BACB
Sofia

SELECTED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
as of 30 June 2023
/unaudited/

Accounting policy

The consolidated financial statements present the financial condition of the Group consisting of Bulgarian-American Credit Bank (BACB) and its subsidiaries and joint ventures as one reporting entity. The Group's accounting policy has been developed in compliance with the Bulgarian legislation regulating the accounting and banking activity, including the Accounting Act, the Law on Credit Institutions, BNB regulations and instructions and is disclosed in the 2022 audited consolidated financial statements.

The Group applies in 2023 consistently the accounting policy disclosed in the 2022 audited consolidated financial statements, considering the adoption of new or amended standards, effective for annual periods beginning on or after 1 January 2023, as disclosed in the last audited financial statements.

The unaudited consolidated financial statements as of 30 June 2023 have been prepared in all material aspects in accordance with the requirements of IAS 34 *Interim financial reporting*.

Selected Notes

Cash and balances with the Central Bank

	30-06-2023	31-12-2022
Cash on hand	6,558	6,406
Balances with the Central Bank	299,972	438,596
Cash and balances with the Central Bank	306,530	445,002

As of 30 June 2023, the balances with the Central Bank include the amount of EUR 2,137 thousand (2022: EUR 1,814 thousand) representing BACB's participation in the Guarantee Mechanism of a system processing card-based payment transactions – BORICA.

Cash and cash equivalents reported in the consolidated statement of cash flows

For consolidated statement of cash flows purposes cash and cash equivalents include:

	30-06-2023	31-12-2022
Cash and balances with the Central Bank	306,530	445,002
Loans and advances to banks maturing within 3 months	9,228	23,653
Less: Other restricted funds	(1,718)	(18,755)
Cash and cash equivalents	314,040	449,900

The amounts paid to other banks under reverse repo arrangements are included in cash equivalents as they are held for the purpose of meeting short-term cash commitments. The blocked funds on accounts with other banks serve as security for financial guarantees or letter of credits issued by the Group. The amounts, securing payments to card operators, are determined based on the volume of transactions in a certain period of time and these have the nature of guarantees, which can be used to cover payments made, in case of non-performance by the Bank.

Loans and advances to banks

	30-06-2023	31-12-2022
Current accounts with other banks	3,829	4,898
Deposits with other banks	3,681	-
Other restricted funds	1,718	18,755
Loans and advances to banks	9,228	23,653
Less: ECL allowance	(1)	(5)
Loans and advances to banks, net	9,227	23,648

Loans and advances to customers

The information on loans and advances to customers as of 30 June 2023 and 31 December 2022 is presented in the tables bellow:

	30-06-2023	31-12-2022
Loans and advances to customers	764,349	735,719
Less: ECL allowance	(33,474)	(30,724)
Loans and advances to customers, net	730,875	704,995

Type of Customer	30-06-2023	31-12-2022
Individuals	191,590	171,716
Businesses	572,759	564,003
Loans and advances to customers	764,349	735,719
Less: ECL collective	(3,937)	(3,670)
Less: ECL individual	(29,537)	(27,054)
Loans and advances to customers, net	730,875	704,995

The Group classifies all loans and advances to customers as financial assets measured at amortised cost as the management believes they all meet the two conditions stated in IFRS 9:

- The loan is managed in a business model whose objective is to hold financial assets to collect contractual cash flows
- The contractual terms of the financial asset give rise to cash flows that are payments of principle and interest only

All loans and advances are recorded on the balance sheet when cash is disbursed to borrowers. The Group records the unutilized loan commitments off the balance sheet.

The Group applies the expected credit loss model in IFRS 9 on its loans and advances, as described in the accounting policy notes to the last audited consolidated financial statement for 2022. The risk classification of loans and advances is set in 3 stages depending on risk characteristics and credit risk level.

Information on risk classification of loans and advances and accumulated ECL allowance as of 30 June 2023 and 31 December 2022 is presented in the tables bellow:

Gross carrying amount as of 30.06.2023	Stage1	Stage2	Stage3	TOTAL
1. Neither past due nor impaired				
1.1. Individually assessed	386,891	16,999	-	403,890
High class	*43,136*	*85*	-	*43,221*
Medium class	*336,712*	*4,287*	-	*340,999*
Low class	*7,043*	*12,627*	-	*19,670*
1.2.Collectively assessed	210,675	270	-	210,945
2. Past due not impaired				
2.1. Individually assessed	45,456	16,521	-	61,977
2.2. Collectively assessed	9,874	2,701	-	12,575
3.1.Impaired - individually assessed	-	-	71,937	71,937
3.2.Impaired - collectively assessed	-	-	3,025	3,025
TOTAL	**652,896**	**36,491**	**74,962**	**764,349**

Gross carrying amount as of 31.12.2022	Stage1	Stage2	Stage3	TOTAL
1. Neither past due nor impaired				
1.1. Individually assessed	374,826	16,404	-	391,230
High class	*55,284*	*94*		*55,378*
Medium class	*318,223*	*5,387*		*323,610*
Low class	*1,319*	*10,923*		*12,242*
1.2.Collectively assessed	193,824	1,390	-	195,214
2. Past due not impaired				
2.1. Individually assessed	22,904	39,422	-	62,326
2.2. Collectively assessed	5,314	2,557	-	7,871
3.1.Impaired - individually assessed	-	-	76,531	76,531
3.2.Impaired - collectively assessed	-	-	2,547	2,547
TOTAL	**596,868**	**59,773**	**79,078**	**735,719**

Information on changes in risk classifications of loans and advances and accumulated ECL allowance as of 30 June 2023 and 31 December 2022 is presented in the tables bellow:

Changes in the gross carrying amount in 2023	Stage1	Stage2	Stage3	TOTAL
Amounts at 1 January 2023	596,868	59,773	79,078	735,719
New assets originated	108,443	415	935	109,793
Assets repaid	(71,366)	(1,526)	(8,268)	(81,160)
Transfer to Stage 1	24,045	(23,905)	(140)	-
Transfer to Stage 2	(4,053)	5,189	(1,136)	-
Transfer to Stage 3	(1,041)	(3,455)	4,496	-
Amounts written off	-	-	(3)	(3)
Amounts at 30 June 2023	**652,896**	**36,491**	**74,962**	**764,349**

Changes in the gross carrying amount in 2022	Stage1	Stage2	Stage3	TOTAL
Amounts at 1 January 2022	536,592	44,662	90,555	671,809
New assets originated	201,467	3,226	2,033	206,726
Assets repaid	(119,693)	(8,003)	(8,901)	(136,597)
Transfer to Stage 1	6,882	(6,634)	(248)	-
Transfer to Stage 2	(26,376)	35,665	(9,289)	-
Transfer to Stage 3	(2,004)	(9,143)	11,147	-
Amounts written off	-	-	(6,219)	(6,219)
Amounts at 31 December 2022	**596,868**	**59,773**	**79,078**	**735,719**

Changes in the ECL in 2023	Stage 1	Stage 2	Stage 3	TOTAL
Amounts at 1 January 2023	2,697	1,374	26,653	30,724
New assets originated	1,084	208	3,166	4,458
Assets repaid	(901)	(215)	(589)	(1,705)
Transfer to Stage 1	581	(569)	(12)	-
Transfer to Stage 2	(40)	73	(33)	-
Transfer to Stage 3	(31)	(276)	307	-
Amounts written off	-	-	(3)	(3)
Amounts at 30 June 2023	**3,390**	**595**	**29,489**	**33,474**

Changes in the ECL in 2022	Stage 1	Stage 2	Stage 3	TOTAL
Amounts at 1 January 2022	2,736	768	30,861	34,365
New assets originated	1,489	662	3,617	5,768
Assets repaid	(1,430)	(411)	(1,349)	(3,190)
Transfer to Stage 1	155	(78)	(77)	-
Transfer to Stage 2	(202)	567	(365)	-
Transfer to Stage 3	(50)	(134)	184	-
Amounts written off	-	-	(6,219)	(6,219)
Amounts at 31 December 2022	**2,698**	**1,374**	**26,652**	**30,724**

As of 30 June 2023, Loans and advances to customers include finance lease receivables in the total net amount of EUR 8,285 thousand (2022: 9,205) as follows:

2023

	Up to 1 year	1 to 5 years	Over 5 years	Total
Gross investment in finance leases	2,508	6,763	215	9,486
Unearned future income on finance leases	(482)	(700)	(19)	(1,201)
Net minimum lease payments	2,026	6,063	196	8,285

2022

	Up to 1 year	1 to 5 years	Over 5 years	Total
Gross investment in finance leases	2,501	7,677	235	10,413
Unearned future income on finance leases	(437)	(746)	(25)	(1,208)
Net minimum lease payments	2,064	6,931	210	9,205

According to the requirements of IFRS 9, the Bank applies a model for determining the PIT PD, which in essence represents a development of macroeconomic forecasts (a result of 3 macroeconomic scenarios-conservative/realistic/optimistic) and relating the macroeconomic forecasts to the key risk parameters of the Bank /estimated probability of default with a 12-month horizon, estimated probability of default for the entire lifetime of the instrument). The impact of two macroeconomic parameters is reflected – a change in the GDP (for corporate exposures) and the unemployment rate (for the retail segment).

When determining the macroeconomic scenarios, the Group uses the latest up-to-date forecasts for Bulgaria, from external sources, such as the European Commission, the IMF, the BNB, and the Ministry of Finance etc. Three scenarios have been modelled on this basis – optimistic, realistic and conservative, used to determine the impact, and the value of the PIT PD, respectively. Based on the latest actual forecasts for the development of the economy and the labor market in Bulgaria, the Group updated the macroeconomic scenarios as of 31 December 2022.

The details of the scenarios applied are presented in the table below:

Parameter	Scenario	Weight	2022	2023	2024	Following years
	Optimistic	25%	3.90%	3.00%	4.10%	4.00%
GDP growth in %	Baseline	50%	3.20%	1.30%	3.30%	3.50%
	Conservative	25%	2.80%	0.10%	2.80%	2.80%
	Optimistic	25%	4.50%	4.20%	4.20%	4.20%
Unemployment rate in %	Baseline	50%	4.70%	4.50%	4.50%	4.50%
	Conservative	25%	5.20%	5.20%	5.20%	5.30%

The war in Ukraine, the subsequent disruptions in supply chains and shocks on the markets for basic raw materials, the increase in households' living expenses as a result of high inflation, contribute to the high uncertainty in the forecasts, which "increases" the requirements to the developed models.

At this stage, the most appropriate approach for the application of extended / in-depth evaluations, related to the loan quality and impairment, is that of the complex reflecting of the:

- quarterly forecasts on the development of the economies – using the 1 year forecasts from external sources;
- Monitoring and analysis of the level of impact on the various industries and evaluation/transfer of the potential impact on sub-portfolios and/or selected exposures;
- Individual assessments for significant exposures, based on the current financial information, changes in the indebtedness, level of impact of the crisis on the business, suppliers and clients.

Financial assets at fair value in profit or loss

This item presents the Group's investment in shares of Visa Inc. measured at fair value reflecting the fair value changes in profit or loss for the period. The Group acquired these shares as a result of its membership in VISA Europe, which has been sold to VISA Inc. In 2016, the process of selling 100% of the share capital of VISA Europe to VISA Inc. was finalized, with each member of VISA Europe receiving a corresponding proportional consideration. According to the covenants of the final transaction, a part of the consideration for the members of Visa Europe was paid in a form of a pre-defined number of Visa Inc convertible Class C preferred shares. The acquired 560 Series C preferred shares are subject to mandatory conversion into Class A ordinary shares /or Series A preferred shares, where applicable/ within a 12-year period at a certain ratio which is subject to review and adjustment over time under certain conditions. The newly issued Class A or Series A shares are not subject to restrictions and can be freely transferred. The fair value of the investment in VISA Inc. as of 30 June 2023 and 31 December 2022 is presented below:

Equity instruments at fair value through profit or loss	30-06-2023	31-12-2022
Visa Inc convertible preferred stocks Class C	311	277
Visa Inc convertible preferred stocks Series A	372	332
Total	683	609

The model for determination of the fair value of the Class C convertible preferred shares of Visa Inc. is based on the information about the indicative conversion ratio to the Class A ordinary shares of Visa Inc., information about the quoted market value of the Class A ordinary shares and considers the lack of liquidity due to the restrictions for selling the investment within a 12-year period after closing the transaction. The model for measuring the fair value of Series A preferred shares of Visa Inc. is based on a fixed conversion ratio to the Class A ordinary shares of Visa Inc. and information about the quoted market value of the Class A ordinary shares. Unlike Class C shares, the Series A shares are not subject to a trading restriction, therefore the model does not include a discount for lack of liquidity.

Financial assets that are not measured at fair value through profit or loss

The Group applies the requirements of IFRS 9 and classifies its financial assets that are not measured at fair value through profit or loss, in one of the following categories, based on the business model within they are managed and their contractual cash flow characteristics:

- Debt instruments measured at FVOCI, with subsequent reclassification of changes in profit or loss at derecognition
- Equity instruments at FVOCI without subsequent reclassification of changes in profit or loss at derecognition
- Debt instruments measured at amortized cost

The following tables present information on the investments in securities as of 30 June 2023 and 31 December 2022:

	30-06-2023	31-12-2022
Debt instruments at FVOCI		
EUR Bulgarian Government Bonds	7,053	19,605
BGN Bulgarian Government Bonds	18,430	17,559
EUR Government Bonds of foreign countries	27,273	-
USD Government Bonds of foreign countries	18,227	-
EUR Corporate Bonds	3,711	3,947
BGN Corporate Bonds	4,676	1,030
Debt instruments at FVOCI	79,370	42,141
Incl. collateral on attracted funds from the state		
BGN Bulgarian Government Bonds	*9,861*	*6,080*
Total	*9,861*	*6,080*
Equity instruments at FVOCI		
Investments in Bulgarian companies for payment services	1,500	1,500
Investment in shares of TIXI AD	500	500
BSE (Bulgarian Stock Exchange) shares	99	92
Equity instruments at FVOCI	2,099	2,092

Debt instruments at amortised cost	30-06-2023	31-12-2022
EUR Bulgarian Government Bonds	9,895	19,970
BGN Bulgarian Government Bonds	7,438	6,993
EUR Government Bonds of foreign countries	43,291	19,973
USD Government Bonds of foreign countries	31,762	18,855
EUR Corporate Bonds	1,018	-
Less: ECL allowance	(38)	(33)
Debt instruments at amortised cost	93,366	65,758
Incl. collateral on attracted funds from the state		
EUR Bulgarian Government Bonds	*9,895*	*12,069*
BGN Bulgarian Government Bonds	*5,523*	*-*
Total	*15,418*	*12,069*

Unrealized gains and losses arising from changes in the fair value of debt investments at FVOCI are recognized in equity, net of taxes. When the securities are derecognized, the related accumulated fair value adjustments are included in the profit or loss for the period. The interest income on debt instruments at FVOCI for the period 1 January – 30 June 2023 amounts to EUR 919 thousand.

The debt instruments at FVOCI are subject of impairment under IFRS 9 model. The ECLs on debt instruments at FVOCI do not reduce the carrying amount of the assets as in the statement of financial position they are presented at fair value. The accumulated ECLs allowance on such instruments is recognized in OCI with a corresponding charge to profit or loss. The accumulated loss recognized in OCI is recycled to profit or loss upon derecognition of the asset. As of 30 June 2023, all debt instruments at FVOCI are classified in Stage 1 and the cumulative ECL allowance is EUR 38 thousand.

The Group has elected to designate part of its equity investments as equity instruments at FVOCI, due to the fact that they are not held for trading. Unrealized gains and losses arising from changes in fair value of equity investments at FVOCI are recognized in revaluation reserve and are not recycled to profit or loss upon derecognition of the asset. The equity instruments at FVOCI are not subject of impairment under IFRS 9 and no ECL allowance is recognized for such assets. The fair value of investments in equity securities is determined based on evaluation models using direct or indirect market information.

The fair value of the BSE shares is based on quoted market prices as at the date of the financial statements.

As at 30 June 2023 the Group holds also investments in shares of other companies. Their main activity is providing of different payment services and innovative technological and digital payment solutions. As there are no direct market data, the method of market multipliers of analogue companies is applied for the estimation of the fair value of the shares. Under this method the risk profile and the growth perspective of the assessed company are compared to those of comparable publicly traded companies. The market multipliers for the analogue companies indicate what informed investors would pay on a regular active market. These multipliers are then compared to the operating characteristics and the financial performance of the assessed company, in order to estimate its fair value. The model is based on a publicly available data.

For the valuation of the investment in the shares of TIXI AD the model of discounted cash flows has been applied. Under this model the expected future cash flows from the business activity of the company are discounted to their present value. The future cash flows have been calculated on the basis of the updated 5-year business plan of the company. The weighted average cost of capital (WACC) which is stated at 22.5% as of 31 December 2022, has been used as a discount rate in the model.

The investments in debt instruments with fixed or determinable payments and fixed maturity, which the Group has the intention and ability to hold to maturity, are measured at amortised cost. The amortised cost is calculated using the effective interest rate and taking into account any discount or premium and fees on acquisition. The amortization is recognized as interest income in profit or loss for the period. The interest income on debt instruments at amortised cost for the period 1 January – 30 June 2023 amounts to EUR 861 thousand.

The debt instruments at amortised cost are subject of impairment under IFRS 9 model. The ECLs on debt instruments at amortised cost reduce the carrying amount of the assets in the statement of financial position, with a corresponding charge to profit or loss. As of 30 June 2023, all debt instruments at amortised cost are classified in Stage 1 and the cumulative ECL allowance is EUR 38 thousand.

As at 30 June 2023 some of BACB's investments in government bonds are pledged as collateral for attracted funds from the state budget, as disclosed in the tables above.

Government Bonds sold under agreements to repurchase at a specific future date (repo deals) are not derecognized from the statement of financial position. The corresponding cash received is reported as deposit to banks or customers depending on the counterparty in the contract. The difference between the sale and repurchase prices is treated as interest expense in the income statement and accrued over the life of the agreement. There are no active repo deals as of 30 June 2023.

Investment properties and assets held for sale

Under certain circumstances or following the foreclosure on loans that are in default the Group acquires properties that are held for future disposal. Such assets are classified as held for sale or as investment properties depending on management intention and possibility for near realization.

Investment properties are properties (land or building or both) held primarily to earn rentals or for capital appreciation or both and are not involved in the operating activity of the Group.

Investment properties are measured initially at cost, including transaction costs. For their measurement after initial recognition the Group elected to apply the fair value model. The fair value model in accordance with the *IAS 40 Investment properties* requires the investment properties to be stated at their fair value. No depreciation is accrued. A gain or loss arising from a change in the fair value of investment property is recognized in profit or loss for the period in which it arises. The fair value is measured in accordance with *IFRS 13 Fair value measurement,* and *IAS 40* states some additional requirements in respect of valuation of investment properties.

During the reporting period the Group sold properties classified as investment properties with a carrying amount of 2,084 thousand. Real estate for the amount of EUR 6,234 thousand presented previously as assets held for sale is reclassified to investment properties during the reporting period and properties in the amount of EUR 2,216 thousand are reclassified as assets held for sale after signing a preliminary agreement for their forthcoming sale. The book value of investment properties held at 30 June 2023 is EUR 43,701 thousand (2022: 42,016).

Real estate and other tangible assets acquired from disposal of collateral on foreclosed loans or assets acquired exclusively with a view to subsequent disposal in the near future are classified as assets held for sale and are initially measured at cost. The classification of properties as assets held for sale is made at initial recognition and depends on the Management intention and their plans for assets disposal. After initial recognition, such assets are measured at the lower of carrying amount or fair value less the cost to sell. No depreciation is accrued on such assets.

As of 30 June 2023, the balance sheet value of assets held for sale is EUR 12,655 thousand (2022: 12,286). The Group classified newly acquired properties in the amount of EUR 4,423 thousand as assets held for sale during the reporting period and sold properties in the amount of EUR 36 thousand. The acquisition of properties in the amount of EUR 4,274 thousand was settled against direct reduction of loan portfolio. Real estate for the amount of EUR 6,234 thousand is reclassified to Investment properties and properties in the amount of EUR 2,216 thousand are reclassified as assets held for sale following the signing of a preliminary agreement for their forthcoming sale.

Tangible and intangible assets

Initially the items of tangible or intangible assets are recognized at cost, including all transaction costs. There are two alternatives for measurement after initial recognition – the cost model and the revaluation model. The Group presents its own office buildings at revalued amount and all other tangible and intangible assets using the cost model. During the reporting period no changes have been made to the expected terms and methods of depreciation compared to that applied in 2022.

For the purposes of its operating activity the Group rents office buildings and premises. As of 30 June 2023, the Group recognizes right-to-use assets in the total amount of EUR 4,588 thousand (2022: 5,017) relating to long term lease contracts. These assets are presented as tangible assets in the statement of financial position. From the beginning of 2023, the related depreciation expense for right-to-use assets is EUR 830 thousand. In case the lease contract is terminated before maturity, the right-to-use asset and the corresponding lease liability are derecognized, with any differences recognized directly to profit or loss for the period. The Group uses the practical expedient in IFRS 16 *Leases* for short-term lease contracts and accounts for that contracts as operating leases with relevant rental expense in the profit or loss for the lease term.

As of 30 June 2023, the balance sheet value of the tangible and intangible assets is EUR 5,741 thousand (2022: 6,257) and EUR 863 thousand (2022: 925) respectively.

Companies of the Group and joined ventures

As of 30 June 2023, BACB has 2 subsidiaries subject to consolidation – BACB Finance EAD and BACB Trade EAD.

BACB Finance EAD is a fully owned subsidiary providing financial services and acting as supporting company for the banking activity. The subsidiary orientates its core business in providing finance lease, trade finance and consumer loans to customers using its own funds or BACB financing if needed. In 2015 BACB Finance EAD was registered as a financial institution under the requirements of BNB Regulation #26.

BACB Trade EAD is a joint stock company 100% owned by BACB registered in 2013 with main activity financial and business consulting.

BACB prepares its consolidated financial statements in accordance with the applicable accounting standards. At acquisition the subsidiaries are accounted for by applying the purchase method according to the requirements of *IFRS 3 Business combinations.* Goodwill acquired in a business combination is presented in the consolidated balance sheet as an asset which is not amortized. Goodwill is tested for impairment annually in accordance with *IAS 36 Impairment of assets*. All inter-company transactions, balances and unrealized gains on inter-company transactions are eliminated in consolidation process.

Joint arrangement is an arrangement of which two or more parties have joint control. Joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control, e.g. no one party could control the arrangement independently.

The Group presents as a joint venture "IDS Fund" AD, an investment fund registered in 2019 with the main purpose to support companies with good business ideas that strive to realize their full potential on the market. The Fund provides support in the form of debt instruments financing, guarantees, standard financing, share acquisition with by-beck options and others. IDS Fund is a joint stock company registered in Bulgaria. The two shareholders – founders of the Fund are the BACB's subsidiary "BACB Finance" EAD and CSIF AD - the largest shareholder of BACB. The parties are holding 50% of the shareholders equity each. As of 30 June 2023, the registered and paid-in capital of the Fund is BGN 1 million distributed into one million shares with a face value of BGN 1 each with equal voting rights. The investment is determined as joined venture as per the definitions in IFRS 11 and is presented under the equity method in the Group's consolidated financial statement. Under the equity method the investment is initially recognized at cost and adjusted thereafter for the post-acquisition change in the investor's share of the investee's net assets.

As of 30 June 2023, IDS Fund holds 75% of the share capital of ORK Consult Ltd which main activity is food trading. ORK Consult Ltd is a subsidiary and is consolidated by IDS Fund. IDS Fund holds as well 44% of the share capital of another entity – Vital Concept Ltd, which main activity is production and distribution of food supplements. IDS Fund considers the company Vital Concept Ltd as an associate and presents this investment under the equity method in its consolidated financial statements.

Deposits from customers

The information on deposits from customers as of 30 June 2023 and 31 December 2022 is presented in the tables bellow:

	30-06-2023			31-12-2022		
By type of currency	Demand deposits	Term deposits	Total deposits	Demand deposits	Term deposits	Total deposits
in BGN	541,776	136,499	678,275	578,697	127,181	705,878
in EUR	196,142	143,970	340,112	194,184	188,884	383,068
in USD	43,385	43,988	87,373	47,610	41,898	89,508
Total	781,303	324,457	1,105,760	820,491	357,963	1,178,454

By type of customer	30-06-2023 Demand deposits	Term deposits	Total deposits	31-12-2022 Demand deposits	Term deposits	Total deposits
Non-bank fin. institutions	35,325	4,395	39,720	38,173	4,483	42,656
Corporate	618,853	70,451	689,304	660,599	69,583	730,182
Individuals	127,125	249,611	376,736	121,719	283,897	405,616
Total	781,303	324,457	1,105,760	820,491	357,963	1,178,454

Debt securities in issue

On 23 December 2022 BACB issued an unsecured bonds issue in the amount of EUR 15,000,000. The bonds are issued to satisfy equity and eligible liabilities requirements in accordance with the provisions of the Recovery and Resolution of Credit Institutions and Investment Firms Act. The type of bonds issued – ordinary, interest-bearing, book-entry, registered, freely transferable, unsecured, non-convertible bonds. Maturity of the bonds issued is seven years and the total principal is payable at maturity. The interest rate is fixed and the interest amount is payable on six-month coupon payments. As of 30 June 2023, the bonds are registered for trading on the Bulgarian Stock Exchange.

As of 30 June 2023 the Bank's obligation related to debt securities in issue, including accrued interest, amounts to EUR 15,017 thousand (2022: 15,016 thousand).

Other borrowed funds

The amounts payable under agreements for short-term or long-term financing that are not deposits from customers are presented in the statement of financial position as *Other borrowed funds*.

Borrowed funds are initially recognized at cost, i.e. fair value of consideration received at the time the liability has been incurred, net of transaction costs. Borrowings are subsequently stated at amortized cost and any difference between net proceeds and the redemption value is recognized in the income statement over the period of the borrowing using the effective interest method.

In July 2015 the Group signed an agreement with the Bulgarian Development Bank (BDB) for participation in its partnership program for indirect financing of micro, small and medium-sized companies. The program is developed to provide low-interest rate financing to Bulgarian companies and support the business in creating new jobs and investing in regions with high unemployment. According to the agreement BDB has provided to the Group BGN 35 million credit line for financing of eligible projects under the program.

In November 2018 The Group signed another agreement with BDB which is the first agreement for BDB under the EU COSME+ Program to support the small and medium-sized business in Bulgaria. COSME+ Program is implemented with the support of the European Fund for Strategic Investments. Its purpose is to facilitate the access to long-term and cheap financing for SME companies while reducing the requirements towards the collateral under the loans. Under the agreement the Group has received 10 million EUR for a 10 year period for providing investment loans, working capital and guarantees to its clients.

As of 30 June 2023 the long-term borrowed funds, including accrued interest, amount to EUR 5,367 thousand (2022: 9,176 thousand) and represent amounts due to BDB under the agreements as described.

Share Capital and reserves

During the reporting period there are no changes to the BACB registered share capital. After the Bank's shares have been listed on the Bulgarian Stock Exchange – Sofia /BSE/ in April 2006 the ownership structure has been diversified among local and international investors. As of 30 June 2023, CSIF AD is the largest shareholder owning 45.67% of the registered share capital.

Related Party transactions

According to the IAS 24 *Related party disclosures,* parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. The entities in the Group consider as related parties the members of their key management personnel and entities owned, controlled or significantly influenced by such persons.

The Group enters into transactions with related parties in the normal course of business. These transactions include mainly loans and deposits. The related parties with which the Bank carried out transactions during 2023 are as follows:

Related party	**Relationship**
CSIF AD	shareholder with significant control over BACB
Other related entities	entities that are controlled or significantly influenced by CSIF AD or a person of the key management personnel
Key management personnel	Members of the Supervisory Board and the Management Board of BACB

The transactions with the consolidated subsidiaries are eliminated for the purpose of this report.

The information on related parties' transactions and the related income and expense as of 30 June 2023 is summarized as follows:

EUR'000	Balance at 30 June 2023	Net income /(expense) on transactions with related parties
Loans and advances to customers	1,910	130
Deposits from customers-CSIF AD	2,216	2
Deposits from customers-management	11,033	(12)
Deposits from customers-other related entities	20,505	53
Other operating income	-	10
Administrative expenses – services	-	(438)
Off-balance sheet liabilities		
Unutilized commitments on loans	29	-
Bank guarantees	2	-

Taxation

Income tax expense is based on taxable profit for the year for any of the consolidated entities and includes deferred taxation. The nominal corporate tax rate for 2023 is 10%.

Other taxes that are not directly attributable to the income for the period are recognized as operating expense.