

**INTERIM REPORT ON ACTIVITIES  
BULGARO-AMERICAN CREDIT BANK AD ON A CONSOLIDATED BASIS FOR THE THREE  
MONTHS OF 2025.  
SOFIA, 29 APRIL 2025**

**General information**

During the three months of 2025, Bulgarian-American Credit Bank JSC (BACB, the Bank) continued to operate as a universal bank offering a full range of banking services focused on the green economy, including financing for small and medium-sized enterprises and expanding retail banking services by offering a variety of products in the areas of residential and consumer lending and transaction banking. The Bank strives to meet customer needs by offering a comprehensive range of banking services and through modern banking technology and, as a result, to expand its customer base.

**Economic overview**

External environment

Over the past year, global growth has stabilised as inflation has returned closer to target levels and the easing of monetary policy by leading central banks has supported activity in both developed and emerging economies. According to the World Bank's forecast, the global economy will grow by 2.7%, in 2024, with the rate expected to remain the same in 2025 and 2026. Growth in emerging economies is also expected to hold steady around 4% this year and next.

In the fourth quarter of 2024, growth in the euro area amounted to 0.2%, slowing slightly compared to the third quarter. In the first two months of 2025, many of last year's trends were maintained. Manufacturing is still a drag on growth, although survey indicators are . The high level of uncertainty both inside and outside the euro area is hampering investment and competitiveness challenges are weighing on exports. Ongoing geopolitical and political uncertainties are expected to negatively affect euro area economic growth, investment and exports, slowing the expected recovery. At the same time, services remain resilient. In addition, rising household incomes and a stable labour market are supporting a gradual pick-up in consumption, although consumer confidence is still fragile and saving rates are high. Overall, average annual real GDP growth is expected to be 0.9% in 2025, accelerate to 1.2% in 2026 and reach 1.3% in 2027. Compared with the December 2024 euro area macroeconomic forecasts of the Eurosystem experts, the GDP growth outlook has been revised down by 0.2 percentage points for 2025 and 2026, but remains unchanged for 2027.

The unemployment rate remained at a historic low of 6.2% in January 2025, and employment is expected to rise 0.1% in the final quarter of 2024. However, demand for labor has been declining, and the latest survey data indicate that employment growth was weak in the first two months of 2025. The labor market should remain resilient, with the unemployment rate expected to 6.3 percent in 2025 and fall to 6.2 percent in 2027.

Most indicators of underlying inflation point to its steady return to the ECB's medium-term target of 2%. Domestic inflation, following closely behind services inflation, declined in January 2025. However, it remains high mainly due to the fact that wages and some services prices are still adjusting with a significant lag to the past inflation spike

Headline HICP inflation has been rising in recent months, although it is to decline marginally in 2025, then fall further and hover around the ECB's 2% target from the first quarter of 2026. At the beginning of the forecast horizon, upward base effects in the energy component and higher food inflation are expected to largely offset the adverse effect of decline in HICP inflation excluding energy and food (*HICPX*). The increase energy commodity prices at the beginning of the year will be passed on to the annual rate of change in energy prices in 2025. Food inflation is projected to accelerate until mid-2025, mainly due to recent significant increases in staple food prices, before slowing down to average 2.2% in 2027. Compared with the December 2024 projections, the outlook for headline HICP inflation has been revised up by 0.2 percentage points in 2025 on the back of assumptions of higher energy commodity prices and a depreciation of the euro, while it has been revised down slightly in 2027 on the back of a slightly revised projection for the energy at the end of the period. Most measures of longer-term inflation expectations remain at around 2%.

**Bulgaria**

According to the preliminary data of the NSI, the Bulgarian economy grew by 2.8% in 2024. The growth for the fourth quarter amounted to 0.9%, reporting a slight increase compared to the previous quarter of the year, where it was 0.8%. This is up from the 2.2% growth expected in the Treasury's autumn forecast for 2024, after a reported 2.1% for the nine-month period. It was driven by consumption and inventory change, while gross fixed capital formation and net exports contributed negatively. Merchandise exports are expected to increase in the final quarter of the year, but due to the currently reported slower recovery, a decline is projected on average for the year. The contribution of net exports to GDP growth will be negative.

Economic growth will remain at 2.8% in 2025, driven by higher public spending. At the same time, the expected slowdown in income growth will lead to weaker household consumption growth. Export growth will gradually

accelerate as a result of stronger external demand from the EU, but the contribution of net exports will remain negative. In 2026, the improvement in external demand will lead to an acceleration in export growth to 3.5% and overall GDP growth will accelerate to 3%. In the 2027-2028 period, GDP growth is expected to slow to 2%.

In 2024, a steady employment growth of 0.6% will be recorded mainly due to the high growth of employees in the service sector, while the unemployment rate will reach 4%. The expectation that the Bulgarian economy will achieve real growth of around 3% predetermines the forecast that employment growth of 0.5% will remain close to that of 2024. Again, services are expected to be the leading sector for job growth. At the same time, in conjunction with some recovery in the European economy, the decline in industrial jobs is expected to be reversed and this sector is also expected to make a positive contribution to employment growth. The unemployment rate is therefore expected to decrease marginally and to remain practically constant over the next three years (until 2028), hovering around the level of around 4% achieved.

In 2025, an important factor that could limit expected employment growth to some extent is the announced increase in the minimum wage under current wage setting rules, which is expected to have the greatest impact in industries where the average level of wages is lowest. However, a strong countervailing influence is the high demand for labour from employers and the existing shortage of labour with the necessary qualifications and skills to meet this demand. Higher public sector wage and salary costs in the first and second quarters of 2024 contribute to a more substantial increase in compensation per employee in the first half of 2024, expected to reach 14.3% on average for the full year. While it is expected that a slowdown in labor income growth will begin in 2025, its growth will remain relatively high. For 2025, it is expected to reach 9.1%, with the main contribution coming from the increase in the minimum wage from the beginning of 2025 and wage increases in some public sector activities. In terms of real labour productivity growth over the forecast period, the indicator is expected to grow by up to 1.6% in 2024, after which it will increase at a rate ranging between 2.3-2.7% over the next two years, in line with real GDP growth.

The process of decline in the country's annual inflation rate observed since the last quarter of 2022 has been maintained for 2024, reaching 2.2% y-o-y in December. Services remain the leading contributor to inflation, with their appreciation slightly stronger. The main difference is in energy commodity prices as they are expected to have a negative change, and the leading factor for this is the downward dynamics of crude oil futures and the related depreciation of automotive fuels. Annual average inflation for 2024 is expected to reach 2.6%.

At the end of 2025, the increase in consumer prices according to the HICP is expected to be 2.6%, Energy commodity prices will maintain their downward trend, but their negative contribution will shrink, which is due to the observed acceleration of inflation compared to the end of 2024. Services will again be the leading contributor to inflation, followed by food. The average annual increase in the headline index will slow to 2.4% in 2025.

### Key macroeconomic indicators

Key macroeconomic indicators	Reporting data*		Forecast				
	2022	2023	2024	2025	2026	2027	2028
<b>International environment</b>							
World economy (real growth, %)	3,5	3,3	3,2	3,2	3,3	3,2	3,1
European economy - EU (real growth, %)	3,3	0,4	0,9	1,5	1,8	1,6	1,6
Exchange rate USD/EUR	1,05	1,08	1,09	1,08	1,08	1,08	1,08
Brent oil price (USD/bbl)	99,8	82,6	81,2	70,8	69,8	69,3	69,1
Price of non-energy raw materials (in USD, %)	9,0	-9,7	4,0	-0,2	-0,4	-0,1	0,1
EURIBOR 3m [%]	0,2	3,1	3,5	2,8	2,5	2,5	2,3
<b>Gross domestic product</b>							
GDP (million BGN)	168 360	185 233	201 470	215 231	227 417	237 293	247 004
GDP (real growth, %)	4,0	1,9	2,2	2,8	3,0	2,0	2,0
Consumption	4,9	1,3	4,0	4,0	3,3	2,5	2,3
Gross fixed capital formation	6,5	10,2	-2,7	6,9	6,8	3,0	3,8
Exports of goods and services	12,1	0,0	0,2	2,7	3,5	3,3	3,3
Imports of goods and services	15,3	-5,5	2,2	5,6	5,2	4,4	4,3
<b>Labour market and prices</b>							

Employment (SNA, %)	1,1	1,1	0,6	0,5	0,3	0,1	0,0
Unemployment rate (LFS, %)	4,1	4,3	4,2	4,1	4,0	4,0	4,0
Compensation per employee (%)	14,2	13,4	14,3	9,1	5,0	4,0	3,5
GDP deflator (%)	15,9	8,0	6,4	3,9	2,6	2,3	2,1
Annual average inflation (HICP, %)	13,0	8,6	2,6	2,4	2,3	2,2	2,0
<b>Balance of payments</b>							
Current account (% of GDP)	-2,6	0,9	-0,8	-2,0	-3,1	-3,5	-3,7
Trade balance (% of GDP)	-5,9	-4,1	-5,4	-6,7	-7,4	-7,9	-8,4
Foreign direct investment (% of GDP)	5,4	4,0	3,8	3,8	3,8	3,9	3,9
<b>Monetary sector</b>							
M3 (%)	13,2	8,7	8,9	10,5	8,5	9,7	7,7
Receivables from enterprises (%)	11,1	9,7	8,0	8,4	8,5	7,6	7,4
Receivables from households (%)	14,6	15,9	19,2	15,5	12,4	10,5	9,1

\* The forecast is based on statistics published until 15.11.2024.

Source: NSI, BNB, IMF, Eurostat, EC, WB, ECB, MF

The global geopolitical situation remains unstable, with possible significant negative effects on the economy of the European Union and Bulgaria, which creates significant risks to the realisation of the macroeconomic forecast. The risk of increasing global trade tensions could hamper growth in the euro area, depressing exports and weakening the global economy. There is a risk of supply constraints for certain commodities, which could be a catalyst for a rise in their prices or a further disruption of global supply chains. The realisation of these risks would lead to higher inflation in the country in the medium term, to lower growth in real disposable household income, which would limit consumption growth. Domestically, the risks to the outlook are the underperformance of public capital spending, including under the Recovery and Sustainability Plan.

### **BACB - business performance**

At the end of the first quarter of 2025, the Bank's loan portfolio grew net by 2.52% compared to the end of 2024 and reached a total amount of BGN 1 815.6 million. The total net growth of new loans during the period was 4.12%.

In SME and Corporate loans to legal entities, the Bank reported a net increase of 3.72%. The share of this portfolio in the Bank's total loan portfolio was 66.20%, compared to 65.48% at the end of the fourth quarter of the year. The market share for legal entities is 2.33% as at 31.12.2024, against the target of 2.5 - 3% as per development strategy.

In the case of funds raised from SMEs and Corporate customers, the total resources raised at the end of the period increased by 55.39% compared to end of 2024. There is an increase of 28.50% in term deposits and an increase of 66.17% in demand funds. In terms of attracted resources of legal entities, BACB reaches 2.28% market share as of 31.12.2024 against the strategy target of 2%.

In line with the Bank's strategy, the old "legacy" corporate loan portfolio was reduced by 4.01% during the quarter, with its share of the Bank's total portfolio declining from 0.80% at 31/12/2024 to 0.75% at 31/03/2025.

In a globally uncertain economic environment, influenced by inflation dynamics and geopolitical tensions, at the end of the first quarter the problem exposures of legal entities in BACB's portfolio decreased by 20.05% compared to the end of the previous period. As a share of the total loan portfolio, problem exposures decreased by 1.4% compared to 31.12.2024 to 4.95%, due to active collection actions by the responsible units and outpacing growth of new regular exposures.

The following initiatives carried out by BACB also contribute to the expansion of credit operations for Corporate customers:

- Since 2018, the Bank has been implementing the agreement with the Bulgarian Development Bank EAD for financing small and medium-sized enterprises with guarantee facilities and counter-guarantees under the COSME Programme of the European Investment Fund, with the support of the European Fund for Strategic Investments - COSME+ Programme;
- BACB is working on a guarantee scheme to facilitate SMEs' access to finance from commercial banks, through a risk sharing scheme by the National Guarantee Fund EAD and the Ministry of Agriculture and Food.
- BACB implements the Guarantee Scheme COSME Programme of the NGF and the European Fund for Strategic Investments (EFSI).

- BACB also implements the guarantee schemes of the Municipal Guarantee Fund for Small and Medium Enterprises at Sofia Municipality.
- BACB is implementing a Guarantee Scheme to support SMEs affected by the crisis with Covid-19 and the Recovery Programme, together with the BBB EAD.
- BACB is implementing a guarantee scheme with the Fund Manager of Financial Instruments in Bulgaria - Portfolio Guarantee with Loss Ceiling to address the consequences of the pandemic COVID-19 Recovery 1 and 2 programmes.
- BACB implements the Guarantee Scheme for support of SMEs by the NGF /MSP 2022/, which enables BACB to provide loans amounting to more than BGN 110 million;

In the first quarter of 2025, the Retail Banking business line, which manages the retail segment at BACB, recorded very good results in lending activity, with the largest growth in sub-prime mortgages - up 5.87% from the end of the previous quarter. The growth in mortgage lending was driven by excellent pricing terms and the Bank's individual customer-centric approach. Consumer loans, on the other hand, grew by 5.59% over the same period.

The market presence in the banking system of the two product segments at the end of December 2024 is 1.19% in mortgage loans and 0.87% in consumer loans, respectively, and the Bank expects them to continue their upward trend. In line with BACB's stated strategy, the Retail Banking business segment is targeting further significant growth and a 2% market share in the coming years.

With the high results achieved, the Bank is fulfilling another of its main objectives set out in its strategy for the development of Retail lending - an increase in the share of loans to individuals in the total loan portfolio, which at the end of the first quarter of 2025 was 31.16%.

The following initiatives also contribute to developing business with individuals:

- The payment product for individuals "Clean Account" with VISA card continues to be a leading factor in attracting new customers to the Bank. The functionality to open a Clean Account online without visiting a bank office is also available.
- Offering a product "L€VROSMETKA", aimed at the needs and expectations of clients related to the upcoming accession of Bulgaria to the euro area.
- The Bank has emphasized on offering two package products for Youth "POP Card" for age groups : "14-18 years" and "18-25 years" which are very well accepted by the customers and with the support of various marketing activities the popularity of the product has increased significantly.
- In mortgage lending, the Bank strengthens its position in the highly competitive market by offering flexible and individual solutions for each client.
- The development of the "At a Glance" loan product continues - a fully online consumer loan combining speed, convenience and security, thanks to automatic approval and disbursement of funds without visiting a bank office.
- The joint initiatives with POK Doverie AD continue in the Bank's office network and at the points of sale of BACB Express.
- BACB in cooperation with Unica AD offers new attractive insurance packages to customers when using consumer loans.
- The Bianca digital assistant has been upgraded with new functionality and now uses the GPT language model, providing complete information to customers in 24/7 mode, significantly increasing customer satisfaction.
- The offer of fast consumer credit "BACB Express" continues in specialized points of sale in large shopping centers "Mall". Customers can open a "Clean Account" in these locations, taking advantage of their extended opening hours, seven days a week.
- BACB actively works for the lending to students under the Law on Lending to Undergraduate and Postgraduate Students with a total annual state guarantee limit of BGN 5 million. The loan scheme of the Ministry of Education and Science allows BACB to expand and deepen its cooperation with the state institutions in the country, as well as to attract new clients of individuals - students and PhD students in line with the Bank's development strategy.

In an effort to be closer to its individual customers and offer them first-class service, BACB offers the option of fully online banking - online application and opening of a "Clean Account" with a debit card, online opening of a deposit "Everything is Exact" and "Online Deposit", online loan "At a Glance" and online opening of a business account for small businesses. Work is underway to digitize mortgage loan application and other customer processes, as well as integrate AI solutions to improve the customer experience.

In the first quarter of 2025, the Bank recorded a 19% increase in the number of processed transfers compared to the same period of 2024. The number of BGN transfers increased by 20%, and the number of foreign currency transfers by 8%. During the reporting period, 35 new documentary transactions were processed.

Total fees and commissions collected in the first quarter of 2025 (excluding those from loans and cards) amounted to BGN 2.8 million, which represents an increase of 15% compared to the same period of the previous year.

As part of the Bank's strategy, the Bank is actively working on the implementation of optimizations, automations and digitalization of other processes.

During the reporting period the net positive result from the card activity of BACB amounted to over BGN 664 thousand. During the period the Bank reported a total of 3 970 issued and renewed debit cards and 277 credit cards.

The total turnover generated at POS terminals for the period was over BGN 34 million, an increase of 85% over the previous quarter and an increase of 35% over the same period in 2024.

In the first quarter of 2025, tests started on the project for the introduction of the euro as the national currency in the part of card systems and services.

At the beginning of the quarter, a project was launched to centrally process customer requests and instructions received through BACB Online, the aim of which is to reduce the workload on bank office staff by ordering the execution of online customer orders from the Direct Channels department. A new customer service platform was also implemented during the period from the Bank's Contact Centre.

### **Review of activity in the first quarter of 2025**

#### *Selected indicators and ratios*

	<b>31.12.2024 audited</b>	<b>31.03.2024 (unaudited)</b>	<b>31.03.2025 (unaudited)</b>	<b>amendment 03.2025/03.2024</b>
Total assets	<b>2 752 543</b>	<b>2 881 758</b>	<b>3 030 952</b>	5.18%
Loans (net)	<b>1 699 331</b>	<b>1 538 215</b>	<b>1 749 851</b>	13.76%
Funds raised	<b>2 362 629</b>	<b>2 506 595</b>	<b>2 624 615</b>	4.71%
Equity	<b>357 163</b>	<b>343 202</b>	<b>370 012</b>	7.81%
Net interest income	<b>101 490</b>	<b>27 190</b>	<b>22 081</b>	-18.79%
Net fee and commission income	<b>13 691</b>	<b>3 259</b>	<b>3 757</b>	15.28%
Loans/funds raised	<b>71.93%</b>	<b>61.37%</b>	<b>66.67%</b>	
Liquidity coverage ratio (LCR)	<b>150.24%</b>	<b>189.83%</b>	<b>178.22%</b>	
Capital adequacy	<b>23.15%</b>	<b>19.26%</b>		

#### *Active operations*

As of 31.03.2025, the Group's assets amounted to BGN 3 030 952 thousand, and compared with the audited data for 2024, it shows an increase of BGN 278.4 million or an increase of 10.11%.

At the end of the first quarter of 2025, the Group reported an increase in the loan portfolio by book value from BGN 51.2 million to BGN 1,818.4 million, or an increase of 2.9% compared to the volume at the end of 2024. Accumulated credit losses and impairments on loans under IFRS 9 amount to BGN 68.5 million and provide a coverage of 3.8% of the loan portfolio, with a volume at the end of 2024 of BGN 67.9 million, a coverage of 3.8% and a reported coverage of 2.97% for the banking system as at 31.12.2024. As of 31.03.2025, impairments on loans increased by BGN 0.647 million compared to the end of 2024 or an increase of 1%.

As of 31.03.2025, the net loan portfolio amounted to BGN 1 749.9 million and accounted for 57.7% of total assets.

Since the beginning of 2025, the Group has granted new loans in the amount of BGN 259.2 million and the amount of loans repaid for the same period is BGN 204.6 million. In the first quarter of 2025, loans amounting to BGN 261 thousand were written off on account of impairments.

As of 31.03.2025, loans over 90 days past due represent 7.67% of total loans by carrying amount, compared to 8.01% reported as of 31.12.2024. The NPL ratio is above the banking system average. The main reason for the higher share is the Bank's industry orientation - financing projects in the construction and real estate sectors before the global financial crisis. The lending policy applied in recent years and currently focuses on promising and weakly cyclical economic sectors, aims to achieve effective diversification, both in terms of sectoral positioning and in terms of size and maturity, so as to provide a sustainable basis for development and to limit the impact of individual exposures in a particular sector. As a result, and due to the revival in the construction and real estate sectors, the negative effects have been gradually minimized and the NPL ratio has declined by over 21 percentage points during the period December 2017 to March 2025. To improve the quality of the loan portfolio, the Bank has prepared and implemented a NPL management strategy, including a detailed three-year operational program, the implementation of which is monitored and controlled by the management bodies and adequate control procedures are implemented. The NPL management strategy is subject to annual review and update by the Bank's management and supervisory bodies. Regular internal analyses and comprehensive stress tests are developed to facilitate timely assessment of the effects of a possible deterioration in the business environment on the Bank's portfolio.

As at 31 March 2025, the debt and equity financial assets held at fair value through other comprehensive income amounted to BGN 182.8 million or 6% of total assets compared to BGN 174.6 million and a 6.3% share at the end of 2024. The portfolio of securities reported through FVTPL is made up of 55% prime government securities, 37% prime government securities of foreign governments and 8% corporate bonds. During the reporting period, one issue with a nominal value of EUR 5 million of the Republic of France and two issues with a nominal value of BGN 13.4 million of the Republic of Bulgaria were purchased. In the same quarter, one issue of the Republic of Bulgaria with a nominal value of BGN 13 million and a corporate bond with a nominal value of BGN 0.8 million matured. Equity instruments amounted to BGN 4.6 million and included a participation in the BSE for BGN 312 (BGN 314 thousand as at 31.12.2024), shares in a payment services company for BGN 3,254 thousand. Painetics plc, shares in

S.W.I.F.T. SC for BGN 79 thousand and shares in Tixi plc, a company for the development and management of electronic systems in urban transport and parking, for BGN 978 thousand.

As at 31.03.2025 the portfolio of debt instruments carried at amortised cost includes bonds of the Bulgarian and foreign governments with fixed payments and maturities. In the first quarter of 2025, two issues with a nominal value of EUR 10 million of the Republic of France and one with a nominal value of USD 5 million of the United States mature, and the portfolio is complemented by three issues of US Treasury securities with a total nominal value of USD 15 million, two issues of French securities with a total nominal value of EUR 10 million. As a result, the portfolio of debt instruments carried at amortized cost reached BGN 185.6 million compared to BGN 180.3 million at the end of 2024, or an increase of 2.9%. At the end of the first quarter of 2025, the share of total assets reached 6.1% compared to 6.6% at the end of 2024.

As of the beginning of 2020, the Bank's investment in shares of Visa Inc. acquired as a result of BACB's membership in VISA Europe, which became the property of VISA Inc., is reported under "Financial assets at fair value through profit or loss" as decided by management. This investment is measured at fair value through profit or loss. The 560 Class C Preferred Shares initially acquired are subject to mandatory conversion into Class A Common Shares /or Series A Preferred Shares, where applicable/ over a 12 year period, at a specified rate, subject to review and adjustment over time under certain conditions. The newly issued Class A shares are not subject to restrictions and are freely transferable. The fair value of the investment in VISA Inc. at March 31, 2025 is £2,154 thousand compared to £2,018 thousand at December 31, 2024.

As of 31.03.2025 the Bank has two subsidiaries - BACB Finance EAD and BACB Trade EAD, which it owns in full for BGN 3 050 thousand.

As of 31.03.2025, receivables from banks amount to BGN 170 million and account for 5.6% of total assets compared to BGN 45.3 million and 1.6% at the end of 2024. The reported increase of BGN 124.7 million compared to the end of 2024 is mainly formed by an increase in demand deposits by BGN 150.1 million and time deposits by BGN 23.4 million.

Cash in hand and holdings at the central bank increased by 17.9% to BGN 628.8 million at the end of March 2025 from BGN 533.5 million at the end of 2024, and their share in total assets amounted to 20.7% from 19.4% at the end of 2024. The reported increase is mainly in current accounts with BNB.

Tangible and intangible fixed assets held decreased compared to the end of 2024 by BGN 0.9 million to BGN 13.7 million in book value and their share of total assets amounted to 0.5%. Included in the volume are right-of-use assets amounting to BGN 7.4 million (2024: BGN 8.2 million).

As of 31.03.2025, the acquired assets classified as "assets held for sale" and "investment properties" totaled BGN 87.4 million or 2.9% of total assets, compared to BGN 88.1 million or 3.2% of total assets as of 31.12.2024. Since the beginning of the year, "investment properties" have been sold for BGN 513 thousand and "assets held for sale" for BGN 182 thousand. The activity of realization of the acquired assets, as well as the management and administration of the accompanying activities, is serviced and managed by a specialized department within the Bank. In order to achieve the objectives set for the realisation of the acquired assets, the Bank has prepared and implemented a strategy for the management of assets - acquired collateral from non-performing exposures, including a detailed three-year operational programme, the implementation of which is monitored and controlled by the management bodies. The asset management strategy - collateral acquired from non-performing exposures is subject to annual review and update by the Bank's management and supervisory bodies.

### *Liabilities*

As of 31.03.2025, the funds raised from banks amounted to BGN 180 thousand, with a decrease compared to the end of 2024 of BGN 18.1 million (31.12.2024: BGN 18.2 million).

The funds raised from companies and individuals decrease by BGN 279.1 million to BGN 2 557.2 million as of 31 March 2025 or 96.1% share of total liabilities at BGN 2 278.1 million and 95.1% share at the end of 2024. An increase of 12.3% has been reported across all sources.

On 23 December 2022. BACB issued an unsecured bond issue of EUR 15 million on December 2022. The bonds are being issued to meet the requirements for equity capital and eligible liabilities, in accordance with the requirements of the Law on Recovery and Restructuring of Credit Institutions and Investment Firms. The bonds are ordinary, interest-bearing, book-entry, registered, freely transferable, unsecured, non-convertible. The issue has a term of seven years, a fixed interest rate payable in six-monthly periods and a principal amount to be paid in a lump sum at maturity.

On 3 June 2024, BACB issued a new issue of ordinary, interest-bearing, book-entry, freely transferable, unsecured, non-convertible, subordinated bonds structured to meet BACB's Tier 2 capital requirements under Article 63 of Regulation (EU) No 575/2013. The bond issue has a total nominal and issue value of EUR 15,000,000. The term of the issue is 120 months and the principal maturity is 3 June 2034 respectively. The bonds bear interest at a fixed annual interest rate of 8.0%, with interest payable in annual coupon payments. The new issue is admitted to trading

on a regulated market. The commencement date for admission to trading on the Vienna Stock Exchange (Wiener Boerse) is 21 June 2024.

As at 31 March 2025, BACB's liabilities under bonded loans, including accrued interest, amount to BGN 61,017 thousand (2024: BGN 60,064 thousand).

The item "other borrowed funds" includes liabilities under a credit line from the Bulgarian Development Bank (BDB) under the "NAPRED" and "COSME+" programmes for targeted financing of micro, small and medium-sized businesses with an agreed amount of BGN 35 million and EUR 10 million. As of 31.03.2025 the long-term financing from the BBB amounted to BGN 6.2 million or 0.2% of total liabilities with a volume of BGN 6.2 million and a share of 0.3% at the end of 2024.

As at 31.03.2025, an increase of BGN 2 158 thousand was recorded under "other liabilities" and the share of total liabilities decreased to 1.3% (2024 - 1.4%).

#### *Equity*

As at 31.03.2025 there are no changes in the share capital.

The item "reserves and retained earnings" increases with the realized profit as of 31.03.2025 in the amount of BGN 12 476 thousand. .

Included in the item "revaluation reserves" are positive changes in the fair value of debt instruments in the amount of BGN 1 180 thousand and positive changes in equity instruments in the amount of BGN 1 220 thousand measured at fair value through other comprehensive income, as well as the revaluation reserve formed on the Bank's own buildings used in its operating activities in the amount of BGN 272 thousand. As at 31.03.2025, an increase of BGN 373 thousand was recorded, formed by an increase in the change in fair value of debt instruments by BGN 375 thousand, a decrease in the fair value of equity instruments by BGN 2 thousand.

#### **Review of financial position as at 31 March .**

As of 31.03.2025 the Group has a positive financial result of BGN 12 476 thousand after tax with a reported profit for the same period of 2024 of BGN 16 215 thousand or a decrease of 23.1%. The reported decrease is due to a decrease in net operating income before impairment of BGN 3,551 thousand and a lower increase in expenses.

The comparison of the income from core activities (interest income) for the two periods shows a decrease from BGN 3 636 thousand to BGN 27 334 thousand. The main share in the interest income generated was 79.4% from lending activities. The reported income from interbank deposits amounted to BGN 2 491 thousand compared to BGN 4 731 thousand at the end of March of the previous year. Interest income from securities portfolios held recorded an increase of BGN 183 thousand and amounted to BGN 3,131 thousand at the end of March 2025 against BGN 2,948 thousand at the end of March 2024.

As of 31 March 2025, the amount of interest expenses increased by BGN 1 473 thousand compared to the same period of the previous year and amounted to BGN 5 253 thousand compared to BGN 3 780 thousand a year ago. Interest expenses to banks increased by BGN 104 thousand, interest expenses to customers by BGN 827 thousand and interest expenses on debt securities by BGN 587 thousand, while expenses on leasing contracts accounted for under IFRS 16 amounted to BGN 74 thousand or BGN 18 thousand more than a year ago.

As at 31.03.2025, net interest income amounted to BGN 22,081 thousand, or BGN 5,109 thousand less than reported at the end of the previous year 2024 and the share in total operating income before impairment was 81.3% (2024 - 88.5%).

As of 31.03.2025, the reported net income from fees and commissions is BGN 498 thousand more than the reported volume for the same period last year and amounts to BGN 3 757 thousand or 13.8% of total operating income before impairment, with a share of 10.6% as of 31.03.2024. The reported increase is formed by a higher volume increase in revenues and a less significant increase in fee expenses.

The Bank's shareholding in Visa Inc. carried at fair value through profit or loss generated a positive result at the end of the first quarter of 2025 of £216 thousand with a gain of thousand at the end of March 2024.

As of 31.03.2025, income from currency revaluation of BGN 38 thousand was reported, compared to the result for the same period of the previous year of BGN 42 thousand.

At the end of March 2025, net income from the purchase and sale of foreign currency amounting to BGN 1 084 thousand was reported, compared to net income for the same period of the last year BGN 773 thousand.

At the end of the first quarter of 2025, administrative expenses decreased by BGN 518 thousand compared to the same period last year and reached BGN 5.3 million. Personnel expenses increased by BGN 442 thousand compared to the end of March last year. The administrative expenses include expenses for the Bank Deposit Guarantee Fund

(BGBF) and the Bank Restructuring Fund (BRF) for a total amount of BGN 881 thousand against BGN 883 thousand as of 31.03.2024.

Depreciation expenses as of 31 March 2025 amounted to BGN 1 256 thousand and increased by BGN 118 thousand compared to the same period of the previous year, including an increase of BGN 62 thousand in depreciation expenses for tangible fixed assets, an increase of BGN 68 thousand in depreciation expenses for intangible fixed assets and a decrease of BGN 12 thousand in depreciation expenses for assets with right of use.

The impairment and modification charges for financial assets increased by BGN 595 thousand compared those recorded at the end of March 2024 and amounted to BGN 1,692 thousand.

#### *Liquidity and financing of operations*

The Bank follows the principles of diversification of funding sources and optimization of interest expenses in pursuit of its strategy to secure its liquidity needs.

As of the end of the first quarter 2025, the Bank maintains a good deposit base, reporting a 12.3% increase in customer deposits compared to 31 December 2024. The Bank's active deposit activity contributes to reducing its dependence on external funding.

The ratio of gross customer loans to customer deposits is 71.1% as of March 31, 2025.

The Bank's liquidity position remains stable, with liquid assets (cash on hand and in accounts with the BNB, short-term loans and advances to banks and liquid government securities) amounting to BGN 1 096 million. The ratio of these liquid assets to total deposits (of customers and banks) as of 31.03.2025 is 42.86%.

During the period from the end of 2024 to 31.03.2025 the value of the portfolio of debt instruments at fair value in the Bank's FVTD recorded an increase of 4.8% to BGN 178.1 million (2024: BGN 169.9 million). Cash at the BNB, in cash and banks increased by BGN 95.3 million. During the reporting period, one issue with a nominal value of EUR 5m of the Republic of France and two issues with a nominal value of BGN 13.4m of the Republic of Bulgaria were purchased. In the same quarter, one issue of the Republic of Bulgaria with a nominal value of BGN 13 million and a corporate bond with a nominal value of BGN 0.8 million matured. From the beginning of 2025 to 31.03.2025 in the portfolio "held for collection of contractual cash flows" and in the portfolio "held for collection of contractual cash flows and sale" new investments in government securities in the amount of about BGN 74 million were made.

As at 31 March 2025, the Bank's government securities portfolio had a carrying amount of £345.9 million (2024: £330.8 million), split into a portfolio held for collection of contractual cash flows and sale with a carrying amount of £164 million and a portfolio held for collection of contractual cash flows with a carrying amount of £181.9 million.

Unrealised gains and losses on the remeasurement of debt instruments at fair value through other comprehensive income are deferred in the revaluation reserve, net of tax. In the period in which the asset is derecognised, the result of the revaluation is included in profit or loss for the period. From the beginning of 2025 to 31 March 2025, no gains or losses have been recorded in relation to completed investments. Interest income on debt instruments at fair value through FVTPL is recognised in profit or loss on an ongoing basis, amounting to £1,445 thousand for the period from 1 January 2025 to 31 March 2025. Interest income on debt instruments at amortised cost is recognised currently in profit or loss and for the period 01.01.2025 - 31.03.2025 amounts to BGN 1 686 thousand.

#### *Capital resources*

At the end of March 2025, the Group reported equity capital adequate for the risk profile and asset quality and sufficient to deliver the strategic objectives and plan for the current year. As at 31 March 2025, the Group reports a total capital adequacy ratio of 22.20% and a Tier 1 capital adequacy ratio of 20.33%, significantly above the regulatory level.

Information on the principal risks faced by the Group is contained in the Management's Annual Report , which has been made available to the FSC and the public and is available on the Bank's website.

#### **Corporate events and inside information under Article 7 of Regulation (EU) No 596/2014 of the European Parliament and of the Council on market abuse**

1. On 30 January 2025, BACB shall publish preliminary unaudited individual and consolidated financial statements as at 31 December 2024 together with the relevant interim management reports and a letter to shareholders.

2. On 28 March 2025, BACB will publish its audited annual financial statements for 2024 on a standalone and consolidated basis together with information on the Bank's financial performance for 2024 on a standalone and consolidated basis. Detailed information and the full text of the accounts are published on BACB's website.

#### **Additional information for the three months of 2025 under Article 12 of Regulation NO. 2 of the FSC on initial and subsequent disclosure of information in public offerings of securities and admission of securities to trading on a regulated market**

I. Information on facts and circumstances subject to disclosure in accordance with Annex 4 to Regulation No. 2 of the FSC that occurred during the reporting period

There has been no change in the persons exercising control over the Bank:

No insolvency proceedings have been opened against BACB and/or its subsidiaries.

*Execution and performance of material transactions, including material related party transactions:*

The Bank enters into transactions with related parties only as part of its normal banking business on terms and conditions that would be customary in arm's length transactions and include extending credit, accepting deposits and dealing in securities.

More detailed information on the transactions entered into and changes in transactions entered into with related parties disclosed in the annual financial statements and having a material impact on the Bank's financial position or results of operations during the three months ended March 31, 2024 (if any) is contained in the "Related Party Transactions" section of the Accounting Policies and Selected Notes as of March 31, 2025.

No resolutions have been passed to enter into, terminate or cancel a joint venture agreement.

There has been no change in the auditors of BACB and its subsidiaries.

There are no pending or discontinued lawsuits or arbitration proceedings against the Bank and/or the Bank's subsidiaries relating to obligations or claims of the Bank or its subsidiaries with a claim cost equal to or exceeding 10 percent of the Bank's equity.

In connection with its normal business of actively managing and collecting non-performing loan exposures, the Bank initiates and conducts enforcement and/or bankruptcy against borrowers/debtors to enforce the collection of delinquent receivables.

*Purchase, sale or pledge of shares in companies*

During the period, BACB and/or its subsidiaries did not make any purchases or sales of participations and did not pledge any of their holdings in trading companies.

II. Information on changes in the accounting policy of BACB

In 2025, BACB has consistently applied the accounting policies disclosed in the 2024 audited annual financial statements and has accounted for the amendments to IFRS adopted by the EU and effective for annual periods beginning on or after 1 January 2024 as set out in the notes to the 2024 annual financial statements.

III. Information on changes in the group of companies of BACB AD

There were no changes in the BACB group of companies during the reporting period.

IV. Information on organizational changes

During the reporting period, no organizational changes within the meaning of Article 12(1)(4)(c) of Regulation No. 2 of the FSC were made.

V. Forecasts for the results of the current financial year

BACB AD does not publish forecasts for its results.

VI. Details of the persons holding directly or indirectly at least 5% of the votes in the general meeting of shareholders and changes in the votes held by the persons compared to the previous reporting period:

Shareholder	Number of shares held (directly and/or indirectly) as at 31.03.2025.	Percentage of votes in the General Meeting of Shareholders as of March 31, 2025.	Number of shares held (directly and indirectly) as of 31.12.2024.	Percentage of votes in the General Meeting of Shareholders as of December 31, 2024.
"SIYEYEF" AD (CSIF)	Directly owns 11 277 473 shares	45,68%	Directly owns 11 277 473 shares	45,68%
Tsvetelina Borislavova Karagyozeva - directly and indirectly as a person exercising	Directly owns 2 465 000 shares	9,98%	Directly owns 2 465 000 shares	9,98%

control over the direct shareholder CIESAIEF AD (owns 99.99% of the shares of CIESAIEF AD) and	<b>Indirectly</b> (through the controlled CIESAIEF AD) 11 277 473 shares	45,68%	<b>Indirectly</b> (through the controlled CIESAIEF AD) 11 277 473 shares	45,68%
<b>LTBI Holdings LLC</b> (LBC Holdings)	8 824 775	35,74%	8 824 775	35,74%

The above information has been derived from (1) the shareholders' register maintained by the Central Depository JSC, (2) the data from the notifications received for disclosure of shareholding pursuant to Articles 145 and 146 of the Securities Act and (3) the proxies and accompanying constituent documents of BACB shareholders provided in connection with the General Meetings of Shareholders.

*VII. Data on the shares held by the members of the management and supervisory bodies of BACB AD and changes in the votes held by the persons compared to the previous reporting period*

Name	Member of a management or supervisory body	Number of directly held shares as of 31.03.2025.	Percentage of votes in the General Meeting of Shareholders as of March 31, 2025.	Number of directly held shares as of 31.12.2024.	Percentage of votes in the General Meeting of Shareholders as of December 31, 2024.
Tsvetelina Borislavova Karagyozyova	Chairman of the Supervisory Board	2 465 000	9,98%	2 465 000	9,98%
Silvia Kirilova Kirilova	Member of the Management Board	1 600	0.006%	1 600	0.006%

*VIII. Information on pending judicial, administrative or arbitration proceedings concerning liabilities or claims amounting to at least 10 per cent of the Bank's equity*

The Bank and/or the Bank's subsidiaries are not a party to any pending judicial, administrative or arbitration proceedings concerning liabilities or claims amounting to 10% or more of the Bank's equity. In connection with its normal business of actively managing and collecting non-performing loan exposures, the Bank initiates and conducts enforcement and/or bankruptcy against borrowers/debtors to enforce the collection of delinquent receivables.

*IX. Information on loans granted*

BACB is a credit institution (bank) licensed and regulated by the BNB with a full license to provide all banking services under Article 2 of the Credit Institutions Act, with the main business of providing loans or other financing for its own account and at its own risk and publicly raising deposits or other repayable funds. BACB's subsidiary, BACB Finance EAD, is a financial institution entered in the public register at the BNB with its main activity under Article 3 of the Credit Institutions Act, including the granting of loans not raised through public solicitation of deposits or other repayable funds.

BACB's annual and interim financial statements contain detailed information and financial data on the loan portfolio of BACB or its subsidiaries, large exposures within the meaning of the Credit Institutions Act and the quality of the Bank's loan assets.