions, and accrued impairment. The fair value of client deposits is calculated using discounted cash flow techniques applying the interest rates currently available in the country for deposits with similar maturities and conditions.

31 December 2022	**Level 1**	**Level 2**	**Level 3**	**Total fair value**	**Total carrying amount**
In BGN thousand					
Assets					
Cash and cash equivalents	0	950,874	0	950,874	950,874
Loans and advances to banks	0	64,154	0	64,154	64,154
Financial assets measured at amortized cost:	729,982	0	0	729,892	842,663
Loans and advances to clients	0	0	1,922,564	1,922,564	1,922,564
Total assets	**729,982**	**1,015,028**	**1,922,564**	**3,667,574**	**3,780,255**
Liabilities					
Deposits from banks	0	0	20,044	20,044	20,044
Deposits from clients	0	2,960,306	705,484	3,665,790	3,665,790
Other borrowed funds	0	0	1,078	1,078	1,078
Total liabilities	0	**2,960,306**	**726,606**	**3,686,912**	**3,686,912**

The fair value of cash and cash equivalents, loans and advances to banks, deposits from banks and other borrowed funds is approximately equal to their book value because they are short-term.

The fair value of loans granted to clients is based on observable market transactions. In cases where market information is not available, fair value measurement is based on valuation models, such as discounted cash flow techniques, applying interest rates to the reporting date for loans with similar terms and conditions, and accrued impairment.

The fair value of client deposits is calculated using discounted cash flow techniques applying the interest rates currently available in the country for deposits with similar maturities and conditions.

6. Use of estimates and assumptions (continued)

Uncertainty in the assumptions and estimates, continued

Significant accounting estimates and judgments for leases

Significant accounting estimates and judgments are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.
Their authenticity is checked regularly.

The Bank makes estimates and judgments for accounting and disclosure purposes in its annual financial statements. Estimates and judgments rarely coincide with actual results. The following are estimates that could lead to a significant adjustment to the carrying amount of assets and liabilities in the next financial year.
Allianz Bank AD is preparing an analysis of the appropriateness of the inputs for the assessment model on an annual basis, with which it provides a reasonable assessment of the fair value of its assets and liabilities, intended to confirm the fair values by functions independent of the risk taker. For this purpose, Allianz Bank AD uses various sources to determine the fair values of financial instruments and applies generally accepted as standard in the financial services sector with the application of discounting due to considerations such as non-liquidity and differences between comparable financial institutions based on facts and circumstances specific to the bank. Allianz Bank AD may use information from a third party for pricing, and perform confirmation procedures on this information, or base its fair value on the latest and most favorable price offers, given the absence of an active market or other similar transactions. All of these instruments are categorized within the lowest level of the fair value hierarchy (i.e. Level 3). The inputs used in the valuation technique represent an estimate or approximation of fair value that cannot be measured with complete certainty. As a result, valuations are adjusted where necessary to reflect closing costs, credit exposure, valuation uncertainty resulting from the model applied, trading restrictions and other factors where such factors should be taken into account by market participants in measuring fair value.

(a) Extension and termination options; significant accounting estimates and judgments in determining the term of the lease

In determining the term of the lease, management takes into account all the facts and circumstances that create economic preconditions for exercising the option to extend or refuse termination. Extension options (or periods after a termination option) are included in the lease term only if it is sufficiently certain that the lease term will be extended (or that the contract will not be terminated).

The following are the most relevant factors for leases of buildings, vehicles and computer equipment:

- If there are significant fines for exercising the termination option (or for not exercising the extension option), in most cases it is considered that there is sufficient certainty that the Bank will exercise the lease extension option (or will not exercise the termination option).
- If the significant improvements made to the leased property are expected to have a significant residual value, then in most cases it is considered that there is sufficient certainty that the Bank will exercise the lease extension option (or will not exercise the termination option).

In the absence of the above two conditions, the Bank takes into account other factors, including the historical duration of the leases where the Bank was the lessee, as well as the costs and lost business benefits associated with the replacement of the leased asset. In most cases, the options for extension of leases of offices and vehicles are not included in the lease liabilities because the Bank could replace the assets without requiring significant costs and lost business benefits.

The term of the lease agreement is reviewed if the option to extend is actually exercised or if the Bank has been required to exercise it. The existence of sufficient certainty is reviewed only if a material event or change in the circumstances affecting this assessment occurs that is under the control of the lessee. As at 31 December 2023 and 31 December 2022, potential future cash outflows amounting to BGN 88 thousand, respectively and BGN 88 thousand (undiscounted) were not included in the lease liabilities because it was not sufficiently certain that the leases would be extended (or not terminated). During the current reporting period, the financial effect of the revision of the lease agreements period to reflect the exercised termination options is a decrease in recognized lease liabilities and assets with the right of use by BGN 105 thousand (2022: BGN 1,680 thousand)

7. Classification of financial assets and liabilities.

In BGN thousand	Reported at FVPL	Reported at AC	Loans and advances at AC	Reported at FVOCI	Liabilities at amortized cost	Gross carrying amount
31 DECEMBER 2023						
Cash and cash equivalents	0	0	692,638	0	0	692,638
Financial assets held for trading	3	0	0	0	0	3
Financial assets reported at fair value through profit and loss.	364	0	0	0	0	364
Loans and advances to banks	0	0	66,053	0	0	66,053
Investment securities	0	787,757	0	117,608	0	905,365
Loans and advances to clients	0	0	2,224,989	0	0	2,224,989
Total financial assets	**367**	**787,757**	**2,983,680**	**117,608**	**0**	**3,889,412**
Deposits from banks	0	0	0	0	15,455	15,455
Deposits from clients	0	0	0	0	3,404,615	3,404,615
Other borrowed funds	0	0	0	0	48,733	48,733
Total financial liabilities	**0**	**0**	**0**	**0**	**3,468,803**	**3,468,803**

In BGN thousand	Reported at FVPL	Reported at AC	Loans and advances at AC	Reported at FVOCI	Liabilities at amortized cost	Gross carrying amount
31 December 2022						
Cash and cash equivalents	0	0	950,874	0	0	950,874
Financial assets reported at fair value through profit and loss.	3	0	0	0	0	3
Loans and advances to banks	0	0	64,154	0	0	64,154
Investment securities	0	842,663	0	159,910	0	1,002,573
Loans and advances to clients	0	0	1,922,564	0	0	1,922,564
Total financial assets	**3**	**842,663**	**2,937,592**	**159,910**	**0**	**3,940,168**
Deposits from banks	0	0	0	0	20,044	20,044
Deposits from clients	0	0	0	0	3,665,790	3,665,790
Other borrowed funds	0	0	0	0	1,078	1,078
Total financial liabilities	**0**	**0**	**0**	**0**	**3,686,912**	**3,686,912**

8. Net interest income

In BGN thousand

	2023	2022
Net interest income		
Revenue from interest		
Interest income arising from:		
Loans and advances to banks	10,051	3,426
Loans and advances to clients	69,869	49,744
Factoring transactions	6,272	3,039
borrowed funds from clients	86	347
Investments	12,744	13,299
	99,022	**69,855**
Interest expenses		
Interest expense arising from:		
Deposits from banks	(647)	(1,221)
Negative interest on borrowed funds	53	2,977
Interest on minimum statutory reserves	0	(877)
Issued debt securities	(4,087)	0
Deposits of clients and other borrowed funds	(6,360)	(1,505)
Payables under leases	(63)	(67)
	(11,104)	**(693)**
Net interest income	**87,918**	**69,162**

9. Net income from fees and commissions

In BGN thousand	2023	2022
Fee and commission income		
Revenue from fees and commissions, arising from		
Cash transactions and cash transfers	14,620	14,802
Bank cards	10,105	9,036
Loans	6,662	5,351
Guarantees and letters of credit	942	846
Factoring	1,184	1,296
Others	181	294
	33,694	**31,625**
Expenses for fees and deductions		
Expenses for fees and deductions, arising from:		
Servicing of current accounts	(135)	(105)
Bank card transactions	(4,786)	(3,597)
Payment systems	(2,824)	(1,922)
Fees and commissions related to securities	(793)	(787)
Transfers, incl. through RINGS	(192)	(187)
Insurance expenses	(600)	(712)
Cash operations	(841)	(711)
Fees from sales of SMS packages	(521)	(426)
Others	(1,253)	(1,092)
	(11,945)	**(9,539)**
Net income from fees and commissions	**21,749**	**22,086**

10. Net income from trade operations

In BGN thousand	**2023**	**2022**
Net income from operations arising from:		
Financial assets reported at fair value through profit and loss.	81	4
Financial assets held for trading	2	0
Loss on sale of assets reported in other comprehensive income recognized in the income statement	0	(21,006)
Financial assets at fair value through other comprehensive income	0	(3,151)
Currency trading	3,553	3,438
Net income from trade operations	**3,636**	**(20,715)**

11. Net income from investment operations

In BGN thousand	**2023**	**2022**
Income from operations arising from:		
Revenue from dividends	101	145
Income from investment operations	**101**	**145**

12. Administrative and other costs

In BGN thousand	**2023**	**2022**
Staff expenses	(27,253)	(21,456)
Expenses for hired services, incl. audit	(11,706)	(8,430)
Expenses for deposit insurance	(4,784)	(4,421)
Bank restructuring costs	(1,751)	(2,038)
Management, marketing and other costs	(1,498)	(3,419)
Depreciation costs (App. 21, 23)	(3,813)	(2,681)
Depreciation costs of right-of-use assets(App. 22)	(2,528)	(2,714)
Other costs	(1,308)	(1,356)
Rental costs	(880)	(536)
Expenses for inventory	(644)	(422)
Total administrative costs	**(56,165)**	**(47,473)**

Personnel expenses amount to BGN 27,253 thousand. (31.12.2022: BGN 21,456 thousand) and includes salaries, social security contributions and health insurance under local law. At the end of December 2023 Allianz Bank Bulgaria AD employs 569 employees on an employment contract (December 2022: 570 employees).
For the year ending on 31.12.2023, the fees paid to the joint auditors for the mandatory audit of the Bank are BGN 106 thousand, of which BGN 62 thousand have been charged but unpaid.

13. Other operating income

In BGN thousand	**2023**	**2022**
Tariff tax revenue, subject to VAT	2,071	1,885
Income from collected derecognized receivables	3,245	3,303
Other income	1,429	3,216
Other operating income	**6,745**	**8,404**

14. Income tax expenses

(a) Taxes, recognized in profit and loss

In BGN thousand	2023	2022
Current taxes	(7,360)	(1,787)
Deferred taxes	932	(771)
Total profits tax recognized in profit or loss	**(6,428)**	**(2,558)**
Income tax expense recognized in other comprehensive income	**(677)**	**826**

	2023		
	Before tax	**Tax (expense) revenue**	**Net of taxes**
Change in reserve of subsequent fair value measurements of financial assets	7,036	(703)	6,333
Subsequent measurement of obligations under a defined benefit plan	(73)	26	(47)
	6,963	**(677)**	**6,286**

	2022		
	Before tax	**Tax (expense) revenue**	**Net of taxes**
Change in reserve of subsequent fair value measurements of financial assets	(8,217)	822	(7,395)
Subsequent measurement of obligations under a defined benefit plan	(42)	4	(38)
	(8,259)	**826**	**(7,433)**

(б) Explanation of effective tax rate

	2023	2022
Profit before taxation	63,904	25,771
Nominal tax rate	10%	10%
Expected tax	6,390	2,577
Taxable permanent differences	48	4
Exempt revenue from dividends	(10)	(23)
	6,428	**2,558**
Effective tax rate	10.06%	9.93%

14. Income tax expenses (continued)

In December 2021, the Organization for Economic Co-operation and Development ("OECD") published Tax Challenges Arising from the Digitalisation of the Economy and Global Anti-Base Erosion Model Rules (Pillar Two) which include a framework on BEPS called the "OECD Pillar 2 Model Rules" or "the Rules". The rules are designed to ensure that large multinational enterprises within the scope of the rules pay a minimum level of tax on income arising during a specified period in each jurisdiction in which they operate. Generally, the rules apply a system of additional taxes which brings the total amount of taxes paid on the excess profits of the enterprise in a given jurisdiction to the minimum rate of 15%. The rules are introduced in the national legislation of the Republic of Bulgaria. The rules affect the current income tax. Applying the OECD Pillar 2 model rules and determining their impact on IFRS financial statements is complicated and poses a number of practical challenges.

The Bank applies the principles and requirements of IAS 12 Income Taxes in accounting for the additional tax arising from the Pillar Two model rules – in particular whether the recognition and measurement of deferred tax assets and liabilities will be affected. The Bank has applied the exception provided in IAS 12, with a view to accounting for deferred taxes arising from the legislation adopted to implement the OECD model rules for the second pillar and introducing additional disclosure requirements.

According to preliminary internal analyzes of the Bank, the tax rate that will be applied in connection with the new rules is estimated at 15%.

15. Cash and cash equivalents

In BGN thousand	**31.12.2023**	**31.12.2022**
Cash in hand	33,770	29,974
Balances with the Central Bank	441,979	672,353
Current accounts and deposits with banks with original maturity of up to 3 months	216,894	248,561
Impairment	(5)	(14)
Total cash and cash equivalents	**692,638**	**950,874**

Below are presented the funds under credit ratings. The rating agency Standard & Poor's has been used:

In BGN thousand	**31.12.2023**	**31.12.2022**
Cash in hand	33,770	29,974
The central bank BBB-	441,979	672,353
Current accounts and deposits with banks with original maturity of up to 3 months	**216,894**	**248,561**
AA	73	100
AA-	72,144	81,207
A+	184	55
A	80,464	74,865
A-	45,779	50,726
BBB+	0	17,262
BBB	17,731	0
BBB-	519	24,346
Total	**692,643**	**950,888**

Balances with the Central Bank include a current account with the BNB and minimum required reserves. The value of the minimum statutory reserves as at 31.11.2023 is BGN 146,687 thousand. (31.12.2022: 346,882). The current account with the BNB is used for payments on the money market and the government securities market (GS) as well as for the purposes of settlement. The minimum required reserves with the BNB are interest-free and regulated on a monthly basis. Daily fluctuations are allowed. The shortage of funds on a monthly basis is sanctioned with penalty interest.

16. Financial assets held for trading and financial assets reported at fair value through profit and loss.

Financial assets held for trading

In BGN thousand	**31.12.2023**	**31.12.2022**
Financial assets held for trading		
Equity securities	2	2
Others	1	1
Financial assets held for trading	**3**	**3**

Financial assets measured at FVPL

In BGN thousand	**31.12.2023**	**31.12.2022**
Financial assets measured at FVPL		
Equity securities	364	0
Total financial assets at FVPL	**364**	**0**

17. Loans and advances to banks

In BGN thousand	**31.12.2023**	**31.12.2022**
Loans and advances to foreign banks	66,053	64,154
Total loans and advances to banks	**66,053**	**64,154**

18. Investment securities

18.1 Financial assets at fair value through other comprehensive income

In BGN thousand	**31.12.2023**	**31.12.2022**
Government securities issued or guaranteed by Bulgaria	82,822	103,086
Government securities issued or guaranteed by Romania	24,536	24,249
Government securities issued or guaranteed by USA	0	15,819
Corporate bonds	0	8,741
Equity securities	10,250	8,015
Total financial assets at fair value through other comprehensive income	**117,608**	**159,910**

18.2. Financial assets measured at amortized cost

In BGN thousand	**31.12.2023**	**31.12.2022**
Government securities issued or guaranteed by Bulgaria	734,805	789,856
Government securities issued or guaranteed by Romania	35,247	34,897
Government securities issued or guaranteed by USA	17,705	17,910
Total financial assets at amortized cost:	**787,757**	**842,663**
Total investment securities	**905,365**	**1,002,573**

19. Loans and advances to clients

In BGN thousand	31.12.2023	31.12.2022
Loans and advances to clients at amortized cost	2,008,018	1,740,494
Factoring receivables	140,376	143,813
Claims from a cash pool	9,756	9,405
Other financial receivables from related parties	163,543	119,923
Minus losses from impairment	(96,704)	(91,071)
Total loans and advances to clients	**2,224,989**	**1,922,564**

(a) Credit product analysis

	31.12.2023	31.12.2022
Individuals		
Mortgage loans	885,965	745,020
Consumer loans	364,550	288,182
Credit cards	8,654	8,506
Other loans	164,270	120,099
	1,423,439	**1,161,807**
Entities		
Working capital loans	548,407	539,100
Investment loans	349,291	312,327
Credit cards	556	401
	898,254	**851,828**
Total loans and advances to clients at amortized cost	**2,321,693**	**2,013,635**
Impairment losses	(96,704)	(91,071)
Total loans and advances to clients, net of impairment	**2,224,989**	**1,922,564**

31 DECEMBER 2023

In BGN thousand				
Individuals	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Other loans	118,776	41,974	3,520	164,270
Mortgage loans	826,907	36,262	22,796	885,965
Credit cards	6,815	1,445	394	8,654
Consumer loans	333,287	16,717	14,546	364,550
Total	**1,285,785**	**96,398**	**41,256**	**1,423,439**
Entities				
Investment loans	326,199	16,932	6,160	349,291
Working capital loans	499,791	38,189	10,427	548,407
Credit cards	404	115	37	556
Total	**826,394**	**55,236**	**16,624**	**898,254**
Total loans and advances to clients at amortized cost	**2,112,179**	**151,634**	**57,880**	**2,321,693**
Impairment losses	(24,406)	(16,792)	(55,506)	(96,704)
Total loans and advances to clients, net of impairment	**2,087,773**	**134,842**	**2,374**	**2,224,989**

19. Loans and advances to clients (continued)

(b) Impairment losses on loans and advances to clients

31.12.2022

In BGN thousand

Individuals	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Other loans	71,040	47,143	1,916	120,099
Mortgage loans	681,105	36,710	27,205	745,020
Credit cards	6,501	1,452	553	8,506
Consumer loans	257,351	16,028	14,803	288,182
Total	**1,015,997**	**101,333**	**44,477**	**1,161,807**
Entities				
Investment loans	266,290	44,477	1,560	312,327
Working capital loans	485,117	47,821	6,162	539,100
Credit cards	273	69	59	401
Total	**751,680**	**92,367**	**7,781**	**851,828**
Total loans and advances to clients at amortized cost	**1,767,677**	**193,700**	**52,258**	**2,013,635**
Impairment losses	(19,431)	(24,266)	(47,374)	(91,071)
Total loans and advances to clients, net of impairment	**1,748,246**	**169,434**	**4,884**	**1,922,564**

Individual provisions for impairment losses

In BGN thousand	**31.12.2023**	**31.12.2022**
Status as at 1 January	(47,374)	(52,036)
Accrued costs of impairment	(23,880)	(13,144)
Reintegrated	13,314	13,150
Derecognized	2,434	4,656
Total as at 31 December	**(55,506)**	**(47,374)**

Collective provisions for impairment losses

In BGN thousand	**31.12.2023**	**31.12.2022**
Status as at 1 January	(43,697)	(45,138)
Accrued costs of impairment	(18,088)	(16,139)
Reintegrated	20,587	17,580
Total as at 31 December	**(41,198)**	**(43,697)**
Total	**(96,704)**	**(91,071)**

Costs of impairment of assets

In BGN thousand	**31.12.2023**	**31.12.2022**
Loans and advances	(7,302)	1,336
Securities	6,087	(6,151)
Off-balance sheet and credit commitments	1,875	(331)
Receivables and cash	(740)	(692)
Total	**(80)**	**(5,838)**

19. Loans and advances to clients (continued)

(b) Impairment losses on loans and advances to clients (continued)

Loans and advances to clients during the year of depreciation before impairment 2023

Loans and advances to clients during the year of depreciation before impairment 31.12.2023	Opening balance 01.01.2023	Changes due to migration from Stage 1 to Stage 2	Changes due to migration from Stage 1 and Stage 2 to Stage 3	Changes due to migration from Stage 2 and Stage 3 to Stage 1	Increases due to occurrence and acquisition	Changes due to updating the valuation methodology	Decrease of the correction due to derecognition	Changes due to repayments	Balance at the end of the period
Stage 1	1,767,677	(37,456)	(9,639)	60,506	875,586	0	0	(544,516)	2,112,158
Cash pool and factoring	147,465	0	0	0	134,737	0	0	(137,538)	144,664
Retail	968,906	(16,584)	(3,795)	7,047	433,071	0	0	(189,731)	1,198,914
Other loans	163	0	0	0	654	0	0	(110)	707
Mortgage loans	681,105	(8,695)	(1,748)	5,156	249,351	0	0	(98,262)	826,907
Credit cards	6,501	(171)	(20)	58	2,678	0	0	(2,231)	6,815
Consumer loans	257,351	(5,892)	(2,027)	1,833	163,505	0	0	(81,483)	333,287
Other financial receivables from related parties	23,786	(1,826)	0	0	16,883	0	0	(7,645)	31,198
Corporate	651,306	(20,872)	(5,844)	53,459	307,778	0	0	(217,247)	768,580
Other financial receivables from related parties	47,091	(3,621)	(1,042)	349	58,952	0	0	(14,879)	86,850
Investment loans	266,290	(3,255)	(539)	27,402	94,864	0	0	(58,563)	326,199
Credit cards	273	(11)	0	4	227	0	0	(89)	404
Working capital loans	337,652	(13,985)	(4,263)	25,704	153,735	0	0	(143,716)	355,127
Stage 2	193,700	38,338	(3,180)	(58,464)	29,122	0	0	(47,882)	151,634
Cash pool and factoring	4,555	0	0	0	3,804	0	0	(4,555)	3,804
Retail	63,710	17,294	(2,668)	(5,009)	7,033	0	0	(16,321)	64,039
Other loans	14	0	0	0	0	0	0	(14)	0
Mortgage loans	36,710	9,311	(1,111)	(4,014)	1,879	0	0	(6,513)	36,262
Credit cards	1,452	177	(41)	(7)	390	0	0	(526)	1,445
Consumer loans	16,028	5,980	(1,488)	(988)	2,671	0	0	(5,486)	16,717
Other financial receivables from related parties	9,506	1,826	(28)	0	2,093	0	0	(3,782)	9,615
Corporate	125,435	21,044	(512)	(53,455)	18,285	0	0	(27,006)	83,791
Other financial receivables from related parties	37,623	3,793	(261)	(349)	6,476	0	0	(14,923)	32,359
Investment loans	44,477	3,255	0	(27,402)	2,622	0	0	(6,020)	16,932
Credit cards	69	11	(2)	0	68	0	0	(31)	115
Working capital loans	43,266	13,985	(249)	(25,704)	9,119	0	0	(6,032)	34,385
Stage 3	52,258	(882)	12,819	(2,042)	10,740	0	(2,441)	(12,572)	57,880
Cash pool and factoring	1,644	0	0	0	388	0	0	(368)	1,664
Retail	42,906	(710)	6,463	(2,038)	2,158	0	(1,446)	(9,317)	38,016
Other loans	0	0	0	0	0	0	0	0	0
Mortgage loans	27,205	(616)	2,859	(1,142)	644	0	(563)	(5,591)	22,796
Credit cards	553	(6)	61	(51)	186	0	(90)	(259)	394
Consumer loans	14,803	(88)	3,515	(845)	1,194	0	(793)	(3,240)	14,546
Other financial receivables from related parties	345	0	28	0	134	0	0	(227)	280
Corporate	7,708	(172)	6,356	(4)	8,194	0	(995)	(2,887)	18,200
Other financial receivables from related parties	1,571	(172)	1,303	0	1,227	0	0	(689)	3,240
Investment loans	1,560	0	539	0	4,869	0	(48)	(760)	6,160
Credit cards	59	0	2	(4)	18	0	(28)	(10)	37
Working capital loans	4,518	0	4,512	0	2,080	0	(919)	(1,428)	8,763
Total	2,013,635	0	0	0	915,448	0	(2,441)	(604,970)	2,321,672

19. Loans and advances to clients (continued)

(b) Impairment losses on loans and advances to clients (continued)

Loans and advances to clients during the year of depreciation before impairment 2022

	Opening balance 01.01.2022	Changes due to migration from Stage 1 to Stage 2	Changes due to migration from Stage 1 and Stage 2 to Stage 3	Changes due to migration from Stage 2 and Stage 3 to Stage 1	Increases due to occurrence and acquisition	Changes due to updating the valuation methodology	Decrease of the correction due to derecognition	Changes due to repayments	Balance at the end of the period
Stage 1	**1,561,422**	**(120,166)**	**(4,019)**	**4,219**	**701,336**	**0**	**0**	**(375,115)**	**1,767,677**
Cash pool and factoring	**97,265**	0	0	0	**50,200**	0	0	0	**147,465**
Retail	**824,064**	**(27,004)**	**(3,377)**	**3,351**	**354,485**	**0**	**0**	**(182,613)**	**968,906**
Other loans	383	0	0	0	0	0	0	(220)	163
Mortgage loans	577,296	(14,400)	(1,878)	1,632	216,652	0	0	(98,197)	681,105
Credit cards	6,545	(151)	(29)	9	2,421	0	0	(2,294)	6,501
Consumer loans	217,386	(6,237)	(1,369)	1,710	121,644	0	0	(75,783)	257,351
Other financial receivables from related parties	22,454	(6,216)	(101)	0	13,768	0	0	(6,119)	23,786
Corporate	**640,093**	**(93,162)**	**(642)**	**868**	**296,651**	**0**	**0**	**(192,502)**	**651,306**
Other financial receivables from related parties	47,692	(25,232)	(186)	789	33,192	0	0	(9,164)	47,091
Investment loans	272,211	(35,907)	0	0	119,129	0	0	(89,143)	266,290
Credit cards	237	(33)	(4)	0	162	0	0	(89)	273
Working capital loans	319,953	(31,990)	(452)	79	144,168	0	0	(94,106)	337,652
Stage 2	**101,638**	**120,166**	**(4,590)**	**(3,683)**	**28,499**	**0**	**0**	**(48,330)**	**193,700**
Cash pool and factoring	**3,567**	**0**	**0**	**0**	**988**	**0**	**0**	**0**	**4,555**
Retail	**51,766**	**27,004**	**(3,661)**	**(3,351)**	**8,290**	**0**	**0**	**(16,338)**	**63,710**
Other loans	43	0	0	0	0	0	0	(29)	14
Mortgage loans	29,826	14,400	(1,700)	(1,632)	1,943	0	0	(6,127)	36,710
Credit cards	1,608	151	(43)	(9)	349	0	0	(604)	1,452
Consumer loans	15,486	6,237	(1,831)	(1,710)	3,845	0	0	(5,999)	16,028
Other financial receivables from related parties	4,803	6,216	(87)	0	2,153	0	**0**	(3,579)	9,506
Corporate	**46,305**	**93,162**	**(929)**	**(332)**	**19,221**	**0**	**0**	**(31,992)**	**125,435**
Other financial receivables from related parties	17,030	25,232	(786)	(253)	9,914	0	0	(13,514)	37,623
Investment loans	12,122	35,907	(92)	0	5,060	0	0	(8,520)	44,477
Credit cards	38	33	0	0	21	0	0	(23)	69
Working capital loans	17,115	31,990	(51)	(79)	4,226	0	0	(9,935)	43,266
Stage 3	**56,994**	**0**	**8,609**	**(536)**	**6,329**	**0**	**(4,655)**	**(14,483)**	**52,258**
Cash pool and factoring	**0**	**0**	**0**	**0**	**1,644**	**0**	**0**	**0**	**1,644**
Retail	**45,956**	**0**	**7,038**	**0**	**3,647**	**0**	**(3,231)**	**(10,504)**	**42,906**
Other loans	28	0	0	0	0	0	(18)	(10)	0
Mortgage loans	30,863	0	3,578	0	1,361	0	(2,105)	(6,492)	27,205
Credit cards	620	0	72	0	182	0	0	(321)	553
Consumer loans	14,205	0	3,200	0	2,020	0	(1,108)	(3,514)	14,803
Other financial receivables from related parties	240	0	188	0	84	0	0	(167)	345
Corporate	**11,038**	**0**	**1,571**	**(536)**	**1,038**	**0**	**(1,424)**	**(3,979)**	**7,708**
Other financial receivables from related parties	2,263	0	972	(536)	202	0	0	(1,330)	1,571
Investment loans	1,718	0	92	0	317	0	(12)	(555)	1,560
Credit cards	133	0	4	0	9	0	0	(87)	59
Working capital loans	6,924	0	503	0	510	0	(1,412)	(2,007)	4,518
Total	**1,720,054**	**0**	**0**	**0**	**736,164**	**0**	**(4,655)**	**(437,928)**	**2,013,635**

19. Loans and advances to clients (continued)

(c) Movement of impairment of loans and advances to clients in 2023

	Opening balance 01.01.2023	Changes due to migration from Stage 1 to Stage 2	Changes due to migration from Stage 1 and Stage 2 to Stage 3	Changes due to migration from Stage 2 and Stage 3 to Stage 1	Increases due to occurrence and acquisition	Changes due to updating the valuation methodology	Decrease of the correction due to derecognition	Changes due to repayments	Balance at the end of the period
Stage 1	19,431	(669)	(144)	15,136	7,391	0	0	(16,739)	24,406
Cash pool and factoring	150	0	0	0	139	0	0	(150)	139
Retail	6,456	(116)	(27)	2,361	2,671	0	0	(4,208)	7,137
Other loans	1	0	0	0	3	0	0	(1)	3
Mortgage loans	4,112	(51)	(11)	1,411	855	0	0	(2,381)	3,935
Credit cards	33	(1)	0	51	10	0	0	(62)	31
Consumer loans	2,260	(57)	(16)	899	1,754	0	0	(1,749)	3,091
Other financial receivables from related parties	50	(7)	0	0	49	0	0	(15)	77
Corporate	12,825	(553)	(117)	12,775	4,581	0	0	(12,381)	17,130
Other financial receivables from related parties	781	(97)	(8)	3	2,114	0	0	(380)	2,413
Investment loans	4,703	(136)	(16)	6,662	606	0	0	(3,864)	7,955
Credit cards	5	0	0	4	2	0	0	(5)	6
Working capital loans	7,336	(320)	(93)	6,106	1,859	0	0	(8,132)	6,756
Stage 2	24,266	1,551	(274)	(13,250)	8,348	0	0	(3,849)	16,792
Cash pool and factoring	5	0	0	0	4	0	0	(5)	4
Retail	4,979	826	(261)	(479)	2,613	0	0	(2,007)	5,671
Other loans	0	0	0	0	0	0	0	0	0
Mortgage loans	3,458	667	(87)	(421)	1,879	0	0	(1,389)	4,107
Credit cards	32	7	(3)	0	27	0	0	(21)	42
Consumer loans	1,319	145	(171)	(58)	566	0	0	(520)	1,281
Other financial receivables from related parties	170	7	0	0	141	0	0	(77)	241
Corporate	19,282	725	(13)	(12,771)	5,731	0	0	(1,837)	11,117
Other financial receivables from related parties	1,469	269	(7)	(3)	1,182	0	0	(914)	1,996
Investment loans	9,881	136	0	(6,662)	496	0	0	(599)	3,252
Credit cards	3	0	0	0	5	0	0	(1)	7
Working capital loans	7,929	320	(6)	(6,106)	4,048	0	0	(323)	5,862
Stage 3	47,374	(882)	418	(1,886)	23,470	0	(2,441)	(10,547)	55,506
Cash pool and factoring	956	0	0	0	1,010	0	0	(302)	1,664
Retail	38,824	(710)	288	(1,882)	8,472	0	(1,446)	(7,863)	35,683
Other loans	0	0	0	0	0	0	0	0	0
Mortgage loans	23,310	(616)	98	(990)	3,938	0	(563)	(4,595)	20,582
Credit cards	551	(6)	3	(51)	230	0	(90)	(243)	394
Consumer loans	14,618	(88)	187	(841)	4,147	0	(793)	(2,803)	14,427
Other financial receivables from related parties	345	0	0	0	157	0	0	(222)	280
Corporate	7,594	(172)	130	(4)	13,988	0	(995)	(2,382)	18,159
Other financial receivables from related parties	1,571	(172)	15	0	2,304	0	0	(478)	3,240
Investment loans	1,530	0	16	0	5,367	0	(48)	(686)	6,179
Credit cards	59	0	0	(4)	19	0	(28)	(9)	37
Working capital loans	4,434	0	99	0	6,298	0	(919)	(1,209)	8,703
Total	91,071	0	0	0	39,209	0	(2,441)	(31,135)	96,704

19. Loans and advances to clients (continued)

(d) Movement of impairment of loans and advances to clients in 2022

	Opening balance 01.01.2022	Changes due to migration from Stage 1 to Stage 2	Changes due to migration from Stage 1 and Stage 2 to Stage 3	Changes due to migration from Stage 2 and Stage 3 to Stage 1	Increases due to occurrence and acquisition	Changes due to updating the valuation methodology	Decrease of the correction due to derecognition	Changes due to repayments	Balance at the end of the period
Stage 1	**34,712**	**(14,448)**	**(41)**	**693**	**9,004**	**0**	**0**	**(10,489)**	**19,431**
Cash pool and factoring	**100**	**0**	**0**	**0**	**50**	**0**	**0**	**0**	**150**
Retail	**8,585**	**(279)**	**(35)**	**146**	**2,287**	**0**	**0**	**(4,248)**	**6,456**
Other loans	2	0	0	0	0	0	0	(1)	**1**
Mortgage loans	5,848	(168)	(17)	144	1,201	0	0	(2,896)	**4,112**
Credit cards	37	(1)	0	0	11	0	0	(14)	**33**
Consumer loans	2,569	(82)	(18)	2	1,042	0	0	(1,253)	**2,260**
Other financial receivables from related parties	129	(28)	0	0	33	0	0	(84)	**50**
Corporate	**26,027**	**(14,169)**	**(6)**	**547**	**6,667**	**0**	**0**	**(6,241)**	**12,825**
Other financial receivables from related parties	444	(301)	(1)	546	701	0	0	(608)	**781**
Investment loans	12,498	(6,953)	0	0	2,708	0	0	(3,550)	**4,703**
Credit cards	4	(1)	0	0	3	0	0	(1)	**5**
Working capital loans	13,081	(6,914)	(5)	1	3,255	0	0	(2,082)	**7,336**
Stage 2	**10,426**	**14,448**	**(955)**	**(157)**	**6,397**	**0**	**0**	**(5,893)**	**24,266**
Cash pool and factoring	**4**	**0**	**0**	**0**	**1**	**0**	**0**	**0**	**5**
Retail	**5,764**	**279**	**(599)**	**(146)**	**1,966**	**0**	**0**	**(2,285)**	**4,979**
Other loans	15	0	0	0	0	0	0	(15)	**0**
Mortgage loans	4,027	168	(288)	(144)	1,206	0	0	(1,511)	**3,458**
Credit cards	40	1	(6)	0	15	0	0	(18)	**32**
Consumer loans	1,534	82	(304)	(2)	641	0	0	(632)	**1,319**
Other financial receivables from related parties	148	28	(1)	0	104	0	0	(109)	**170**
Corporate	**4,658**	**14,169**	**(356)**	**(11)**	**4,430**	**0**	**0**	**(3,608)**	**19,282**
Other financial receivables from related parties	1,370	301	(347)	(10)	951	0	0	(796)	**1,469**
Investment loans	1,860	6,953	(7)	0	2,021	0	0	(946)	**9,881**
Credit cards	1	1	0	0	1	0	0	0	**3**
Working capital loans	1,427	6,914	(2)	(1)	1,457	0	0	(1,866)	**7,929**
Stage 3	**52,036**	**0**	**996**	**(536)**	**12,148**	**0**	**(4,655)**	**(12,615)**	**47,374**
Cash pool and factoring	**0**	**0**	**0**	**0**	**956**	**0**	**0**	**0**	**956**
Retail	**41,211**	**0**	**634**	**0**	**9,399**	**0**	**(3,231)**	**(9,189)**	**38,824**
Other loans	28	0	0	0	0	0	(18)	(10)	**0**
Mortgage loans	26,355	0	305	0	4,348	0	(2,105)	(5,593)	**23,310**
Credit cards	615	0	6	0	231	0	0	(301)	**551**
Consumer loans	13,973	0	322	0	4,607	0	(1,108)	(3,176)	**14,618**
Other financial receivables from related parties	240	0	1	0	213	0	0	(109)	**345**
Corporate	**10,825**	**0**	**362**	**(536)**	**1,793**	**0**	**(1,424)**	**(3,426)**	**7,594**
Other financial receivables from related parties	2,263	0	348	(536)	559	0	0	(1,063)	**1,571**
Investment loans	1,724	0	7	0	351	0	(12)	(540)	**1,530**
Credit cards	133	0	0	0	14	0	0	(88)	**59**
Working capital loans	6,705	0	7	0	869	0	(1,412)	(1,735)	**4,434**
Total	**97,174**	**0**	**0**	**0**	**27,549**	**0**	**(4,655)**	**(28,997)**	**91,071**

20. Property, plant and equipment

In BGN thousand	Lands and buildings	Plant and equipment	Fixtures and fittings	Motor vehicles	Repair of leased assets	Cost of fixed asset acquisition	Total
Carrying amount							
As at 1 January 2023	16,081	12,721	5,941	706	0	1,521	36,970
Incoming	0	0	0	0	571	2,639	3,210
Transfer	1,100	391	1,290	1	2,880	(3,353)	2,309
Discontinued	0	(1,225)	(610)	0	(427)	0	(2,262)
As at 31 December 2023	**17,181**	**11,887**	**6,621**	**707**	**3,024**	**807**	**40,227**
Depreciation							
As at 1 January 2023	(4,499)	(9,196)	(3,791)	(706)	0	0	(18,192)
Depreciation costs for the year	(575)	(1,070)	(418)	0	(219)	0	(2,282)
Transfer	0	0	0	0	(1,434)	0	(1,434)
Depreciation of out of use	0	1,132	585	0	427	0	2,144
As at 31 December 2023	**(5,074)**	**(9,134)**	**(3,624)**	**(706)**	**(1,226)**	**0**	**(19,764)**
Carrying amount 31.12.2023	**12,107**	**2,753**	**2,997**	**1**	**1,798**	**807**	**20,463**

In BGN thousand	Lands and buildings	Plant and equipment	Fixtures and fittings	Motor vehicles	Expenditure on acquisition of tangible fixed assets	Total
Carrying amount						
As at 1 January 2022	9,367	12,083	6,334	706	1,073	29,563
Received	6,748	2,081	546	0	10,155	19,530
Discontinued	(34)	(1,443)	(939)	0	(9,707)	(12,123)
As at 31 December 2022	**16,081**	**12,721**	**5,941**	**706**	**1,521**	**36,970**
Depreciation						
As at 1 January 2022	(4,057)	(9,680)	(4,423)	(706)	0	(18,866)
Depreciation costs for the year	(442)	(880)	(299)	0	0	(1,621)
Depreciation of out of use	0	1,364	931	0	0	2,295
As at 31 December 2022	**(4,499)**	**(9,196)**	**(3,791)**	**(706)**	**0**	**(18,192)**
Carrying amount 31.12.2022	**11,582**	**3,525**	**2,150**	**0**	**1,521**	**18,778**

Management has reviewed property, plant and equipment and has not identified any indications that the carrying amount of the assets exceeds their recoverable amount. Therefore, as at 31 December 2023 and 31 December 2022, no impairment of property, plant and equipment was recognized.

21. Right-of-use assets

Right-of-use assets (by asset class)	31.12.2023	31.12.2022
In BGN thousand		
Buildings	11,719	13,000
Plant and equipment	310	235
Motor vehicles	113	122
Towards the end of the reporting period	12,142	**13,357**

In BGN thousand	Buildings	Motor vehicles	Plant and equipment	Total
Carrying amount				
As at 1 January 2023	**21,014**	**259**	**636**	**21,909**
Acquired - new leases	1,133	39	253	1,425
Terminated leases	(815)	(6)	(172)	(993)
As at 31 December 2023	**21,332**	**292**	**717**	**22,341**
Depreciation				
As at 1 January 2023	**(8,014)**	**(137)**	**(401)**	**(8,552)**
Depreciation for the year	(2,311)	(49)	(168)	(2,528)
Depreciation of out of use	712	6	163	881
As at 31 December 2023	**(9,613)**	**(180)**	**(406)**	**(10,199)**
Net carrying amount as at 1 January 2023	**13,000**	**122**	**235**	**13,357**
Net carrying amount as at 31 December 2023	**11,719**	**112**	**311**	**12,142**

In BGN thousand	**Buildings**	**Motor vehicles**	**Plant and equipment**	**Total**
Carrying amount				
As at 1 January 2022	**21,734**	**407**	**470**	**22,611**
Acquired - new leases	2,735	79	166	2,980
Terminated leases	(3,455)	(227)	0	(3,682)
As at 31 December 2022	**21,014**	**259**	**636**	**21,909**
Depreciation				
As at 1 January 2022	**(7,327)**	**(267)**	**(257)**	**(7,851)**
Depreciation for the year	(2,518)	(52)	(144)	(2,714)
Depreciation of out of use	1,831	182	0	2,013
As at 31 December 2022	**(8,014)**	**(137)**	**(401)**	**(8,552)**
Net carrying amount as at 1 January 2022	**14,407**	**140**	**213**	**14,760**
Net carrying amount as at 31 December 2022	**13,000**	**122**	**235**	**13,357**

The following amounts are recognized in the comprehensive income statement:

21. Right-of-use assets (continued)

Depreciation of right-of-use assets (by asset class)

In BGN thousand	**31.12.2023**	**31.12.2022**
Land and buildings	2,311	2,518
Motor vehicles	49	52
Plant and equipment	168	144
Total depreciation expenses	**2,528**	**2,714**

Interest expense on lease liabilities (included in financial expenses)	63	67
Cost related to short-term leasing (included in administrative expenses)	880	536
(Profit) / Loss from termination of the lease contract	12	(2)
Total expenses associated with lease contracts	**955**	**601**

The following amounts are recognized in the cash flow statement:

In BGN thousand	**31.12.2023**	**31.12.2022**
Cash outflow from lease contracts - financing activity		
Principal	2,663	2,359
Interest	63	67
	2,726	**2,426**
Cash outflow from lease contracts - operating activity	887	543
Total cash outflow	**3,613**	**2,969**

22. Intangible assets

In BGN thousand	**Intangible assets**	**Expenses for the acquisition of intangible assets**	**Total**
Carrying amount			
As at 1 January 2023	**15,187**	**2,837**	**18,024**
Received	0	1,372	1,372
Transfer	911	(3,220)	(2,309)
Discontinued	(554)	0	(554)
As at 31 December 2023	**15,544**	**989**	**16,533**
Depreciation			
As at 1 January 2023	**(8,285)**	**0**	**(8,285)**
Depreciation costs for the year	(1,531)	0	(1,531)
Transfer	1,434	0	1,434
Depreciation of scrap during the year	292	0	292
As at 31 December 2023	**(8,090)**	**0**	**(8,090)**
Carrying amount as at 31 December 2023	**7,454**	**989**	**8,443**

22. Intangible assets (continued)

	Intangible assets	Expenses for the acquisition of intangible assets	Total
Carrying amount			
As at 1 January 2022	**15,069**	**2,885**	**17,954**
Received	1,782	1,404	3,186
Discontinued	(1,664)	(1,452)	(3,116)
As at 31 December 2022	**15,187**	**2,837**	**18,024**
Depreciation			
As at 1 January 2022	**(8,389)**	**0**	**(8,389)**
Depreciation costs for the year	(1,060)	0	(1,060)
Depreciation of scrap during the year	1,164	0	1,164
As at 31 December 2022	(8,285)	0	(8,285)
Carrying amount as at 31 December 2022	**6,902**	**2,837**	**9,739**

23. Other financial assets

In BGN thousand	**31.12.2023**	**31.12.2022**
Transfers for execution	944	3,141
Total other financial assets	**944**	**3,141**

24. Other assets

In BGN thousand	**31.12.2023**	**31.12.2022**
Deferred expenses	9,896	8,453
Receivables for fees and deductions	2,579	2,034
Impairment of receivables fees and commissions	(2,594)	(2,037)
Materials in stock	268	348
Other assets	3,785	2,004
Total other assets	**13,934**	**10,802**

25. Deposits from clients

In BGN thousand	**31.12.2023**	**31.12.2022**
Individuals		
Current accounts	1,540,913	1,351,381
Deposits	501,220	545,161
Total	**2,042,133**	**1,896,542**
Private enterprises		
Current accounts	1,172,359	1,582,727
Deposits	159,037	160,115
Total	**1,331,396**	**1,742,842**
State-owned enterprises		
Current accounts	31,086	26,198
Deposits	0	208
Total	**31,086**	**26,406**
Total client deposits	**3,404,615**	**3,665,790**

26. Deposits of clients and other borrowed funds

Receivables from banks and other borrowed funds

In BGN thousand	31.12.2023	31.12.2022
MREL loan from the European Fund for Southeast Europe	48,437	**0**
Payable to the European Investment Bank on a credit line received	15,252	19,817
Payable to the European Investment Fund under the JEREMIE Initiative	296	1,078
Received from credit institutions;	203	227
Total receivables from banks and other borrowed funds	**64,188**	**21,122**

As at 31 December 2023, the borrowed funds payable to banks on received credit lines included funds for lending to small and medium-sized enterprises received by the European Investment Bank at the amount of BGN 15,252 thousand (31.12.2022- BGN 19,817 thousand).

The Bank has concluded a contract with the European Investment Fund (JEREMIE), which is part of the Operational Program "Development of the Competitiveness of the Bulgarian Economy 2007-2013", providing a resource for the support of small and medium-sized enterprises, with the provided resources amounting to BGN 296 thousand as at 31 December 2023 (31.12.2022 - BGN 1,087 thousand).

In December 2023, the bank absorbed an unsecured MREL loan from the European Fund for Southeast Europe S.A., SICAV-SIF. Main parameters of the loan:

- Contract amount - 25,000 thousand EUR
- Maturity - 4 years
- Interest rate – 6M EURIBOR 3.35% 0.25% (management fee prepaid when the loan is drawn down)

27. Issued debt securities

In BGN thousand						31.12.2023	31.12.2022
	Currency	***Annual interest***	***Date of issue***	***Maturity date***	***In original currency***	**Carrying amount**	**Carrying amount**
Issue Unsecured senior bonds	EUR	6.85%	30.03.2023	30.03.2027	39,000	81,096	0
Total issued debt securities						**81,096**	**0**

28. Liabilities under lease agreements

In BGN thousand	31.12.2023	31.12.2022
Short-term lease liabilities	2,496	2,537
Long -term leasing liabilities	10,307	11,540
Total lease liabilities	**12,803**	**14,077**

		31 DECEMBER 2023
In BGN thousand	Minimal lease payments	Present value of lease payments
Up to 1 year	2,550	2,496
Between 1 and 5 years	6,768	6,639
More than 5	3,693	3,668
Total minimum lease payments	**13,011**	**12,803**
Reduced by amounts being financial expenses	(208)	0
Present value of the minimum lease payments	**12,803**	**12,803**

31.12.2022

In BGN thousand	Minimal lease payments	Present value of lease payments
Up to 1 year	2,592	2,537
Between 1 and 5 years	8,448	8,294
More than 5	3,264	3,246
Total minimum lease payments	**14,304**	**14,077**
Reduced by amounts being financial expenses	(227)	0
Present value of the minimum lease payments	**14,077**	**14,077**

The tables below presents the movement of lease liabilities for the specific period:

In BGN thousand	Lease liabilities
Balance as at 1 January 2022	(15,065)
Lease principal payments	2,359
Accrued and paid interest associated with leases	(67)
Total cash outflows from lease contracts	**2,292**
New leases	(2,980)
Terminated leases	1,676
Balance as at 31 December 2022	**(14,077)**

In BGN thousand	Lease liabilities
Balance as at 01 January 2023	**(14,077)**
Lease principal payments	2,662
Accrued and paid interest associated with leases	(62)
Total cash outflows from lease contracts	**2,600**
New leases	(1,426)
Terminated leases	100
Balance as at 31.12.2023	**(12 803)**

29. Deferred taxes

Deferred income taxes are calculated on all temporary differences using the balance sheet liability method by applying a 2023 tax rate of 10% (2022: 10%).

The deferred income tax expense is attributable to the following balance sheet items:

In BGN thousand	Assets 31.12.2023	31.12.2022	Liabilities 31.12.2023	31.12.2022	Net (assets)/ liabilities 31.12.2023	31.12.2022
Property, plant and equipment	0	0	659	536	659	536
Other liabilities	(1,011)	(633)	0	0	(1,011)	(633)
Net tax (assets)/ liabilities	(1,011)	(633)	659	536	(352)	(97)

The movement of temporary tax differences during the year arises from:

In BGN thousand	Balance 31.12.2022	In profit and loss	Change in revaluation reserve	Balance 31 DECEMBER 2023
Property, plant and equipment	536	123		659
Other liabilities	(633)	(378)	26	(1,011)
Net deferred tax (assets)/ liabilities	(97)	(255)	26	(352)

In BGN thousand	Balance 31.12.2021	In profit and loss	Balance 31.12.2022
Property, plant and equipment	506	30	536
Other liabilities	(552)	(81)	(633)
Net deferred tax (assets)/ liabilities	(46)	(51)	(97)

30. Other financial liabilities

In BGN thousand	31.12.2023	31.12.2022
Transfers for execution	8,862	7,227
Total financial liabilities	**8,862**	**7,227**

31. Other liabilities

In BGN thousand	31.12.2023	31.12.2022
Payables to personnel	5,219	2,912
Payables under defined benefit plans	478	428
Tax and social security obligations	2,670	651
Payables to suppliers	4,619	128
Other payables	13,797	6,360
Total other liabilities	26,783	**10,479**

32. Payables under defined benefit pension plans

The Bank has the obligation to pay to those of its resigning employees who retire in compliance with the requirements of Article 222, § 3 of the Labor Code (LC) in Bulgaria. By virtue of these provisions of the LC, upon termination of the labor contracts with employees who have acquired the right to retire, their employer pays a compensation at the amount of two gross salaries. Provided the employee has completed 10 and more years of service at retirement, the compensation is at the amount of 6 gross salaries.

The approximate amount of payables for defined benefit plans at retirement as of every accounting period and the expenses recognized in profit and losses are based on actuarial reports (the information about the parameters and assumptions used is disclosed below).

The defined benefit plan (liability for retirement income) is unfunded.

Movements in the present value of payments under defined benefit plans

In BGN thousand	**2023**	**2022**
The present value of payables at 1 January	**428**	**404**
Expenses for hired services	40	39
Interest expenses	16	6
Amounts paid during the period	(80)	(59)
Actuarial (gains) / losses from changes in demographic and financial assumptions	73	38
The present value of the payable at 31 December	**477**	**428**

Actuarial assumptions

The main actuarial assumptions at the reporting date (presented as averages) are presented as follows:

	2023	**2022**
Discount percentage at 31 December	3.7374%	1.51125%
Gross wage growth	3.00%	3.00%

33. Capital and reserves

(a) Fixed capital

As at 31 December 2023, Allianz Bank Bulgaria's registered capital amounted to BGN 76,825 thousand. (2022 - BGN 69,000 thousand), which includes registered capital amounting to BGN 76,825 thousand. The registered capital of the Bank is fully paid and consists of 76,825,000 registered shares with voting rights, each with a nominal value of 1 BGN.

The share capital structure as at 31 December 2023 and 31 December 2022 was as follows:

Shareholders	**2023**	**2022**
	% holding:	*% holding:*
Allianz Bulgaria Holding	99.891	99.891
Other	0.109	0.109
	100.000	100.000

The ultimate beneficial owner is Allianz SE.

33. Capital and reserves (continued)

(b) Retained earnings

As at 31 December 2023, the balance of retained earnings amounted to BGN 255,464 thousand. (2022: BGN 197,797 thousand) and includes profit from previous period amounting to BGN 197,988 thousand. (2022: BGN 174,5622 thousand), profit for the year BGN 57,476 thousand. (2022: BGN 23,213 thousand)

(c) Statutory reserves

Legal reserves are created in accordance with local law requirements. Under the Commerce Act, the Bank should set aside from its profit statutory reserves until it reaches 10% of its capital. At 31 December 2023 the statutory reserves amount to BGN 9,850 thousand. (2023 - BGN 9,850 thousand)

(d) Revaluation reserves

The revaluation reserves are formed from the fair value reserve includes the cumulative net change in the fair value of financial assets at fair value through other comprehensive income until the investments are derecognized or impaired and actuarial gains/losses. At 31 December 2023 the fair value reserves amount to BGN 2,725 thousand. (2022: BGN 3,370 thousand) and loss from defined benefit plans amounting to BGN 238 thousand. (2022: BGN 38 thousand)

(e) Capital base

The Bank applies a standardized approach with regard to credit and market risk, and a basic indicator approach for operating risk. The Bank monitors changes in major exposure classes, capital base, and total capital adequacy on a monthly basis, and reports the levels of regulatory and internal capital to the Management and Supervisory Board. The Bank prepares quarterly reports, which it submits to the BNB in compliance with the terms specified in EU Regulation 2021/451 of 28 June 2021. According to art. 92 of Regulation 575 of the European parliament and of the Council of Wednesday, June 26, 2013, minimum requirements for the ratios of capital adequacy of Tier 1 capital and of Total capital adequacy are respectively no less than 6% and no less than 8%. By the end of 2023, Allianz Bank Bulgaria AD has complied with the decision of the Board of the BNB of 15.06.2023 for capital stability - the total capital adequacy should not be less of 16.25%, formed on the basis of:

Minimum total capital ratio of 8% for risk-weighted assets in accordance with Article 92 (1) of Regulation 575/2013 and additional common equity requirement of 0.75% for risk-weighted assets, or 8.75% total capital requirement under the Supervisory Review and Evaluation Process/ SREP; EBA/GL/2014/13/.

- Systemic risk buffer equal to 3% of the amount of risk-weighted assets of the bank in the Republic of Bulgaria.
- Safeguard capital buffer, equal to 2.5% of the amount of risk-weighted assets of the bank.

- Bulgaria by the end of 2023 – 2% / at 1% for 2022 /, according to a decision of the BNB Board of Directors.

33. Capital and reserves (continued)

(e) Capital base (continued)

In BGN thousand	**Equity/ Capital base 2023**	**Equity/ Capital base 2022**
Registered and paid-in capital	76,825	69,000
Retained earnings from past year	197,988	174,584
Acceptable profit or loss	30,310	0
Other reserves	9,850	9,850
Total other comprehensive income	2,725	(3,370)
Common Equity Tier 1 before regulatory adjustments	**317,698**	**250,064**
Intangible assets	(7,217)	(6,901)
Additional value adjustments	(210)	(1,147)
Other transitional adjustments to Common Equity Tier 1	0	4,725
Common Equity Tier 1 considering regulatory adjustments	**310,271**	**246,741**
Tier 1 capital	**310,271**	**246,741**
Additional Tier 1 capital	**0**	**0**
Tier 2 capital	**0**	**0**
Total equity/ Capital base	**310,271**	**246,741**

*Additional adjustments to the value of the capital, as well as other transitional adjustments are based on corrections for specific credit risk in the regulatory capital (Regulations 183/2014 and 241/2014), and the prudential assessment of assets and liabilities assessed at fair value introduced at the end of 2018 (Regulation 2021/451of the EU, via Delegated regulation of the EU 2016/101).

The Bank's capital base includes the financial interim audited result of the Bank for the six-month period ending on June 30, 2023.

(f) Capital requirements and ratios

As of December 31, 2023, the Bank meets the supervisory requirements as follows:

In BGN thousand **Risk exposures for credit risk, counterparty credit risk, risk of dispersion, and free supplies in BGN thousand**	**Capital requirements and ratios**
Central governments and central banks	39,866
Regional governments or local authorities	489
Institutions	56,974
Companies	481,562
Retail exposures	573,382
Exposures secured by real estate	309,749
Non-performing exposures	2,825
Capital Exposures	10,250
Other positions	49,043
Total risk exposures for credit risk, counterparty credit risk, risk of dispersion, and free supplies	**1,524,140**
Risk exposures for operating risk	**170,325**
Total risk exposures	**1,694,465**
Total Capital adequacy ratio (%)	18.31%
Tier 1 capital adequacy ratio (%)	18.31%
Safety capital buffer	42,366
Systemic risk buffer	48,781
Institution-specific countercyclical capital buffer	33,554
Capital requirements in relation to second pillar adjustments	12,710

33. Capital and reserves (continued)

(f) Capital requirements and ratios (continued)

The described indicators demonstrate the Bank's main aim – maintaining optimum capital adequacy, i.e., optimum capital adequacy of bank risks to achieve its strategic aims, while complying with individual bank regulations.

34. Off-balance sheet commitments

Bank guarantees and letters of credit

The Bank provides bank guarantees and letters of credit in order to guarantee the execution of commitments of its clients to third parties. These agreements have fixed limits and usually have a validity period of up to two years.
Amounts under agreements to issue guarantees and letters of credit are shown in the table below according to the relevant category. It is considered that the values reflected in the commitment table are fully translated. Amounts reflected in the table as guarantees and letters of credit represent the maximum amount of accounting loss that will be reflected in the statement of financial position in the event that counterparties fail to meet their obligations.

In BGN thousand	**31.12.2023**	**31.12.2022**
Off-balance sheet commitments		
Unutilized overdrafts and credit lines	204,508	181,845
Guarantees	47,512	43,281
Letters of credit	6,192	9,486
Total off-balance sheet commitments	**258,212**	**234,612**

These commitments and contingent liabilities are reported only off-balance-sheet, with only engagement fees and expected credit loss being recognized in the statement of financial position until the engagement expires or is executed. Many of the contingent liabilities are expected to close without incurring partial or full payments. Therefore, the amounts do not represent future cash flows.

35. Assets provided as collateral

As at 31 December 2023, the Bank has pledged government securities with a nominal value of BGN 44,518 thousand. (2022: BGN 41,312 thousand) and market value BGN 38,489 thousand. (2022: BGN 36,616 thousand) as collateral for attracted funds from the State Budget, Government Securities with a nominal value of BGN 44,495 thousand. (2022: BGN 45,111 thousand) and market value BGN 45,359 thousand. (2022: BGN 45,254 thousand) as collateral for loans from the European Investment Bank under a program for targeted refinancing of commercial banks and a program for providing a targeted credit line for financing of agricultural producers.

36. Deals with related parties

(a) Parent and ultimate controlling entity

Identification of related parties

The Bank deems that it is a related party in accordance with the definitions contained in International Accounting Standard 24 "Related Party Disclosures" (IAS 24) with:

The parent company, Allianz Bulgaria Holding AD, from which 66.16% are controlled by Allianz SE (ultimate controlling party) and group companies of Allianz CE;

An investor with significant influence, holding directly or indirectly (with/or immediate family) 33.84% of the capital of Allianz Bulgaria Holding AD, companies and non-profit entities under its direct or indirect control.

- Key management personnel and companies and non-profit entities under their direct and indirect control.

36. Deals with related persons (continued)

(a) Parent and ultimate controlling entity (continued)

The table below shows the remuneration of key management personnel:

Remuneration of key management personnel

In BGN thousand	**31.12.2023**	**31.12.2022**
Short-term earnings	1,580	1,297
Total	**1,580**	**1,297**

The related party transactions are described below.

Banking service

The Bank opens and keeps current accounts of related parties, accepts deposits from them, accrues interest charges, grants them loans from which it receives interest income. The Bank also receives income from fees and commissions from bank services provided to related parties.

Leases

The Bank acquires a financial lease from Allianz Leasing Bulgaria. The value of the acquired lease receivables during the period amounted to BGN 100,093 thousand. (2022: BGN 68,073 thousand) The Bank provides credit risk management services to the related party and the risk to the lessee of the related party.

Other financial services

The Bank receives income from fees and commissions from the sale of insurance and retirement benefits at the expense of related parties, which presents in the financial statements other operating income.

Other related party transactions include income and expense from / rents from leased or leased premises in own buildings, staff training costs, and insurance costs related to the Bank's operations.

36. Deals with related persons (continued)

(b) Transactions and balances

Deals with related parties	Ultimate Controlling Owner		Persons directly or indirectly controlling the Bank's activities		Companies under common control		Companies under the control and joint control of an investor with significant influence and members of his family		Key management personnel	
In BGN thousand	31.12.2023	31.12.2022	31.12.2023	31.12.2022	31.12.2023	31.12.2022	31.12.2023	31.12.2022	31.12.2023	31.12.2022
Loans	0	0	0	0	24,448	23,470	28	63	756	883
Interest receivables	0	0	0	0	23	15	0	1	1	0
Receivables for fees and deductions	0	0	0	0	0	0	0	0	0	0
receivables under cash pool	9,756	9,405	0	0	0	0	0	0	0	0
Financial assets at fair value through profit and loss	364	0	0	0	0	0	0	0	0	0
Other financial receivables from related parties	0	0	0	0	0	68,073	0	0	0	0
Deferred expenses on other financial receivables	0	0	0	0	0	1,999	0	0	0	0
Purchased fixed assets	0	0	380	0	0	4,321	0	0	0	0
Total assets	**10,121**	**9,405**	**380**	**0**	**24,471**	**97,878**	**28**	**64**	**757**	**883**

36. Deals with related persons (continued)

(b) Transactions and balances (continued)

Deals with related parties	Ultimate Controlling Owner		Persons directly or indirectly controlling the Bank's activities		Companies under common control		Companies under the control and joint control of an investor with significant influence and members of his family		Key management personnel	
In BGN thousand	31.12.2023	31.12.2022	31.12.2023	31.12.2022	31.12.2023	31.12.2022	31.12.2023	31.12.2022	31.12.2023	31.12.2022
Current accounts	0	0	692	948	48,378	41,643	20,575	14,760	2,994	3,671
Deposits	0	0	0	8,986	3,187	13,944	48,773	40,737	9	9
Interest payables	0	0	0	3	1	8	321	0	0	0
Issued debt securities	0	0	0	0	46,940	0	5,867	0	196	0
Interest obligations on issued debt securities	256	0	0	0	2,412	0	301	0	10	0
Payables related to share-based compensations	0	0	0	0	0	0	0	0	0	0
Impairment losses	0	0	0	0	0	0	0	1	0	4
Lease liabilities	0	0	0	0	182	206	(1,104)	0	0	0
Total liabilities	**256**	**0**	**692**	**9,937**	**101,099**	**55,801**	**74,734**	**55,498**	**3,208**	**3,684**
Credit commitments	0	0	0	0	12	0	59	75	112	0
Guarantees	0	0	0	0	2,352	2,351	0	0	0	0
Guarantees under Art. 240, para. 1 of the Commercial Code	0	0	0	0	0	0	0	0	0	14
Off-balance sheet commitments	**0**	**0**	**0**	**0**	**2,364**	**2,351**	**59**	**75**	**112**	**14**
Revenue from interest	352	0	0	63	(501)	633	1	25	18	26
Fee and commission income	0	0	1	4	407	542	80	70	2	2
Other income	91	0	0	0	1,138	1,110	1	0	3	0
Total revenue	**443**	**0**	**1**	**67**	**1,044**	**2,285**	**82**	**95**	**23**	**28**
Interest expenses	0	0	(1)	0	(34)	27	(1,203)	336	(0)	0
Expenses for remunerations	0	0	0	0	0	0	0	0	(1,580)	1,297
Expenses for share-based compensation	(148)	0	0	0	0	0	0	0	0	0

36. Deals with related persons (continued)

(b) Transactions and balances (continued)

Deals with related parties	Ultimate Controlling Owner		Persons directly or indirectly controlling the Bank's activities		Companies under common control		Companies under the control and joint control of an investor with significant influence and members of his family		Key management personnel	
In BGN thousand	31.12.2023	31.12.2022	31.12.2023	31.12.2022	31.12.2023	31.12.2022	31.12.2023	31.12.2022	31.12.2023	31.12.2022
Rent expenses	0	0	0	0	(37)	280	0	85	0	0
Insurance expenses	(21)	0	0	0	(743)	2,583	0	0	0	0
Assignment costs	0	0	0	0	0	1,999	0	0	0	0
IT costs	(56)	(9)	0	0	(1,855)	0	0	1,902	0	0
Compliance costs	(9)	0	0	0	0	0	0	0	0	0
Marketing expenses	(294)	249	0	0	(73)	0	0	0	0	0
Expenses for staff management	(266)	144	0	0	(550)	0	0	519	0	0
Total expenses	**(794)**	**384**	**(1)**	**0**	**(3,293)**	**4,889**	**(1,203)**	**2,842**	**(1,580)**	**1,297**

36. Deals with related persons (continued)

(b) Transactions and balances (continued)

As at 31 December 2023, loans and credit commitments had a residual maturity of 1 year. The interest rate varies between 2.28% and 13.75%. Loans and credit commitments are fully secured. Current accounts are not blocked and allow for free payments.

As of December 31, 2023, loans and loan commitments to key management personnel have a residual maturity of less than one year and up to twenty-three years, respectively. The interest rate varies between 2.28% and 15.75 %. Loans and credit commitments are fully secured. Deposits and current accounts are not blocked and payments are made freely. Deposits have a residual maturity of up to one year. The interest rate on deposits varies between 0.10%.

37. Commitments under operating leases

The Bank has entered into contracts for the operating lease of buildings, cars and equipment. Contracts are of different duration, depending on the needs of the Bank.

In 2023, the amount of BGN 887 thousand was recognized as an expense in profit and loss in respect of operating leases (2021: BGN 543 thousand)

Irrevocable lease payments for operating lease are due as follows

In BGN thousand	**2023**	**2022**
Less than one year	887	543

Irrevocable lease payments under operating leases are commitments under short-term leases for leases of parking spaces and ATMs, IT equipment and others, which are exceptions within the meaning of IFRS 16 - Leases.

38. Capital commitments

The contractual commitments for acquiring property, plant and equipment amounted to BGN 526 thousand as at 31 December 2023 (2022: BGN 348 thousand)

39. Events that occurred after the date of preparation of the financial statements

There are no significant events occurring after the date of annual financial statement that would require additional disclosures or adjustments to the annual financial statements.