

BACB
Sofia

SELECTED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
as of 30 June 2025
/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 2024 audited consolidated financial statements.

The Group applies in 2025 consistently the accounting policy disclosed in the 2024 audited consolidated financial statements, considering the adoption of new or amended standards, effective for annual periods beginning on or after 1 January 2025, as disclosed in the last audited financial statements.

The unaudited consolidated financial statements as of 30 June 2025 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

	<u>30-06-2025</u>	<u>31-12-2024</u>
Cash on hand	8,686	7,950
Balances with the Central Bank	<u>219,992</u>	<u>264,827</u>
<i>Cash and balances with the Central Bank</i>	<u><u>228,678</u></u>	<u><u>272,777</u></u>

As of 30 June 2025, the balances with the Central Bank include the amount of EUR 2,353 thousand (2024: EUR 2,353 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:

	<u>30-06-2025</u>	<u>31-12-2024</u>
Cash and balances with the Central Bank	228,678	272,777
Loans and advances to banks maturing within 3 months	53,994	23,183
Less: Other restricted funds	<u>(1,901)</u>	<u>(2,383)</u>
<i>Cash and cash equivalents</i>	<u><u>280,771</u></u>	<u><u>293,577</u></u>

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

	<u>30-06-2025</u>	<u>31-12-2024</u>
Current accounts with other banks	6,200	4,724
Deposits with other banks	17,065	16,076
Short term repo deals	28,828	-
Other restricted funds	1,901	2,383
Loans and advances to banks	53,994	23,183
Less: ECL allowance	(2)	(1)
<i>Loans and advances to banks, net</i>	<u>53,992</u>	<u>23,182</u>

Loans and advances to customers

The information on loans and advances to customers as of 30 June 2025 and 31 December 2024 is presented in the tables below:

	<u>30-06-2025</u>	<u>31-12-2024</u>
Loans and advances to customers	968,518	903,558
Less: ECL allowance	(35,519)	(34,704)
<i>Loans and advances to customers, net</i>	<u>932,999</u>	<u>868,854</u>

<u>Type of Customer</u>	<u>30-06-2025</u>	<u>31-12-2024</u>
Individuals	282,241	250,720
Businesses	686,277	652,838
Loans and advances to customers	968,518	903,558
Less: ECL collective	(5,258)	(5,191)
Less: ECL individual	(30,261)	(29,513)
<i>Loans and advances to customers, net</i>	<u>932,999</u>	<u>868,854</u>

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 2024. 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 2025 and 31 December 2024 is presented in the tables below:

<u>Gross carrying amount as of 30-06-2025</u>	<u>Stage1</u>	<u>Stage2</u>	<u>Stage3</u>	<u>TOTAL</u>
1. Neither past due nor impaired				
1.1. Individually assessed	440,933	9,434	-	450,367
<i>High class</i>	44,092	-	-	44,092
<i>Medium class</i>	396,841	8,745	-	405,586
<i>Low class</i>	-	689	-	689
1.2. Collectively assessed	290,084	4,147	-	294,231
2. Past due not impaired				
2.1. Individually assessed	93,148	35,377	-	128,525
2.2. Collectively assessed	13,341	3,196	-	16,537
3.1. Impaired - individually assessed	-	-	73,960	73,960
3.2. Impaired - collectively assessed	-	-	4,898	4,898
TOTAL	837,506	52,154	78,858	968,518

<u>Gross carrying amount as of 31-12-2024</u>	<u>Stage1</u>	<u>Stage2</u>	<u>Stage3</u>	<u>TOTAL</u>
1. Neither past due nor impaired				
1.1. Individually assessed	430,301	12,295	-	442,596
<i>High class</i>	57,859	-	-	57,859
<i>Medium class</i>	372,442	10,410	-	382,852
<i>Low class</i>	-	1,885	-	1,885
1.2. Collectively assessed	265,171	332	-	265,503
2. Past due not impaired				
2.1. Individually assessed	54,803	39,512	-	94,315
2.2. Collectively assessed	10,957	4,984	-	15,941
3.1. Impaired - individually assessed	-	-	80,758	80,758
3.2. Impaired - collectively assessed	-	-	4,445	4,445
TOTAL	761,232	57,123	85,203	903,558

Information on changes in risk classifications of loans and advances and accumulated ECL allowance as of 30 June 2025 and 31 December 2024 is presented in the tables below:

<u>Changes in the gross carrying amount in 2025</u>	<u>Stage1</u>	<u>Stage2</u>	<u>Stage3</u>	<u>TOTAL</u>
Amounts at 1 January 2025	761,232	57,123	85,203	903,558
New assets originated	189,683	1,559	844	192,086
Assets repaid	(107,552)	(3,913)	(15,321)	(126,786)
Transfer to Stage 1	10,382	(10,351)	(31)	-
Transfer to Stage 2	(15,187)	15,499	(312)	-
Transfer to Stage 3	(1,052)	(7,763)	8,815	-
Amounts written off	-	-	(340)	(340)
Amounts at 30 June 2025	837,506	52,154	78,858	968,518

<u>Changes in the gross carrying amount in 2024</u>	<u>Stage1</u>	<u>Stage2</u>	<u>Stage3</u>	<u>TOTAL</u>
Amounts at 1 January 2024	683,953	40,618	73,085	797,656
New assets originated	285,511	1,700	2,884	290,095
Assets repaid	(169,118)	(6,916)	(5,073)	(181,107)
Transfer to Stage 1	3,651	(3,565)	(86)	-
Transfer to Stage 2	(28,693)	28,767	(74)	-
Transfer to Stage 3	(14,071)	(3,482)	17,553	-
Amounts written off	-	-	(3,086)	(3,086)
Amounts at 31 December 2024	761,232	57,123	85,203	903,558

<u>Changes in the ECL in 2025</u>	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>TOTAL</u>
Amounts at 1 January 2025	3,270	522	30,912	34,704
New assets originated	876	200	2,312	3,388
Assets repaid	(1,089)	(138)	(1,006)	(2,233)
Transfer to Stage 1	125	(97)	(28)	-
Transfer to Stage 2	(60)	105	(45)	-
Transfer to Stage 3	(48)	(220)	268	-
Amounts written off	-	-	(340)	(340)
Amounts at 30 June 2025	<u>3,074</u>	<u>372</u>	<u>32,073</u>	<u>35,519</u>

<u>Changes in the ECL in 2024</u>	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>TOTAL</u>
Amounts at 1 January 2024	3,139	760	26,582	30,481
New assets originated	1,932	374	7,836	10,142
Assets repaid	(1,755)	(321)	(757)	(2,833)
Transfer to Stage 1	157	(116)	(41)	-
Transfer to Stage 2	(49)	84	(35)	-
Transfer to Stage 3	(154)	(259)	413	-
Amounts written off	-	-	(3,086)	(3,086)
Amounts at 31 December 2024	<u>3,270</u>	<u>522</u>	<u>30,912</u>	<u>34,704</u>

As of 30 June 2025, Loans and advances to customers include finance lease receivables in the total net amount of EUR 4,517 thousand (2024: 5,681 thousand) as follows:

2025

	<u>Up to 1 year</u>	<u>1 to 5 years</u>	<u>Over 5 years</u>	<u>Total</u>
Gross investment in finance leases	2,489	2,354	-	4,843
Unearned future income on finance leases	(233)	(93)	-	(326)
Net minimum lease payments	<u>2,256</u>	<u>2,261</u>	<u>-</u>	<u>4,517</u>

2024

	<u>Up to 1 year</u>	<u>1 to 5 years</u>	<u>Over 5 years</u>	<u>Total</u>
Gross investment in finance leases	3,220	2,937	-	6,157
Unearned future income on finance leases	(283)	(193)	-	(476)
Net minimum lease payments	<u>2,937</u>	<u>2,744</u>	<u>-</u>	<u>5,681</u>

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 2024.

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

Parameter	Scenario	Weight	2024	2025	2026	Following years
GDP growth in %	Optimistic	25%	2.40%	2.90%	3.40%	3.40%
	Baseline	50%	2.30%	2.70%	3.00%	3.00%
	Conservative	25%	2.20%	2.40%	2.80%	2.80%
Unemployment rate in %	Optimistic	25%	4.20%	3.90%	3.60%	3.60%
	Baseline	50%	4.30%	4.10%	3.80%	3.80%
	Conservative	25%	4.50%	4.30%	4.20%	4.20%

The geopolitical situation globally remains unstable, with possible significant negative effects on the economy of the European Union and Bulgaria, which creates significant risks to the realization of the macroeconomic forecast. Trade conflicts stemming from protectionist US policies are increasing risks to global trade and could hamper growth in the euro area by depressing exports and weakening the global economy. Lower confidence could lead to weaker-than-expected growth in consumption and investment. There is a risk of limiting the supply of certain raw materials, which would be a catalyst for a rise in their prices or for a new disruption of global supply chains. The realization of these risks would lead to higher inflation in the country in the medium term, to a weaker increase in real disposable household income, which, in combination with the increasing cost of credit, would limit the growth of consumption.

All these increase the requirements to the developed models. At this stage, the most appropriate approach for applying in-depth assessments related to credit quality and impairment, is that of the complex coverage of:

- 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, with additional analysis of exposure to climate and environmental risks.

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 Series 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. At the end of 2024, part of the Series C preferred shares was converted into Series A preferred shares, which in early 2025 were converted into Class C common shares. The Class A and C ordinary shares, respectively Series A preferred shares are not subject to restrictions and can be freely transferred.

The fair value of the investment in VISA Inc. as of 30 June 2025 and 31 December 2024 is presented below:

<i>Equity instruments at fair value through profit or loss</i>	30-06-2025	31-12-2024
Visa Inc ordinary shares Class A	818	516
Visa Inc ordinary shares Class C	-	-
Visa Inc convertible preferred shares Series A	-	304
Visa Inc convertible preferred shares Series C	212	212
Total	<u>1,030</u>	<u>1,032</u>

The model for determination of the fair value of Series C convertible preferred shares 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 Class C ordinary shares or Series A preferred shares 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 Series C shares, the ordinary shares Class C or the Series A preferred 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 2025 and 31 December 2024:

	<u>30-06-2025</u>	<u>31-12-2024</u>
<i>Debt instruments at FVOCI</i>		
EUR Bulgarian Government Bonds	12,885	12,558
BGN Bulgarian Government Bonds	39,108	37,164
EUR Government Bonds of foreign countries	-	9,848
USD Government Bonds of foreign countries	25,680	19,313
EUR Corporate Bonds	<u>5,662</u>	<u>8,004</u>
Debt instruments at FVOCI	83,335	86,887
<i>Incl. collateral on attracted funds from the state</i>		
BGN Bulgarian Government Bonds	13,033	16,392
EUR Bulgarian Government Bonds	<u>10,863</u>	<u>-</u>
Total	23,896	16,392
<i>Equity instruments at FVOCI</i>		
Investments in Bulgarian company for payment services	1,664	1,664
Investment in shares of TIXI AD	500	500
BSE (Bulgarian Stock Exchange) shares	189	161
Other	<u>47</u>	<u>40</u>
Equity instruments at FVOCI	2,400	2,365
<i>Debt instruments at amortised cost</i>	<u>30-06-2025</u>	<u>31-12-2024</u>
BGN Bulgarian Government Bonds	3,755	7,535
EUR Government Bonds of foreign countries	43,278	43,759
USD Government Bonds of foreign countries	34,603	38,958
EUR Corporate Bonds	<u>1,978</u>	<u>2,009</u>
Less: ECL allowance	<u>(64)</u>	<u>(69)</u>
Debt instruments at amortised cost	83,550	92,192
<i>Incl. collateral on attracted funds from the state</i>		
BGN Bulgarian Government Bonds	<u>3,309</u>	<u>507</u>

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 2025 amounts to EUR 1,516 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 2025, all debt instruments at FVOCI are classified in Stage 1 and the cumulative ECL allowance is EUR 48 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 2025 the Group reports an investment in shares of Paynetix AD, whose main activity is providing of different payment services and innovative technological and digital payment solutions. As there are no direct market data available, the fair value of the investment in Paynetix is estimated applying the model of discounted cash flows. 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 10-year business plan of the company, using the discount rate of 30.53% which represents the weighted average cost of capital (WACC) calculated as of 31 December 2024.

For the valuation of the investment in the shares of TIXI AD the model of discounted cash flows has been applied as well. 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 22.4% as of 31 December 2024, 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 considering 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 2025 amounts to EUR 1,735 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 2025, all debt instruments at amortised cost are classified in Stage 1 and the cumulative ECL allowance is EUR 64 thousand.

As at 30 June 2025 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 2025.

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 EUR 1,652 thousand. Real estates with carrying amount of EUR 694 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 2025 is EUR 40,590 thousand (2024: 42,995).

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 2025, the balance sheet value of assets held for sale is EUR 1,952 thousand (2024: 2,045). The Group sold properties in the amount of EUR 787 thousand during the reporting period. Properties in the amount of EUR 694 thousand are reclassified from investment properties to assets held for sale following the signing of a preliminary agreement for their forthcoming sale and the deal was subsequently closed

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 2024.

For the purposes of its operating activity the Group rents office buildings and premises. As of 30 June 2025, the Group recognizes right-to-use assets in the total amount of EUR 3,518 thousand (2024: 4,204) relating to long term lease contracts. These assets are presented as tangible assets in the statement of financial position. From the beginning of 2025, the related depreciation expense for right-to-use assets is EUR 832 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 2025, the balance sheet value of the tangible and intangible assets is EUR 5,473 thousand (2024: 6,336) and EUR 1,156 thousand (2024: 1,105) respectively.

Companies of the Group and joined ventures

As of 30 June 2025, 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 considers as a joint venture its investment in “IDS Fund” AD, an investment fund established in 2019 as a joint investment of the subsidiary “BACB Finance” EAD and CSIF AD - the largest shareholder of BACB.

Initially the investment has been recorded at cost and adjusted thereafter for the post-acquisition change in the investor’s share of the investee’s net assets and the identified impairment.

As of 31 December 2023, the management has analyzed the state of the investments of IDS Fund and the results of the activity. Based on the analysis and in view of the limited opportunities for positive development, the management decided to proceed with the release of the investments and, together with the other shareholder, to prepare a plan for the voluntary liquidation of the company IDS Fund AD. As a result of this decision, the book value of the investment is reduced to zero. In 2024 the plan for liquidation has been prepared and as of 30 June 2025 it is in a process of implementation. The Fund does not carry out operational activities.

On 15 October 2024, the start of the voluntary liquidation procedure of IDS Fund was entered in the Commercial Register.

Deposits from customers

The information on deposits from customers as of 30 June 2025 and 31 December 2024 is presented in the tables below:

<i>By type of currency</i>	30-06-2025			31-12-2024		
	Demand deposits	Term deposits	Total deposits	Demand deposits	Term deposits	Total deposits
in BGN	442,923	202,100	645,023	399,518	167,150	566,668
in EUR	263,933	207,012	470,945	283,706	219,458	503,164
in USD	45,383	45,261	90,644	38,951	55,994	94,945
Total	<u>752,239</u>	<u>454,373</u>	<u>1,206,612</u>	<u>722,175</u>	<u>442,602</u>	<u>1,164,777</u>

<i>By type of customer</i>	30-06-2025			31-12-2024		
	Demand deposits	Term deposits	Total deposits	Demand deposits	Term deposits	Total deposits
Non-bank fin. institutions	95,912	2,966	98,878	96,569	2,957	99,526
Corporate	481,663	101,252	582,915	465,139	123,738	588,877
Individuals	174,664	350,155	524,819	160,467	315,907	476,374
Total	<u>752,239</u>	<u>454,373</u>	<u>1,206,612</u>	<u>722,175</u>	<u>442,602</u>	<u>1,164,777</u>

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. In June 2023, the bonds have been registered for trading on the Bulgarian Stock Exchange.

On 3 June 2024, BACB issued a new series of ordinary, interest-bearing, dematerialized, freely transferable, unsecured, non-convertible, subordinated bonds. These bonds are structured to meet BACB's Tier 2 capital requirements, pursuant to Art. 63 of Regulation (EU) No. 575/2013. The total nominal and issue value of the bond issue is EUR 15,000,000. The term of the issue is 120 months, and the maturity of the principal is 3 June 2034. The bonds bear a fixed annual interest rate of 8.0%, and the interest is paid in annual coupon payments. The new issue is admitted to trading on a regulated market. The start date of the introduction to trading on the Vienna Stock Exchange (Wiener Boerse) is 21 June 2024.

As of 30 June 2025, the Group's obligation related to debt securities in issue, including accrued interest, amounts to EUR 30,106 thousand (2024: 30,710 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.

From July 2015 the Group has an agreement with the Bulgarian Development Bank (BDB) for participation in its partnership program for indirect financing of micro, small and medium-sized companies. According to the agreement BDB has provided to the Group BGN 35 million credit line for financing of eligible projects under the program. In May 2025, at maturity, the obligations under this credit line have been fully repaid.

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 2025, the long-term borrowed funds, including accrued interest, amount to EUR 2,452 thousand (2024: 3,182 thousand) and represent the obligation to BDB under the second agreement.

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 2025, 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 2025 are as follows:

<u>Related party</u>	<u>Relationship</u>
CSIF AD	shareholder with significant control over BACB entities that are controlled or significantly influenced by CSIF AD
Other related entities	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 2025 is summarized as follows:

<u>EUR '000</u>	<u>Balance at 30 June 2025</u>	<u>Net income /(expense) on transactions with related parties</u>
Loans and advances to customers	1,228	40
Deposits from customers-CSIF AD	6,411	(12)
Deposits from customers-management	9,363	(48)
Deposits from customers-other related entities	53,559	(258)
Other operating income	-	11
Administrative expenses – services	-	(487)
Off-balance sheet liabilities		
Unutilized commitments on loans	41	-
Bank guarantees	142	-

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 2025 is 10%.

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