

BACB
Sofia

SELECTED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
as of 31 March 2026
/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 2025 audited consolidated financial statements.

On 12 January 2026, BACB acquired 100% of the capital of Tokuda Bank EAD. The Company is defined as a subsidiary.

The process of merging Tokuda Bank EAD into BACB AD is in progress in 2026. The acquisition was accounted for as a business combination using the acquisition method, and from the acquisition date, the accounts of Tokuda Bank EAD are consolidated using the full consolidation method. As of the date of approval of these financial statements, the determination of fair values under *IFRS 3 Business combination* is in the process of being prepared and a reliable quantitative assessment of the impact cannot be presented. For the purposes of the business combination, provisional values have been used, which will be adjusted within the measurement period, in accordance with the provisions of the applicable IFRS. Management does not expect an adverse impact on the Group's capital adequacy and liquidity. The main objective of the business combination is to expand BACB's market positions. Expanding market positions, including through the acquisition of another banking institution, is defined by BACB as key to maintaining a sustainable business model based on stable revenues/returns and at optimal and highly manageable costs, including by realizing the objective effects of "economies" of scale, respectively for reliable implementation of strategic goals and stable development in the long term.

In 2026, the Group consistently applies the accounting policy disclosed in the audited annual consolidated financial statements for 2025, considering the amendments to IFRS adopted by the EU and effective for annual periods beginning on or after 1 January 2025, as set out in the notes to the annual audited consolidated financial statements for 2025.

Pursuant to the Law on the Introduction of the Euro in the Republic of Bulgaria, as of 1 January 2026, the euro became the official currency and legal tender in Bulgaria. The official exchange rate has been set at 1.95583 BGN for 1 EUR. The introduction of the euro as the official currency of the Republic of Bulgaria represents a change in the Group's functional currency, which, in accordance with the requirements of the applicable accounting standards, has been applied prospectively in the reporting period beginning on 1 January 2026. The Group did not report any material effects from the conversion of opening balances into euro as of 1 January 2026 or from the process of changing the functional currency.

These consolidated unaudited interim financial statements as of 31 March 2026, are prepared in the new functional currency – euro. All amounts are in thousands of euros, unless otherwise stated. The comparable figures for the previous reporting period have been translated into euro at the fixed exchange rate set by the law.

The unaudited consolidated financial statements as of 31 March 2026 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>31-03-2026</u>	<u>31-12-2025</u>
Cash on hand	14,729	11,503
Balances with the Central Bank	433,993	219,993
<i>Cash and balances with the Central Bank</i>	<u>448,722</u>	<u>231,496</u>

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>31-03-2026</u>	<u>31-12-2025</u>
Cash and balances with the Central Bank	448,722	231,496
Loans and advances to banks maturing within 3 months	34,586	36,054
Less: Other restricted funds	(1,901)	(2,012)
<i>Cash and cash equivalents</i>	<u>481,407</u>	<u>265,538</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>31-03-2026</u>	<u>31-12-2025</u>
Current accounts with other banks	8,135	6,394
Deposits with other banks	24,551	27,648
Other restricted funds	1,901	2,012
Loans and advances to banks	34,587	36,054
Less: ECL allowance	(2)	(4)
<i>Loans and advances to banks, net</i>	<u>34,585</u>	<u>36,050</u>

Loans and advances to customers

The information on loans and advances to customers as of 31 March 2026 and 31 December 2025 is presented in the tables below:

	<u>31-03-2026</u>	<u>31-12-2025</u>
Loans and advances to customers	1,196,961	1,002,959
Less: ECL allowance	(47,928)	(42,063)
<i>Loans and advances to customers, net</i>	<u>1,149,033</u>	<u>960,896</u>

<i>Type of Customer</i>	<u>31-03-2026</u>	<u>31-12-2025</u>
Individuals	353,360	309,246
Businesses	<u>843,601</u>	<u>693,713</u>
Loans and advances to customers	1,196,961	1,002,959
Less: ECL collective	(4,010)	(3,230)
Less: ECL individual	<u>(43,918)</u>	<u>(38,833)</u>
<i>Loans and advances to customers, net</i>	<u><u>1,149,033</u></u>	<u><u>960,896</u></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 principal 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 2025. 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 31 March 2026 and 31 December 2025 is presented in the tables below:

<u>Gross carrying amount as of 31-03-2026</u>	<u>Stage1</u>	<u>Stage2</u>	<u>Stage3</u>	<u>TOTAL</u>
1. Neither past due nor impaired				
1.1. Individually assessed	473,426	52,261	-	525,687
<i>High class</i>	63,500	-	-	63,500
<i>Medium class</i>	409,926	39,915	-	449,841
<i>Low class</i>	-	12,346	-	12,346
1.2. Collectively assessed	433,270	14,608	-	447,878
2. Past due not impaired				
2.1. Individually assessed	37,672	44,833	-	82,505
2.2. Collectively assessed	15,002	10,960	-	25,962
3.1. Impaired - individually assessed	-	-	112,363	112,363
3.2. Impaired - collectively assessed	-	-	2,566	2,566
TOTAL	<u>959,370</u>	<u>122,662</u>	<u>114,929</u>	<u>1,196,961</u>

<u>Gross carrying amount as of 31-12-2025</u>	<u>Stage1</u>	<u>Stage2</u>	<u>Stage3</u>	<u>TOTAL</u>
1. Neither past due nor impaired				
1.1. Individually assessed	441,135	14,876	-	456,011
<i>High class</i>	57,311	-	-	57,311
<i>Medium class</i>	383,824	14,789	-	398,613
<i>Low class</i>	-	87	-	87
1.2. Collectively assessed	319,165	294	-	319,459
2. Past due not impaired				
2.1. Individually assessed	80,231	28,902	-	109,133
2.2. Collectively assessed	11,488	6,926	-	18,414
3.1. Impaired - individually assessed	-	-	97,578	97,578
3.2. Impaired - collectively assessed	-	-	2,364	2,364
TOTAL	<u>852,019</u>	<u>50,998</u>	<u>99,942</u>	<u>1,002,959</u>

Information on changes in risk classifications of loans and advances and accumulated ECL allowance as of 31 March 2026 and 31 December 2025 is presented in the tables below:

<i>Changes in the gross carrying amount in 2026</i>	Stage1	Stage2	Stage3	TOTAL
Amounts at 1 January 2026	852,019	50,998	99,942	1,002,959
New assets originated	238,828	29,024	11,407	279,259
Assets repaid	(73,357)	(2,420)	(9,438)	(85,215)
Transfer to Stage 1	4,041	(4,036)	(5)	-
Transfer to Stage 2	(62,104)	62,140	(36)	-
Transfer to Stage 3	(57)	(13,044)	13,101	-
Amounts written off	-	-	(42)	(42)
Amounts at 31 March 2026	<u>959,370</u>	<u>122,662</u>	<u>114,929</u>	<u>1,196,961</u>

<i>Changes in the gross carrying amount in 2025</i>	Stage1	Stage2	Stage3	TOTAL
Amounts at 1 January 2025	761,232	57,123	85,203	903,558
New assets originated	333,743	1,546	4,644	339,933
Assets repaid	(206,927)	(12,737)	(17,653)	(237,317)
Transfer to Stage 1	5,195	(5,127)	(68)	-
Transfer to Stage 2	(30,407)	30,800	(393)	-
Transfer to Stage 3	(10,817)	(20,607)	31,424	-
Amounts written off	-	-	(3,215)	(3,215)
Amounts at 31 December 2025	<u>852,019</u>	<u>50,998</u>	<u>99,942</u>	<u>1,002,959</u>

<i>Changes in the ECL in 2026</i>	Stage 1	Stage 2	Stage 3	TOTAL
Amounts at 1 January 2026	2,965	800	38,298	42,063
New assets originated	328	2,247	4,732	7,307
Assets repaid	(538)	(324)	(538)	(1,400)
Transfer to Stage 1	83	(81)	(2)	-
Transfer to Stage 2	(782)	815	(33)	-
Transfer to Stage 3	(4)	(192)	196	-
Amounts written off	-	-	(42)	(42)
Amounts at 31 March 2026	<u>2,052</u>	<u>3,265</u>	<u>42,611</u>	<u>47,928</u>

<i>Changes in the ECL in 2025</i>	Stage 1	Stage 2	Stage 3	TOTAL
Amounts at 1 January 2025	3,270	522	30,912	34,704
New assets originated	1,306	634	11,358	13,298
Assets repaid	(1,490)	(219)	(1,015)	(2,724)
Transfer to Stage 1	141	(87)	(54)	-
Transfer to Stage 2	(165)	217	(52)	-
Transfer to Stage 3	(97)	(267)	364	-
Amounts written off	-	-	(3,215)	(3,215)
Amounts at 31 December 2025	<u>2,965</u>	<u>800</u>	<u>38,298</u>	<u>42,063</u>

As of 31 March 2026, Loans and advances to customers include finance lease receivables as follows:

2026

	Up to 1 year	1 to 5 years	Over 5 years	Total
Gross investment in finance leases	3,098	3,098	3,767	9,963
Unearned future income on finance leases	(336)	(691)	(490)	(1,517)
Net minimum lease payments	2,762	2,407	3,277	8,446

2025

	Up to 1 year	1 to 5 years	Over 5 years	Total
Gross investment in finance leases	2,517	1,770	371	4,658
Unearned future income on finance leases	(197)	(137)	(49)	(383)
Net minimum lease payments	2,320	1,633	322	4,275

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 2025. The details of the scenarios applied are presented in the table below:

Parameter	Scenario	Weight	2025	2026	2027	Following years
GDP growth in %	Optimistic	25%	3.20%	3.09%	3.00%	2.74%
	Baseline	50%	3.10%	2.90%	2.64%	2.57%
	Conservative	25%	2.90%	2.58%	2.10%	2.40%
Unemployment rate in %	Optimistic	25%	3.40%	3.40%	3.30%	3.30%
	Baseline	50%	3.50%	3.50%	3.50%	3.40%
	Conservative	25%	3.80%	3.70%	3.70%	3.60%

The geopolitical events are a key factor in global economic performance in 2026 and continue to be a major source of instability in financial markets and global trade flows. The military conflict in the Middle East has disrupted fuel supplies through the Strait of Hormuz, causing significant fluctuations in international markets, including rising oil and natural gas prices, and is an additional source of inflation. In addition to the risks of disruptions in the supply chains of essential raw materials and high uncertainty about the development of the global economy in connection with geopolitical conflicts and trade tensions caused by US customs policy and military conflicts, the risks arising from extreme weather events are becoming increasingly tangible. The effects of climate change are most significant at the local level, but they also lead to wider economic repercussions. This in turn increases the demands on risk assessment models. At this stage, the most appropriate approach for implementing in-depth assessments related to credit quality and impairments is the comprehensive reflection of:

- Quarterly forecasts on the development of the economies – using the 1-year forecasts from external sources;
- Monitoring and analyzing the impact of individual industries and assessing/transferring the potential impact on sub-portfolios and/or selected exposures;
- Individual assessments of 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 data on energy efficiency (of financed projects and/or accepted collateral) and 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.

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 31 March 2026 and 31 December 2025 is presented below:

<i>Equity instruments at fair value through profit or loss</i>	<u>31-03-2026</u>	<u>31-12-2025</u>
Visa Inc ordinary shares Class A	710	808
Visa Inc ordinary shares Class C	131	150
Visa Inc convertible preferred shares Series C	74	84
Total	<u>915</u>	<u>1,042</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.

As of 31 March 2026, the Group also reports other traded shares at fair value through profit or loss, in the amount of EUR 368 thousand, which were acquired as a result of the purchase of 100% of the capital of Tokuda Bank AD in January 2026. Their fair value is determined based on market quotes as of the reporting date.

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 31 March 2026 and 31 December 2025:

	31-03-2026	31-12-2025
<i>Debt instruments at FVOCI</i>		
EUR Bulgarian Government Bonds	78,249	12,584
BGN Bulgarian Government Bonds	-	41,850
EUR Government Bonds of foreign countries	4,011	-
USD Government Bonds of foreign countries	34,406	25,515
EUR Corporate Bonds	9,625	5,632
Debt instruments at FVOCI	126,291	85,581
<i>Incl. collateral on attracted funds from the state</i>		
BGN Bulgarian Government Bonds	-	14,623
EUR Bulgarian Government Bonds	43,330	4,117
Total	43,330	18,740
<i>Equity instruments at FVOCI</i>		
Investments in Bulgarian company for payment services	1,858	1,664
Investment in shares of TIXI AD	500	500
BSE (Bulgarian Stock Exchange) shares	322	223
Other	47	47
Equity instruments at FVOCI	2,727	2,434
<i>Debt instruments at amortised cost</i>		
	31-03-2026	31-12-2025
EUR Bulgarian Government Bonds	11,864	5,128
BGN Bulgarian Government Bonds	-	3,775
EUR Government Bonds of foreign countries	38,688	38,705
USD Government Bonds of foreign countries	44,900	30,177
EUR Corporate Bonds	2,018	7,031
Less: ECL allowance	(82)	(78)
Debt instruments at amortised cost	97,388	84,738
<i>Incl. collateral on attracted funds from the state</i>		
EUR Bulgarian Government Bonds	7,779	2,051
BGN Bulgarian Government Bonds	-	3,775
EUR Government Bonds of foreign countries	-	9,226
Total	7,779	15,052

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 – 31 March 2026 amounts to EUR 1,005 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 31 March 2026, all debt instruments at FVOCI are classified in Stage 1 and the cumulative ECL allowance is EUR 181 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 31 March 2026 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 28.05% which represents the weighted average cost of capital (WACC) calculated as of 31 December 2025.

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 2025, 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 – 31 March 2026 amounts to EUR 795 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 31 March 2026, all debt instruments at amortised cost are classified in Stage 1 and the cumulative ECL allowance is EUR 82 thousand.

As at 31 March 2026 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 31 March 2026.

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 401 thousand. As of March 31, 2026, the Group reported new investment properties in the amount of EUR 2,836 thousand, which were acquired as a result of the purchase of 100% of the capital of Tokuda Bank AD in January 2026.

The book value of investment properties held at 31 March 2026 is EUR 34,803 thousand (2025: 32,368).

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.

During the reporting period, the Group acquired real estate classified as assets held for sale.

The carrying amount of assets held for sale as of 31 March 2026 is EUR 4,126 thousand (2025: nil)

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 2025.

For the purposes of its operating activity the Group rents office buildings and premises. As of 31 March 2026, the Group recognizes right-to-use assets in the total amount of EUR 3,738 thousand (2025: 2,855) 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 563 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 these contracts as operating leases with relevant rental expense in the profit or loss for the lease term.

As of 31 March 2026, the balance sheet value of the tangible and intangible assets is EUR 6,052 thousand (2025: 4,752) and EUR 1,686 thousand (2025: 964) respectively.

As of 31 March 2026, the Group reported new tangible and intangible assets with a carrying amount of EUR 2,378 thousand, which were acquired as a result of the purchase of 100% of the capital of Tokuda Bank AD in January 2026.

Companies of the Group and joined ventures

As of 31 March 2026, BACB has 3 subsidiaries subject to consolidation – BACB Finance EAD, BACB Trade EAD and Tokuda Bank AD.

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.

On January 12, 2026, BACB acquired 100% of the capital of Tokuda Bank EAD. A process of merging Tokuda Bank EAD into BACB AD is underway, which is expected to be completed within the current 2026.

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 31 March 2026 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 31 March 2026 and 31 December 2025 is presented in the tables below:

<i>By type of currency</i>	31-03-2026			31-12-2025		
	Demand deposits	Term deposits	Total deposits	Demand deposits	Term deposits	Total deposits
in BGN	-	-	-	465,251	158,013	623,264
in EUR	1,115,799	439,867	1,555,666	304,530	190,299	494,829
in USD	46,688	62,328	109,016	39,263	47,781	87,044
Other	491	1,120	1,611	-	-	-
Total	1,162,978	503,315	1,666,293	809,044	396,093	1,205,137

<i>By type of customer</i>	31-03-2026			31-12-2025		
	Demand deposits	Term deposits	Total deposits	Demand deposits	Term deposits	Total deposits
Non-bank fin. institutions	79,625	5,605	85,230	87,349	5,591	92,940
Corporate	778,343	61,003	839,346	506,560	53,888	560,448
Individuals	305,010	436,707	741,717	215,135	336,614	551,749
Total	1,162,978	503,315	1,666,293	809,044	396,093	1,205,137

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 31 March 2026, the Group's obligation related to debt securities in issue, including accrued interest, amounts to EUR 31,194 thousand (2025: 30,706 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 November 2018 the Group signed an 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 31 March 2026, the obligation to BDB under the agreement, including accrued interest, amounts to EUR 2,102 thousand (2025: 2,102 thousand).

As of 31 March, 2026, the Group also reported new long-term liability in the amount of EUR 1,001 thousand, which arises as a result of the purchase of 100% of the capital of Tokuda Bank AD in January 2026 and reflects a subordinated term debt obligation to the previous owner of Tokuda Bank AD.

Share Capital and reserves

According to the Law on the Introduction of the Euro in the Republic of Bulgaria, as of 1 January 2026, the euro became the official currency and legal tender in Bulgaria. As of 1 January 2026, the registered capital of BACB amounted to BGN 24,691 thousand, distributed in 24,691,313 ordinary dematerialized shares, with voting rights and each with a nominal value of BGN 1. With the introduction of the euro as the official currency, the nominal value of one share in BGN is converted into EUR according to the rules of the law and the new value of the share is multiplied by the number of shares to obtain the equivalent of the registered capital in EUR. As of 31 March 2026, the registered capital of BACB is represented by 24,691,313 ordinary dematerialized shares, each with voting rights and a nominal value of EUR 0.51 or a total value of EUR 12,592,569.63. According to the applicable accounting standards, the differences from the recalculation of the registered capital in the amount of EUR 31,898 are attributed to retained earnings from previous years.

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 31 March 2026, 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
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 31 March 2026 is summarized as follows:

<u>EUR'000</u>	<u>Balance at 31 March 2026</u>	<u>Net income /(expense) on transactions with related parties</u>
Loans and advances to customers	849	16
Deposits from customers-CSIF AD	6,343	(11)
Deposits from customers-management	8,969	(56)
Deposits from customers-other related entities	35,969	(5)
Other operating income	-	5
Administrative expenses – services	-	(254)
Off-balance sheet liabilities		
Unutilized commitments on loans	90	-
Bank guarantees	348	-

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 2026 is 10%.

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