



ANNUAL CONSOLIDATED STATEMENTS

of

TEXIM BANK AD

31 December 2024

Sofia

April 2025

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TEXIMBANK AD

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2024

All amounts are in thousand BGN, unless otherwise stated

	Note	As at 31.12.2024	As at 31.12.2023
ASSETS			
Cash and balances with the Central Bank	4	127,074	184,820
Financial assets at fair value through profit or loss	5	48,759	44,195
Financial assets at fair value through other comprehensive income	6	92,444	55,723
Loans and receivables, net	7	271,231	213,705
Receivables under repurchase agreements of securities	8	50,367	44,328
Debt instruments at amortized cost	9	57,507	57,648
Property, plant and equipment	10	24,365	21,076
Investment properties	11	7,689	12,840
Intangible assets	10	2,339	2,049
Goodwill	12	42	42
Other assets	13	8,196	8,685
TOTAL ASSETS		690,013	645,111
LIABILITIES			
Deposits and loans from credit institutions		1,870	1,901
Deposits from customers other than credit institutions	14	609,993	568,227
Lease liabilities	15	4,815	4,998
Issued debt securities	16	-	8,074
Tax liabilities	17.1	1,198	1,178
Other liabilities	18	1,505	2,119
Provisions	19	806	590
TOTAL LIABILITIES		620,187	587,087
EQUITY			
Share capital	20	36,795	33,595
Premium reserves	20	13,200	8,400
Revaluation reserves	20	10,489	9,271
Legal reserves	20	5,294	3,039
Other reserves	20	132	132
Retained earnings		3,916	3,587
TOTAL EQUITY		69,826	58,024
TOTAL LIABILITIES AND EQUITY		690,013	645,111

These consolidated financial statements were approved by the Management Board of Texim Bank AD on 28 April 2025.

Ivaylo Donchev
Executive Director

Mariya Vidolova
Executive Director

Dobromir Tanov
Chief Accountant

Auditors' report issued by:

Grant Thornton OOD, reg. No 032

RSM BG OOD, reg. No 473

Mariy Apostolov
Registered Auditor
Managing partner

Mariana Mihaylova
Registered Auditor
Managing partner

The Notes from 1 to 33 form an integral part of these consolidated financial statements.

TEXIM BANK AD

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ending 31 December 2024

All amounts are in thousand BGN, unless otherwise stated

	Note	For the year ended 31.12.2024	For the year ended 31.12.2023
Interest income	21	18,270	16,530
Interest expenses	21	(1,242)	(874)
Net interest income		17,028	15,656
Dividend income		65	34
Fee and commission income	22	6,558	5,924
Fee and commission expenses	22	(980)	(764)
Net fee and commission income		5,578	5,160
Net gains on financial assets at fair value through profit or loss	23.1	3,018	2,995
Net gain / (losses) on financial assets at fair value through other comprehensive income	23.2	60	(154)
Net gain / (losses) on financial assets on depreciated value	23.3	915	(430)
Net gain / (losses) on foreign currency revaluation		26	(45)
Net gains on assets written-off, other than assets for sale	10, 11	227	27
Change in the fair value of investment property	11	235	173
Other operating expenses, net	24	(2,126)	(1,286)
Administrative expenses	25	(18,361)	(15,616)
Depreciation/amortization expenses	10	(3,744)	(3,794)
Impairment of financial assets	26	(310)	(596)
(Impairment of) / reintegration of impairment on non-financial assets		(46)	317
Expenses for provisions	19	(33)	(9)
PROFIT BEFORE TAX		2,532	2,432
Income from / (Expense on) income tax	17.2	28	(51)
PROFIT FOR THE YEAR		2,560	2,381
Attributable to:			
Shareholders of the Parent Company		2,560	2,381
Earnings per share (in BGN)	27	0,074	0,077
Diluted earnings per share(in BGN)	27	0,0741	0,0775
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
Revaluation of non-financial assets		508	292
Income tax related to the revaluation of non-financial assets		(50)	(29)
Change in fair value of equity instruments at fair value through other comprehensive income		29	22
Remeasurement of defined benefit liability		(106)	(196)
Income tax relating to remeasurement of defined benefit liability		10	19
Items that will be reclassified subsequently to profit or loss:			
Change in fair value of debt instruments at fair value through other comprehensive income		851	1,036
OTHER COMPREHENSIVE INCOME		1,242	1,144
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		3,802	3,525
Attributable to:			
The shareholders of the Parent Company		3,802	3,525

These consolidated financial statements were approved by the Management Board of Texim Bank AD on 28 April 2025.

Ivaylo Donchev
Executive Director

Mariya Vidolova
Executive Director

Dobromir Tanov
Chief Accountant

Auditors' report issued by:

Grant Thornton OOD, reg. No 032

RSM BG OOD, reg. No 173

Mariy Apostolov
Registered Auditor
Managing partner

Mariana Mihaylova
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Managing partner

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TEXIM BANK AD

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ending 31 December 2024

All amounts are in thousand BGN, unless otherwise stated

	Share capital	Premium reserves	Revaluation reserves	Legal reserves	Other reserves	Retained earnings	Total
BALANCE AS AT 1 JANUARY 2023	27,995	-	8,127	2,863	132	1,462	40,579
Share capital increase and bonus reserve from convertible bonds	5,600	8,400	-	-	-	-	14,000
Transactions with owners	5,600	8,400	-	-	-	-	14,000
Profit for the year	-	-	-	-	-	2,381	2,381
Other comprehensive income	-	-	1,144	-	-	-	1,144
Total comprehensive income	-	-	1,144	-	-	2,381	3,525
Decrease in retained earnings from prior years related to deferred taxes	-	-	-	176	-	(80)	(80)
Increase in legal reserves from retained earnings	-	-	-	-	-	(176)	-
BALANCE AS AT 31 DECEMBER 2023	33,595	8,400	9,271	3,039	132	3,587	58,024
Share capital increase and bonus reserve from convertible bonds	3,200	4,800	-	-	-	-	8,000
Transactions with owners	3,200	4,800	-	-	-	-	8,000
Profit for the year	-	-	-	-	-	2,560	2,560
Other comprehensive income	-	-	1,242	-	-	-	1,242
Total comprehensive income	-	-	1,242	-	-	2,560	3,802
Transfer of revaluation to retained earnings for reclassified financial instruments	-	-	(5)	-	-	5	-
Transfer of revaluation to retained earnings for non-financial assets	-	-	(19)	-	-	19	-
Increase in legal reserves from retained earnings	-	-	-	2,255	-	(2,255)	-
BALANCE AT 31 DECEMBER 2024	36,795	13,200	10,489	5,294	132	3,916	69,826

These consolidated financial statements were approved by the Management Board of Texim Bank AD on 28 April 2025.

Ivaylo Donchev
Executive Director

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Executive Director

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Chief Accountant

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TEXIM BANK AD

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDING 31 DECEMBER 2024

All amounts are in thousand BGN, unless otherwise stated

	Note	For the year ended 31.12.2024	For the year ended 31.12.2023
OPERATING ACTIVITIES			
Profit for the year		2,560	2,381
Income from / (expense of) income tax	16	(28)	51
Adjustments for non-monetary items:			
Depreciation/amortization	10	3,744	3,794
Reintegration of / (impairment charges on) financial assets	26	310	596
Change in fair value of investment properties	12, 25	(235)	(173)
Net (losses) / gain on financial assets at fair value through other comprehensive income	23	(60)	154
Net (losses) / gain on transactions in financial assets at amortised cost		(915)	430
Net (losses) / gain on financial assets at fair value through profit or loss	23	(3,018)	(2,995)
Net gains on assets written off other than held for sale		(227)	(27)
Expenses on provisions	19	33	9
Charges to staff for defined benefits on retirement		80	56
(Impairment of) / reintegration of impairment on non-financial assets	18	(46)	(317)
Net interest income		(17,028)	(15,656)
Interest received		17,569	14,037
Interest paid		(919)	(719)
Dividends received		(65)	(34)
Other operating income from operating leases		(26)	(30)
Total adjustments for non-monetary items		(831)	(824)
Increase in loans and receivables		(32,781)	(1,701)
Increase in receivables under securities repurchase agreements		(5,982)	(9,839)
Decrease of financial assets at fair value through profit or loss		(1,544)	(4,888)
(Increase) / decrease in other assets		735	(288)
(Decrease) / increase in deposits from credit institutions		(31)	113
Increase in deposits from customers other than credit institutions		41,348	42,851
Increase / (decrease) in other liabilities		(598)	(945)
Taxes paid		(23)	(27)
NET CASH FLOW FROM OPERATING ACTIVITIES		2,853	26,833
INVESTING ACTIVITIES			
Cash payments for financial assets at fair value through other comprehensive income		(35,602)	(15,540)
Cash proceeds from sale of financial assets at amortised cost		-	46
Cash payments for the acquisition of property, plant and equipment		(924)	(528)
Cash proceeds from sale of property, plant and equipment and investment properties		2,865	66
Cash payments for acquisition of intangible assets		(653)	(551)
Dividends received		65	335
NET CASH FLOW FROM INVESTING ACTIVITIES		(34,249)	(16,172)
FINANCING ACTIVITIES			
Payments on lease contract		(1,870)	(1,775)
NET CASH FLOW FROM FINANCING ACTIVITIES		(1,870)	(1,775)
Net increase in cash and cash equivalents		(33,266)	8,886
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		206,666	197,780
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	4	173,400	206,666

These consolidated financial statements were approved by the Management Board of Texim Bank AD on 28 April 2025.

Ivaylo Donchev
Executive Director

Mariya Vasolova
Executive Director

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Chief Accountant

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TEXIM BANK AD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDING 31 DECEMBER 2024

All amounts are in thousand BGN, unless otherwise stated

1. ORGANIZATION AND OPERATIONAL POLICY

These consolidated financial statements of Texim Bank AD presents the consolidated financial position of the parent company Texim Bank AD ("The Bank") and its subsidiaries UD Texim Asset Management EAD, Texim Project Company EOOD, Texim Solutions EOOD, and Texim Investments EOOD as one reporting unit ("The Group").

Texim Bank AD is a joint stock company, registered in the Republic of Bulgaria in 1992. The Bank is entered in the Commercial Register with UIC 040534040. The Bank's registered office is 117, Todor Aleksandrov Blvd., Sofia, Bulgaria. The Bank's management address is 117 Todor Alexandrov Blvd., Sofia, България. In 2024 Texim Bank AD has not changed its name.

The Bank has received a full license from the Bulgarian National Bank (BNB), which is the Central Bank of the Republic of Bulgaria, to carry out all types of banking transactions in the country and abroad, namely: attracting deposits in national and foreign currencies, granting loans, transactions with foreign means of payment and with precious metals, transactions with securities and transactions under Art. 54, para. 1 of the Law on the Public Offering of Securities, and others.

The Bank is a public company and its shares are traded on the Bulgarian Stock Exchange, Sofia. In 2020, the Bank issued bonds, which are also traded on the Bulgarian Stock Exchange, Sofia. The Bank does not have a Parent company.

The Bank's management system is two-tiered and consists of a Supervisory Board and a Management Board. The Supervisory Board is composed of: Apostol Apostolov, Milen Markov, Petar Hristov, Ivelina Shaban and Veselin Morov.

The Management Board is composed of: Iglia Logofetova, Ivaylo Donchev, Mariya Vidolova and Dimitar Zhilev.

The bank represents itself before third parties, jointly by the representatives: Ivaylo Lazarov Donchev and Mariya Petrova Vidolova.

The Bank operates through its Head Office, offices and outsourced workplaces in the Republic of Bulgaria. As of 31 December 2024, the number of offices was 32. As of 31 December 2024 the Bank has 281 employees. As of 31 December 2024 the Group has 293 employees.

The subsidiary company UD Texim Asset Management EAD is a joint-stock company registered in the Republic of Bulgaria in 2006. The registered address of the Subsidiary is 117 Todor Aleksandrov Blvd., Sofia, Bulgaria. The Subsidiary organizes and manages the activities of four Mutual Funds (MF Texim Bulgaria, MF Texim Conservative Fund, MF Texim Balkans and MF Texim Commodity Strategy). Strategies"), holding activity permits issued by the Financial Supervision Commission ("FSC"). Mutual funds are separate assets for the purpose of collective investment in securities of funds raised through a public offering of units.

The subsidiary "Texim Project Company" EOOD was registered in the Republic of Bulgaria in 2021. The registered address of the subsidiary is 117 Todor Alexandrov Blvd., Sofia, Bulgaria. The main activity of "Texim Project Company" EOOD is the provision of all services and performance of all activities related to real estate, including, but not limited to, management, maintenance, administration, construction, information processing, rental; as well as acquisition, management and disposal of real estate; marketing activities; commercial representation and brokerage; as well as any other activities.

TEXIM BANK AD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDING 31 DECEMBER 2024

All amounts are in thousand BGN, unless otherwise stated

The subsidiary "Texim Solutions" EOOD was registered in the Republic of Bulgaria in 2022. The registered address of the subsidiary is 117 Todor Alexandrov Blvd., Sofia, Bulgaria. The main activity of "Texim Solutions" EOOD is the provision of services, including, but not limited to, the provision, maintenance and management of IT resources, consulting services related to: participation in company analysis projects, development of business strategies, strategic transactions and management, human resources management, corporate financing, etc., marketing activities, commercial representation and brokerage, as well as any other activities not prohibited by law.

The subsidiary „Texim Investments“ EOOD was registered in the Republic of Bulgaria in 2024. The address of the subsidiary's registration is 117 Todor Alexandrov Blvd., Sofia, Bulgaria. The principal activity of “Texim Investments” EOOD is the provision of services and activities related to real estate, including the acquisition, management, leasing and disposition of real estate; consulting services, including research and development of business strategies, strategic transactions and management; commercial representation and brokerage; investing in the construction of renewable energy sources; the sale of installment and rental of solar installations; all ancillary and service commercial activities related to the sale under lease and renting, as well as any other activities not prohibited by law.

2. BASIS FOR PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

2.1 General Framework For Financial Reporting

These consolidated financial statements have been prepared for the year ended 31 December 2024. The amounts in the consolidated financial statements are presented in thousands of Bulgarian leva (BGN '000).

Management is responsible for the preparation and fair presentation of the information in these consolidated financial statements.

The consolidated financial statements have been prepared, in all material respects, in accordance with IFRS accounting standards adopted by the EU and applicable in the Republic of Bulgaria.

These consolidated financial statements have been prepared in accordance with the requirements of national legislation. The Bank's activities are regulated by the Law on Credit Institutions and the Regulations issued by the Bulgarian National Bank, which supervises and controls compliance with banking legislation.

In preparing the consolidated financial statements, the Group uses the historical cost method as a basis for accounting for assets and liabilities, except for financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and investment properties, which are measured at fair value, land and buildings, which are measured at revalued amount and non-current assets held for sale, which are measured at the lower of their current carrying amount or their fair value less costs to sell. Loans, receivables and financial assets held to maturity are measured at amortized cost.

The consolidated financial statements have been prepared in compliance with the going concern principle. The Group's management has analyzed and assessed the Group's ability to continue as a going concern based on the information available for the foreseeable future and management expects that the Group has sufficient financial resources to continue its operations for the foreseeable future and continues to apply the going concern principle in the preparation of the consolidated financial statements.

TEXIM BANK AD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDING 31 DECEMBER 2024

All amounts are in thousand BGN, unless otherwise stated

2.2 Significant events in 2024

As an investment intermediary, the Bank acts on behalf of and for the account of its clients and keeps the clients' financial instruments separate from its own. The Bank does not manage client portfolios and does not give recommendations for the purchase or sale of financial instruments.

The Group has integrated sustainability risks into its investment decision-making process, considering sustainability risk as an event or condition of an environmental, social or governance (ESG) nature, which, if it occurs, could have a material adverse impact on the value and/or return of investments. As of the date of the financial statements, the Bank, including in its capacity as an investment intermediary, does not take into account the adverse impacts of investment decisions on the sustainability factors of the portfolios.

Texim Bank AD recognizes the importance of environmental issues and climate risk. The Bank strives to carry out its activities in a manner that guarantees environmental protection and complies with all laws and regulations aimed at ecological balance.

Banks in general can play an important role in minimizing the impact on climate change through their customers, with Texim Bank AD making efforts to minimize its direct impact on the environment and prioritizing the rational consumption of natural resources.

As of 31.12.2024, the Group has no value to disclose for Eligible Economic Activities for the Taxonomy, pursuant to Art. 10(3) of DELEGATED REGULATION (EU) 2021/2178. Consequently and in addition, disclosure is not required for the share of exposures to central governments, central banks and supranational issuers and derivatives in the total value of assets.

Undoubtedly, addressing the risks arising from climate change and environmental degradation will be among the main challenges for the Group in the coming years. In the context of a changing regulatory framework that has put even greater emphasis on the topic of climate risk, the Group will work on developing and implementing a methodology aimed at assessing exposures to climate and environmental risks, as well as the vulnerability of the loan portfolio. A first step towards this is to collect information and data on borrowers necessary to assess the vulnerabilities of exposures to climate and environmental risks related to sustainability in sectors and segments most affected by climate change. The second step is to develop appropriate limits for the efficient management of climate and environmental risks in accordance with the rules for regular monitoring and escalation and their integration into the overall risk management framework. The Group is expected to develop and establish appropriate internal stress tests and scenario analyses as tools in relation to climate and environmental risks, given the uncertainty surrounding the future development of climate change and the response of society to it.

The Group will explicitly define climate and environmental risks in its risk appetite framework, setting quantitative and qualitative indicators to track the implementation of specific objectives.

Influence of the geopolitical situation

The past year has been characterized by persistent geopolitical tensions globally, with other important regions further destabilized, especially in the last quarter of the year. Regional military conflicts and the numerous sanctions and restrictions imposed have inevitably negatively affected international trade and international transport, but have also created conditions for the deterioration of key supply chains for many industrial and consumer goods, as well as key raw materials for industrial production.

TEXIM BANK AD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 DECEMBER 2024

All amounts are in thousand BGN, unless otherwise stated

Influence of the macroeconomic environment

Over the past 2 years, global inflation has gradually started to decline from the record highs seen in 2022, despite geopolitical tensions, regional military conflicts, and highly volatile international financial and commodity markets. As a result, leading central banks have gradually stopped “tightening” monetary policy, with the US Federal Reserve (FED) last raising key interest rates in July 2023, and the European Central Bank (ECB) making its last increase about two months later - in September 2020. The leading decisive narrative and announcement from central banks was that key interest rates would remain at these high levels until they received additional statistical information and clear confidence that inflation was sustainably approaching the 2% target levels. From mid-2024 we have seen initial cuts in key interest rates, although core inflation has recently proven to be more difficult to respond to than initially anticipated. There have been no material changes to the Bank's estimates or expected credit loss (ECL) models, with the exception of a change in the risk parameters of the provisioning model. However, the Bank will continue to identify, assess and monitor existing and emerging risks and vulnerabilities.

In the analysis and management of the various types of risk, the guidelines of the European Banking Authority (EBA) have been taken into account, in particular those related to the stress testing of institutions, as well as the procedures and methodology for the supervisory review and evaluation process and supervisory stress tests, the management of interest rate risk arising from activities outside the trading book, the management of non-performing and forborne exposures, etc.

In 2024, the Group's financial result was a net profit of BGN 2,560 thousand.

As of 31.12.2024, the main indicators of the Group's activities are as follows:

- The balance sheet value of the assets is BGN 690,013 thousand and compared to the same period of the previous year it increased by BGN 44,902 thousand, or 6.96%.
- Liabilities and equity – BGN 690,013 thousand, of which total equity – BGN 69,826 thousand, total liabilities – BGN 620,187 thousand, including deposits and loans from credit institutions BGN 1,870 thousand, deposits from other clients BGN 609,993 thousand, liabilities under leasing contracts BGN 4,815 thousand, tax liabilities BGN 1,195 thousand; provisions BGN 806 thousand and other liabilities BGN 1,508 thousand. Total liabilities of the Group as of 31.12.2024 increased by 5.64% compared to the amount of liabilities as of 31.12.2023. The growth for the year is BGN 33,100 thousand.

2.3 Changes in IFRS accounting standards

2.3.1 New standards, amendments and interpretations to existing standards as at 1 January 2024

The Group has adopted the following new standards, amendments and interpretations to IFRS issued by the International Accounting Standards Board and endorsed by EU, which are relevant to and effective for the Group's consolidated financial statements for the annual period beginning 1 January 2024, but do not have a significant impact on the Group's consolidated financial results or consolidated financial position:

- Amendments to IAS 1 “Presentation of financial statements: Classification of liabilities as current or non-current”, effective from 1 January 2024, adopted by the EU
- Amendments to IAS 1 “Presentation of financial statements: Non-current liabilities with covenants”, effective from 1 January 2024, adopted by the EU
- Amendments to IFRS 16 “Leases: Lease Liability in a Sale and Leaseback”, effective not earlier than 1 January 2024, adopted by the EU
- Amendments to IAS 7 “Statement of cash flows” and IFRS 7 “Financial instruments: Disclosures: supplier finance arrangements”, effective from 1 January 2024, not yet adopted by the EU;

TEXIM BANK AD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDING 31 DECEMBER 2024

All amounts are in thousand BGN, unless otherwise stated

Due to the size of the Group's business, it does not expect to be subject to additional corporate tax under the Amendments to IAS 12 Income Taxes: International Tax Reform - Model Second Pillar Rules and the amendments to the Corporate Income Tax Act, which are effective from 1 January 2024.

2.3.2 Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Group

At the date of authorisation of these consolidated financial statements, certain new standards, amendments and interpretations to existing standards have been issued, but are not effective or adopted by the EU for the financial year beginning on 1 January 2024 and have not been applied early by the Group. They are not expected to have a material impact on the Group's consolidated financial statements, except for the disclosures under IFRS 18. Management anticipates that all relevant pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement. A list of the changes in the standards is provided below:

- Amendments to IAS 21 "The effects of changes in foreign exchange rates: Lack of exchangeability", effective from 1 January 2025, not yet adopted by the EU
- Annual Improvements, effective from 1 January 2026, not yet adopted by the EU
- Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7), effective from 1 January 2026, not yet adopted by the EU
- IFRS 18 Presentation and Disclosure in Financial Statements effective from 1 January 2027, not yet adopted by the EU
- IFRS 19 Subsidiaries without Public Accountability: Disclosures, effective from 1 January 2027, not yet adopted by the EU.

2.4 Basis of consolidation

The consolidated financial statements of the Group include the financial statements of Texim Bank AD and the subsidiaries UD Texim Asset Management EAD, Texim Project Company EOOD, Texim Solutions EOOD and Texim Investments EOOD.

The Bank is the parent company that directly or indirectly owns more than 50% of the voting rights or the power to exercise control over the financial and operating policies of another company (subsidiary). Subsidiaries are those over which the Group exercises control. The Group controls an entity when it has exposure to, or rights to, variable returns from its participation and there is a relationship between power and profitability. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control is established until the date on which it ceases.

Upon loss of control over a subsidiary, the Group derecognises the assets and liabilities of the subsidiary, and the related non-controlling interests and other components of equity. The resulting gain or loss is recognised in profit or loss for the period. A retained interest in a former subsidiary is measured at fair value upon loss of control.

Non-controlling interest is measured at the proportionate share of the identifiable net assets at the acquisition date. As of 31.12.2024 and 31.12.2023, there are no non-controlling interests in the subsidiaries.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are reported in equity.

All acquisitions are accounted for using the purchase method from the date on which the Group effectively obtains control of the acquiree, as specified in IFRS 3. The Group includes in the consolidated statement of profit or loss and other comprehensive income the results of the operations of the acquired company, and

TEXIM BANK AD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDING 31 DECEMBER 2024

All amounts are in thousand BGN, unless otherwise stated

recognizes in the consolidated statement of financial position the acquired assets and assumed liabilities and contingent liabilities of the acquired company, as well as any goodwill arising on the acquisition.

The results of subsidiaries acquired or derecognized during the year are recognized in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition or from the effective date of disposal or derecognition, as appropriate.

In preparing the consolidated financial statements, the statements of the Bank and its subsidiaries are combined line by line by aggregating similar assets, liabilities, equity items, income and expenses.

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective.

Goodwill arising from business combinations is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it may be impaired.

3. SIGNIFICANT ACCOUNTING POLICY INFORMATION

3.1 Accounting estimates and accounting assumptions

The preparation of financial statements requires management to make estimates and reasonable assumptions that affect the carrying amounts of assets and liabilities, revenues and expenses for the period, and the disclosure of contingent assets and contingent liabilities. These estimates and assumptions are based on information available at the date of preparation of the consolidated financial statements and actual future results may differ from these estimates.

In the conditions of an uncertain market environment, the amount of impairment losses on debt instruments measured at amortized cost, financial assets measured at fair value through other comprehensive income, other financial instruments, as well as the values of other accounting estimates, in subsequent reporting periods could differ materially from those determined and reported in these consolidated financial statements. The return on loans and the adequacy of the recognized impairment losses, as well as the maintenance of the Group's liquidity, are dependent on the financial condition of the borrowers and their ability to repay their obligations on the agreed maturity dates in subsequent reporting periods. The Group's management applies the necessary procedures to manage these risks, as disclosed in note 29.

Estimates and assumptions are mainly related to the assessment of the fair values of financial instruments by hierarchical groups, depending on the methods for determining the fair value, as disclosed in note 3.15.

The significant management judgments in the application of the Group's accounting policies that have the most significant impact on the consolidated financial statements and the main sources of uncertainty in the estimates used are described below.

In preparing the consolidated financial statements, management makes a number of assumptions, estimates and assumptions regarding the recognition and measurement of assets, liabilities, income and expenses. Actual results may differ from management's assumptions, estimates and assumptions and in rare cases will be completely consistent with previously estimated results.

Information about the material assumptions, estimates and assumptions that have the most significant impact

on the recognition and measurement of assets, liabilities, income and expenses is presented below.

Determination of the business model

The classification and subsequent valuation of financial assets depends on the results of the test to determine whether the cash flows from the asset are only principal and interest and the business model test. The Group has defined the business model at a level that reflects how the groups of financial assets are managed together to achieve a specific business objective. This assessment includes estimates that reflect how the performance of the assets is assessed and measured, the risks that affect performance. The Group monitors financial assets measured at amortized cost and those measured at other comprehensive income that are written off before maturity to determine the reasons for writing them off and whether these reasons are consistent with the business model in which these assets are held. Monitoring is part of the policy of ongoing assessment of whether the adopted model remains appropriate and, if not appropriate, to carry out the necessary reclassification of these assets.

Significant increase of credit risk

Expected credit loss (ECL) is measured on a 12-month basis for Phase 1 assets and on the basis of the lifelong assets of Phase 2 and 3 assets. An asset is transferred to Phase 2 when its credit risk has increased significantly since initial recognition, taking quantitative and qualitative indicators and information.

Determination of group with similar credit characteristics

When ECLs are determined on a collective basis, financial instruments are grouped on the basis of shared risk characteristics that are monitored on an ongoing basis to ensure that, if the credit characteristics change, appropriate asset re-segmentation will take place.

Models and assumptions

The Group uses various models and assumptions in determining the fair value of financial assets and expected credit loss. Assumptions are applied in determining the most appropriate model of each asset type, as well as in determining the assumptions used in that model, including credit risk. See note 29.1 for more information regarding expected credit loss and note 3.15 for more information regarding the determination of fair values.

3.2 Significant sources of uncertainty

Future-oriented information

In measuring expected credit losses, the Group uses reasonable and supported information about future expectations, which is based on assumptions about future changes in various economic indicators and how they mutually influence each other. See 29.1 for more information, including an analysis of the sensitivity of reported expected credit losses to changes in assumptions regarding future expectations.

Probability of default

Probability of default is a key input in determining expected credit losses. It is an estimate of the probability of default for a certain time horizon, its calculation includes historical data, assumptions and expectations of future conditions. See note 29.1 for more details, including an analysis of the sensitivity of reported expected credit losses to changes in the probability of default resulting from changes in economic indicators.

Loss given default

Loss given default is an estimate of the loss in the event of default. It is based on the difference between the contractual cash flows due and those that the lender expects to receive, taking into account the cash flows from collateral. See note 29.1 for more details, including an analysis of the sensitivity of reported expected credit losses to changes in loss given default resulting from changes in economic indicators.

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Fair value measurement

The fair value of the Group's assets is measured using observable market data to the extent that it is available. Where such level 1 inputs are not available, the Group uses valuation models to determine the fair value of its financial assets. See note 3.15 for more information on the determination of fair value of financial instruments.

Provisions

The Group has recorded provisions related to commitments and guarantees and defined benefits upon retirement of personnel as of 31.12.2024, as described in Note 19.

Term of leasing contracts

In determining the term of leases, management considers all facts and circumstances that create an economic incentive to exercise an extension option or not to exercise a termination option. Extension options (or periods after termination options) are included in the lease term only if it is reasonably certain that the lease will be extended (or not terminated).

Some leases include extension and termination options. Management considers all significant factors that create economic incentives to exercise or not exercise the renewal or termination options in order to determine reliably the lease term for which it calculates the lease liability. The lease term is reassessed when there is a change in circumstances or significant events.

3.3 Financial instruments

Recognition and derecognition

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual terms of the financial instrument.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire or when the financial asset and substantially all the risks and rewards are transferred.

Financial liabilities are derecognized when the obligation specified in the contract is fulfilled, cancelled or expires.

Classification and initial measurement of financial assets

Financial assets are initially measured at fair value, adjusted for transaction costs, except for financial assets at fair value through profit or loss and trade receivables that do not contain a significant financial component. The initial measurement of financial assets at fair value through profit or loss is not adjusted with transaction costs that are reported as current expenses. The initial measurement of trade receivables that do not contain a significant financial component represents the transaction price in accordance with IFRS 15.

Depending on the method of subsequent measurement, financial assets are classified into the following categories:

- Debt instruments at amortised cost;
- Financial assets at fair value through profit or loss (FVTPL);
- Financial assets at fair value through other comprehensive income (FVOCI) with or without reclassification in profit or loss, depending on whether they are debt or equity instruments.

The classification is determined by both:

- the entity's business model for managing the financial asset;
- the contractual cash flow characteristics of the financial asset.

Subsequent measurement of financial assets

Debt instruments at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions and are not designated as FVTPL:

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows;
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

This category includes non-derivative financial assets like loans and receivables with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial.

Trade receivables

Trade receivables are amounts due from customers for goods or services sold in the ordinary course of business. Typically, they are due to be settled within a short timeframe and are therefore classified as current. Trade receivables are initially recognised at amortized cost unless they contain significant financial components. The Bank holds trade receivables for the purpose of collecting the contractual cash flows and therefore measures them at amortized cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial.

Financial assets at fair value through profit and loss

Financial assets that are held within a different business model than “hold to collect” or “hold to collect and sell”, and financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply (see below).

In the category of financial assets at fair value through profit or loss, net gains from foreign exchange trading are reported.

Changes in the fair value of assets in this category are reflected in profit and loss. The fair value of financial assets in this category is determined by quoted prices in an active market or using a valuation technique where no active market exists.

Financial assets at fair value through other comprehensive income

The Group accounts for financial assets at FVOCI if the assets meet the following conditions:

- they are held under a business model whose objective it is “hold to collect” the associated cash flows and sell; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The financial assets at FVOCI include:

- Debt securities where the contractual cash flows are solely payments of principal and interest and the purpose of the company's business model is achieved both by collecting contractual cash flows and by selling the financial assets.

On disposal of debt instruments of this category, any amount recognised in the revaluation reserve is reclassified to profit or loss for the period.

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Impairment of financial assets

The impairment requirements under IFRS 9 use more forward-looking information to recognize the expected credit losses (the "expected credit loss" model).

Instruments, which fall within the scope of the requirements include:

- debt instruments measured at amortized cost: loans and receivables, cash, trade and other financial assets, contract assets recognized and measured under IFRS 15, and credit commitments;
- debt instruments measured at fair value through other comprehensive income.

Loans and receivables

Recognition of credit losses is no longer dependent on the Company first identifying a credit loss event. Instead the Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk (Phase 1) and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low (Phase 2)
- Phase 3 would cover financial assets that have objective evidence of impairment at the reporting date.

"12-month expected credit losses" are recognised for the first category while "lifetime expected credit losses" are recognised for the second category. Expected credit losses are determined as the difference between all contractual cash flows attributable to the Group and the cash flows it is actually expected to receive ("cash shortfall"). This difference is discounted at the original effective interest rate (or credit adjusted effective interest rate).

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instruments.

Trade and other receivables and contract assets

The Group uses a simplified approach to accounting for trade and other receivables as well as contract assets and recognizes impairment losses as expected credit losses over the entire period. These represent the expected shortfall in contractual cash flows, given the possibility of default at any time in the financial instrument's term. The Group uses its accumulated experience, external indicators and long-term information to calculate the expected credit losses on an individual basis and, if applicable, on a collective basis.

Financial assets measured at fair value through other comprehensive income

The Group recognizes the expected 12-month credit losses for financial assets measured at fair value through other comprehensive income. At each reporting date, the Group assesses whether there is a significant increase in the credit risk of the instrument and takes into account available information such as adverse business changes, economic or financial conditions that may affect the issuer's ability to fulfill its debt obligations or unexpected changes in the issuer's operating results.

If any of these indicators results in a significant increase in the credit risk of the instruments, the Group

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recognizes expected credit losses for these instruments or for this class of instrument for the entire duration of the instrument.

Classification and measurement of financial liabilities

Financial liabilities are initially measured at fair value and, where applicable, adjusted for transaction costs, unless the Group has designated a financial liability as at fair value through profit or loss. Financial liabilities are subsequently measured at amortized cost using the effective interest method. All interest-related costs and, if applicable, changes in the fair value of the instrument that are recognized in profit or loss are included in finance costs or finance income.

3.4 Inventories

Inventory includes materials, fuels and assets acquired as collateral for loans for sale. Cost of inventories includes all expenses directly attributable to the purchase or manufacturing process, recycling and other direct expenses connected to their delivery as well as suitable portions of related production overheads, based on normal operating capacity. Financing costs are not included in the cost of the inventories. At the end of every accounting period, inventories are carried at the lower of cost and net realizable value. The amount of impairment of inventories to their net realizable value is recognized as an expense for the period of impairment.

Net realizable value is the estimated selling price of the inventories less any applicable selling expenses. In case inventories have already been impaired to their net realizable value and in the following period the impairment conditions are no longer present, than the new net realizable value is used. The reversal amount can only be up to the carrying amount of the inventories prior to their impairment. The reversal of the impairment is accounted for as decrease in material expenses for the period in which the reversal takes place.

The Group determines the cost of inventories by using the specific identification of the value of inventories method.

When inventories are sold, the carrying amount of those inventories is expensed in the period in which the related revenue is recognized.

3.5 Operating Segments

In connection with the requirements of IFRS 8, paragraph 2 /a/ /i/ and the need to disclose operating segments, the Group has adopted a distinction of activity into the following business lines: corporate and institutional banking, retail banking and money markets and liquidity. The operating results of the business activities of these lines are reviewed and analyzed by management on a regular basis.

Types of products and services by business activities:

- Retail banking – attracting funds and lending to individuals through various sales and customer service channels; payment services;
- Corporate and institutional banking – Raising funds and lending to legal entities – commercial companies and budget entities;
- Money markets and liquidity: securities transactions, redemption arrangements for securities; interbank market transactions; currency trading; currency and other financial instruments for customer service and others.

Operating segments pay and receive interest on the assets and liabilities they manage at market conditions through internal transfer prices (FTP), reflecting the costs of financing and providing liquidity by currency

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and maturity.

The share of revenue at internal transfer prices by segment is as follows:

- Corporate and institutional banking: 51%;
- Retail banking: 29%;
- Money markets and liquidity: 20%.

Operating revenue/expenses that are not attributable to transactions in interest-bearing assets/liabilities are allocated directly to the business segments under whose management the specific asset/liability or source of income/expense is held. Expenditure on expected credit losses, impairments and provisions on assets is allocated directly to the segment of the specific asset to which the specific expense relates.

Administrative expenses are monitored generally and by type and are distributed across business segments through objective criteria.

3.6 Off-balance sheet commitments

In the course of its operations, the Group forms off-balance sheet financial instruments, consisting of guarantees and letters of credit. Such financial instruments are reported in the statement of financial position upon utilization of the funds.

3.7 Property, plant and equipment

Non-current assets include property, plant and equipment (including right of use assets according to IFRS 16). Non-current assets, with the exception of land and buildings, are reported at cost, less accumulated depreciation and impairment losses. The cost includes all expenses for acquisition and for bringing the asset to the condition necessary for it to be capable of operating, paid duties and non-refundable taxes.

Land and buildings include mainly offices of the Group. Land and buildings are reported at revalued amount, based on the valuation of independent external appraisers, less subsequent accumulated depreciation. Such revaluations are performed as frequently as needed when the fair value of the non-current assets differs significantly from their carrying amount.

Increases in the carrying amount, arising from revaluations, are reported in the revaluation reserve of equity. Decreases, netted during prior increases, are reported in the revaluation reserve. All other decreases are reported in profit and loss.

Depreciation of property, plant and equipment is accrued according to the straight-line method and during the expected useful life of the respective assets. The Group applies the following annual depreciation rates for 2024 and 2023:

Buildings	1% - 4%
Machines and equipment	20% - 30%
Office equipment and computers	20%
Vehicles -- automobiles	20%
Fixtures and fittings and other non-current assets	10 - 15%
Right of use assets	according to the lease term
Property, plant and equipment and intangible assets, for which there are legal constraints for the period of use/improvements of leased buildings	according to the term of the legal restriction on use, but not higher than 33.3%

3.8 Leasing

The Group as a lessee

The Group assesses whether a contract is or contains a lease. A lease is defined as "a contract or part of a contract that conveys the right to use an asset (the underlying asset) for a specified period of time in exchange for consideration." To apply this definition, the Group makes three key judgements:

- whether the contract contains an identified asset that is either explicitly stated in the contract or implied at the time the asset is made available for use;
- whether the Group has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use, within the specified scope of its right to use the asset under the contract;
- whether the Group has the right to direct the use of the identified asset throughout its useful life.

The Group assesses whether it has the right to direct "how and for what purpose" the asset will be used throughout its useful life.

Valuation and recognition of leases by the Group as a lessee

At the lease commencement date, the Group recognises the right-of-use asset and the lease liability in the consolidated statement of financial position. The right-of-use asset is measured at cost, which comprises the initial measurement of the lease liability, the initial direct costs incurred by the Group, an estimate of the costs that the lessee will incur to dismantle and move the underlying asset at the end of the lease term and any lease payments made prior to the lease commencement date (less any lease incentives received).

The Group depreciates the right-of-use asset on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the lease term. The Group also reviews the right-of-use assets for impairment when such indicators exist.

At the lease inception date, the Group measures the lease liability at the present value of the lease payments outstanding at that date, discounted at the interest rate implicit in the lease, if that rate can be determined directly, or the Group's differential interest rate.

Lease payments included in the measurement of the lease liability consist of fixed payments (including those that are in substance fixed), variable payments based on an index or percentage, amounts expected to be payable by the lessee under residual value guarantees and payments arising from options if it is reasonably certain that the Group will exercise those options.

After the commencement date, the lease liability is reduced by the amount of payments made and increased by the amount of interest. The lease liability is remeasured to reflect remeasurements or amendments to the lease or to reflect adjusted substantially fixed lease payments.

When the lease liability is revalued, the corresponding adjustment is reflected in the right-of-use asset or recognized in profit or loss if the carrying amount of the right-of-use asset has already been reduced to zero.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients provided in the standard. Instead of recognizing right-of-use assets and lease liabilities, payments related to them are recognized as an expense in profit or loss on a straight-line basis over the term of the lease.

In the statement of financial position, right-of-use assets are included in property, plant and equipment, and lease liabilities are presented in the item "Deposits from other customers, other than credit institutions and lease liabilities".

Extension and termination options are included in a number of property leases. They are used to increase operational flexibility in managing the assets used in the Group's operations.

The Group as a lessor

As a lessor, the Group classifies its leases as operating or finance leases. A lease is classified as a finance lease if it transfers substantially all the risks and rewards of ownership of the underlying asset, and as an operating lease if it does not transfer substantially all the risks and rewards of ownership of the underlying asset.

3.9 Intangible assets

Intangible assets include investments primarily in software products, rights of use and licenses. They are reported at historical cost less accumulated amortization and impairment. Amortization of intangible assets is calculated and recognized using the straight-line method.

The Group applies the following annual depreciation rates for 2024 and 2023:

Software and other intangible assets	10% - 20%
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3.10 Investment properties

Investment property is real estate, which is held by the Group for the purpose of receiving income from rent or gaining profit. Investment property is reported at revalued amount and the difference between the carrying amount and the revalued amount is reported in profit or loss.

3.11 Interest income and interest expenses

Interest income and expense are recognized on a time proportion basis, using the effective interest rate method as amortization of any difference between the amount at initial recognition of the respective asset or liability and the amount at maturity.

The effective interest rate is assumed to be equal to the contracted rate for loans granted to the Group and liabilities to depositors, where the interest is calculated on a daily basis by applying the contracted interest rate to the residual amount.

Interest income from possession of financial assets, reported at fair value, is reported as interest income from financial assets at fair value.

For all assets for which the Group has made an assessment that no contractual cash flows are expected to be collected, or the contractual cash flows carry an additional risk in which the expected future cash flows will be realized at a reduced rate or at a later point in time the Group recognizes interest income on the net carrying amount of the asset.

For financial assets where the Group does not expect to collect the contractual cash flows, the recognized interest income on the net asset value is zero.

3.12 Fees and commissions

Fees and commissions consist mainly of fees for payment transactions in Bulgarian Levs and foreign currency, fees for servicing deposit accounts, fees for opening of letters of credit and issuing of bank guarantees and annual fees for loans. Only fees and commissions, which are for granting and processing short-term and long-term loans, are an integral part of the effective interest rate and are recognized as an adjustment to interest income, other fees, incl. the annual fees for servicing loans are currently recognized

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in the income from fees and commissions for the period.

3.13 Foreign currency transactions

Transactions, denominated in foreign currencies, have been translated into BGN at the rates of BNB on the date of transaction. Receivables and payables in foreign currencies are revalued on a daily basis. Receivables and payables denominated in foreign currencies are translated into BGN at reporting date using closing exchange rates of BNB on that date:

<u>Currency type</u>	<u>31 December 2024</u>	<u>31 December 2023</u>
US dollars	1.88260	1.76998
Euro	1.95583	1.95583

Effective from 1999 the exchange rate of the Bulgarian Lev is fixed to the Euro, official currency of the European Union, at a rate of EUR 1 = BGN 1.95583.

Net gains or losses resulting from change in exchange rates, arising from revaluation of receivables, liabilities and from settlement of foreign currency transactions are recognized in the statement of comprehensive income in the period they have occurred.

3.14 Taxes

The Group accrues taxes currently due in accordance with the Bulgarian legislation. Income tax is computed on the basis of taxable profit for the period, calculated in compliance with the requirements of the tax legislation, related to tax payment/refunding.

Tax effect, related to transactions or other events, which are reported in the statement of comprehensive income, is also reported in the statement of comprehensive income, and the tax effect related to transactions or other events, which are reported directly to equity, is also reported directly to equity.

A deferred tax liability is recognized for all taxable temporary differences unless it arises from the initial recognition of an asset or liability in a transaction, which at the time of the transaction affects neither accounting profit nor taxable profit (tax loss).

Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized. This does not apply to cases where the deferred tax asset arises from the initial recognition of an asset or liability in a transaction, which at the time of the transaction affects neither accounting profit nor taxable profit (tax loss).

Deferred taxes are recognized as income or expense and are included in the net profit for the period except to the extent that the tax arises from a transaction or event which is recognized in the same or different period, directly in equity. Deferred taxes are charged or credited directly to equity when the tax relates to items that are credited or charged in the same or a different period, directly to equity.

3.15 Fair value of financial assets and liabilities

The Group applies IFRS 13 "Fair Value Measurement". IFRS 13 provides a single guide to measuring fair value and disclosing fair value measurement. The scope of IFRS 13 is broad, with the requirements for fair value measurement of IFRS 13 applicable to both financial instruments and non-financial items for which other IFRSs require or permit fair value measurement and disclosure of fair value measurement.

IFRS 13 defines fair value as the cost of selling an asset or transferring a liability in an ordinary transaction in a primary (or most advantageous) market under current market conditions. Fair value in accordance with IFRS 13 is the starting price, whether that price is directly available for observation or is estimated approximately through another valuation technique.

3.15.1 Fair value measurement, valuation methods

Some of the assets and liabilities of the Group are being recognized at fair value for the purposes of financial reporting. For these assets and liabilities, as well as for assets and liabilities whose fair value disclosure is required, the Group discloses for each class financial instruments the hierarchy level of fair value to which the measurements of fair value are categorized in their full scope, each significant transfer between level 1 and 2 of the fair value hierarchy and the respective reasons, as well as reconciliation of opening and closing balances for the level 3 measurements.

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments through valuation techniques:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: other techniques for which all input information that has a significant effect on the reported fair value is observable either directly or indirectly;
- Level 3: techniques that use input information which has a significant effect on the reported fair value and that are not based on observable market data.

Some of the Group's financial assets are measured at fair value at the end of each reporting period.

The following table presents an analysis of financial instruments that are measured after initial recognition at fair value, grouped by fair value hierarchy level.

3.15.2 Financial instruments measured at fair value

	Periodic fair value estimates as of 31 December 2024			
	Level 1 BGN '000	Level 2 BGN '000	Level 3 BGN '000	Total BGN '000
Investments at fair value through profit or loss:				
– equity securities	30,119	-	-	30,119
– debt securities	593	-	75	668
– shares in mutual funds and shares of VISA Inc.	-	15,562	2,410	17,972
Investments at fair value through other comprehensive income:				
– debt securities	38,698	-	43,850	82,548
– equity securities	7,125	-	2,771	9,896
Total assets	76,535	15,562	49,106	141,203
	Periodic fair value assessments as of 31 December 2023			
	Level 1 BGN '000	Level 2 BGN '000	Level 3 BGN '000	Total BGN '000
Investments by fair value through the profit or the loss :				
– equity securities	30,379	-	-	30,379
– debt securities	100	-	143	243

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– shares in mutual funds and shares of VISA inc.	-	11,666	1,907	13,573
Investments by fair value through other comprehensive income :				
– debt securities	34,844	-	13,304	48,148
– equity securities	6,166	-	1,409	7,575
Total assets	<u>71,489</u>	<u>11,666</u>	<u>16,763</u>	<u>99,918</u>

Unrealized gains related to financial assets at fair value through profit or loss:

2024	Assets at fair value through profit or loss on initial recognition – equity instruments	Investments in securities obligatorily reported at fair value through profit or loss - CIS, shares, and debt instruments
Fair value through profit or loss		
Assets		
Net income from revaluation and transactions with financial assets at fair value through profit and loss	1,400	835
2023	Assets at fair value through profit or loss on initial recognition – equity instruments	Investments in securities mandatorily reported at fair value through profit or loss - CIS
Fair value through profit or loss		
Assets		
Net income from revaluations and transactions with financial assets at fair value through profit or loss	1,307	903

Unrealized gains/(losses) related to financial assets at fair value through other comprehensive income held at year-end:

	2024			2023		
	Fair value through other comprehensive income			Fair value through other comprehensive income		
	Investments at fair value through other comprehensive income - debt	Investments at fair value through other comprehensive income - equity	Total	Investments at fair value through other comprehensive income - debt	Investments at fair value through other comprehensive income - equity	Total
Assets						
Net income from other financial instruments at fair value through other comprehensive income	458	31	489	(393)	7	(386)

When determining the fair values of financial assets categorized as Level 3, i.e. lack of an active market for a given financial instrument, the same is valued using the valuation techniques described below, which can be used to determine the price that market participants would receive to sell an asset or pay to transfer a liability in an orderly transaction between them at the relevant reporting date.

The assessment techniques are applied in the order described (assessment hierarchy):

1. Market comparison method: comparison with prices of similar/identical financial products
2. Pricing models: calculating a price using a valuation model, mainly using the discounted cash flow method.

In inactive markets, indicative market prices are also used to the extent possible and reasonable. All valuation models used are in accordance with generally accepted economic methods of valuation of financial instruments. For financial instruments with fixed or determinable cash flows, the Discounted Cash Flow Method is applied as a rule.

The market inputs used in the valuation techniques include prices of debt and equity securities, equity

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indices, risk-free or reference interest rates, credit spreads, exchange rates and other factors necessary to determine discount rates.

As of the end of 2024, the fair value of debt instruments classified as Level 3 in the fair value hierarchy has been estimated using the discounted cash flow method, all such assets having fixed and determinable cash flows. The discount factors are calculated by adding to the risk-free interest rate the additional spread determined at the initial offering of the issue or at a later point in time when a large volume of transactions has been reported.

In determining the fair value of equity securities held for trading classified as Level 3 in the fair value hierarchy for 2024, the net asset value and discounted cash flow methods were used and a weighted method was applied to determine the market value.

3.15.3 Financial instruments not measured at fair value

	Non-periodic fair value measurements as at 31 December 2024				
	Level 1	Level 2	Level 3	Total fair value	Total carrying amount
	BGN '000	BGN '000	BGN '000	BGN '000	BGN '000
Financial assets					
Loans and advances granted to customers	-	-	271,918	271,918	272,632
- Loans and advances to customers at amortized cost					
Investments in securities measured at amortized cost	49,910	-	-	49,910	57,507
- Debt securities					
Total	49,910	-	271,918	321,828	330,139
Financial liabilities					
Deposits from banks	-	-	1,870	1,870	1,870
- Money market deposits					
Deposits from customers	-	-	197,887	197,887	198,425
- Term deposits					
- Current accounts			411,567	411,567	411,568
Debt securities issued	-	-	-	-	-
Total	-	-	611,324	611,324	611,863

The fair value of loans and advances provided is calculated based on market interest rates based on BNB statistics.

	Non-recurring fair value measurements as of 31 December 2023				
	Level 1	Level 2	Level 3	Total fair value	Total carrying amount
	BGN '000	BGN '000	BGN '000	BGN '000	BGN '000
Financial assets					
Loans and advances granted to customers	-	-	233,097	233,097	233,712
- Loans and advances to customers at amortized cost					
Investments in securities measured at amortized cost	47,215	-	-	47,215	57,648
- Debt securities					
Total	47,215	-	233,097	280,312	291,360
Financial liabilities					
Deposits from banks	-	-	1,901	1,901	1,901
- Money market deposits					
Deposits from customers	-	-	150,271	150,271	150,983
- Term deposits					
- Current accounts			419,146	419,146	419,147
Debt securities issued	-	-	8,074	8,074	8,074
Total	-	-	579,392	579,392	580,105

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4. CASH AND CASH BALANCES WITH CENTRAL BANKS

	As at 31.12.2024	As at 31.12.2023
Cash on hand	38,525	32,919
Account balances with the Central Bank	88,549	151,901
TOTAL	127,074	184,820

The account balances with the Central Bank as of 31 December 2024 and 2023 include minimum non-interest-bearing reserves of BGN 52,230 thousand and BGN 49,215 thousand, respectively, a reserve provision fund for guaranteeing payments through the real-time gross settlement system RINGS, in accordance with the regulations of the Central Bank, of BGN 254 thousand and BGN 218 thousand, respectively. There are no restrictions imposed by the Central Bank on the use of the minimum reserves. These reserves are determined based on the deposits attracted by the Bank.

4.1 Cash and cash equivalents in the Consolidated statement of cash flows

Cash and cash equivalents in the sense of their use in the consolidated statement of cash flows include cash in hand, funds in the Central Bank without imposed restrictions, as well as nostro accounts and resources provided, loans and advances to other banks and receivables from banks under agreements with a redemption clause with a residual maturity of up to 3 months.

Cash and cash equivalents consist of the following balances:

	As at 31.12.2024	As at 31.12.2023
Cash on hand	38,525	32,919
Account balances with the Central Bank	88,549	151,901
Nostro accounts in local banks	10,381	9,141
- blocked cash equivalents	(74)	(74)
Nostro accounts in foreign banks	5,975	5,459
- blocked cash equivalents	(2,566)	(2,398)
Deposits with local banks	32,610	3,852
Deposits with foreign banks	-	5,869
Deposit impairment in foreign banks	-	(3)
TOTAL	173,400	206,666

5. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31.12.2024	As at 31.12.2023
Shares and stocks in local enterprises	30,119	30,379
Shares in collective investment schemes	15,562	11,666
Shares of foreign entities	2,410	1,907
Bonds issued by Bulgarian issuers	75	243
Government securities of the Bulgarian government	301	-
Government securities of foreign governments	292	-
TOTAL	48,759	44,195

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6. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at 31.12.2024	As at 31.12.2023
Debt instruments at fair value through other comprehensive income	82,548	48,148
Equity instruments at fair value through other comprehensive income	9,896	7,575
TOTAL	92,444	55,723

The following table presents the movement during the period:

	As at 31.12.2024	As at 31.12.2023
1 January	55,723	39,073
Acquired	77,946	31,989
Sold	(30,278)	(11,348)
Interest and principal payments received	(14,656)	(6,491)
Change in revaluation reserve	875	1,058
Allowance for credit losses	(87)	102
Net gains/(losses) from transactions with financial assets at fair value through other comprehensive income	(253)	(156)
Net gains/(losses) on revaluation of financial assets at fair value through other comprehensive income	313	2
Increase in retained earnings from previous years from revaluation reserves of reclassified financial instruments	5	-
Net interest income	2,856	1,495
Other discounts	-	(1)
31 December	92,444	55,723

6.1 Debt instruments at fair value through other comprehensive income

	As at 31.12.2024	As at 31.12.2023
Bonds issued by Bulgarian issuers	68,924	42,385
Bulgarian government securities	6,057	5,763
Bonds issued by foreign issuers	7,567	-
TOTAL	82,548	48,148

As of 31 December 2024, Bulgarian government securities classified at fair value through other comprehensive income were not pledged to the BNB as collateral for budget funds. (31 December 2023: BGN 2,999 thousand).

As of 31 December 2024, the average interest rate on Bulgarian government bonds in euro is 0.52% (2023: 0.52%).

6.2 Equity instruments at fair value through other comprehensive income

The table below shows these investments, as well as the dividend income recognized from these investments.

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2024	31.12.2024	Dividend income recognized 2024
Stocks and shares of local entities	9,425	8
Stocks and shares of foreign entities	471	-
Total equity instruments at fair value through other comprehensive income	9,896	8

2023	Fair value 31.12.2023	Dividend income recognized 2023
Stocks and shares of local entities	7,018	7
Stocks and shares of foreign entities	557	-
Total equity instruments at fair value through other comprehensive income	7,575	7

7. LOANS AND RECEIVABLES FROM CUSTOMERS, NET

	As at 31.12.2024	As at 31.12.2023
Loans and receivables from customers, net	222,265	189,387
Resources and deposits provided to banks	48,966	24,318
TOTAL	271,231	213,705

**7.1 Loans and receivables from customers
Analysis by customer type**

	As at 31.12.2024	As at 31.12.2023
Private companies	98,912	99,146
Budget	328	427
Households and individuals	69,624	56,921
Financial entities	54,834	34,359
Impairment for uncollectibility	(1,433)	(1,466)
TOTAL	222,265	189,387

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Analysis by industry

	As at 31.12.2024	As at 31.12.2023
Individuals	69,624	56,921
Manufacturing	12,038	15,254
Services and others	41,298	44,157
Trade	38,227	26,111
Budget	328	427
Construction	5,517	5,577
Transportation	22,766	22,766
Agriculture	436	1,586
Finance	33,464	18,054
Impairment for uncollectibility	(1,433)	(1,466)
TOTAL	222,265	189,387

The agreed interest rates on loans granted in Bulgarian leva and foreign currency are predominantly variable. The weighted average contracted interest rates on loans in BGN granted during the years ending 31 December 2024 and 2023 are approximately 4.53% and 4.36%, respectively. The weighted average contracted interest rates on loans in euro for the years ending 31 December 2024 and 2023 are approximately 4.35% and 3.43%, respectively.

7.2 Resources and deposits provided to banks

	As at 31.12.2024	As at 31.12.2023
In BGN		
Deposits provided at local banks	20,002	693
Nostro accounts in local banks	936	306
	<u>20,938</u>	<u>999</u>
In foreign currency		
Deposits provided at local banks	12,608	3,546
Deposits placed with foreign banks	-	5,869
Nostro accounts in foreign banks	5,975	5,459
Nostro accounts in local banks	9,445	8,448
	<u>28,028</u>	<u>23,322</u>
Impairment of deposits with foreign banks	-	(3)
Receivables in foreign currency, net	<u>48,966</u>	<u>23,319</u>

The average interest rate on resources provided to banks in euros for the two years ending 31 December 2024 is 3.620% per annum (2023: 3.04%).

In the amount of nostro accounts with foreign banks as of 31 December 2024 and 2023 include BGN 485 thousand respectively blocked funds in favor of Master Card Europe at Bank Santander and BGN 200 thousand in favor of Visa at JPMorgan Chase Bank (2023: BGN 436 thousand and BGN 193 thousand, respectively).

As of 31 December 2024, funds in the amount of BGN 1,955 thousand were blocked on nostro accounts, of which BGN 74 thousand were in favor of Central Cooperative Bank AD under issued bank guarantees, and BGN 1,881 thousand for collateral under an open letter of credit with UNICREDIT SPA MILANO (2023: BGN 1,842 thousand blocked amount in favor of Central Cooperative Bank AD for issued bank guarantees and for collateral under an open letter of credit).

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As of 31 December 2024, there are term deposits in US dollars and levs provided to UniCredit Bulbank AD in the amount of BGN 20,001 thousand and BGN 2,825 thousand, respectively. A term deposit in euro has also been provided to Bulgarian Development Bank EAD in the amount of BGN 9,783 thousand.

8. RECEIVABLES UNDER SECURITY REPURCHASE AGREEMENTS

	As at 31.12.2024	As at 31.12.2023
Receivable on private non-financial corporations	31,893	27,994
Receivables from financial entities	18,474	16,334
	<u>50,367</u>	<u>44,328</u>

9. DEBT INSTRUMENTS AT AMORTIZED COST

	As at 31.12.2024	As at 31.12.2023
Government securities of the Bulgarian government	57,507	57,648

The debt instruments at amortized cost were acquired in 2019, 2022 and 2023. The value of debt instruments at amortized cost pledged as collateral for budget funds as of 31 December 2024 is BGN 35,398 thousand (2023: BGN 57,648 thousand).

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10. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

	Total	Land and buildings	Office equipment	Vehicles	Business inventory	PPE Acquisition expenses	Other tangible assets	Software and other intangible assets
Gross book value								
1 January 2023	38,547	19,771	5,051	1,675	3,199	180	3,640	5,031
Additions	5,244	4,169	-	-	-	520	-	555
Disposals	(815)	(765)	(39)	-	(11)	-	-	-
Transfers	-	-	263	222	27	(508)	-	(4)
Revaluation	292	292	-	-	-	-	-	-
31 December 2023	43,268	23,467	5,275	1,897	3,215	192	3,640	5,582
Additions	3,067	1,575	-	-	-	839	-	653
Disposals	(518)	(480)	(9)	(17)	(12)	-	-	-
Transfers	-	86	473	302	119	(980)	-	-
Revaluation	508	508	-	-	-	-	-	-
Transferred from investment properties	4,738	4,738	-	-	-	-	-	-
Transferred to investment properties	(971)	(971)	-	-	-	-	-	-
31 December 2024	50,092	28,923	5,739	2,182	3,322	51	3,640	6,235
Depreciation and amortisation								
1 January 2023	16,751	4,547	3,888	1,304	1,808	-	2,014	3,190
Depreciation and amortisation charges for the year	3,794	2,090	521	196	251	-	393	343
Depreciation related to disposals	(402)	(357)	(35)	-	(10)	-	-	-
31 December 2023	20,143	6,280	4,374	1,500	2,049	-	2,407	3,533
Depreciation and amortisation charges for the year	3,744	2,205	408	188	249	-	331	363
Depreciation related to disposals	(497)	(466)	(9)	(17)	(5)	-	-	-
Depreciation of transferred investment properties	(2)	(2)	-	-	-	-	-	-
31 December 2024	23,388	8,017	4,773	1,671	2,293	-	2,738	3,896
Carrying amount as at 31 December 2023	23,125	17,187	901	397	1,166	192	1,233	2,049
Carrying amount as at 31 December 2024	26,704	20,906	966	511	1,029	51	902	2,339

Gain /(Loss) on sale of property, plant and equipment

	As at 31.12.2024	As at 31.12.2023
Sales value	52	6
Carrying amount written off	(19)	(5)
Gain on sale of property, plant and equipment	33	1

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Right-of-use assets are included in the net book value of property, plant and equipment as follows:

	Buildings	Vehicles	Total right-of-use assets
Gross book value			
Balance as of 1 January 2024	11,791	247	12,038
Newly acquired assets	1,573	-	1,573
Assets written off	(152)	-	(152)
Balance as of 31 December 2024	13,212	247	13,459
Depreciation and impairment			
Balance as of 1 January 2024	6,180	207	6,387
Depreciation of written-off assets	(152)	-	(152)
Depreciation charges	1,870	38	1,908
Balance as of 31 December 2024	7,898	245	8,143
Carrying amount as of 31 December 2024	5,314	2	5,316
Gross book value			
Balance as of 1 January 2023	8,096	247	8,343
Newly acquired assets	4,169	-	4,169
Assets written off	(474)	-	(474)
Balance as of 31 December 2023	11,791	247	12,038
Depreciation and impairment			
Balance as of 1 January 2023	4,450	158	4,608
Depreciation of written-off assets	(65)	-	(65)
Depreciation charges	1,795	49	1,844
Balance as of 31 December 2023	6,180	207	6,387
Carrying amount as of 31 December 2023	5,611	40	5,651

In the fair value hierarchy, land and buildings are classified in level 3 using valuation techniques to determine fair values.

Assessment technique	Significant unobservable input data	Relationship between key unobservable input data and fair value
Market approach	1. Limitations on the availability of actual transaction data or exchange prices of similar assets in an active market	Fair value will change if:
Market analogue method	adjustment for lack of information on completed transactions from 5% to 20% 2. Analogue adjustments, such as coefficients for: technical parameters from 15% to 25% current status 10% to 15%	more or less analogues are used; more or less correction factors are applied; correction factors for technical parameters and current status are higher or lower; The fair value estimate will be more reliable when primarily compared to comparable transaction prices rather than bid prices.

In 2024 and 2023, a fair value assessment of the properties owned by the Group was performed using market valuations prepared by an independent external appraiser.

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11. INVESTMENT PROPERTY

	As at 31.12.2024	As at 31.12.2023
Balance sheet as of January 1	12,840	12,920
Acquisition	974	1
Sale	(2,593)	(254)
Transfers from property, plant and equipment	971	-
Transfers to property, plant and equipment	(4,738)	-
Change in fair value	235	173
Balance sheet as of December 31	<u>7,689</u>	<u>12,840</u>

The profit from the sale of investment properties is formed as follows:

	As at 31.12.2024	As at 31.12.2023
Sales value	2,814	278
Book value written off	(2,593)	(254)
Profit from sale of investment properties	<u>221</u>	<u>24</u>

The fair value of the Group's investment properties is determined based on reports from an independent licensed valuer who holds a recognized and appropriate professional qualification and who has recent experience. In the fair value hierarchy, investment properties are classified in level 3 using valuation techniques to determine fair values, as disclosed for land and buildings (note 10).

	As at 31.12.2024	As at 31.12.2023
Land	785	5,517
Commercial buildings	1,619	3,033
Administrative buildings	4,042	3,818
Industrial buildings	1,243	472
	<u>7,689</u>	<u>12,840</u>

In 2024 and 2023, the Group reported rental income from investment properties in the amount of BGN 103 thousand and BGN 94 thousand, respectively, which were reported as other operating income.

In 2024 and 2023, the costs for taxes, repairs and maintenance of investment properties are BGN 131 thousand and BGN 107 thousand.

12. GOODWILL

In December 2011, Texim Bank AD acquired 100% of the capital of UD Balkan Capital Management AD, thereby obtaining a controlling interest in the capital of the subsidiary. The acquisition value of BGN 450 thousand was paid entirely in cash. The acquired net assets amounted to BGN 408 thousand. As a result of the acquisition, goodwill was recognized in the amount of BGN 42 thousand.

In February 2012, the name of the subsidiary was changed to UD Texim Asset Management EAD.

As of 31 December 2024 and 31 December 2023, the Group has performed an impairment review of the goodwill acquired in the business combination and has not identified any indications of impairment.

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13. OTHER ASSETS

	As at 31.12.2024	As at 31.12.2023
Balances related to implementation translations	3,653	1,168
Other cash	2,379	1,132
Assets acquired from collateral on non-performing loans	606	424
Prepaid expenses	406	416
Advance payments	320	246
Fee receivables from customers	193	767
Materials	104	59
Other assets	535	4,473
TOTAL	8,196	8,685

Assets (except real estate) that are intended for sale, but their realization has not been carried out within one year, are reported as inventories in accordance with IAS 2 and are presented as other assets.

14. DEPOSITS FROM CLIENTS OTHER THAN CREDIT INSTITUTIONS

	As at 31 December 2024			As at 31 December 2023		
	BGN	Foreign currency	Total	BGN	Foreign currency	Total
RESIDENTS	408,956	196,381	605,337	395,005	161,387	556,392
Budget	16,691	215	16,906	23,843	186	24,029
Finance	74,993	8,458	83,451	29,583	7,593	37,176
Households and individuals	155,821	103,077	258,898	136,921	91,699	228,620
Services	74,653	42,183	116,836	57,840	22,399	80,239
Manufacturing	12,529	8,256	20,785	9,511	2,726	12,237
Trade	41,220	22,336	63,556	38,872	26,580	65,452
Transportation	7,902	7,798	15,700	5,567	8,040	13,607
Construction	20,651	2,934	23,585	87,883	1,221	89,104
Agriculture	4,496	1,124	5,620	4,985	943	5,928
NON-RESIDENTS	1,027	3,629	4,656	771	11,064	11,835
	409,983	200,010	609,993	395,776	172,451	568,227

The average interest rates on the various types of deposits for the year ending 31 December 2024 are as follows:

	BGN	US dollars	EUR
On-demand deposits	0.06%	0.00%	0.00%
Term deposits	0.46%	0.03%	0.40%
Savings deposits	0.02%	0.02%	0.06%

The average interest rates on the various types of deposits for the year ending 31 December 2023 are as follows:

	BGN	US dollars	EUR
Demand deposits	0.04	0.00	0.00
Term deposits	0.11	0.02	0.08
Savings deposits	0.02	0.02	0.05

15. LEASE LIABILITIES

The Group leases office buildings and vehicles. Except for short-term leases and leases of low-value assets, each lease is recognised in the consolidated statement of financial position as a right-of-use asset and a lease liability. Variable lease payments that do not depend on an index or variable percentage (for example, lease payments based on a percentage of the Group's sales) are excluded from the initial measurement of the lease liability and asset. The Group classifies its right-of-use assets consistently within its property, plant and equipment (see note 10).

Each lease typically imposes a restriction that the right-of-use assets may only be used by the lessee, unless the Group has a contractual right to sublease the asset to a third party.

The future minimum lease payments as of 31 December 2024 are as follows:

	Minimum lease payments due						Total
	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	After 5 years	
	BGN '000	BGN '000	BGN '000	BGN '000	BGN '000	BGN '000	BGN '000
31 December 2024							
Lease payments	1,745	1,667	1,507	99	24	-	5,042
Financial costs	(121)	(73)	(29)	(3)	(1)	-	(277)
Net present value	1,624	1,594	1,478	96	23	-	4,815

The future minimum lease payments as of 31 December 2023 are as follows:

	Minimum lease payments due						Total
	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	After 5 years	
	BGN '000	BGN '000	BGN '000	BGN '000	BGN '000	BGN '000	BGN '000
31 December 2023							
Lease payments	1,760	1,638	1,562	242	73	-	5,275
Financial costs	(136)	(87)	(42)	(11)	(1)	-	(277)
Net present value	1,624	1,551	1,520	231	72	-	4,998

The Group has elected not to recognize a liability under leases if they are short-term (leases with an expected term of 12 months or less) or if they are for the lease of low-value assets. Payments made under these leases are recognized as an expense on a straight-line basis. In addition, certain variable lease payments cannot be recognized as lease liabilities and are recognized as an expense when incurred.

Expenses for 2024 related to payments not included in the valuation of lease liabilities amount to BGN 96 thousand (2023: BGN 86 thousand)

The interest expense on lease contracts included in financial expenses for the year ended 31 December 2024 is BGN 181 thousand (2023: BGN 153 thousand).

The total cash outflow for lease contracts for the year ending 31 December 2024 is BGN 1,870 thousand.

In 2024, as a result of Covid -19, the Group received discounts on rental payments totaling BGN 26 thousand, which are presented in "Other income" because the Bank has applied the amendments to IFRS 16 regarding Covid -19-related rent reductions.

Additional information on the types of right-of-use assets is presented in Note 10.

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16. DEBT SECURITIES ISSUED

In 2020, the Bank issues 22,000 ordinary, dematerialized, registered, interest-bearing, freely transferable, unsecured, convertible corporate bonds with a single nominal value of BGN 1,000, with a total amount of BGN 22,000 thousand, with a maturity of the bond loan of 7 years and a fixed annual interest rate of 2.2%). By a decision of the BNB Management Board dated 29 September 2020 Texim Bank AD received approval from the BNB to include in its tier two capital the amount raised from the issue of convertible corporate bonds in the amount of BGN 22,000 thousand.

In 2024, the Bank paid interest on the bond loan in the amount of BGN 88 thousand (2023: BGN 374 thousand)

The Bank grants each bondholder the right to exchange (convert) all or part of the bonds held by him into shares ("conversion right"), and in return for the converted bonds, the bondholder holding them receives a number of shares equal to the quotient of:

- (a) the aggregate nominal value of the converted bonds (1,000 BGN per the number of bonds requested for conversion), divided by
- (b) the current conversion price (the initial conversion price is set at 2.50 BGN and has not been changed to date)

Conversion period: Texim Bank AD undertakes to take the necessary actions for conversion once every three months as long as there are bonds in circulation, at the end of each three-month period, provided that no later than 30 (thirty) days before the expiration conversion notices have been submitted by bondholders in the corresponding three-month period. The total amount of bonds submitted for conversion cannot be less than 5% of the current face value of the bond loan.

Information on the dates on which the quarterly periods expire and the dates on which the conversion notification can be submitted at the latest is published on the bank's website.

In 2024, a total bond debt of BGN 8 million was converted, increasing the share capital by BGN 3,200 thousand and the premium reserves by BGN 4,800 thousand (2023: a total bond debt of BGN 14 million was converted, increasing the share capital by BGN 5,600 thousand and the premium reserves by BGN 8,400 thousand)

Converted bond debt due August 2024

The amendment to the Articles of Association of Texim Bank AD was approved by the BNB on 15.08.2024.

On 23.08.2024, the increase in capital was entered in the Commercial Register and the Register of Non-Profit Legal Entities at the Registry Agency under number 20240823130130 and the amended Articles of Association /change in Art. 8, para. 1/ of "Texim Bank" AD was announced. The changes in the increase in the Bank's capital through conversion of issued bonds and for amendment to the Bank's Articles of Association were adopted by decisions of the Management Board /minutes No. 40/16.07.2024/ and the Supervisory Board /minutes No. 40/16.07.2024/ of "Texim Bank" AD.

On 27.08.2024, the registration was carried out with the Central Depository in connection with the increase in capital, for which a Registration Act was issued. The Central Depository issued a shareholders' book with the increased capital.

The Financial Supervision Commission, with its decision No. 624-E/03.09.2024, enters in the register under Art. 30, para. 1, item 3 of the Financial Supervision Act an issue in the amount of 3,200,000 ordinary, registered, dematerialized shares with voting rights, with a nominal value of 1 lev each, issued by "Texim Bank" AD with ISIN : BG 1100001921.

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As of 30.09.2024, the Bank has reflected the conversion in accounting terms – a decrease in bonds by BGN 8 million and an increase in share capital by BGN 3.2 million, as well as an increase in premium reserves by BGN 4.8 million. As a result of the conversion of 8,000 bonds with a total nominal value of BGN 8,000,000, the bond issue (ISIN BG2100007207) is reduced to 0 bonds with a total amount of BGN 0 and is written off.

Converted bond debt in January 2023

The amendment to the Articles of Association of Texim Bank AD was approved by the Bulgarian National Bank on 20.01.2023.

On 26.01.2023, an amendment to the Articles of Association /amendment to Art. 8, para. 1/ of "Texim Bank" AD was entered in the Commercial Register and the Register of Non-Profit Legal Entities at the Registry Agency, under number 20230126180013. The changes in the increase in the Bank's capital through conversion of issued bonds and for an amendment to the Bank's Articles of Association were adopted by decisions of the Management Board /minutes No. 62/30.12.2022/ and the Supervisory Board /minutes No. 62/30.12.2022/ of "Texim Bank" AD.

On 27.01.2023, the registration was carried out with the "Central Depository" in connection with the capital increase, for which a Registration Act was issued. The "Central Depository" issued a shareholders' book with the increased capital.

The Financial Supervision Commission, with its decision No. 177 - E/07.02.2023, enters in the register under Art. 30, para. 1, item 3 of the Financial Supervision Act an issue in the amount of 2,000,000 ordinary, registered, dematerialized shares with voting rights, with a nominal value of 1 lev each, issued by "Texim Bank" AD with ISIN: BG1100001921.

As of 31.01.2023, the Bank has reflected the accounting conversion - a decrease in bonds by BGN 5 million and an increase in share capital by BGN 2 million, as well as an increase in premium reserves by BGN 3 million.

Converted bond debt due in September 2023

The amendment to the Articles of Association of Texim Bank AD was approved by the BNB on 31.08.2023.

On 11.09.2023, the capital increase was entered in the Commercial Register and the Register of Non-Profit Legal Entities at the Registry Agency under number 20230911091419 and the amended Articles of Association /change in Art. 8, para. 1/ of "Texim Bank" AD was announced.

On 12.09.2023, the registration was carried out with the Central Depository in connection with the capital increase, for which a Registration Act was issued. The Central Depository issued a shareholders' book with the increased capital.

The Financial Supervision Commission, with its decision No. 871 - E/19.09.2023, enters in the register under Art. 30, para. 1, item 3 of the Financial Supervision Act an issue in the amount of 3,600,000 ordinary, registered, dematerialized shares with voting rights, with a nominal value of 1 lev each, issued by "Texim Bank" AD with ISIN: BG1100001921.

As of September 30, 2023, the Bank has reflected the accounting conversion - a decrease in bonds by BGN 9 million and an increase in share capital by BGN 3.6 million, as well as an increase in premium reserves by BGN 5.4 million.

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17. TAXES

17.1 Tax liabilities

	As of 31.12.2024	As of 31.12.2023
Current taxes according to Corporate Income Tax Act and Personal Income Tax Act	285	34
Deferred tax liabilities	913	1,144
Total tax liabilities	1,198	1,178

Deferred taxes arise as a result of temporary differences and can be presented as follows:

Deferred tax liabilities (assets)	1 January 2024	Recognized in other comprehensive income	Recognized in profit or loss	31 December 2024
	BGN '000	BGN '000	BGN '000	BGN '000
Non-current assets				
Property, plant and equipment	597	21	57	675
Right-of-use assets	564	-	(33)	531
Investment properties	547	30	(301)	276
Non-current liabilities				
Pension and other obligations to personnel	(65)	(11)	(12)	(88)
Obligations under leasing contracts	(499)	-	18	(481)
	1,144	40	(271)	913
Deferred tax assets	(564)			(569)
Deferred tax liabilities	1,708			1,482
Recognized as:				
Net deferred tax liabilities	1,144			913

Deferred taxes for the comparative period 2023 can be summarized as follows:

Deferred tax liabilities (assets)	31 December 2022	Recognized in equity	Recognized in other comprehensive income	Recognized in profit or loss	31 December 2023
	BGN '000		BGN '000	BGN '000	BGN '000
Non-current assets					
Property, plant and equipment	568	-	29	-	597
Right-of-use assets	-	372	-	192	564
Investment properties	499	-	-	48	547
Non-current liabilities					
Pension and other obligations to personnel	(37)	-	(19)	(9)	(65)
Obligations under leasing contracts	-	(292)	-	(207)	(499)
	1,030	80	10	24	1,144
Deferred tax assets	(37)				(564)
Deferred tax liabilities	1,067				1,708
Recognized as:					
Net deferred tax liabilities	1,030				1,144

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17.2 Income tax expense

Current income tax expense represents taxes due under Bulgarian law, at the statutory tax rate of 10% for 2024 and 2023. Deferred tax income or expense arises as a result of the change in the carrying amount of deferred tax assets and liabilities.

The relationship between tax expense and accounting profit is as follows:

	For the year ended 31.12.2024	For the year ended 31.12.2023
Profit before taxes	2,532	2,432
Taxes at applicable tax rates	(253)	(243)
Tax effect of increases/(decreases) in the financial result	(330)	(54)
Tax effect from transfer of losses	340	270
Current income tax expense	(243)	(27)
Tax effect related to the occurrence or change of deferred tax assets	271	(24)
INCOME TAX REVENUE /(EXPENSE) ON PROFIT	28	(51)

18. OTHER LIABILITIES

	As of 31.12.2024	As of 31.12.2023
Trade obligations	356	361
Bank transfers in progress	285	1,097
Obligations to insurers	280	196
Unused paid leave and other obligations to staff	137	143
Other liabilities	447	322
TOTAL	1,505	2,119

Bank transfers in progress represent obligations for transfers in BGN, ordered by customers on the last day of 2024 and 2023, respectively, with a value date for the transfer execution of two business days. These transfers were executed on the first business day of 2025 and 2024, respectively.

19. PROVISIONS

	As of 31.12.2024	As of 31.12.2023
Opening balance of provisions	590	335
Accrued provisions for commitments and guarantees	376	151
Reintegrated provisions for commitments and guarantees	(343)	(142)
Accrued provisions for staff retirement	198	263
Retirement amounts paid	(15)	(17)
	806	590

The Group's management has reviewed the legal and constructive obligations for which cash outflows are likely to occur and has assessed that there are no grounds for recognizing a provision for an unsettled lawsuit as of 31.12.2024 (31.12.2023: BGN 0 thousand).

According to the provisions of the Labor Code, each employee is entitled to compensation in the amount of

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up to two or six gross salaries upon retirement, depending on the length of service. Provisions are calculated based on an assessment by an independent licensed actuary, by applying the projected unit credit method in accordance with IAS 19. The present value of future obligations for the payment of defined benefits as of 31.12.2024 amounts to BGN 713 thousand. The main assumptions used in the calculations are a salary increase of 1% and a 0.80% staff turnover. A yield curve for government securities in BGN was used to discount the expected future cash flows, according to which interest rates are in the range of 1.9% - 3.1%.

Changes in provisions for retirement benefits under the Labor Code during the year are presented as follows:

	As of 31.12.2024
Present value of the obligation on January 1	530
Interest expenses	12
Current internship costs	7
Past internship expenses	73
Benefits paid	(15)
Actuarial loss	106
Present value of the obligation as of 31 December incl.	713

20. EQUITY AND RESERVES

20.1 Share capital

The registered capital of the Bank consists of 36,795,036 fully paid ordinary shares with a nominal value of BGN 1 per share. All shares are entitled to receive a dividend and a liquidation share and represent one vote at the general meeting of the Bank's shareholders.

	As of 31.12.2024	As of 31.12.2023
	Number of shares	Number of shares
Share capital		
Beginning balance	33,595,036	27,995,036
Increase in January	"	2,000,000
Increase in September	3,200,000	3,600,000
Ending balance	36,795,036	33,595,036

Shareholders who, as of 31.12.2024, directly and indirectly own 5 or more than 5 percent of the voting rights in the General Meeting of the shareholders of Texim Bank AD are:

	Name	UIC	% of voting rights as of 31.12.2024	% of voting rights as of 31.12.2023
1	"Web Finance Holding" AD	103765841	16.64 %	17.93%
2	"TK-Hold" AD	121657705	9.90 %	9.95%
3	"Sila Holding" AD	112100237	8.89 %	8.84%
4	POK "Saglasie" AD	831284154	5.31 %	5.82%
5	"Etrade" AD	130301989	3.88 %	4.25%
6	"Datamax" AD	831257470	3.76 %	4.11%
7	"Datamax System Holding" AD	131466552	3.63 %	3.98%

As of 31.12.2024, the companies Etrade AD, Datamax System Holding AD and Datamax AD, in their capacity as related parties, jointly hold 11.27% of the voting rights in the General Meeting of Shareholders of Texim Bank AD.

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20.2 Reserves

Reserves include statutory reserves, revaluation reserves and other reserves.

	As of <u>31.12.2024</u>	As of <u>31.12.2023</u>
Premium reserves	13,200	8,400
Statutory reserves (Reserve Fund)	5,294	3,039
Revaluation reserves	10,489	9,271
Other reserves	132	132

The Reserve Fund is formed from the distribution of part of the Bank's profits in accordance with the requirements of the Commercial Law.

Revaluation reserves include revaluations of:

- property, plant and equipment
- financial assets at fair value through other comprehensive income and
- defined benefit plans.

	As of <u>31.12.2024</u>	As of <u>31.12.2023</u>
Revaluation reserve of property, plant and equipment	10,314	9,876
Revaluation reserve of financial assets at fair value through other comprehensive income	489	(386)
Revaluation reserve under defined benefit plans	(314)	(219)
Revaluation reserve total	<u>10,489</u>	<u>9,271</u>

The changes in the revaluation reserve of financial assets at fair value through other comprehensive income are as follows:

	As of <u>31.12.2024</u>	As of <u>31.12.2023</u>
Balance as at 1 January	(386)	(1,444)
Net change in fair value of debt instruments at fair value through other comprehensive income	576	1,172
Net amount reclassified to gain or loss on sale of debt instruments at fair value through other comprehensive income	(312)	(2)
Net change in fair value of equity instruments at fair value through other comprehensive income	<u>613</u>	<u>(112)</u>
Net value reclassified to retained earnings from prior years from reclassified equity instruments	(2)	-
Balance as at 31 December	<u>489</u>	<u>(386)</u>

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21. INTEREST INCOME AND INTEREST EXPENSES

21.1 Interest income

	For the year ended 31.12.2024	For the year ended 31.12.2023
Operations in BGN	<u>14,468</u>	<u>13,174</u>
Interest on financial assets held for trading	2	5
Interest on financial assets at fair value through other comprehensive income	1,644	802
Interest from loans and receivables	9,228	9,462
Interest on loans and receivables under repurchase agreements	3,362	2,605
Interest on financial instruments at amortized cost	232	300
Operations in foreign currency	<u>3,802</u>	<u>3,356</u>
Interest on financial assets held for trading	4	4
Interest on financial assets at fair value through other comprehensive income	1,316	773
Interest on financial instruments at amortized cost	155	191
Interest on loans and receivables	2,327	2,388
Interest on other liabilities		
TOTAL INTEREST INCOME	<u>18,270</u>	<u>16,530</u>

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21.2 Interest expense

	For the year ended 31.12.2024	For the year ended 31.12.2023
Operations in BGN	(912)	(753)
Interest on deposits from credit institutions	(16)	-
Interest on deposits other than credit institutions	(512)	(140)
Interest on debt securities issued	(15)	(288)
Interest on lease agreements	(181)	(153)
Interest on financial assets at fair value through other comprehensive income	(39)	(25)
Interest on financial instruments at amortized cost	(137)	(136)
Interest on other liabilities	(12)	(11)
Operations in foreign currency	(330)	(121)
Interest on deposits, other than credit institutions	(264)	(64)
Interest on deposits from credit institutions	-	(2)
Interest on financial assets at fair value through other comprehensive income	(66)	(55)
TOTAL INTEREST EXPENSES	(1,242)	(874)

22. FEES AND COMMISSIONS, NET

	For the year ended 31.12.2024	For the year ended 31.12.2023
Income from fees and commissions	6,558	5,924
In BGN	5,463	5,082
Loan management	209	239
Off-balance sheet commitments	200	120
Securities management	784	699
Borrowed funds	2,875	2,577
Cash transactions	610	692
Others	785	755
In foreign currency	1,095	842
Loan management	57	35
Funds raised	613	572
Others	425	235
Fees and commissions expenses	(980)	(764)
In BGN	(554)	(402)
In foreign currency	(426)	(362)
REVENUE FROM FEES AND COMMISSIONS, NET	5,578	5,160

23. NET GAINS ON OPERATIONS WITH FINANCIAL ASSETS

23.1. Net gains from financial assets at fair value through profit or loss

	For the year ended 31.12.2024	For the year ended 31.12.2023
Net gains on revaluation of financial assets designated as at fair value through profit or loss upon initial recognition - shares and units	1,396	1,313
Net gains on transactions in financial assets designated as at fair value through profit or loss upon initial recognition - bonds and government securities	4	(6)
Net profits from currency trading	783	785
Net gains on financial assets designated as at fair value through profit or loss upon initial recognition	2,183	2,092
Net gains on revaluations of financial assets mandatorily designated as at fair value through profit or loss	835	903
<i>Net gains on financial assets at fair value through profit or loss</i>	<u>3,018</u>	<u>2,995</u>

23.2 Net (losses)/gains on financial assets at fair value through other comprehensive income

	For the year ended 31.12.2024	For the year ended 31.12.2023
Net (losses)/gains from transactions with financial assets at fair value through other comprehensive income	(253)	(156)
Net gains/(losses) on debt instruments reclassified from other comprehensive income	313	2
<i>Net (losses)/gains on financial assets at fair value through other comprehensive income</i>	<u>60</u>	<u>(154)</u>

In 2024 and 2023, the Group sold financial assets measured at fair value through other comprehensive income. The table below summarizes the gain on disposal by type of asset in the current year and the comparative period.

	For the year ended 31.12.2024	For the year ended 31.12.2023
Government bonds	1	-
Corporate bonds	59	(154)
	<u>60</u>	<u>(154)</u>

23.3 Net loss on financial assets at amortized cost

In 2024, the Bank purchased receivables at acquisition cost in the amount of BGN 121,714 thousand. The proceeds from the repayment of receivables amounted to BGN 122,629 thousand. The realized profit is BGN 915 thousand.

In 2023, the Bank sold loans reported as financial assets at amortized cost with a net carrying amount of BGN 545 thousand. The proceeds from the sale were BGN 115 thousand. The realized loss was BGN 430 thousand.

24. OTHER OPERATING EXPENSES, NET

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In 2024 and 2023, the Group reported other operating income in the amount of BGN 1,003 thousand and BGN 690 thousand, respectively. The main part of these income consists of income from rentals and sale of commemorative coins.

In 2024 and 2023, the Bank reported other operating expenses in the amount of BGN 3,129 thousand and BGN 1,976 thousand, respectively.

25. ADMINISTRATIVE EXPENSES

	For the year ended 31.12.2024	For the year ended 31.12.2023
Personnel costs	12,575	10,550
Materials, rent, consulting and other external services	5,195	4,603
Taxes, fees, business trips, training and more	59 1	463
TOTAL	18,361	15,616

26. NET IMPAIRMENT AND UNCOLLECTIBILITY EXPENSES

In 2024, the Group recorded net impairment charges for uncollectibility on loans and receivables from customers and debt securities totaling BGN 310 thousand (2023: net impairment charges for uncollectibility BGN 596 thousand).

The movement of impairments for losses and uncollectibility of loans and receivables from customers is as follows:

	Loans and receivables from customers
BALANCE AS AT 1 JANUARY 2023	<u>2,225</u>
Accrued impairment for the period	1,245
Accrued impairment for unrecognized interest	(57)
Reintegrated impairment for the period	(553)
Loans written off at the expense of provisions	<u>(1,391)</u>
BALANCE AS AT 31 DECEMBER 2023	<u>1,469</u>
Accrued impairment for the period	1,012
Accrued impairment for unrecognized interest	(99)
Reintegrated impairment for the period	(794)
Credits written off	<u>(155)</u>
BALANCE AS AT 31 DECEMBER 2024	<u>1,433</u>

For more information on impairment of financial assets, see note 29.1 Credit risk.

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27. EARNINGS PER SHARE (IN BGN)

	For the year ended ending in 31.12.2024	For the year ended ending in 31.12.2023
Net profit after tax (in BGN)	2,560,059	2,380,677
Weighted average number of shares	34,734,762	30,870,666
Basic earnings per share (in BGN per share)	0.074	0.077

Basic earnings per share are calculated using the net profit attributable to shareholders of the Company as the numerator.

The weighted average number of shares is calculated as the sum of the number of ordinary shares outstanding at the beginning of the period and the number of ordinary shares outstanding issued during the period, each number of shares being multiplied by the average time factor. Ordinary shares issued as a result of the conversion of a debt instrument into ordinary shares are included from the date from which interest ceases to accrue.

Diluted earnings per share

Diluted earnings per share were calculated using as the numerator the net income available for distribution to the Company's shareholders, adjusted for the reduction in interest expense that would occur if the bonds issued were converted in connection with the convertible bonds issued.

The weighted average number of shares used to calculate diluted earnings per share can be equal to the weighted average number of common shares used to calculate basic earnings per share as follows:

	2024 Number shares	2023 Number shares
Weighted average number of shares for basic earnings per share	34,734,762	30,870,666
Shares resulting from conversion of the bond issue*	-	3,200,000
Weighted average number of shares for diluted earnings per share	34,734,762	34,070,666

* the bonds are converted at a price of 2.5 per share

Diluted earnings per share are calculated as follows:

	2024	2023
Distributable profit adjusted for the decrease in interest expenses (in BGN)*	2,573,299	2,639,766
Weighted average number of shares with reduced value	34,734,762	34,070,666
Diluted earnings per share (in BGN per share)	0.0741	0.0775

* Interest expenses on convertible bonds are given as an increase in profit and 10% corporate tax as a reduction.

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28. RELATED PARTIES

As of 31 December 2024 and 2023, the Group has receivables, payables and contingent liabilities from related parties as follows:

Related parties and balances	Balance to 31.12.2024	Balance to 31.12.2023
Key management personnel		
Loans granted	687	384
Deposits received	1,345	1,158
Other receivables	2	12

The income and expenses realized by the Group in 2024 and 2023 from transactions with related parties are as follows:

Related parties and types of transactions	For the year ended 31.12.2024	For the year ended 31.12.2023
Key management personnel		
Interest income	23	15
Revenue from fees	5	6
Interest expenses	(1)	-

Key personnel of the Group are the members of the Bank's Management Board, including the executive directors, who directly participate in the corporate operational management and the members of the Bank's Supervisory Board, who exercise control over the activities and make important decisions for the development of the Group, as well as the members of the Board of Directors of UD Texim Asset Management EAD.

The remuneration of the members of the Bank's Management Board paid in 2024 is BGN 633 thousand (2023 – BGN 528 thousand).

The remuneration of the members of the Bank's Supervisory Board paid in 2024 is BGN 269 thousand (2023 - BGN 270 thousand).

The remuneration of the members of the Board of Directors of UD Texim Asset Management EAD for 2024 is BGN 167 thousand (2023: BGN 139 thousand).

29. RISK MANAGEMENT RELATED TO FINANCIAL INSTRUMENTS

The risk in the Group's activity related to financial instruments is the possibility that the actual receipts from the financial instruments owned may not correspond to the expected ones. The specificity of banking activity brings out the need to implement adequate systems for the timely identification and management of types of risk, with particular importance being the risk management procedures, mechanisms for maintaining it within acceptable limits, optimal liquidity, portfolio diversification, etc. The main objective of risk management is to comprehensively and definitively present and analyse the types of risk to which the Group is exposed.

The risk management system performs functions to prevent losses and control the amount of those admitted and includes:

- Policies, rules, methodologies and procedures for comprehensive identification, measurement, monitoring and control of all risks material to the Group;
- Organizational structure for risk management with appropriate distribution of responsibilities between different management levels and independence between business units performing functions of creating

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- or renewing exposures and those performing risk assessment and control;
- Parameters and limits for transactions and operations;
 - Processes for regular monitoring of approved limits for different types of risk;
 - Processes to control the maintenance at all times of sufficient available capital to cover the material risks, both under normal conditions and under stress conditions;
 - Developing, improving and supplementing the created system for reporting, analysing and controlling risk, in accordance with the development of the Group's risk profile, the requirements of national and European legislation and good banking practices;

The main principles underlying the Group's risk management policies are:

- limiting the risk taken so that the business activity of the Group is not exposed to danger in the short and long term;
- maintaining a sufficient amount of own capital so that compliance with the regulatory capital requirements is ensured at all times, as well as an adequate level of coverage of the assumed risks under normal conditions and under conditions of stress;
- determining a risk structure suitable for the business model, including by defining a risk profile and capital limits.

The organizational structure for risk management is centralized and is structured according to the levels of competences as follows:

- Supervisory Board – determines the acceptable levels of risk within the adopted risk management strategy of the Group, approves the organizational structure for risk management, approves risk-taking limits, as well as the main risk management strategies and policies.
- Management Board – responsible for the implementation of the policies approved by the Supervisory Board for the management of all material risks and the effective functioning of the risk management system;
- Specialized collective bodies - approve the framework and parameters of the Bank's risk management activity;
- Executive directors – control the process of approval and implementation of adequate policies and procedures within the framework of the risk management strategy adopted by the Group;
- Heads of structural units of the Group - apply the adopted risk management policies when organizing the activities of the relevant organizational units.

The nature and essence of the risks to which the financial instruments owned by the Group are exposed are as follows:

29.1 Credit risk

Over the past year, the global economy has faced serious risks, mainly related to the constantly changing macroeconomic environment and volatile international financial markets, as well as to the growing geopolitical tension and unpredictable political trends in many regions around the world. The year was marked by a gradual containment of inflation, some calming of financial markets, and the beginning of the monetary policy easing cycle by leading central banks, including the ECB. Given the global geopolitical uncertainty, many negative prospects remain for the economic development of the Eurozone economies, expressed mainly in a slowed growth rate, and in addition - a significant part of the banks in the Eurozone countries remain vulnerable to external negative shocks and disruptions. They are faced with adverse factors, mainly related to higher financing costs, deterioration in asset quality and lower lending volumes in the economy.

In Bulgaria and in 2024, a number of destabilizing factors were at work in the country, mainly related to the unstable domestic political situation, the ongoing military operations in Ukraine and the armed conflict in the Middle East. Almost throughout 2024, inflation had a pronounced trend of gradual decline as a result of

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several main factors. One of them was the relatively more stable prices of the main energy carriers, which was accompanied by stabilization and even a certain decline in the prices of raw materials and exchange-traded cereals. In addition, the restrictive monetary policy of the ECB continued to have an impact in the country, which since mid-2022 began a regime of decisive withdrawal of monetary and interest rate incentives, raising key interest rates to record high levels for the euro area.

Although the transmission of the ECB's monetary policy to Bulgaria, which has been in a currency board arrangement and with a fixed exchange rate of the lev against the euro since mid-1997, is partial and incomplete, interest rates, especially those on corporate and consumer loans, have risen.

The effects of the increase in interest rates have not led to significant changes in estimates, changes in expected loss (ECL) models other than changes in the risk parameters of the provisioning model, and have not led to a change in classification or business models in 2024.

As a party to a financial instrument, the Group defines the credit risk to which it is exposed as the possibility that its counterparty will cause it a financial loss if it fails to repay its obligation. The Group manages its credit risk by setting limits for its exposures to individual customers or to a group of related parties, as well as limits by economic sector. In order to mitigate credit risk, the Group also requires appropriate collateral and guarantees, in accordance with its internal lending rules.

Cash and balances at the Central Bank do not carry credit risk, due to their nature and the Bank's ability to dispose of them.

The resources and advances provided to banks mainly represent deposits in international and Bulgarian financial institutions with maturities of up to 7 days. Texim Bank AD manages the credit risk associated with these assets by setting limits on its exposure to each individual counterparty.

The loans and advances granted to customers of the Group represent an exposure to credit risk. To assess it, the Group performs a risk analysis by applying criteria for assessment and classification of risk exposures, which are in accordance with the International Financial Reporting Standards, regulatory requirements and good banking practices. In order to minimize credit risk, in the process of approval, management and administration of transactions, the Group applies detailed procedures, covering an analysis of the economic feasibility of each financial instrument and acceptable collateral, control over the use of the allocated funds and servicing of contractual cash flows, compliance with regulatory requirements, etc.

The Group manages and controls the risk of concentration of exposures to one or a group of related clients, as well as the risk of concentration of exposures to groups of counterparties with similar characteristics, whose probability of default depends on similar factors.

The management and control of credit concentration risk is carried out by applying limits, which include:

- *Limits by clients and groups of connected clients /individual exposures/* - Large exposures to one or a group of connected clients are managed in accordance with the Credit Institutions Act (CIS), Regulation (EU) No. 575/2013 and internal regulatory rules. The Bank monitors and reports to its management body and the regulator single or economically connected persons that form an exposure equal to or exceeding 10% of its eligible capital, determined in accordance with Regulation (EU) No. 575/2013 and observes compliance with the 25% threshold for these exposures, established in Art. 395 of Regulation 575.
- *Counterparty limits* - The management and control of counterparty credit risk is carried out by establishing and applying specific limits to determine the maximum risk exposure. For counterparties other than banks, the limits are approved by the Group management, based on a thorough analysis by the business line and the risk management unit.
- *Limits by economic sector* - The management and control of credit risk from concentration by economic sector is carried out by setting and applying limits to limit sectoral concentrations. To establish the degree

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of concentration, Texim Bank AD uses the Herfindahl-Hirschman Index (HHI), developed and validated for measuring concentrations of market structures.

- *Limits on financial instruments* – The management and control of concentration risk with respect to specific financial instruments is carried out by applying limits to limit the maximum exposure by type of financial instruments, including in mutual funds, stocks and bonds.

The carrying amount of the exposures represents the Group's maximum exposure to credit risk.

The Group's gross credit exposure, before allowances for credit losses, is presented in the table below:

ASSETS	As at 31.12.2024	As at 31.12.2023
Resources and deposits provided to banks	48,966	24,321
Financial assets at fair value through profit or loss	48,759	44,195
Equity instruments at fair value through other comprehensive income	9,896	7,575
Debt instruments at fair value through other comprehensive income	82,812	48,325
Debt instruments at amortized cost	57,542	57,677
Loans and advances	223,698	190,853
Receivables under repurchase agreements	50,367	44,328
Off-balance sheet positions:	39,264	33,743
including credit commitments	17,400	17,230
including bank guarantees	21,864	16,513
TOTAL CREDIT EXPOSURE	561,304	451,017

In the total credit exposure, the Group does not include the balances on its accounts with the BNB, as it considers them not to carry credit risk.

For the purpose of effective management and control, the Group has established mechanisms including the Risk Management Unit, Credit Council, Credit Committee, etc., which are responsible for credit risk management.

The Credit Council is a permanent specialized body that reviews the proposals of the business line for concluding credit transactions with corporate clients, then presents them to the Management and Supervisory Boards for approval. All credit transactions above a certain amount are approved by the Supervisory Board. The Credit Council carries out its activities in accordance with the rules and regulations adopted by the Management Board.

The Credit Committee is a specialized internal body responsible for the restructuring, individual classification and impairment of risk exposures, as well as for their write-off. The Management Board of Texim Bank AD determines the number and composition of the Credit Committee. It carries out its activities in accordance with the rules and regulations adopted by the Management Board. The Credit Committee does not include persons responsible for the approval of loans and maintaining relationships with borrowers.

The risk management units are an independent structure from the units managing or performing the functions of creating or renewing exposures. The risk analysis and management unit develops and develops the risk assessment and management framework and monitors its implementation, performs operational activities to identify, measure, monitor and control risks, submits regular and extraordinary reports on the level of risk to the relevant internal management bodies, monitors for violations of limits and reports their implementation in accordance with the established escalation procedures, supports the implementation of effective risk management practices, assesses the inherent risks of all new products, processes or services

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of the Group. The unit responsible for credit risk assessment performs analysis and prepares opinions on credit and other transactions proposed for approval by the business units in the Group.

Such mechanisms shall ensure:

- The availability of appropriate credit risk management methodologies and practices, including an effective internal control system and the determination of reliable impairments in accordance with IFRS 9 and the relevant supervisory guidelines.
- Identifying, assessing and measuring credit risk in the Group, from the individual instrument level to the portfolio level.
- Establishing credit policies to protect the Group against identified risks: requirements for obtaining collateral from borrowers, conducting a credible current credit assessment of borrowers and continuous monitoring of exposures to internal risk limits.
- Limitation of exposure concentrations by type of assets, counterparties, industry, credit rating, geographical location, etc.
- Establish a robust control framework for the structure for the approval and renewal of credit instruments.
- Development and maintenance of a risk classification of the Group to categorize exposures according to the degree of risk of default. Risk categories are subject to regular review.
- Development and maintenance of the Group's processes for measuring expected credit losses (ECL), including credit risk monitoring, the application of forward-looking information and methods for measuring ECL.
- Ensuring that the Group has policies and procedures in place to appropriately maintain and approve models used to assess and measure the ECL.
- Establish a reliable accounting assessment and credit risk measurement process to provide a strong basis for common credit risk assessment and reporting systems, tools and data. Providing advice, guidance and specialized skills to business units to promote best banking practices for credit risk management.

The internal audit function shall carry out regular checks ensuring that the controls and procedures established are appropriately designed and implemented.

Customer risk and internal rating

In order to effectively identify and manage credit risk, the Bank has established a unit that performs credit risk assessment upon initial approval of exposures to corporate clients, as well as periodic monitoring and analysis of the financial condition and creditworthiness of borrowers.

The main objectives of credit risk management are to achieve high quality of the loan portfolio, low concentration of risk within the loan portfolio and appropriate coverage of credit risk with provisions for credit losses.

Texim Bank AD serves a large base of borrowers who operate in various sectors, and when financing them, the following financial indicators and principles are taken into account:

- Analysis of the creditworthiness of borrowers, including an assessment of future cash flows;
- Return on assets, equity and borrowed capital;
- Total, fast and absolute liquidity;
- Financial autonomy;
- General and credit indebtedness;
- Revenue growth and profitability;

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- Total debt service coverage ratio (DSCR);
- Building long-term relationships with borrowers, maintaining constant contact and preparing monitoring reports until the debt to the Bank is repaid;
- History and ownership of the borrower;
- Characteristics of the activity and project implementation;
- Market positions;
- Relationships with banks and government institutions;
- Information about economic and legal connections;
- Relevant and relevant macroeconomic information, as well as forecast information;
- Market value and acceptability of collateral and coverage of debt with collateral;
- Others;

The Bank strives to ensure adequate credit risk management through a thorough creditworthiness assessment. When making decisions to grant loans, the main emphasis is on analyzing the financial condition and creditworthiness of the borrower.

To further minimize credit risk and as additional protection, the Bank also requires the provision of collateral by borrowers, with collateral graded by degree of acceptability. In the process of managing exposures, the Bank may require additional collateral, compared to the one initially provided, for example, if there are indications of impairment or if the market value of the collateral changes.

All final decisions to grant credit are made by the Management Board, through a credit proposal from the Corporate and Institutional Banking Department, an independent opinion from the Credit Risk Department, and a decision by the Credit Council.

When performing periodic reviews of exposures and borrowers, the credit risk assessment unit also takes into account the presence of impairment indicators that the Group considers to be objective evidence of impairment of the exposure, such as:

- Significant financial difficulty of the issuer or debtor, leading to inability to repay obligations;
- Breach of a contractual term such as non-performance or default; breach of covenants or other terms set forth in the contract;
- The Bank, for economic or contractual reasons related to financial difficulty on the part of the debtor, makes concessions to the debtor that would not have been made under other circumstances;
- Probability that the debtor or related parties will be declared bankrupt or that the debtor will be subject to other financial reorganization;
- Disappearance of an active market for this financial asset due to financial difficulties;
- Significant overdue public or employee debts;
- The debtor has requested extraordinary financing from the Bank due to financial difficulties;
- Another bank has declared the debtor's loan pre-payable;
- A significant decrease in the value of the collateral, which violates the Bank's requirements for coverage of the exposure with collateral (when the Bank is unable to negotiate the provision of additional collateral or a reduction in the exposure);
- A significant decline in equity, which could lead to a collapse in the debtor's financial situation and/or affect its financial autonomy;
- Negative EBITDA;
- A significant decline of over 50% in expected future cash flows;
- Significant drop of over 50% in turnover;
- Debt Service Coverage Ratio (DSCR) < 1%;
- Credit event declared by the International Swaps and Derivatives Association;
- Bond trading has been (temporarily) suspended on the main market due to rumors or facts of financial difficulties;
- 5-year Credit Default Swaps (CDS) have been above 1,000 bps within the last 12 months;

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Based on the creditworthiness analysis, the Group has adopted a system for classifying customer risk into the following categories:

- A – Minimum credit risk;
- B – Moderate credit risk;
- C – Moderate to high credit risk;
- D – Increased credit risk;
- E – High credit risk;

The tables below show the status of the Group's on-balance sheet and off-balance sheet items by financial instruments and client risk groups as of 31.12.2024 and 31.12.2023.

As at 31.12.2024

Loans and advances as of 31.12.2024	Gross book value	Impairment
Corporate loans	23,726	(1)
A	74,866	(173)
B	26,518	(36)
C	13,203	(2)
D	300	-
Unrated	15,461	(12)
Total corporate loans	154,074	(224)
Retail exposures	69,624	(1,209)
Total loans and advances	223,698	(1,433)

Debt and equity securities as of 31.12.2024	Gross book value	Impairment
A	81,660	(38)
B	43,175	(61)
C	18,319	(28)
Unrated	55,855	(172)
Total securities	199,009	(299)

Off-balance sheet items as of 31.12.2024	Bank guarantees issued	Undrawn credit commitments	Provisions
A	7,284	4,306	(15)
B	5,550	2,972	(13)
C	5,679	72	(6)
D	1,303	281	(4)
E	20	-	-
Unrated	2,028	1,729	(18)
Retail exposures	-	8,040	(37)
Total off-balance sheet items	21,864	17,400	(93)

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As at 31.12.2023

	Gross book value	Impairment	
Loans and advances			
Corporate loans	27,062	(5)	
A	64,943	(161)	
B	16,051	(19)	
C	11,620	-	
D	14,256	(280)	
Unrated	133,932	(465)	
Total corporate loans	56,921	(1,001)	
Retail exposures	<u>190,853</u>	<u>(1,466)</u>	
Total loans and advances			
Debt and equity securities	Gross book value	Impairment	
A	30,038	-	
B	48,372	(169)	
C	3,238	(5)	
Unrated	76,124	(32)	
Total securities	<u>157,772</u>	<u>(206)</u>	
Off-balance sheet items	Bank guarantees issued	Undrawn credit commitments	Provisions
A	6,641	4,953	(14)
B	8,530	1,272	(9)
C	45	465	(1)
D	1,215	541	(4)
Unrated	82	1,735	(18)
Retail exposures	-	8,264	(15)
Total off-balance sheet items	<u>16,513</u>	<u>17,230</u>	<u>(61)</u>

Identification of significant increases in credit risk and recognition of credit losses

As part of the exposure management process and in order to effectively identify, monitor, manage and assess credit risk in the statement of financial position, the Group also classifies its risk exposures and the recognition of credit losses based on the following three main categories: Phase 1, Phase 2 and Phase 3.

Phase 1 classifies initially created financial assets (except those purchased or initially created by the loan impairment) and assets that are serviced in accordance with their contractual cash flows.

In case of indications of a significant increase in credit risk, the Group shall classify its risk exposures into Phase 2 and Phase 3.

To determine the significant increase in credit risk, the Group applies a rebuttable presumption that such risk exists when contractual cash flow defaults exceed 30 days. These exposures are classified in Phase 2.

In the event of a financial asset arrears exceeding 90 days, the Group classifies it in Phase 3.

If the Group has reasonable and reasoned information that there is no significant increase in credit risk despite the existence of exposure arrears, the presumption shall not apply. In order to make such a determination, the Group shall carry out an individual analysis of the financial, legal and factual situation of the asset and the client on the basis of the indicators described above, determining the client's risk.

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The assessment of the significant increase in credit risk shall be carried out at each reporting date.

The Group shall endeavour to identify a significant increase in credit risk and to recognise credit losses over the lifetime of the financial instrument before default. For groups of financial assets, such as exposures to natural persons, the nature of which does not imply the identification of a significant increase in credit risk, an extrapolated probability of default at the product and/or segment level shall be used before default occurs, based on the historical experience of the Group. The assessment on a collective basis of the significant increase in credit risk shall be carried out on all financial assets or groups of clients with similar characteristics where there is no possibility or need for individual assessment.

Whether credit risk is assessed individually or collectively, the objective of the impairment requirements for financial assets managed by the Group is to recognise, at each reporting date, expected credit losses over a 12-month period for exposures for which no significant increase in credit risk is observed and for the entire duration of the instrument for assets whose credit risk has increased significantly in the period after their initial recognition. The date of initial recognition in the case of credit commitments and financial guarantee contracts is the date on which the Group became party to an irrevocable commitment.

The period for which expected credit losses are assessed is the maximum duration of the contracts (including extension options) during which the Group is exposed to credit risk. For exposures that include both credit and an undrawn loan commitment, expected credit losses are assessed for the period over which the Group is exposed to credit risk, even if it exceeds the term of the contract.

For financial instruments classified in Phase 1, the Group recognises an allowance for expected credit losses on them for a 12-month period following the reporting date.
For financial instruments classified in Phase 2 and Phase 3, an allowance for expected credit losses over the lifetime of the instruments is recognised.

The credit loss allowance is calculated on the Exposure at Default (EAD) at each reporting date.

As the size of its exposures, the Group shall adopt their gross carrying amount plus undrawn loan commitments and financial guarantees multiplied by a credit conversion factor (CCF). In this way, an adjustment for losses formed by expected and recognised credit losses (impairments) on on-balance-sheet exposures and provisions on off-balance-sheet items is assessed and recognised.
The credit loss is the present value of the difference between the contractual cash flows due and the flows that the Group expects to receive. The expected credit losses are the weighted on the basis of the probability estimate of credit losses, i.e. the present value of the entire cash shortfall.

To estimate expected credit losses, the Group uses a calculation model whose input parameters are the risk indicators Probability of default (PD) and Loss on default on unsecured exposures (LGD uncovered), representing, respectively, the probability that within a specified period a counterparty will default and the ratio of the loss on an unsecured exposure due to the default of an obligor, to the size of the exposure at the time of default. Expected credit losses are measured by the weighted average of credit losses, with the respective probabilities of default as weights.

In the case of collateralized exposures, the value of the expected cash flows from the realisation of the collateral, which reduces the exposure amount at the time of default, shall be taken into account for the purpose of determining the credit loss. The expected cash flow from the realization of collateral is determined on the basis of the value, terms and costs associated with its realization and taking into account the time value of money factor.

Assessment of risk parameters based on the Bank's historical experience

The risk parameters involved in the Bank's expected credit loss calculation model are assessed based on historical experience of the default rate (PD), loss given default on unsecured exposures (LGDuncovered) and the off-balance sheet commitment utilization rate (CCF), as well as on forecasts for the development of the macroeconomic environment.

The historical default rate (DR) is determined based on past data on breached contractual cash flows and occurrence of default events on exposures.

The bank calculates the historical level of default depending on the segment of its borrowers, and for corporate clients the calculations are carried out at the client level, and for retail exposures, on the basis of homogeneous (characterized by similar characteristics, behaviour and management) loan portfolios and product groups. For this purpose, the Bank has divided its products for individuals into mortgage loans, consumer loans and consumer loans secured by cash, commodity loans, overdrafts, credit cards, etc. Within the same group, a further distinction is made depending on the phase of exposure, as a basic principle when performing the calculation is that only exposures fall within the scope of the analysis, which were served at the beginning of the period considered. The historical default level is calculated as the arithmetic average of the number of loans who were served at the beginning of the period but defaulted over the next 12 months to the total number of loans that were served at the beginning of the 12-month period

For exposures to counterparties including institutions, issuers of debt securities or counterparties to repurchase agreements, the Group uses PD values from global financial markets data (Bloomberg) or credit ratings assigned by ECAIs.

The LGD uncovered parameter is estimated based on historical data on losses from unsecured exposures as a result of a default and measures the ratio of the loss from these exposures to their amount at the date of default. The parameter is calculated separately for product groups including retail exposures that are not secured by collateral recognized for impairment purposes. The credit conversion factor (CCF) is the ratio of the part of the currently undrawn amount of an off-balance sheet commitment that could be drawn to the entire undrawn amount of the commitment. The CCF is estimated at the product group level, and in the absence of sufficient historical data for the group, as well as in the case of guarantees issued by the Bank, the CCF is assumed to be 100%.

Inclusion of information for future periods

The integration of the macroeconomic environment in the assessment of the risk parameters involved in the impairment is based on regression analysis. In this approach, a linear relationship is constructed between an independent variable z (macroeconomic factor) and a given risk factor. The Group uses forecast information that is available without unnecessary cost or effort in the assessment of a significant increase in credit risk, as well as in the measurement of the ECL. The Group uses data based on external and internal information to compile a baseline scenario for a future forecast for the relevant economic variables, as well as other possible scenarios. The external information used includes economic data and forecasts published by government organizations and regulatory authorities. The Group applies the forecast values for the development of macroeconomic indicators in the regression model, taking a conservative approach when implementing them in the risk parameters involved in the impairment. The Bank has identified the key drivers of credit risk and credit losses for each portfolio of financial instruments and has used statistical analysis of historical data to assess the relationships between macroeconomic variables and credit risk and credit losses. The Group has not made any changes to the valuation techniques or significant assumptions made during the reporting period.

Based on an analysis of historical data, the expected relationships between key indicators and default and

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loss given default values for various portfolios of financial assets have been assessed.

The Group has performed a sensitivity analysis of how the expected credit losses in the core portfolios would change if the key assumptions used to calculate the expected credit losses were to change. The results of the analysis are summarised in the table below:

2024	Effect on net profit	Effect on net profit
Change in expected credit losses in BGN'000 as a result of a change of 1% in the main parameters		
Parameter modification	+1%	-1%
Probability of loss (PD)	(212)	212
Loss Given Default (LGD)	(5)	5

2024	Effect on net profit
Change in expected credit losses in BGN thousand as a result of a 1% change in expected levels of macroeconomic factors	
Macrofactor - rising interest rates	(168)

2023	Effect on net profit	Effect on net profit
Change in expected credit losses in BGN thousand as a result of a 1% change in the main parameters		
Parameter modification	+1%	-1%
Probability of loss (PD)	(232)	232
Loss Given Default (LGD)	(15)	15

2023	Effect on net profit
Change in expected credit losses in BGN thousand as a result of a 1% change in expected levels of macroeconomic factors	
Macrofactor - rising interest rates	(244)

Credit quality

The Group monitors credit risk for each category or individual financial instrument.

The analysis of the Group's credit risk concentrations by category of financial assets is presented in the following tables. Unless otherwise stated, for financial assets the amounts in the table represent gross carrying amounts. For credit commitments and financial guarantee contracts the amounts in the table represent the amounts committed or guaranteed, respectively.

Resources and deposits provided to banks	31.12.2024 BGN '000	31.12.2023 BGN '000
Concentration by sector		
Central banks	88,549	151,901
Bulgarian commercial banks	42,991	12,995
Foreign commercial banks	5,975	11,323
Total	137,515	176,219

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Loans and advances to customers at amortized cost	31.12.2024 BGN '000	31.12.2023 BGN '000
Concentration by sector *		
Retail Banking:	69,624	56,921
Mortgage	36,269	27,633
Unsecured lending	33,355	29,288
Corporate :	154,074	133,932
Consumer goods and services related to the economic cycle	23,898	13,750
Basic consumer goods	12,028	16,340
Communication services	-	18
Finance	47,162	31,144
Healthcare	445	359
Industry	29,946	29,924
Informational technologies	1,267	995
Raw materials and supplies	3,414	4,617
Real estate properties	35,883	35,739
Public services / utilities and others	31	1,046
Total	223,698	190,853

* according to the GICS sector nomenclature

Concentration by region	31.12.2024 BGN '000	31.12.2023 BGN '000
Europe	223,531	190,849
Bulgaria	223,531	190,849
Rest of the world :	167	4
Russian Federation	35	4
United Kingdom	132	-
Total	223,698	190,853

Credit commitments	31.12.2024 BGN '000	31.12.2023 BGN '000
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Concentration by sector		
Retail Banking:	8,040	8,263
Mortgage credits	1,124	199
Unsecured lending	6,916	8,064
Corporate :	9,360	8,967
Consumer goods and services related to the economic cycle	1,635	2,085
Basic consumer goods	1,408	852
Communication services	-	-
Finance	736	335
Healthcare	515	588
Industry	1,953	2,312
Informational technologies	6	4
Raw materials and supplies	3,038	2,115
Real estate properties	2	1
Public services / utilities and others	67	675
Total	17,400	17,230

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Concentration by region

Europe	17,344	17,151
Bulgaria	17,344	17,151
Other world :	56	79
Austria	29	29
China	-	-
Russia	22	25
Others	5	25
Total	17,400	17,230

Financial guarantee contracts

31.12.2024	31.12.2023
BGN '000	BGN '000

Concentration by sector

Retail Banking:	-	-
Mortgage	-	-
Unsecured lending	-	-
Corporate :	21,864	16,513
Consumer goods and services related to the economic cycle	1,447	1,531
Basic consumer goods	252	141
Energy	1,929	
Finance	4,584	3,101
Healthcare	436	451
Industry	6,938	7,332
Informational technologies	130	12
Raw materials and supplies	-	3,025
Real estate properties	4,175	543
Public services / utilities and others	1,973	377
Total	21,864	16,513

Concentration by region

Europe	21,864	16,513
Bulgaria	21,864	16,513
Total	21,864	16,513

The following tables present an analysis of the Group's credit exposure by exposure type, customer risk and "Phase", without taking into account the effect of collateral and other credit facilities. Unless otherwise stated, financial assets are presented in the table at gross carrying amount. Credit commitments and guarantees are presented at the amount committed or guaranteed.

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2024

Loans and advances granted	31.12.2024			Total BGN '000
	Phase 1	Phase 2	Phase 3	
	12-month expected credit losses BGN '000	Expected credit losses for the entire term BGN '000	Expected credit losses for the entire term BGN '000	
Corporate loans				
A	17,183	6,543	-	23,726
B	72,909	1,957	-	74,866
C	25,409	1,109	-	26,518
D	1,659	10,130	1,414	13,203
E	300	-	-	300
Unrated	15,285	-	176	15,461
Total corporate loans	132,745	19,739	1,590	154,074
Retail exposures	68,309	201	1,114	69,624
Total loans and advances	201,054	19,940	2,704	223,698
Impairment loss	(424)	(23)	(986)	(1,433)
Net value of loans and advances	200,630	19,917	1,718	222,265

Issued bank guarantees and undrawn credit commitments	31.12.2024			Total BGN '000
	Phase 1	Phase 2	Phase 3	
	12-month expected credit losses BGN '000	Expected credit losses for the entire term BGN '000	Expected credit losses for the entire term BGN '000	
Corporate loans				
A	11,590	-	-	11,590
B	8,522	-	-	8,522
C	5,699	52	-	5,751
D	1,403	181	-	1,584
E	20	-	-	20
Unrated	3,757	-	-	3,757
Total corporate loans	30,991	233	-	31,224
Retail exposures	7,993	22	25	8,040
Total off-balance sheet positions	38,984	255	25	39,264
Provision	68	2	23	93

2023

Loans and advances granted	31.12.2023			Total BGN '000
	Phase 1	Phase 2	Phase 3	
	12-month expected credit losses BGN '000	Expected credit losses for the entire term BGN '000	Expected credit losses for the entire term BGN '000	
Corporate loans				
A	18,881	8,181	-	27,062
B	62,399	2,544	-	64,943
C	12,633	1,371	2,047	16,051
D	3,015	8,605	-	11,620
Unrated	13,117	-	1,139	14,256
Total corporate loans	110,045	20,701	3,186	133,932
Retail exposures	55,035	468	1,418	56,921
Total loans and advances	165,080	21,169	4,604	190,853
Impairment loss	(423)	(48)	(995)	(1,466)
Net value of loans and advances	164,657	21,121	3,609	189,387

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Issued bank guarantees and undrawn credit commitments	31.12.2023			Total BGN '000
	12-month expected credit losses	Phase 2 Expected credit losses for the entire term	Phase 3 Expected credit losses for the entire term	
	BGN '000	BGN '000	BGN '000	
Corporate loans				
A	11,592	2	-	11,594
B	9,802	-	-	9,802
C	340	170	-	510
D	1,705	51	-	1,756
Unrated	1,817	-	-	1,817
Total corporate loans	25,256	223	0	25,479
Retail exposures	8,248	7	9	8,264
Total off-balance sheet positions	33,504	230	9	33,743
Provision	59	-	2	61

The following table summarizes the impairment loss at the end of the year by type of exposure:

Impairment loss by asset type	2024	2023
	BGN '000	BGN '000
Loans and advances granted to banks at amortised cost	-	3
Loans and advances granted to customers at amortised cost	1,433	1,466
Investments in debt securities at amortised cost	35	29
Debt instruments at fair value through other comprehensive income	264	177
Loan commitments	69	46
Financial guarantee contracts	24	15
Total	1,825	1,736

The following table presents the movement between phases of the Group's financial instruments in 2024 and 2023 :

2024 Transfers between impairment phases (gross presentation)	Transfers between phase 1 and phase 2		Gross book value Transfers between phase 2 and phase 3		Transfers between phase 1 and phase 3	
	From phase 1 to phase 2	From phase 2 to phase 1	From phase 2 to phase 3	From phase 3 to phase 2	From phase 1 to phase 3	From phase 3 to phase 1
	Credit institutions	-	-	-	-	-
Debt securities	-	-	-	-	-	-
Loans and advances	34	67	16	-	32	85
Corporate loans	2	-	-	-	-	-
Retail banking	32	67	16	-	32	85
Total	34	67	16	-	32	85
Commitments and financial guarantees provided	175	2	-	-	21	-

2023 Transfers between impairment phases (gross presentation)	Transfers between phase 1 and phase 2		Gross book value Transfers between phase 2 and phase 3		Transfers between phase 1 and phase 3	
	From phase 1 to phase 2	From phase 2 to phase 1	From phase 2 to phase 3	From phase 3 to phase 2	From phase 1 to phase 3	From phase 3 to phase 1
	Credit institutions	-	-	-	-	-
Debt securities	-	-	-	-	-	-
Loans and advances	12,914	6	1,918	-	103	3
Corporate loans	12,521	-	1,892	-	-	-
Retail banking	393	6	26	-	103	3
Total	12,914	6	1,918	-	103	3
Commitments and financial guarantees provided	228	1	1	470	4	11

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The tables below analyze the movement of impairment loss during the year by asset type.

2024

Movement in allowance and provisions for credit losses	Opening balance 01.01.2024	Increases due to origination and acquisition	Decreases due to derecognition	Changes due to change in credit risk (net)	Decrease in the adjustment due to write-offs	Balance at the end of the period 31.12.2024
Adjustment for financial assets without increase in credit risk after initial recognition (phase 1)	(633)	(688)	656	(59)	-	(724)
Credit institutions	(3)	(1)	4	-	-	-
Debt securities	(207)	(272)	180	-	-	(299)
Loans and advances	(423)	(415)	472	(59)	-	(425)
Corporate loans	(195)	(178)	151	2	-	(220)
Retail exposures	(228)	(237)	321	(61)	-	(205)
Adjustment for debt instruments with a significant increase in credit risk since initial recognition but no credit impairment (phase 2)	(48)	(30)	30	25	-	(23)
Credit institutions	-	-	-	-	-	-
Debt securities	-	-	-	-	-	-
Loans and advances	(48)	(30)	30	25	-	(23)
Corporate loans	-	(5)	7	(2)	-	-
Retail exposures	(48)	(25)	23	27	-	(23)
Adjustment for credit-impaired debt instruments (phase 3)	(995)	(566)	288	133	155	(985)
Credit institutions	-	-	-	-	-	-
Loans and advances	(995)	(566)	288	133	155	(985)
Corporate loans	(270)	(153)	162	103	154	(4)
Retail exposures	(725)	(413)	126	30	1	(981)
Total allowance for expected credit losses	(1,676)	(1,284)	974	99	155	(1,732)
Commitments and financial guarantees provided (phase 1)	58	344	(333)	(1)	-	68
Commitments and financial guarantees provided (phase 2)	-	9	(7)	-	-	2
Commitments and financial guarantees provided (phase 3)	2	24	(4)	1	-	23
Total provisions for commitments and financial guarantees	60	377	(344)	-	-	93

In 2024, the valuation methodology for calculating expected credit losses was not changed.

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2023 Movement in allowance and provisions for credit losses	Opening balance 01.01.2023	Increases due to origination and acquisition	Decreases due to derecognition	Changes due to change in credit risk (net)	Decrease in the adjustment due to write- offs	Balance at the end of the period 31.12.2023
Adjustment for financial assets without increase in credit risk after initial recognition (phase 1)	(617)	(538)	550	(28)	-	(633)
Credit institutions	-	(4)	1	-	-	(3)
Debt securities	(240)	(62)	158	(63)	-	(207)
Loans and advances	(377)	(472)	391	35	-	(423)
Corporate credits	(163)	(241)	210	(1)	-	(195)
Retail exposures	(214)	(231)	181	36	-	(228)
Corrective action for debts tools with significantly increase on credit risk after the initial recognition, but without credit impairment (phase 2)	(108)	(37)	32	65	-	(48)
Credit institutions	-	-	-	-	-	-
Loans and advances	(63)	-	-	63	-	-
Corporate credits	(45)	(37)	32	2	-	(48)
Retail exposures	-	-	-	-	-	-
Corrective action for debts credit instruments impairment (phase 2)	(45)	(37)	32	2	-	(48)
Credit institutions	(1,803)	(733)	130	18	1,393	(995)
Loans and advances	-	-	-	-	-	-
Corporate credits	(1,803)	(733)	130	18	1,393	(995)
Retail exposures	(269)	-	-	(1)	-	(270)
Total allowance for expected credit loss	(1,534)	(733)	130	19	1,393	(725)
Commitments and financial guarantees provided (phase 1)	(2,528)	(1,308)	712	55	1,393	(1,676)
Commitments and financial guarantees provided (phase 2)	51	144	(137)	-	-	58
Commitments and financial guarantees provided (phase 3)	-	1	(1)	-	-	-
Total provisions by commitments and financial guarantees	-	5	(3)	-	-	2
	51	150	(141)	-	-	60

The Group's monitoring procedures identify a significant increase in credit risk before the exposure defaults and at the latest when the exposure becomes 30 days past due. This is mainly the case for loans and advances to customers and more specifically for exposures in the retail banking segment, as for corporate loans and other exposures there is more information about the borrower that is used to identify a significant increase in credit risk. The table below presents an aging analysis of the gross carrying amount of loans and advances to customers.

Loans granted and customer advances:	31.12.2024		31.12.2023	
	Gross book value	Expected credit losses	Gross book value	Expected credit losses
	BGN '000	BGN '000	BGN '000	BGN '000
0-29 days	222,334	445	188,436	493
30-59 days	145	13	153	28
60-89 days	114	16	99	16
90-180 days	16	16	28	21
More from 181 days	1,089	943	2,137	908
Total	223,698	1,433	190,853	1,466

Collateral and other credit enhancements

The Group holds collateral or other credit enhancements to mitigate the credit risk associated with financial assets. The main types of collateral and the types of assets to which they are linked are listed in the table below. The collateral presented relates to instruments that are measured at fair value through

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OCI, amortised cost and fair value through profit or loss.

Type of claim	Type of collateral
Loans and advances granted to banks	Not applicable
Mortgages	Residential and commercial real estate
Consumer Loans	Surety
Corporate Loans	Contractual and legal mortgages; registered pledges under the Public Insurance Act and the Insurance Taxes Act, insurance policies
Investments in securities	Contractual and legal mortgages; registered pledges under the Public Insurance Act and the Insurance Taxes Act, insurance policies

There has been no change in the Group's collateral recognition policy during the year. Further details on collateral held for certain types of financial assets can be found below.

Mortgage loans

The group holds residential property as collateral for the mortgage loans it provides to its clients. The bank monitors its exposure to retail mortgage lending using the loan-to-value (LTV) ratio, which is calculated as the ratio of the gross amount of the loan - or the amount set aside for loan commitments - to the value of the collateral. The valuation of the collateral excludes any adjustments to obtain and sell the collateral. The value of collateral shall be updated periodically. The tables below show mortgage exposures by LTV ranges.

Mortgage lending	2024		2023	
	Gross book value	Impairment loss	Gross book value	Impairment loss
LTV ratio	BGN '000	BGN '000	BGN '000	BGN '000
Less from 50%	9,662	(3)	7,287	(1)
51-70%	15,169	-	9,347	-
71-90%	10,980	-	9,582	-
91-100%	458	-	1,417	-
More than 100%	-	-	-	-
Total	36,269	(3)	27,633	(1)

Credit commitments – Mortgage lending	2024		2023	
	Commitment amount	Impairment loss	Commitment amount	Impairment loss
LTV ratio	BGN '000	BGN '000	BGN '000	BGN '000
Less from 50%	966	(2)	40	-
51-70%	129	-	130	-
71-90%	29	-	-	-
91-100%	-	-	29	-
More than 100%	-	-	-	-
Total	1,124	(2)	199	-

Offsetting financial assets and financial liabilities

In 2024, there is no offsetting of financial assets with financial liabilities.

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Summary information on the quality of the loan portfolio

The structure of the loan portfolio by type of client is as follows:

	31.12.2024			
	Phase 1	Phase 2	Phase 3	Total book value
	BGN '000	BGN '000	BGN '000	BGN '000
Private companies	86,085	11,238	1,591	98,914
Households and individuals	68,309	201	1,114	69,624
Financial entities	46,331	8,501	-	54,832
Local budgets	328	-	-	328
TOTAL BOOK VALUE	201,053	19,940	2,705	223,698
Impairments for uncollectibility	(424)	(23)	(986)	(1,433)
TOTAL BALANCE SHEET VALUE	200,629	19,917	1,719	222,265

	31.12.2023			
	Phase 1	Phase 2	Phase 3	Total book value
	BGN '000	BGN '000	BGN '000	BGN '000
Private companies	85,996	9,967	3,186	99,149
Households and individuals	55,035	468	1,418	56,921
Financial entities	23,622	10,734	-	34,356
Local budgets	427	-	-	427
TOTAL BOOK VALUE	165,080	21,169	4,604	190,853
Impairments for uncollectibility	(423)	(48)	(995)	(1,466)
TOTAL BALANCE SHEET VALUE	164,657	21,121	3,609	189,387

Information on large exposures in the Group's credit portfolio (initial exposures representing 10% or more of the Bank's regulatory eligible capital) by carrying amount as of 31 December 2024 and 2023 is presented in the table below:

	As at 31 December 2024		As at 31 December 2023	
	(BGN '000)	% of capital base	(BGN '000)	% of capital base
Largest total exposure to client group	51,633	80.28	39,875	73.94
Total of the five largest exposures to clients	56,189	87.37	55,324	102.59
Total amount of all large exposures (over 10% of the capital base) to clients	69,284	107.73	100,468	186.31

Information on the exposures in the Bank's credit portfolio that are secured is presented in the table below:

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	As at 31.12.2024	As at 31.12.2023
Secured by cash funds and government securities	18,619	19,897
Secured by mortgage	123,873	103,978
Financial insurance	20,807	12,098
Pledge of corporate securities	12,013	12,722
Pledge of movable property	10,173	9,957
Pledge of commercial enterprise	153	327
Pledge of receivables	2	228
Suretyship and joint and several liability responsibility	1,567	2,125
Unsecured	36,491	29,521
	<u>(1,433)</u>	<u>(1,466)</u>
Impairments for uncollectibility	<u>222,265</u>	<u>189,387</u>
Total		

Business sector, classification group and delinquencies as of 31 December 2024:

Sector	Size Group	Number of transactions	Debt	Incl. arrears on		Judicial receivables	Expected credit losses	Unused commitment
				Principal	Interest			
Retail	performing	5,328	68,510	20	6	-	228	8,015
	non-performing	211	1,114	43	20	903	981	25
Total		5,539	69,624	63	26	903	1,209	8,040
Corporate	performing	136	152,484	-	-	148	4	-
	non-performing	5	1,590	16	7	148	224	9,360
Total		141	154,074	16	7	148	224	9,360
Total	Total portfolio	5,680	223,698	79	33	1,051	1,433	17,400

Business sector, classification group and delinquencies as of 31 December 2023:

Sector	Size Group	Number of transactions	Debt	Incl. arrears on		Judicial receivables	Expected credit losses	Unused commitment
				Principal	Interest			
Retail	performing	5,259	55,504	26	9	-	276	8,254
	non-performing	219	1,417	48	19	902	725	9
Total		5,478	56,921	74	28	902	1,001	8,263
Corporate	performing	150	130,746	-	-	1,096	270	-
	non-performing	6	3,186	-	-	1,096	465	8,967
Total		156	133,932	-	-	1,096	465	8,967
Total	Total portfolio	5,634	190,853	74	28	1,998	1,466	17,230

29.2 Liquidity risk

The liquidity risk arises from the discrepancy between the maturity of assets and liabilities and the lack of sufficient funds with which the Group can meet payments on current financial liabilities, as well as to provide funding for the increase in financial assets and possible off-balance-sheet liability claims.

The Group follows the obligations and restrictions arising from the Credit Institutions Act and Ordinance 11 of the Bulgarian National Bank on the Management and Supervision of Banks' Liquidity, as well as the regulatory requirements for liquidity under Regulation (EU) 575/2013. The specialized collective body for liquidity management in the Bank is the Assets and Liabilities Management Committee. It conducts the adopted by the Group management liquidity risk management policy.

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A quantitative measure of liquidity risk, in accordance with BNB regulations, is the Liquidity Coverage Ratio. The Liquidity Coverage Ratio as of 31.12.2024 is 130.66% (2023: 210.85%) and exceeds the regulatory requirement of 100%. The Bank monitors additional liquidity indicators, such as concentration of funding by counterparties and the capacity to generate liquidity by issuers, types of products and by currencies, by interest rates, as well as funding renewal.

The Group maintains a significant volume of highly liquid assets – cash in hand and in the BNB, in the amount of BGN 127,024 thousand, which guarantee it to meet its liquidity needs without any problems. Their share as of 31 December 2024 is approximately 18.42% of the Group's total assets. As an additional tool for ensuring high liquidity, the Group uses resources provided on current accounts and advances to financial institutions. These are mainly deposits in international and Bulgarian financial institutions with a maturity of up to 7 days, as of 31 December 2024, those that are not encumbered by a pledge amount to BGN 13,716 thousand and represent 1.99% of total assets. The government securities held by the Group that are not blocked amount to BGN 28,758 thousand and represent 4.17% of its assets. By maintaining over 20% of its assets in quick-liquid assets, the Group is able to ensure timely meeting of all its payment needs on its financial liabilities.

The distribution of the Bank's financial assets and liabilities as of 31 December 2024, according to their remaining maturity, is as follows:

2024	Up to 1 month	From 1 to 3 months	From 3 months up to 1 year	Over 1 year	Total
FINANCIAL ASSETS					127,074
Cash and cash balances with central banks	127,074	-	-	-	48,759
Financial assets at fair value through profit or loss	-	292	48,091	376	82,548
Debt instruments at fair value through other comprehensive income	502	835	9,172	72,039	9,896
Equity instruments at fair value through other comprehensive income	-	-	-	9,896	48,966
Resources provided and deposits to banks	48,966	-	-	-	222,265
Loans and receivables from customers	2,158	17,737	37,439	164,931	50,367
Receivables on securities repurchase agreements	12,443	16,106	21,818	-	57,507
Debt instruments at amortised cost	-	-	-	57,507	647,382
TOTAL FINANCIAL ASSETS	191,143	34,970	116,520	304,749	647,382
FINANCIAL LIABILITIES					1,870
Deposits by credit institutions	1,870	-	-	-	609,993
Deposits from customers other than credit institutions	461,545	35,860	107,882	4,706	-
Debt securities issued	-	-	-	-	611,863
TOTAL FINANCIAL LIABILITIES	463,415	35,860	107,882	4,706	611,863

The distribution of the Bank's financial assets and liabilities as of 31 December 2023, according to their remaining maturity, is as follows:

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2023	Up to 1 month	From 1 to 3 months	From 3 months up to 1 year	Over 1 year	Total
FINANCIAL ASSETS					
Cash and cash balances with central banks	184,820	-	-	-	184,820
Financial assets at fair value through profit or loss	-	-	43,952	243	44,195
Debt instruments at fair value through other comprehensive income	120	405	3,026	44,597	48,148
Equity instruments at fair value through other comprehensive income	-	-	-	7,575	7,575
Resources provided and deposits to banks	24,012	-	306	-	24,318
Loans and receivables from customers	3,969	18,384	31,813	135,221	189,387
Receivables on securities repurchase agreements	13,457	11,952	18,919	-	44,328
Debt instruments at amortised cost	-	-	-	57,648	57,648
TOTAL FINANCIAL ASSETS	226,378	30,741	98,016	245,284	600,419
FINANCIAL LIABILITIES					
Deposits by credit institutions	1,901	-	-	-	1,901
Deposits from customers other than credit institutions	472,163	25,160	57,047	13,857	568,227
Debt securities issued	-	-	-	8,074	8,074
TOTAL FINANCIAL LIABILITIES	474,064	25,160	57,047	21,931	578,202

29.3 Market risk

Market risk is the current or potential risk to income and capital arising from adverse changes in exchange rates, market interest rates, prices of equity instruments, bonds or commodities. Market risk refers to balance sheet and off-balance sheet items that are subject to losses arising from movements in market prices. According to the risk factors to which the Group's positions are exposed, market risk is mainly divided into the following subcategories :

- Currency risk related to currency positions arising as a result of the Bank's overall activities;
- Price risk associated with positions in equity instruments;
- General and specific interest rate risk associated with positions in debt securities (reported at fair value).

The Group measures market risk using the Value at Risk (VaR) indicator. This is a comprehensive quantitative measure of the risk of a given portfolio, which indicates the maximum potential loss from a financial portfolio within a specific period of time, at a certain level of confidence and usual market conditions. Market risk control processes include daily measurement, monitoring and reporting of volume, potential loss and value at risk limits / VaR (99%, 1 day)/.

Value at Risk / VaR (99%, 1 day)/ at the end of the reporting period:

31.12.2024	Value at risk / VaR (1 day, 99%)/
PORTFOLIO	2
Foreign exchange portfolio	138
Portfolio of shares held for trading	95
Portfolio of equity instruments at fair value in other comprehensive income	590
Portfolio of debt securities measured at fair value in other comprehensive income	

Value at Risk / VaR (99%, 1 day)/ at the end of the reporting period:

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	Value at risk / VaR (1 day, 99%)/
31.12.2023	
PORTFOLIO	1
Foreign exchange portfolio	116
Portfolio of shares held for trading	47
Portfolio of equity instruments at fair value in other comprehensive income	512
Portfolio of debt securities measured at fair value in other comprehensive income	

In addition to daily measurement of value at risk, the Group monitors and analyzes the value at risk under stress conditions. According to an adopted methodology, historical data on risk factors influencing the value of positions in the Group's individual financial portfolios are analyzed, determining the most crisis period with the highest volatility. The assessment of price risk under stress conditions, arising from adverse changes in share prices in the trading and banking portfolios, is performed by calculating the value at risk using Monte Carlo simulation, with the calculated daily value at risk under normal conditions being multiplied by a stress factor reflecting the increased volatility in share prices in the established crisis period compared to that reported under normal conditions.

	Value at risk / VaR (1 day, 99%)/	Value at risk / sVaR (1 day, 99%)/ under stress conditions
31.12.2024		
Stock portfolio	138	540
31.12.2023		
Stock portfolio	116	454

29.4 Currency risk

Currency risk represents the potential opportunity for the Bank to incur a loss as a result of changes in exchange rates. In the Republic of Bulgaria, the exchange rate of the Bulgarian lev to the euro is fixed by the Currency Board Law. The fixed exchange rate is regulated in Art. 29 of the Bulgarian National Bank Law (BNB). The Bank's position in euro does not carry any risk for the Bank. The risk-weighted net foreign exchange position as of 31 December 2024 in financial instruments denominated in currencies other than BGN or EUR is below 2% of the capital base and no capital requirements for foreign exchange risk should be applied by the Bank.

The currency structure of financial assets and liabilities at book value as of 31 December 2024 is as follows:

	BGN	EUR	Other currencies	Total
FINANCIAL ASSETS				
Cash and cash balances with central banks	88,713	36,590	1,771	127,074
Financial assets at fair value through profit or loss	45,982	367	2,410	48,759
Debt instruments at fair value through other comprehensive income	43,401	39,147	-	82,548
Equity instruments at fair value through other comprehensive income	9,425	471	-	9,896
Resources provided and deposits to banks	20,938	14,992	13,036	48,966
Loans and receivables from customers	171,727	50,538	-	222,265
Receivables on securities repurchase agreements	50,367	-	-	50,367
Debt instruments at amortised cost	22,088	35,419	-	57,507
TOTAL ASSETS	452,641	177,524	17,217	647,382

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FINANCIAL LIABILITIES			1,870	1,870
Deposits by credit institutions	-	-	13,622	609,993
Deposits by clients, other than credit institutions	409,983	186,388	-	-
Debt securities issued	-	-	-	-
TOTAL LIABILITIES	<u>409,983</u>	<u>186,388</u>	<u>15,492</u>	<u>611,863</u>
NET POSITION	<u>42,658</u>	<u>(8,864)</u>	<u>1,725</u>	<u>35,519</u>

The currency structure of financial assets and liabilities by carrying amount as of 31 December 2023 is as follows:

	BGN	EUR	Other currencies	Total
FINANCIAL ASSETS				184,820
Cash and cash balances with central banks	120,725	62,577	1,518	184,820
Financial assets at fair value through profit or loss	42,188	100	1,907	44,195
Debt instruments at fair value through other comprehensive income	31,775	16,373	-	48,148
Equity instruments at fair value through other comprehensive income	7,017	456	102	7,575
Resources provided and deposits to banks	994	11,328	11,996	24,318
Loans and receivables from customers	156,416	32,970	1	189,387
Receivables on securities repurchase agreements	44,328	-	-	44,328
Debt instruments at amortised cost	22,231	35,417	-	57,648
TOTAL ASSETS	<u>425,674</u>	<u>159,221</u>	<u>15,524</u>	<u>600,419</u>
FINANCIAL LIABILITIES				1,901
Deposits by credit institutions	-	-	1,901	1,901
Deposits by clients, other than credit institutions	395,775	159,030	13,422	568,227
Debt securities issued	8,074	-	-	8,074
TOTAL LIABILITIES	<u>403,849</u>	<u>159,030</u>	<u>15,323</u>	<u>578,202</u>
NET POSITION	<u>21,825</u>	<u>191</u>	<u>201</u>	<u>22,217</u>

As of 31 December 2024 and 2023, financial assets and liabilities in the "Other currencies" category primarily represent financial assets and liabilities denominated in US dollars and Swiss francs.

29.5 Interest rate risk

Interest rate risk is the probability of a potential change in net interest income or net interest margin due to a change in general market interest rates. The Group's interest rate risk management seeks to minimize the risk of a decrease in net interest income as a result of changes in interest rates.

To measure and evaluate the interest rate risk, the Group uses the GAP-analysis (disparity/imbalance analysis) method. It identifies the sensitivity of expected income and expenses to the development of the interest rate.

The GAP-analysis method aims to determine the position of the Group, in general and by individual types of financial assets and liabilities, in relation to expected changes in interest rates and the impact of this change on net interest income. It supports the management of assets and liabilities and is a tool for ensuring sufficient and stable net interest profitability.

The Group's imbalance between interest-bearing assets and interest-bearing liabilities as of 31 December 2024 is as follows:

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	Up to 1 month	From 1 to 3 months	From 3 months to 1 year	Over 1 year	Total
INTEREST-BEARING ASSETS					
Debt instruments at fair value through other comprehensive income	502	835	9,172	72,039	82,548
Debt instruments at fair value in trading portfolio	-	292	-	376	668
Resources and deposits provided to banks	48,966	-	-	-	48,966
Loans and receivables from customers*	342	219,160	1,328	1,435	222,265
Receivables on securities repurchase agreements	12,443	15,236	22,688	-	50,367
Debt instruments at amortized cost	-	-	-	57,507	57,507
TOTAL INTEREST-BEARING ASSETS	62,253	235,523	33,188	131,357	462,321
INTEREST-BEARING LIABILITIES					
Deposits from credit institutions	1,870	-	-	-	1,870
Deposits from other customers other than credit institutions	461,545	35,860	107,882	4,706	609,993
Debt securities issued	-	-	-	-	-
TOTAL INTEREST-BEARING LIABILITIES	463,415	35,860	107,882	4,706	611,863
IMBALANCE BETWEEN INTEREST-BEARING ASSETS AND LIABILITIES, NET	(401,162)	199,663	(74,694)	125,651	(149,542)

The Group's imbalance between interest-bearing assets and interest-bearing liabilities as of 31 December 2023 is as follows:

	Up to 1 month	From 1 to 3 months	From 3 months to 1 year	Over 1 year	Total
INTEREST-BEARING ASSETS					
Debt instruments at fair value through other comprehensive income	120	405	3,026	44,597	48,148
Debt instruments at fair value in trading portfolio	-	-	52	191	243
Resources and deposits provided to banks	24,318	-	-	-	24,318
Loans and receivables from customers*	12,189	172,966	1,521	2,711	189,387
Receivables on securities repurchase agreements	13,457	11,675	19,196	-	44,328
Debt instruments at amortized cost	-	-	-	57,648	57,648
TOTAL INTEREST-BEARING ASSETS	50,084	185,046	23,795	105,147	364,072
INTEREST-BEARING LIABILITIES					
Deposits from credit institutions	1,901	-	-	-	1,901
Deposits from other customers other than credit institutions	472,163	25,160	57,047	13,857	568,227
Debt securities issued	-	-	-	8,074	8,074
TOTAL INTEREST-BEARING LIABILITIES	474,064	25,160	57,047	21,931	578,202
IMBALANCE BETWEEN INTEREST-BEARING ASSETS AND LIABILITIES, NET	(423,980)	159,886	(33,252)	83,216	(214,130)

* Fixed income instruments are allocated according to their remaining term to maturity, and variable income instruments according to the remaining term to the next interest rate change date.

In accordance with the European Banking Authority Guidelines EBA/GL/2022/14 on criteria for the identification, evaluation, management and mitigation of the risks arising from potential changes in interest rates and for the assessment and monitoring of credit spread risk of institutions' non-trading book activities, the Bank measures the interest rate risk in the banking book in terms of profitability and in terms of economic value. In order to maintain the exposure to interest rate risk within acceptable limits, in line with the Bank's risk tolerance and in line with the EBA Guidelines, the impact on the economic value of equity (EVE) of a sudden parallel shift in the yield curve is calculated according to the following interest rate shocks:

- parallel shock up;
- parallel shock down;
- steepener shock (short rates down and long rates up);
- flatterer shock (short rates up and long rates down);
- short rates shock up;
- short rates shock down.

29.6 Operational risk

Operational risk is the risk of loss arising from inadequate or poorly functioning internal processes, people and systems, or from external events, including legal risk.

Operational risk shall be identified and measured as comprehensively as possible with a view to establishing appropriate measures to avoid, mitigate, transfer or intentionally assume it.

30. CAPITAL MANAGEMENT

The Group has set itself the objective of maintaining high levels of capital adequacy that correspond to its risk profile. The capital management policy seeks to provide adequate coverage of risks arising in the normal process of banking as well as risks of occurrence of unforeseen circumstances.

The Bank is subject to regulation regarding the fulfilment of the capital adequacy requirements under the Bulgarian legislation. In Bulgaria, the registered share capital of a bank may not be less than BGN 10 million, and there is an additional requirement at any time that the Bank's own capital (capital base) does not fall below this specified minimum.

The management of the Bank effectively manages its capital position, with the main priority in capital management being compliance with regulatory requirements for capital adequacy, maintaining a sufficient amount of capital to ensure an adequate level of coverage of the risks assumed, as well as a capital buffer to overcome stress conditions without jeopardizing business activity.

The total amount of regulatory equity of Texim Bank AD as of 31.12.2024 is BGN 64,313 thousand, with Common Equity Tier 1 capital amounting to BGN 64,313 thousand.

Structure and elements of equity as of 31.12.2024 in thousands of BGN:

TEXIM BANK AD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDING 31 DECEMBER 2024

All amounts are in thousand BGN, unless otherwise stated

As of 31.12.2024

	64,313
Equity	36,795
Registered and paid-up capital	908
Retained earnings from past years	9,122
Accumulated other comprehensive income	13,200
Premium reserves	5,426
Other reserves	(993)
Intangible assets	-
Deferred tax assets	(145)
Prudential assessment requirements	<u>64,313</u>
Common Equity Tier 1 capital	

The Bank's capital adequacy ratios significantly exceed the regulatory minimum ratios, with their values as of 31.12.2024 being as follows:

- Common Equity Tier 1 ratio – 19.41%, with a regulatory requirement of 4.5%;
- Tier 1 capital ratio – 19.41%, with a regulatory requirement of 6%;
- Total capital adequacy ratio – 19.41 %, with a regulatory requirement of 9.75%.

The total amount of statutory capital requirements as of 31.12.2024 is BGN 26,506 thousand, and their structure by risk type is as follows:

- Capital requirements for credit risk – BGN 23,732 thousand;
- Capital requirements for operational risk – BGN 2,774 thousand.

In accordance with the requirements of Ordinance No 8 of the BNB on capital buffers, the Bank maintains a capital conservation buffer of 2.5% of its total risk exposure, a systemic risk buffer of 3% of risk-weighted exposures located on the territory of the Republic of Bulgaria and a countercyclical buffer of 2% of risk-weighted exposures. As of 31.12.2024, their amounts are BGN 8,283 thousand (2023: BGN 7,612 thousand), BGN 9,601 thousand (2023: BGN 8,924 thousand) and BGN 6,494 thousand (2023: BGN 5,937 thousand), respectively.

The excess of Common Equity Tier 1 capital reported by the Bank as of 31.12.2024 amounts to BGN 49,403 thousand (2023: BGN 40,225 thousand) and fully covers the current regulatory requirements for capital buffers.

31. OTHER REGULATORY DISCLOSURES

According to the requirements of art. 70, para. 6 of the Credit Institutions Act, banks are obliged to disclose some quantitative and qualitative data related to basic financial and other indicators separately for the Republic of Bulgaria, for the other EU Member States and for the third countries in which the Bank has subsidiaries or has established branches.

As disclosed in Note 1, Texim Bank AD, Sofia operates on the basis of a banking license granted by the BNB, under which it can attract deposits in national and foreign currency, provide loans in national and foreign currency, open and maintain nostro accounts in foreign currency abroad, carry out transactions in securities, with foreign currency, as well as to carry out other banking operations and transactions permitted by the Credit Institutions Act.

The names, geographical positions and descriptions of the activities of the subsidiaries of Texim Bank AD in accordance with the requirements of Art. 70, para. 6 of the Credit Institutions Act are disclosed in Explanation 1 of the Annual Consolidated Financial Statements.

TEXIM BANK AD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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All amounts are in thousand BGN, unless otherwise stated

The Group has no subsidiaries and branches registered outside the Republic of Bulgaria.

The aggregated quantitative indicators on a consolidated basis relating to the statutory disclosures required by the Credit Institutions Act are as follows:

	2024	2023
Turnover amount	27,214	24581
Total operating income	25,026	22,130
Financial result from operations before tax	2532	2,432
Accumulated tax on financial result from operations	28	(51)
Yield on assets (%)	0.39	0.39
Assumed number of full-time employees as of 31 December according to the Methodology of the National Statistical Institute (NSI)	285	279
Received state subsidies	-	-

The Group provides services as an investment intermediary in accordance with the provisions of the Public Offering of Securities Act (POSA). As an investment intermediary, the Group should meet certain requirements for the protection of clients' interests under the Markets in Financial Instruments Act (MFIA) and Ordinance 38 issued by the Financial Supervision Commission (FSC). The Group has established and implemented an organization related to the conclusion and execution of contracts with customers, to the requirement of information from clients, to the keeping of records and the storage of client assets, in accordance with the regulatory framework and in particular the requirements of Ordinance 38, art. 28-31. The Group has established internal control rules and procedures to ensure compliance with the regulations referred to above.

32. CONTINGENT AND IRREVOCABLE LIABILITIES ASSUMED

The conditional and irrevocable commitments assumed by the Group consist of issued guarantees, undrawn funds under agreed credits and overdrafts.

As of 31 December 2024 and 2023, the Group has issued guarantees to customers in favor of third parties in the amount of BGN 21,864 thousand and BGN 16,513 thousand, respectively, which represent performance guarantees secured by blocked funds with the Bank or other assets of customers.

Undrawn commitments under agreed loans and overdrafts as of 31 December 2024 and 2023 amount to BGN 17,400 thousand and BGN 17,230 thousand, respectively.

As of 31 December 2024 and the date of approval of these consolidated financial statements, there are no legal proceedings initiated against the Group (2023: no legal proceedings).

33. EVENTS AFTER THE REPORTING DATE

No adjusting events or significant non-adjusting events have occurred between the date of the consolidated financial statements and the date of approval for issue.



**ANNUAL CONSOLIDATED
MANAGEMENT REPORT OF
TEXIM BANK AD**

2024

Sofia

28 April 2025

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This annual consolidated management report has been prepared on the grounds and in compliance with the requirements of the Accountancy Act, the Public Offering of Securities Act, Ordinance 2 dated 9.11.2021 on initial and subsequent disclosure of information in public offering of securities admission of securities to trading on a regulated market, Regulation (EU) No. 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms and the National Corporate Governance Code.

I. ORGANISATION OF THE OPERATIONS OF THE GROUP OF TEXIM BANK AD

As at 31.12.2024 the group of Texim Bank AD (the Group) consists of the parent company Texim Bank AD (the Bank) and its controlled companies UD Texim Asset Management EAD, Texim Project Company EOOD, Texim Solutions EOOD and Texim Investments EOOD.

Texim Bank AD is the oldest private bank in the Republic of Bulgaria. The Bank is a joint stock company registered in the Republic of Bulgaria in 1992 (decision of the Sofia City Court of 14.09.1992, company file No 24103/1992), licensed by the Bulgarian National Bank under license B-27, issued on the basis of Protocol No 50/04.09.1992 of the BNB Management Board for carrying out banking transactions in the country and abroad, updated by Decision of the BNB Governing Council No 248 of 11.04.1997, updated with orders of the Governor of BNB No 100-0570 of 23.12.1999; No RD22-0687/03.08.2006; No RD 22-0852 dated 07.05.2007; RD 22-2268 of 16.11.2009 By Order of the BNB Governor No RD22 – 1351/06.07.2012, the name of the Bank was amended, namely Texim Bank AD. By Order of the BNB Deputy Governor – 121456/21.07.2017, the Bank's activity also includes the issuance of electronic money. The Bank has a universal license to carry out all types of banking transactions in the country and abroad.

Texim Bank AD is a licensed investment intermediary, being entered in the register of the Financial Supervision Commission under reg. No 03-161 of 18.02.1998. The Bank performs all the services that may be provided by an investment intermediary referred to in Article 6, par. 2 and 3 of the current Markets in Financial Instruments Act, including acting as a registration agent.

With Decision No 1112-BD of 29.11.2012 of the Deputy Chairman of the FSC, Head of the Investment Supervision Department, Texim Bank AD was included in the list of banks that can be depository under the Collective Investment Schemes and Other Collective Investment Undertakings Act. By Order No 115106/27.10.2021 of the BNB Deputy Governor in charge of the Banking Supervision Department, Texim Bank AD is included in the list of custodian banks under the Social Security Code.

The Bank is a public company, entered in the Register of Public Companies and Other Issuers maintained by the FSC by Resolution No. 81-PD dated 31.01.2013, pursuant to Art. 30, para. 1, item 3 of the FCS Act. By the Minutes No. 8/11.02.2013 of the Board of Directors of BSE AD, trading in shares of Texim Bank AD was admitted to the BSE Main Market, Standard Share Segment. The consolidated balance sheet of the Bank includes the companies Texim Project Company EOOD, Texim Solutions EOOD, Texim Investments EOOD and UD Texim Asset Management EAD which in turn manages the activities of four mutual funds: MF Texim Bulgaria; MF Texim Conservative Fund; MF Texim Balkans and MF Texim Commodity Strategies. The subsidiaries Texim Project Company EOOD, Texim Solutions EOOD and Texim Investments EOOD provide external services.

Texim Bank AD is a member of BSE AD, Central Depository AD, the Banking Organization for Card Payments (BORICA), the Bulgarian Association for Security in Card Payments (BASCR); National Card Scheme, European Payments Council - SEPA Credit Transfer Scheme, RINGS, full member of Visa Europe and MasterCard International, SWIFT, direct participant in TARGET. Since August 2012 the Bank is a member of the payment systems BISERA 6, BISERA and SEBRA. Texim Bank AD is a member of the Association of Banks in Bulgaria and the Bulgarian Association of Licensed Investment Intermediaries. The bank has been an agent of EasyPay, a registration body of InfoNotary since 2011.

As of 31.12.2024, the Bank operates through its Head Office and 32 offices in 23 locations. As on 31.12.2024, the Bank's headcount is 281 employees as against 275 employees in 2023. The registered address of Texim Bank AD is Sofia, Blvd. Todor Alexandrov No 117. As at 31.12.2024 the Group's employees are 293.

Texim Asset Management EAD is a joint-stock company entered in the register of companies under No 101362, item 1357, p. 39 under company case № 1424/ 2006, with UIC 175027521, with headquarters and address of management: Sofia, bul. 117 Todor Alexandrov. The company has received license № 62-УД/16.09.2019, issued on the basis of Decision № 79-УД of 1 February 2006 of the Financial Supervision Commission, to operate as a Management Company:

- Management of the activities of collective investment schemes including investment management;
- Administration of units, including legal and accounting services related to asset management, requests for investor information, valuation of assets and calculation of unit prices, control of compliance with legal requirements, risk management, keeping the book of unit-holders, in the case of carrying out the activity of managing a collective investment scheme originating in another Member State, distribution of dividends and other payments, issuance, sale and redemption of units, execution of contracts, record-keeping;
- Marketing services;

As well as to provide the following additional services:

- Management of the activities of national investment funds;
- Management in accordance with a portfolio contract concluded with the client, including the portfolio of a collective investment undertaking including financial instruments, at its discretion, without specific client orders;
- Provision of investment advice on financial instruments;
- Storage and administration of units of collective investment undertakings.

UD Texim Asset Management EAD manages the activities of four mutual funds: MF Texim Bulgaria; MF Texim Conservative Fund; MF Texim Balkans and MF Texim Commodities Strategy. Funds differ in their risk profile and the type of investors they are targeted. As of 31.12.2024, the total value of assets under management of Texim Asset Management EAD increases and reaches BGN 50 225 thousand, compared to BGN 46 386 thousand as at 31.12.2023.

As at 31.12.2024 the Parent Bank owns 100% of the shares of Texim Project Company EOOD. The subsidiary Texim Project Company EOOD is a sole owned limited liability company and its registered address is 117 Todor Alexandrov Blvd., Sofia, Bulgaria.

The main activity of "Texim Project Company" EOOD is the provision of all types of services and the performance of all types of activities related to real estate, including but not limited to management, maintenance, administration, construction, information processing, rental; as well as the acquisition, management and disposal of real estate; marketing activities; commercial representation and brokerage; as well as any other activities not prohibited by law.

As of 31.12.2024, the Parent Bank owns 100% of the shares of Texim Solutions EOOD. The subsidiary Texim Solutions EOOD is a limited liability company and its registered address is 117 Todor Alexandrov Blvd., Sofia, Bulgaria.

The main activity of the company is "Texim Solutions" EOOD is providing services, including but not limited to the provision, maintenance and management of IT resources, consulting services related to: participation in projects in company analysis, development of business strategies, strategic transactions and management, human resources management, corporate financing, etc., marketing activities, commercial representation and intermediation, as well as any other activities not prohibited by law.

As at 31.12.2024 the Parent Bank owns 100% of the shares of Texim Investments EOOD. The subsidiary Texim Investments EOOD is a limited liability company and its registered address is 117 Todor Alexandrov Blvd., Sofia, Bulgaria.

The principal activity of Texim Investments EOOD is the provision of all services and performance of all activities related to real estate, including acquisition, management, rental and disposition of real estate; consulting services, including research and development of business strategies, strategic transactions and management; commercial representation and brokerage; investing in the construction of renewable energy sources; sale on installment and lease of solar installations; all additional and supporting commercial activities related to installment sales and leasing; as well as any other activities not prohibited by law.

II. FINANCIAL OVERVIEW OF THE ACTIVITIES

	2024	2023	2022
Financial indicators (BGN thousand)			
Net interest income	17,028	15,656	10,416
Revenues from fees and commissions, net	5,578	5,160	4,668
Net gains on financial assets at fair value	3,078	2,841	2,639
Total net operating income	25,026	22,130	18,541
Administrative expenses	(18,361)	(15,616)	(13,899)
Depreciation expenses	(3,744)	(3,794)	(3,758)
Net expenses from impairment and uncollectability	(310)	(596)	(56)
Profit for the year	2,560	2,381	315
Balance sheet indicators (thousand BGN)			
Total assets	690,013	645,111	597,236
Loans and receivables, net	271,231	213,705	203,207
Financial assets at fair value	141,203	99,918	75,685
Deposits and loans from credit institutions	1,870	1,901	1,788
Deposits from customers other than credit institutions and lease liabilities	614,808	573,225	528,262
Total equity	69,826	58,024	40,579

2.1. KEY FINANCIAL INDICATORS

The ongoing military conflict in Ukraine, now in its third year, has contributed significantly to global geopolitical uncertainty and the accompanying high market volatility in financial markets. The armed conflict that erupted in 2023 in the Middle East region between Israel and the Islamic resistance movement Hamas further heightened geopolitical tensions not only in the region but also globally. This conflict remains unresolved in the fourth quarter of 2024, although efforts are underway by the new U.S. presidential administration to conclude a temporary ceasefire in the short term and a full resolution of the Middle East conflict in the longer term.

In response to high inflation, leading central banks in 2022 embarked on a determined cycle of restrictive monetary policy, consisting of substantial and rapid increases in key interest rates and attempts to contain the huge liquidity in financial markets following the global pandemic period. This trend continued in the second half of 2023, when leading central banks moved to a phase of keeping key interest rates high, awaiting further macroeconomic data in an environment of declining inflation to levels gradually approaching the long-term target of 2%. In early June 2024, the European Central Bank (ECB) lowered key interest rates in the euro area for the first time in many years, with a reduction in a minimal step of 25 basis points. In

addition, in September 2024, the ECB implemented another interest rate cut, and the US Federal Reserve (Fed) also began its rate cut cycle, reducing the federal funds rate by a one-off 50 basis points. In the fourth quarter of 2024, the ECB and the Fed continued their downward cycle, with both central banks cutting rates by 100 bp in total for the year. Expectations for further monetary easing globally remain, but there are some risks of a shift in some macroeconomic parameters, particularly in the US, where a new presidential administration took over in January 2025, and is pursuing new economic protectionist policies, including a series of local and global trade wars, as well as significant changes in global geopolitics.

The analysis and management of the different types of risk takes into account the guidelines of the European Banking Authority (EBA), in particular those related to the stress testing of institutions, as well as the procedures and methodology of the supervisory review and assessment process and supervisory stress tests, the management of interest rate risk arising from non-trading book activities, the management of non-performing and restructured exposures, etc.

As at 31.12.2024 the financial result of the Group is net profit in the amount of BGN 2,560 thousand.

As at 31.12.2024, the Group's key performance indicators are as follows:

- A year-on-year increase in the balance sheet figure of 6.96% was reported.
- The balance sheet value of the assets is BGN 690 013 thousand and increased by BGN 44 902 thousand compared to the same period of the previous year.
- Liabilities and equity - BGN 690 013 thousand, of which total equity - BGN 69 826 thousand, total liabilities - BGN 620 187 thousand, including deposits and loans from credit institutions BGN 1 870 thousand, deposits from other customers - BGN 614 808 thousand, including liabilities under leasing contracts – BGN 4 815 thousand, Total liabilities of the Group as at 31.12.2024 increase by 5.64% compared to the amount of liabilities as at 31.12.2023. The growth for the year is BGN 33 100 thousand.

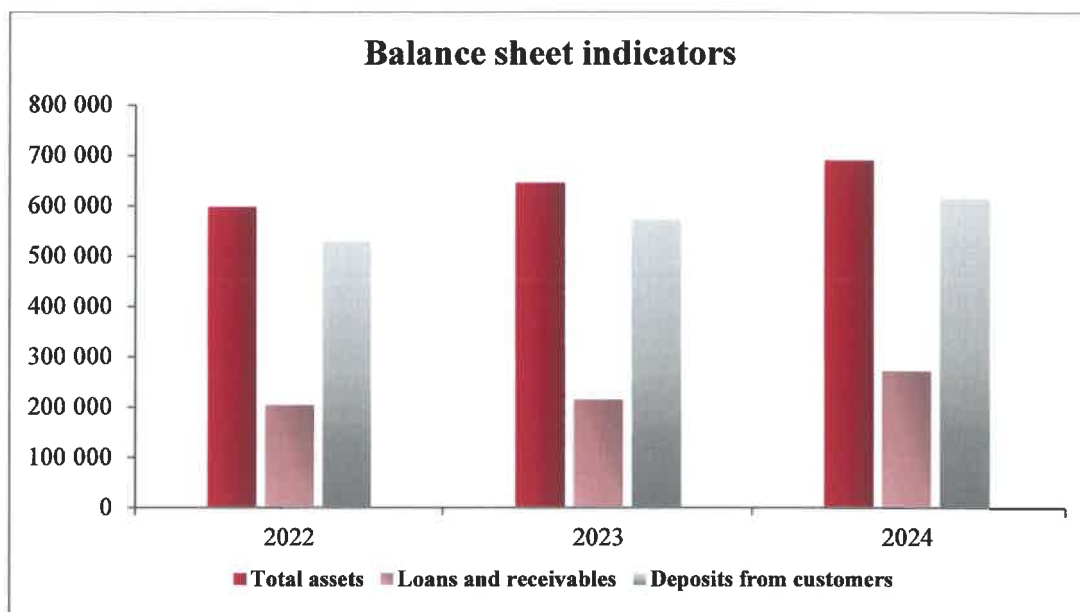
At the beginning of 2025, the financial strength rating of Texim Bank AD, assigned by BCRA, was updated. The results of the latest ratings awarded are as follows:

RATING OF FINANCIAL STRENGTH	Update 29.01.2025	Update 29.01.2024	Update 27.01.2023	Update 28.01.2022	Initial rating - 06.01.2021
Long-term rating:	BB	BB-	BB-	BB-	BB-
Perspective:	Stable	Positive	Positive	Stable	Stable
Short-term rating:	B	B	B	B	B
Long-term rating on a national scale:	BB+ (BG)	BB (BG)	BB (BG)	BB (BG)	BB- (BG)
Perspective:	Stable	Positive	Positive	Stable	Stable
Short-term rating on a national scale:	B (BG)	B (BG)	B (BG)	B (BG)	B (BG)

BCRA - Credit Rating Agency upgrades the Bank's long-term credit rating from BB- to BB, changing its perspective from positive to stable, while maintaining the short-term rating at B. BCRA upgrades the Bank's long-term national scale rating from BB (BG) to BB+ (BG), changing the perspective from 'positive' to 'stable', while maintaining the short-term national scale rating at B (BG).

2.2. FINANCIAL OVERVIEW OF THE ACTIVITY

2.2.1. Asset structure



- The cash on hand and on current accounts with the BNB amounted to BGN 127 074 thousand and accounted for 18.42% of the balance sheet figure, compared to 28.65% in the previous year; the resources provided to banks amounted to BGN 48 966 thousand; loans and receivables from customers other than credit institutions - BGN 222 265 thousand; receivables on redemption of securities - BGN 50 367 thousand; financial assets at fair value through other comprehensive income - BGN 92 444 thousand, financial assets at fair value through profit or loss - BGN 48 759 thousand; debt instruments at amortised cost - BGN 57 507 thousand; property, plant and equipment - BGN 24 365 thousand, intangible assets - BGN 2 339 thousand; investment property - BGN 7 689 thousand; other assets - BGN 8 196 thousand and goodwill - BGN 42 thousand.

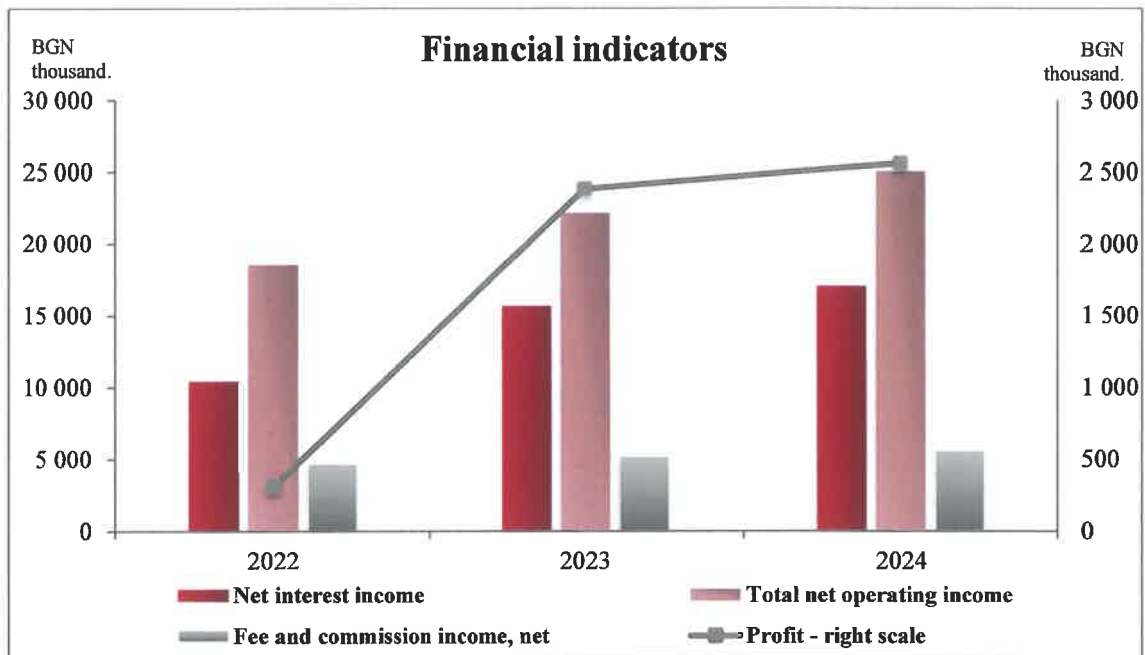
- Funds in accounts with correspondent banks and deposits granted to credit institutions are weighted at 7.10% of the balance sheet figure, compared to 3.77% in 2023. Investments in financial assets in the form of shares, government securities and corporate bonds increased marginally as their relative share in the Group's assets as at 31.12.2024 was 28.80%, compared to 24.42% in 2023. Investing in debt instruments is a means of improving the Group's profitability.

2.2.2 Structure of the liability

The Group maintains a stable upward trend in the value of funds raised, more pronounced in the last three years (2022 - 2024). To a large extent, the structure of funds raised was optimised during the year to achieve higher profitability. Measures were taken to diversify the resource raised in terms of sources and maturity of the resource. The relative share of deposits from customers other than credit institutions, including liabilities under lease contracts, increased by 7.25% compared to 2023, reaching BGN 614 808 thousand, including BGN 261 218 thousand of deposits of individuals and households - residents and non-residents.

The equity of the Group as at 31 December 2024 is BGN 69 826 thousand.

2.2.3. Revenue and expenditure analysis



The Group's income and expenses in 2024 are a reflection of the general economic environment. Total net operating income amounts to BGN 25 026 thousand, compared to BGN 22 130 thousand in 2023, an increase of 13.09%. The ratio of these revenues to assets is 3.63%, compared to 3.43% at 31.12.2023.

- The net interest income in 2024 increased compared to 2023 by 8.76% and reached BGN 17 028 thousand compared to BGN 15 656 thousand in the previous year. Net interest income is the main source of income for the Group and represents 68.04% of net operating income. In the structure of interest income, the share of interest income from loans and receivables, including securities repurchase agreements / repo transactions / is reduced to 81.65%, compared to 87.45% in 2023. Interest income related to debt instruments increased by 67.91%.

- During the year, the Group's interest expenses increased in absolute terms by BGN 368 thousand, or by 42.11%, while borrowings from customers other than credit institutions increased by 7.25%. An increase was recorded in interest expenses of customers other than credit institutions - by BGN 572 thousand. As at 31.12.2024, the reported interest expenses on debt securities issued amounted to BGN 15 thousand, compared to BGN 288 thousand at the end of the previous year. The reported interest expense on lease contracts under IFRS 16 amounts to BGN 181 thousand, compared to BGN 153 thousand in 2023.

- Net fee and commission income increased by 8.10% during the year.

- The net income from operations with financial assets, including from foreign exchange trading, amounted to BGN 3 993 thousand and its share in the net operating income structure as at 31.12.2024 was 15.96%.

- During the reporting period, general and administrative expenses amounted to BGN 18 361 thousand. The increase in administrative expenses compared to the previous year was 17.58%. In the structure of general and administrative expenses the largest share - 68.49% is occupied by personnel expenses, followed by expenses for materials, rent, consultancy and other external services - 28.29%. Personnel expenses reached BGN 12 575 thousand, compared to BGN 10 550 thousand in 2023, which is an increase of 19.19%. Provisions for defined benefit

plans at retirement have been accrued. Under the provisions of the Labour Code, each employee is entitled to compensation, up to two or six gross salaries on retirement, depending on the length of service. Provisions are accrued on the basis of a valuation by an independent licensed actuary.

- The expenses for contributions to the Bank Restructuring Fund and the Bank Deposit Guarantee Fund decreased by BGN 9 thousand compared to 2023. The expenditure for the Deposit Guarantee Fund amounted to BGN 726 thousand in 31.12.2024. Contributions to the Bank Restructuring Fund for 2024 were not due.

- The net result of impairments for uncollectibility in 2024 is an impairment charge for credit losses amounting to BGN 310 thousand, which is formed of net impairment charges on financial assets at fair value through other comprehensive income amounting to BGN 87 thousand and net impairment charges on financial assets at amortised cost amounting to BGN 223 thousand.

2.3. BUSINESS DEVELOPMENT

In 2024, the Group focused on the continuous development of innovative products, introducing promotional campaigns for all product categories in the conditions of increased competition, offering some of its customers preferential service, and achieving effective communication with a large part of its customer base. Strategically, the Group will continue to work to improve the quality of services, introduce innovative products, seek new business opportunities and bundle services to upgrade and provide comprehensive customer service.

Operating segments

In connection with the requirements of IFRS 8, paragraph 2 /a/ /i/ and the need to disclose operating segments, the Bank has adopted a distinction of activities in the following business lines: corporate and institutional banking, retail banking and money markets and liquidity. The operating results of these business lines are reviewed and analysed by Management on a regular basis.

Types of products and services by business activities:

Retail banking – attracting funds and lending to individuals through various channels of sale and customer service; payment services.

Corporate and institutional banking – in borrowing and lending to legal entities – companies and budget enterprises.

Money markets and liquidity - transactions in securities, securities repurchase agreements; transactions on the interbank market; foreign exchange trading; operations with currency and other financial instruments to serve clients, etc.

Administrative expenses are monitored overall and by type, and analysed by business segment using objective criteria.

Credit investments

As of 31.12.2024 the total amount of credit exposures to customers other than banks /excluding repo transactions/ before provisioning is BGN 223 698 thousand. The increase in corporate loans (after impairment) is by 15.04% - from BGN 133 932 thousand to BGN 154

074 thousand. The retail loan portfolio grew by 22.32% from BGN 56 921 thousand to BGN 69 624 thousand.

The loan portfolio by groups of borrowers is 68.88% of legal entities and 31.12% of individuals and households.

As of 31.12.2024 the serviced and non-performing exposures before provisioning of legal entities are respectively: serviced exposures - 98.97% and non-performing exposures - 1.03%, of natural persons respectively: serviced exposures - 98.40% and non-performing exposures - 1.60%.

Off-balance sheet commitments on bank guarantees issued in BGN, EUR and USD amount to BGN 21 864 thousand as at 31.12.2024.

The undrawn commitments on contracted corporate loans and overdrafts as at 31.12.2024 amount to BGN 17 400 thousand, compared to BGN 17 230 thousand as at the end of 2023.

2.3.1. Corporate and institutional banking

In 2024, the Bank tailored its lending policy to economic circumstances, while maintaining a strictly conservative approach. During the year, lending to higher risk economic sectors was restricted. Credit risk was managed through continuous monitoring, restructuring, renegotiation and addition of collateral to loans where necessary. Significant work was undertaken to restructure and improve the collectability of problem exposures. The loan portfolio continued to diversify into sectors related to the activities of small and medium enterprises as well as into dynamic sectors of the economy, with the lending to the Coal and Consumable Fuels sub-sector of the Energy sector being removed in 2024.

In Corporate Banking, the focus of activity was to increase interest fee and commission income, while maintaining the size of credit exposures and stabilising their quality. In this connection, there was a positive dynamic in the process of granting new loans. The Bank maintained its lending activity, focusing on the SME lending segment, as well as the share of working capital loans, revolving credit lines and overdrafts. Effective and targeted work was carried out on problem loans, accompanied by a maximally conservative impairment policy.

2.3.2. Retail Banking

During the reporting period, the Bank's team made serious preparations for the reorientation of its activities and the development of consumer lending, and during the period the centralized administration also covered loans granted to both legal entities and individuals. Active efforts were made to build up the corporate and consumer portfolio through new loan products.

In 2024, the team of Texim Bank AD continued to offer customized credit products and solutions to its customers.

Texim Bank AD continues to develop and upgrade the functions of its alternative banking channels - mobile and internet banking, so that customers can be as easy as possible to work with the Bank's products and enjoy preferential prices when choosing these platforms.

The Bank has focused on expanding its customer base and increasing productivity through optimization and efficiency of customer service processes, including the launch of a project for comprehensive digitization of the loan process.

The gross retail loan portfolio grew by 22.32% from BGN 56 921 thousand as at 31 December 2023 to BGN 69 624 thousand as at 31 December 2024.

2.3.3. Card payments

In 2024, the development of Texim Bank AD in the card payments continued the line drawn in the previous year. In this regard, at the beginning of 2024 the project of switching card issuance to only one brand - that of Visa - was launched. The process went through requesting new BINs to the card organization, systems setup, and testing of the full functionality of the Bank's own host, which until now only served MasterCard-branded cards. As a result of these efforts, the transition to Visa cards was smooth and without disruption for customers. Cardholders were offered cards with a new design whose modern and contemporary look is in line with the Bank's development message with a major focus on digital banking.

In 2024, both the number of transactions and the amounts of payments in BGN with debit and credit cards will increase by 18%, reaching 1.2 million transactions and BGN 138.4 million, respectively. This led to a 16% increase in the total income from fees and interbank commissions, which reached BGN 530.5 thousand.

In terms of card acceptance, it should be noted that the Bank's ATM network reached 43 terminals and the POS network at the end of 2024 numbered over 260 terminals. The number of transactions with our POS terminals in 2024 recorded an increase of 66% and the amount of accepted payments increased by 49%. During the year an extremely competitive environment was observed in terms of merchant acquisition which resulted in downward pressure on merchant commissions. As a result of its efforts, good service and flexible policies, the Bank has been able to retain its merchants, but the pressure has been reflected in fee income collected from merchants, which has accordingly increased by a smaller percentage relative to the growth in turnover and amounted to 30%, or a total of BGN 299 thousand.

In October 2024, the process of switching the serviced physical POS terminals at the Bank's merchants from Borica's old authorization platform to the new one offered by them - Way4 - started. The new platform is expected to provide added value in merchant servicing in 2025, such as the ability to accept card payments issued to the Chinese Union Pay card scheme and the US Diners Club/Discovery card scheme.

2.3.4. Private banking, investment intermediation

In 2024, in the environment of increased competition and significant macroeconomic and political events, Private Banking at Texim Bank AD continued to pursue its strategy of providing comprehensive financial services to premium customers - individuals, corporate and institutional customers, who are provided with a variety of products and services, both in terms of normal banking operations, but also those related to investment and financial intermediation. Private Banking applies an individual approach to banking with clients, analyzes and offers various options for managing and controlling financial situation and cash flows. It offers a variety of financial and investment intermediation options, custody products, financial planning and custody services, investment intermediation for the purchase and sale of various types of financial instruments.

The main task of Private Banking in 2025 will continue to be the expansion of the client base (by about 10%) and further consolidation of Texim Bank AD's position in the special banking and financial services segment in the country.

A constant focus of Private Banking is the accumulation and expansion of its client base. So far, we have managed to achieve growth of over 10% per year. The team's efforts are also focused on carefully segmenting our own customer base to achieve greater efficiencies from client work and to increase operating income. At the end of 2024, the monthly service fees for Private Banking customers were increased. Together with revenue from other operations, it can be said that total revenue from Private Banking customer handling is growing steadily at an approximate rate of at least 15% per annum.

Customers in the Private Banking segment are constantly increasing their requirements and criteria in terms of products and services. The main focus is on speed, convenience and security in communication and service. The constantly changing regulations of national and European legislation also impose serious challenges, both in terms of compliance with increasingly complex requirements and their administration. Compliance with all these requirements, including in the area of investment intermediation, compliance with anti-money laundering measures and thorough client identification are an ongoing commitment for Private Banking and the Bank as a whole.

In response to the market realities and the increased demands from customers, Texim Bank AD is making constant efforts to digitalize many processes, products and services. Our desire is for digital channels to make up the majority of all customer operations.

2.3.5. Treasury activity and liquidity

In the past 2024, Texim Bank AD continued to follow its conservative and well-balanced investment policy. The Bank has performed well, having traditionally participated in local and foreign financial markets, both on behalf of and for the account of its clients and on its own behalf and for its own account. At the same time, the Bank maintained optimal liquidity in strict compliance with all regulatory requirements.

Realized interest income from corporate and government securities in the Bank's portfolio in 2024 amounts to BGN 3 290 thousand. Dividends received from investments in equity instruments amounted to BGN 265 thousand and interest received from repo transactions amounted to BGN 3,362 thousand.

The profit generated from foreign exchange trading amounts to BGN 783 thousand and that from transactions with financial instruments held for trading at the end of 2024 amounts to BGN 1 396 thousand, or BGN 2 179 thousand in total. The gain on transactions in financial assets accounted for through other comprehensive income for the year amounts to BGN 60 thousand. The net gain on financial assets carried at fair value through profit or loss for the year was BGN 833 thousand.

Active and balanced management of the interest spread between assets and liabilities has in turn contributed to a large extent to increasing the profitability of investments and loans. The attracted funds continued their growth, which is a direct consequence of the Group's balanced and competitive interest rate policy pursued and proven in recent years, but at the same time is a direct indicator of the Group's image and high customer confidence.

2.3.6. Payment products and services

Texim Bank AD carries out all types of currency payments worldwide through its well-developed system of correspondent relationships. The Bank strives to expand its market position by offering high quality banking services at competitive prices.

Through its nostro accounts in 11 convertible currencies with first-class European banks, the Bank safely services its business and offers a wide range of banking products and services in foreign currencies to its customers. Currently, Texim Bank AD maintains correspondent relationships with over 100 domestic and foreign banks. Preferential terms have been agreed with some of them, including in the area of international payments and related fees and commissions, speed and flexibility of service.

The bank successfully executes payments in euro through the TARGET2 and SEPA Step2 platforms in the EU.

The Bank's correspondent network is continuously developed and optimized, with the main objective of making payments as fast, reliable, hassle-free and under optimal financial conditions as possible.

2.3.7. Information technology

In 2024, the following projects were the main focus in IT:

Projects related to the migration of the payment systems BISERA 6 and CEBRA to the SEPA standard. The Bank successfully passed the certification tests and completed the migration within the deadlines set at national level.

A project to develop banking service packages for individuals and legal entities.

Work continued on the project for the development of banking service packages, as well as its testing and development in the Mobile Banking application. Technically, the functionality is ready and the service is expected to be launched in early 2025 with the formation of bundled services for individual customers.

The Bank's new digital vision.

Work continued on building the Bank's new digital vision by continuing the next stages of the project to revamp and completely rewrite the existing Mobile Banking, as well as optimizing processes in the Internet Banking system.

Project related to CEPA Instant transfers, P2P, R2P

SEPA Instant EUR is a payment scheme that allows transactions to be processed in seconds, regardless of the time or day of the week. Unlike most payment methods, the speed is not dependent on the underlying clearing and settlement arrangements of our account provider. So as long as both European payment institutions involved in the transfer are SEPA instant participants, the transfer should be almost instantaneous, or up to 10 seconds by definition.

Digital Services - Online Loans and Online Deposits

In 2024, the Bank continued work on the project to build a platform for the provision of digital remote services through integration with a remote identification and cloud document signing provider, with the online lending capability launched last year and development for online deposits continuing in 2025.

Continuation of the project related to the strengthening of synergy between the Bank and POK Saglassie, offering online insurance and pension fund products in the office network.

The project aims to create an e-shop with the ability to accept card payments for remote sales of various types of insurance and pension products.

Improvements to the Investment Intermediary module

The first stage of the project for optimization and improvement of the system that serves the Investment Intermediary was successfully completed. These improvements enable better automation of processes when offering intermediation services on foreign exchanges.

Continuation of the project to build the Bank's digital marketing strategy

The project involves the creation of a digital marketing strategy, also called online marketing, to promote the brand to potential customers via the internet and other forms of digital communication.

2.4. INTANGIBLE RESOURCES

Information about the key intangible resources and an explanation of how the entity's business model depends on them and how these resources are a source of value creation for the Group:

The Group has no specific intangible assets other than those disclosed in note 10 to the consolidated financial statements. These include software products with a carrying amount of BGN 1 998 thousand, trademarks BGN 13 thousand, own web page BGN 78 thousand, licenses issued by the FSC for BGN 16 thousand, etc. The Group's business model depends heavily on these as they are critical to efficiency, security and competitiveness. The software products enable automation of key banking processes such as transaction processing, risk management and credit analysis. This reduces operating costs and increases efficiency. The software products enable innovations that make the Group more attractive and unique in the market. At the same time, software solutions are a major carrier of added value for customers through convenient, secure and personalized services. Software systems help with risk management and planning, which ensures stable development in the long term.

III. IMPORTANT EVENTS THAT OCCURRED AFTER 31.12.2024.

No adjusting events or significant non-adjusting events occurred between the date of the consolidated financial statements and the date of approval for issue.

IV. MAIN RISKS

The Group actively manages the risks inherent in the core business to achieve an optimal balance between the return from operations and the inherent risk. In managing the risks, the requirements of the Bulgarian legislation and the applicable European directives and regulations, as well as the Group's current internal regulations, are consistently complied with.

The Group identifies, assesses and monitors existing and emerging risks and vulnerabilities.

The processes for managing and controlling the risks arising from the Bank's activities are carried out centrally by the relevant specialized units through the internal policies, procedures, rules and methodologies in force. The Group's risk management framework ensures that all risks material to the Group are adequately identified, measured, monitored and controlled and includes:

- Policies, rules and procedures to comprehensively identify, measure, monitor and control all risks material to the Group;
- An organisational structure for risk management with an appropriate allocation of responsibilities between the different management levels and independence between the

business units performing the functions of creating or renewing exposures and those performing risk assessment and control;

- Processes related to regular monitoring and implementation of appropriate reporting mechanisms to the Bank's Management to support effective risk management;
- Processes to control the maintenance at all times of sufficient available capital to cover material risks, both in normal and stressed conditions;
- Development, improvement and supplementation of the established system for risk reporting, analysis and control, in accordance with the development of the Group's risk profile, the requirements of national and European legislation and good banking practices.

The policies and processes for managing and controlling all material risks inherent in the Group's business are appropriate to the nature, scale and complexity of the Group's operations.

4.1. Capital and capital adequacy

The total amount of regulatory equity of Texim Bank AD as at 31.12.2024 is BGN 64 313 thousand, being composed entirely of Common Equity Tier 1. The capital adequacy ratios significantly exceed the minimum ratios required by law, and their values as at 31.12.2024 are as follows:

- Common equity Tier 1 ratio - 19.41%, compared to the regulatory requirement of 4.5%;
- Tier 1 capital ratio - 19.41%, compared to the regulatory requirement of 6%;
- Total Capital Adequacy Ratio - 19.41% against the regulatory requirement of 9.75%.

The total amount of regulatory capital requirements as at 31.12.2024 is BGN 26 506 thousand, their structure by risk type is as follows:

- Capital requirements for credit risk - BGN 23 732 thousand;
- Capital requirements for operational risk - BGN 2 774 thousand

In accordance with the requirements of BNB Regulation No. 8 on capital buffers, the Bank maintains a capital conservation buffer of 2.5% of its total risk exposure, a systemic risk buffer of 3% of risk-weighted exposures located in the Republic of Bulgaria and a countercyclical buffer of 2% of risk-weighted exposures. As of 31.12.2024 their amounts are respectively: BGN 8 283 thousand (2023 - BGN 7 612 thousand), BGN 9 601 thousand (2023 - BGN 8 924 thousand) and BGN 6 494 thousand (2023 - BGN 5 937 thousand).

The Bank's reported surplus of Common Equity Tier 1 as at 31 December 2024 amounting to BGN 49 403 thousand (2023 - BGN 40 225 thousand) and fully meets the regulatory capital buffer requirements.

In addition to the regulatory capital adequacy requirements, the Bank regularly conducts an Internal Capital Adequacy Analysis Process (ICAAP), which periodically assesses the Bank's strategy for maintaining sufficient capital on hand to provide an adequate level of coverage for the risks assumed, as well as a sufficient capital buffer to overcome stress conditions without jeopardizing the Bank's business operations. As at 31.12.2024, under normal conditions, the required capital under the ICAAP is BGN 23 124 thousand against the available capital of BGN 62 318 thousand, and the capital buffer under the ICAAP (the excess of the available capital over the required capital) is BGN 39 194 thousand. The results of the stress tests carried out as at 31.12.2024 with respect to the material types of risk show that the capital adequacy of the Bank is ensured even in the hypothesis of serious economic shocks. The capital surplus under stress conditions is estimated at BGN 30 614 thousand.

4.2 The main risks to which the Bank's activities are exposed are:

4.2.1. Credit risk

Credit risk is the main element in the risk profile of the Group. Credit risk includes all risks arising from the inability of a counterparty, borrower, issuer, or debtor (collectively, the "debtor") to meet its obligations when due in accordance with the terms originally agreed due to changes in its financial and economic situation or other specific circumstance. Credit risk shall cover the risk of default in customary credit transactions, issuer risk in securities transactions, counterparty risk in transactions in foreign currency, debt and equity, derivative instruments or commodities, residual risk of risk-mitigation techniques used and sovereign risk.

The Group has built a comprehensive system for assessment and management of credit risk through various internal methodologies for analysis and evaluation of both corporate clients and retail clients using standardized credit products. Internal policies and rules related to lending to corporate clients and individuals contain the most important mitigating factors and actions, determine the risk appetite of the Bank in terms of credit risks.

The Group manages and controls the exposures, carriers of credit risk and concentration risk in the loan portfolio through a system of limits, including to individual clients, groups of clients, counterparties and economic sectors. Two bodies have been established and are constantly operating – the Credit Council and the Credit Committee, which control the processes related to the assessment, provision and monitoring of loans.

As part of credit risk, the Group manages and controls the risk of concentration of exposures to a single client or group of related clients, as well as the risk of concentration of exposures to groups of counterparties with similar characteristics, the probability of default of which depends on common factors. The management and control of credit concentration risk is carried out by applying limits for large exposures to single, or related parties and limits to limit concentration by economic sector. The risks of concentrations by individual exposures and economic sectors are measured regularly and their impact on the capital adequacy of the Group is assessed. The identification, measurement, management of sectoral concentrations and the sectoral limits adopted by the Group are regulated in the "Concentration Risk Management Policy by Economic Sectors.

In 2024, there are no material changes to the estimates, and no changes to the expected loss (ECL) estimation models, other than a change in the risk parameters of the provisioning model, so they do not result in a change in classification, or business models.

4.2.2. Market risk

Market risk is the current or potential risk to earnings and capital arising from adverse changes in exchange rates, market interest rates, stock, bond, or commodity prices. Market risk refers to those on- and off-balance sheet items that are subject to losses arising from movements in market prices. Includes mainly the following subcategories of market risks:

The price risk associated with equity positions in the trading and banking book;

The credit spread risk (specific interest rate risk) associated with positions in debt securities in the trading and banking book measured at fair value;

The total interest rate risk arising from positions in debt instruments in the trading book (the interest rate risk arising from debt securities in the banking book is captured in the interest rate risk arising from activities outside the trading book);

Currency risk is the risk associated with currency positions arising from the Group's overall operations. Currency risk also arises to a limited extent from the Group's open currency position. As at 31.12.2024, the amount of the total net foreign currency position does not exceed the defined threshold of 2% of total regulatory equity.

The Group manages and controls market risk through a comprehensive system of limits grouped by portfolio type and risk factor. These limits include volume limits by type of financial instrument and portfolio, open currency positions, value-at-risk limits and limits on potential loss. Value-at-risk limits define the maximum allowable potential loss from a specific financial portfolio within one business day, calculated at a confidence level of 99% and assuming normal market conditions. Potential loss limits determine the maximum amount of loss from a specific financial portfolio that the Group is willing to absorb.

4.2.3 Interest rate risk arising from activities outside the trading book

Interest rate risk is the current or potential risk of income and equity changes arising from adverse changes in interest rates and their impact on non-trade portfolios interest positions. The specific interest rate risk (credit spread risk) arising from positions in debt securities measured at fair value is included in market risk. The level of interest rate risk is limited by system of limits and is subject to assessment, analysis, control and management by the Asset and Liabilities Management Committee (ALCO).

4.2.4. Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its obligations as they fall due, or will be unable to fund new business and potential claims on off-balance sheet commitments at any time without incurring unplanned losses from forced asset sales at a discount to market prices, or from refinancing at higher adverse interest rates.

The Group manages liquidity risk by monitoring and managing liquidity on a daily basis, maintaining sufficient availability of high quality liquid assets to cover mismatches between cash inflows and outflows, analysing mismatches between cash inflows and outflows by maturity intervals, both in a normal banking environment and under various scenarios of a stressed liquidity environment.

A quantitative measure of liquidity risk, according to the BNB regulations, is the liquidity coverage ratio. The liquidity coverage ratio as at 31.12.2024 is 130.66% and exceeds the regulatory requirement of 100%.

The assessment and monitoring of liquidity risk is complemented by regular stress testing to determine the extent of the Group's liquidity position when considering various Liquidity Crisis scenarios. The stress tests are used to identify and analyse the Group's liquidity under different stress conditions in order to optimise it and identify specific measures to maintain an adequate level of liquidity buffers. Within the framework of the various stress tests, the Group assesses its ability to provide liquidity under different degrees of stressed liquidity environment. Liquidity risk is limited and managed through a system of limits and is subject to analysis and control by the ALCO.

4.2.5. Operational risk

Operational risk is the risk of loss arising from inadequate or poorly functioning internal processes, people and systems, or from external events, including legal risk.

Operational risk shall be identified and measured as comprehensively as possible in order to establish appropriate measures to avoid, mitigate, transfer or deliberate undertake. The

Group's strategy is to minimize operational risk. A guiding principle is that the factors mitigating operational risk (the principle of "four eyes", built-in controls, etc.) are included in the main business processes.

The policies, rules and procedures for identifying, measuring, monitoring and managing operational risk shall be clearly defined in such a way as to document, report and communicate all aspects of operational risk. The adopted internal regulatory framework defines the basic principles, methods and tools for identifying, measuring and managing operational risk; the procedures for collecting information and accumulating historical data on internal operating losses relating to all areas of activity; the rules for conducting internal self-assessment of the individual units in the Group the level of operational risk and the extent of the controls applied; the rules for monitoring and evaluating key risk indicators (to identify, at the earliest stage, changes in material factors for the occurrence of operational events); the mechanisms for reporting information to the Guide for taking preventive measures and actions in order to minimize the likelihood of operational events occurring or reduce the financial effect on the Group of operational events that have occurred.

An Operational Risk Management Committee is established in the Group, which is a specialized collective body for analysis, reporting and support of operational risk management, directly subordinate to the Executive Directors of the Group. An "Electronic Register of Identified Events" and an "Electronic Register of Complaints Received" are kept, which reflect all operational events that have occurred and complaints received. Operational risk is also identified and managed through systems of key operational risk indicators and self-assessment the level of operational risk and the controls applied.

4.2.6. Real estate price risk

Real estate price risk includes the potential losses that could arise as a result of fluctuations in the market value of real estate owned by the Group. The risk of real estate provided as collateral for loans is included in credit risk.

The risks of possible fluctuations in the market price of the real estate owned by the Group are measured using a scenario approach that assumes a decrease in the value of the real estate owned by the Group. Based on the decrease in the carrying value of the Group's real estate holdings, a capital buffer is determined to cover the real estate price risk, which is deducted from the capital available to cover the risks assumed (credit, market, operational) within the internal assessment of capital adequacy (ICAAP).

4.2.7. Macroeconomic risk

Macroeconomic risk is expressed in the likelihood of losses due to sharp fluctuations and negative trends in the macroeconomic environment. The Group shall assess macroeconomic risk in the framework of the internal assessment of the adequacy of its available capital to cover the risks assumed in the event of serious economic or market events.

Trends in macroeconomic factors have a significant impact on all economic entities in the country, including the activities of the Group. In accordance with IFRS 9, the Group also includes forward-looking information, including macroeconomic factors, that may directly affect financial result.

In the short to medium term, the relatively high uncertainty surrounding the dynamic change in monetary policy and the extent of the ECB's rise in key interest rates remains, given the persistence of high inflation in the euro area countries. In the context of a currency board that has been operating in Bulgaria since 1997, the ECB's monetary policy and key interest rates in the Eurozone have a direct impact on the macroeconomic environment and market interest rates in Bulgaria.

V. RESEARCH AND DEVELOPMENT

The Group does not conduct research and development activities.

VI. OFFICES AND STAFF

As at 31.12.2024, the Bank operates through its Head Office and 32 offices in 23 locations. As at 31.12.2024, the Bank's employees are 281 compared to 275 employees in 2023. the address of registration of Texim Bank AD is Sofia, 117 "Todor Alexandrov" blvd.. As at 31.12.2024 the Group's employees are 293.

The head office of Texim Bank AD is located in Sofia 117 "Todor Alexandrov" blvd. In each structure of the Bank, clients receive competent service and individual attitude in offering the diverse range of products and services of Texim Bank AD. During the year, the process of human resources development, rules and procedures related to selection, training policy and improvement of planning, monitoring and control of personnel costs and increasing the responsibilities of management in this area continued.

VII. FINANCIAL INSTRUMENTS HELD BY THE GROUP

The financial instruments held by the Group as at 31.12.2024 are: government bonds, corporate bonds, shares and units, loans and receivables and securities repurchase receivables with a carrying amount of BGN 520 308 thousand, classified at fair value through profit or loss - BGN 48 759 thousand, at fair value through other comprehensive income - BGN 92 444 thousand, at amortised cost - BGN 57 507 thousand, loans and receivables - BGN 271 231 thousand and securities repurchase receivables - BGN 50 367 thousand.

As at 31.12.2024 the Group owns government securities issued by the Government of the Republic of Bulgaria for a total amount of BGN 63 865 thousand. Government securities issued by foreign governments amount to BGN 292 thousand.

Corporate debt securities of Bulgarian and foreign issuers at the end of 2024 amounted to BGN 76 566 thousand, and shares and stakes of companies as well as shares in collective investment schemes held by the Group amounted to BGN 57 987 thousand.

As of 31.12.2024 the total amount of loans and receivables from customers, after provisioning, is BGN 271 231 thousand, of which resources and deposits from banks amount to BGN 48 966 thousand.

As of 31.12.2024 the total amount of securities repurchase receivables is BGN 50 367 thousand.

VIII. IMPLEMENTATION OF THE PROGRAMME FOR THE APPLICATION OF INTERNATIONALLY RECOGNISED STANDARDS OF GOOD CORPORATE GOVERNANCE

Texim Bank AD is a public company, registered in the Commercial Register at the Registry Agency with the Decision dated 16.01.2013 and in the Register of public companies and other issuers, maintained by the FSC with the Decision No. 81-PD dated 31.01.2013 within the meaning of Art. 30, para. 1, item 3 of the FCS Act. By the Minutes No. 8/11.02.2013 of the Board of Directors of BSE AD, trading in shares of Texim Bank AD was admitted to the BSE Main Market, Standard Share Segment.

The responsible management structures and employees of Texim Bank AD carry out the

management of the Bank strictly following the requirements and recommendations of the National Corporate Governance Code (the Code). In accordance with the norms of corporate governance set out in the Commercial Law and the Securities Act, as well as with the norms and recommendations set out in the Code and in accordance with internationally recognised standards and principles, taking into account changes in the regulatory and economic environment, the Management Board and Supervisory Board of Texim Bank AD manage the Bank independently and responsibly, following the established vision and strategic guidelines for the business and ensuring that the interests of shareholders are safeguarded.

In accordance with the requirements of Art. 27 of Ordinance No. 2 of the FSC of 9.11.2021 on initial and subsequent disclosure of information in public offerings of securities and admission of securities to trading on a regulated market, and in connection with Art. 100t, para. 3 of the Law on Public Offering of Securities, regarding the obligation to disclose information to the public under Article 24 of Regulation No. 2, Texim Bank AD discloses the regulated information to the public through the electronic media Infostok AD, via the official website www.infostock.bg.

8.1. Corporate governance - structure and functions

8.1.1. Management Board

The Articles of Association of Texim Bank AD define the functions and powers of the Management Board in accordance with the resolutions of the General Meeting and the legal provisions. The Bank is managed and represented by the Management Board, which performs its activities under the supervision of the Supervisory Board. Pursuant to the Articles of Association, the Bank's Management Board consists of three to nine capable natural persons who are elected and appointed by the Supervisory Board. As at 31.12.2024, the Management Board consists of four members who are elected by the Supervisory Board for a term of five years and may be replaced and re-elected without limitation and at any time by the Supervisory Board.

The Management Board shall report to the Supervisory Board on the activities and condition of the Bank at least once every three months.

The competencies, rights and duties of the members of the Management Board shall be determined in accordance with the requirements of the law, the Bank's Articles of Association, the Rules of Procedure of the Management Board and the standards of good professional and management practice. The Management Board shall decide on all matters that are specified in the Articles of Association and the applicable law and are not within the exclusive competence of the General Meeting or the Supervisory Board.

The powers and functions of the Management Board shall be to:

- a/ organize the implementation of the decisions of the General Meeting and the Supervisory Board;
- b/ determine the general guidelines and the plan for the Bank's activities, take decisions on credit, interest rate, accounting and risk policies and risk management rules;
- c/ open and close branches of the Bank;
- d/ take decisions on the Bank's participation in other companies in the country and abroad, increase of the Bank's capital and issuance of bonds within the scope of the authorization under the Articles of Association;
- e/ decide on the acquisition and disposal of immovable property and property rights thereon;
- f/ determine the structure and positions in the Bank;
- g/ prepare and propose to the General Meeting the annual report of the Bank;

h/ take decisions on a significant change in the Bank's activities, significant organizational changes, as well as long-term cooperation of significant importance to the Bank, or termination of such cooperation;

i/ perform any other functions assigned to it by the General Assembly or the Supervisory Board and the law.

The decisions of the Management Board under p. „b“ and „d“-„g“, as well as in other cases according to the Articles of Association and the law, shall have effect with respect to the Bank after their approval by the Supervisory Board. For the resolutions under p. “h” shall require the prior consent of the Supervisory Board.

In connection with its activities, the Management Board has adopted rules in accordance with the requirements of Article 36, paragraph 4 of the Articles of Association, which have been approved by the Supervisory Board. The By-laws were updated by the Management Board by MinuteNo. 62/22.11.2023 and approved by the Supervisory Board by MinuteNo. 57/22.11.2023. The Management Board meets once a week, but not less than once a month. When the interests of the Bank require, the Board shall be convened more frequently. Meetings shall be convened by the Chairman, the Vice-Chairman, or by the Executive Directors on their own initiative, or at the request of a member of the Management Board or of the Supervisory Board. Decisions of the Management Board shall be taken by a simple majority of all members, unless the law or the Articles of Association provide otherwise. The Management Board may also take decisions by absentia if all members have given their written consent to the decision. When a decision is taken concerning the election, dismissal, or determination of the liability of an executive director, the latter shall not participate in the vote. Minutes of Board meetings shall be kept by the Secretary of the Board, who shall not be a member of the Board, and shall record the items on the agenda, motions made, discussions and decisions taken. The minutes shall be signed by all Board members present and by the Secretary and shall be numbered and ranked according to the order of the meetings, together with the annexes.

The election of the members of the Management Board is made only after prior approval by the BNB, in accordance with the requirements of the CIA and the applicable regulations.

The members of the Management Board comply with the requirements set out in the CIA, the POSA and the Bank's Articles of Association.

Members of the Board shall continue to perform their duties in the best interests of the Bank and shall keep the Bank's secrets after they cease to be members of the Board. During their term of office, the members of the Board shall be guided in their activities by generally accepted principles of integrity and managerial and professional competence. Pursuant to the Articles of Association, the members of the Management Board are obligated: to perform their duties with the care of a good trader in a manner they reasonably believe to be in the interest of the Bank and all shareholders of the Bank and using only information they reasonably believe to be reliable and complete; to show loyalty to the Bank, preferring the interest of the Bank to their own interest in the performance of their duties and avoiding direct or indirect conflicts between their interest and the interest of the Bank and, if such conflicts arise, either a member of the Management Board has a business interest (within the meaning of the CIA and POSA) in concluding a commercial transaction with the Bank - to promptly disclose them in writing to the Management Board and not participate, nor influence the other members of the boards in making decisions in these cases.

8.1.2. Supervisory Board

The Supervisory Board of Texim Bank AD consists of three to seven capable natural persons elected by the General Meeting for a term of up to 5 years. Legal entities may also be elected as members of the Supervisory Board. In such cases, legal entities shall appoint a representative to perform their duties on the Supervisory Board. Legal persons shall be jointly and severally liable with the other members of the Supervisory Board for the obligations arising from the actions of their representatives. The election of the members of the Supervisory Board shall be made only after prior approval by the BNB, in accordance with the requirements of the CIA and the applicable regulations. The same person may not be both a member of the Supervisory Board and the Management Board of the Bank. The Supervisory Board may establish specialised committees and other subsidiary bodies to support its activities.

By 31.12.2024. The Supervisory Board of the Bank consists of 5 individuals who are elected by the General Meeting for a term of five years and are eligible for re-election without limitation.

The members of the Supervisory Board, as well as the representatives of the legal entities, members of the Supervisory Board meet the requirements set forth in the CIA, the POSA and the Bank's Articles of Association.

At least one of the members of the Supervisory Board, as required by the CIA, and at least one-third of the members of the Supervisory Board, as required by the POSA, must be independent persons. The independent member of the Supervisory Board may not be:

1. an employee of the Bank or a person holding a position corresponding to senior management personnel in its subsidiary;
2. a shareholder who holds directly or through related persons at least 25% (twenty-five percent) of the votes in the General Meeting or is a person related to the Bank;
3. a person who has a continuing business relationship with the Bank, or has a material financial or business relationship with the Bank;
4. a member of a managing or controlling body, a procurator, or an employee of a commercial company or other legal person referred to in items 2 and 3;
5. a person related to another member of the Supervisory Board or the Management Board of the Bank or a management body of its subsidiary;
6. holds directly or indirectly a qualified shareholding in the Bank;
7. a member of the Bank's Management Board or a member of a management body of its subsidiary and has not held such a position in the last 5 years;
8. have been a member of the Bank's Management Board for more than 12 consecutive years;
9. a person who receives significant payments or other benefits from the Bank, beyond the remuneration for the functions he performs.

The Supervisory Board shall exercise general supervision and preliminary, ongoing and subsequent control over the activities of the Management Board. The Supervisory Board does not participate in the management of the Bank and represents the Bank only in its relations with the Management Board. In all cases where the law, the Supervisory Board's operating rules, or the Bank's internal rules in force so provide, the Supervisory Board grants prior authorization to enter into certain transactions. The Supervisory Board shall have the right at any time to request the Management Board to submit information, or a report on any matter affecting the Bank. The Supervisory Board may make necessary inquiries in the performance of its duties. It may use experts for this purpose.

The powers and functions of the Supervisory Board are as follows:

- elects and dismisses the members of the Management Board;
- convenes the General Meeting;
- adopts rules of procedure;
- adopts a remuneration policy for the Bank;
- approve the rules of procedure of the Management Board;
- take and approve decisions on the acquisition and disposal of real estate and encumbrances in the interest of the Bank;
- approve the decisions of the Management Board in the cases provided for in the laws, the Articles of Association or the rules of procedure of the Supervisory Board, including:
 - ✓ acquisition, closure, transfer of undertakings and parts thereof;
 - ✓ the Bank's internal structure, staff and organisation;
 - ✓ significant internal organisational changes;
 - ✓ opening and closing branches;
 - ✓ changes to the Bank's Articles of Association before they are submitted to the General Meeting for consideration;
 - ✓ transactions resulting in the Bank acquiring, transferring or granting as collateral real estate and property rights thereto, receivables and other fixed assets, or assuming liabilities and guarantees in excess of the value specified in the Rules of the Supervisory Board and/or the Bank's internal rules in force;
 - ✓ the issue of bonds within the scope of the authorisation under the Articles of Association;
 - ✓ empowerment of executive directors and authorization of the Bank's attorney(s);
 - ✓ increase the Bank's capital within the authorization under the Articles of Association;
- set the limits for the granting of loans, credit lines, the assumption of sureties, guarantees and other securities and the issuance of promissory notes by the Management Board.
- decide on other matters when provided for by law or in the Statutes.

For its work the Supervisory Board has adopted rules in accordance with the requirements of Article 41, paragraph 4 of the Statutes. The rules have been updated by decision of the Supervisory Board by Minute No 57/22.11.2023.

The Supervisory Board shall meet at least once every 3 months. The members of the Management Board may also participate in the meetings with the right to an advisory vote. The Supervisory Board shall be convened by its Chairman at his own initiative or at the request of the members of the Supervisory Board or of the Management Board. Meetings of the Supervisory Board shall be chaired by its Chairman and shall be considered regular if at least half of the members of the Supervisory Board are present in person or represented by written proxy by another member of the Supervisory Board. No person present may represent more than one person absent. The Supervisory Board may also pass resolutions by absentia if all members have given their written consent to the resolution. Minutes shall be kept of the decisions of the Supervisory Board and shall be signed by all members present and by the Secretary of the Supervisory Board. The minutes of the Supervisory Board meetings shall indicate the presence of the Supervisory Board members and other persons; an agenda including the matters discussed and the decisions taken. Minutes of SB meetings shall be dated and filed. The minutes and their annexes shall be kept as long as the Bank exists. Proceedings of SB meetings shall be available at any time for all its members.

Members of the Supervisory Board shall continue to perform their duties in the best interests of the Bank and to maintain the confidentiality of the Bank even after they cease to be

members of the Board. During their term of office, Supervisory Board members shall be guided in their activities by generally accepted principles of integrity and managerial and professional competence. Pursuant to the Articles of Association, members of the Supervisory Board shall: perform their duties with the care of a good merchant in a manner they reasonably believe to be in the best interests of the Bank and all shareholders of the Bank and using only information they reasonably believe to be reliable and complete; exercise loyalty to the Bank, preferring the interest of the Bank to their own interest in the performance of their duties and avoiding direct or indirect conflicts between their interest and the interest of the Bank and, if such conflicts arise, either a member of the Board has a business interest (within the meaning of the CIA and POSA) in concluding a commercial transaction with the Bank - to promptly disclose them in writing to the Supervisory Board and not participate, nor influence the other members of the boards in making decisions in these cases.

The Articles of Association of Texim Bank AD provide for the duties and responsibilities of the members of both the Supervisory Board and the Management Board, which are aimed at ensuring good corporate governance and performing preventive functions to avoid violations of the principles of good corporate governance.

The members of the Supervisory Board and the Management Board shall: not to disclose information about the Bank, even after they cease to be members, until the Bank has made public the relevant circumstances; not to disclose information which has come to their knowledge in their capacity as members of the Boards, if this could affect the Bank's business and development, including after they cease to be members of the Boards; not to disclose, unless they are authorised to do so, nor to use for their personal benefit, or for the benefit of their family members, facts and circumstances constituting a banking, including after they have ceased to be members of the Councils.

The members of the Management Board and the Supervisory Board must provide a guarantee for their management in the amount determined by the General Meeting, but not less than 3 months of their gross remuneration. The members of the Management Board and the Supervisory Board shall be jointly and severally liable for any damage they have caused to the Bank through fault. Any member of the Board may be discharged from liability if it is established that he or she was not at fault for the damage.

8.2. Internal rules and procedures

Texim Bank AD has adopted and operates the following internal rules and procedures, which aim to ensure compliance with the principles of good corporate governance in the performance of the functions of the Bank's management and control bodies:

- **REMUNERATION POLICY.** The policy has been prepared on the basis of Article 73b of the Credit Institutions Act, BNB Regulation No. 4 of 21 December 2010 on remuneration requirements in banks, which implements the provisions of Directive 2013/36/EC of the European Parliament and of the Council of 26 June 2013. on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC and EBA Guidelines on sound remuneration policies, Guidelines on benchmarking of remuneration practices, gender pay gap and approved higher ratios, Guidelines on data collection for highly compensated employees, Article 116c of the Public Offering of Securities Act and Section III of the FSC Regulation No. 48 of 20 March 2013 on remuneration requirements. The Remuneration Policy is part of the General Management Policy and establishes basic provisions, principles and requirements that aim to create a remuneration framework in the

Bank that enables the Bank to attract, retain and motivate employees to work to achieve the Bank's long-term interests by ensuring competitive and equitable pay levels, linking performance to individual remuneration, stimulating employee initiative for quality performance of work. The policy promotes diversity and does not tolerate discriminatory attitudes. It aims to promote good performance through gender neutrality, which means equal pay for men and women for equal work, or work of equal value.

The policy sets out the main guiding functions of the Supervisory Board and the Management Board, thereby ensuring that remuneration setting is as consistent as possible with regulatory requirements and recognised best practice in this area. The policy is developed by the Supervisory Board and adopted by the Bank's General Meeting of Shareholders. The Supervisory Board is responsible for implementing the Remuneration Policy with a view to complying with the principles set out therein. The Audit Committee assists in monitoring the implementation of the Policy. The Supervisory Board approves and monitors the remuneration of senior management and the most highly compensated employees. The General Meeting of Shareholders determines the remuneration of the Supervisory Board and members of the Management Board, taking into account the duties, workload, and contribution of each member of the Management Board and Supervisory Board to the Bank's operations and performance. The General Meeting of Shareholders shall also determine the remuneration of the Head of the Specialised Internal Audit Service. The guiding principles of the Remuneration Policy are: appropriate risk-taking behaviour, proportionality, alignment with values, fairness, transparency, including disclosure of information on remuneration in accordance with the provisions of Article 14 of BNB Regulation No. 4 of 21 December 2010 on remuneration requirements in banks and Article 11, par. 7 of Regulation No. 48 of the FSC of 20.03.2013 on remuneration requirements, employee evaluation, periodic review of remuneration and sound risk management.

- **RULES ON THE PROCEDURE FOR DISCLOSING CONFLICTS OF INTEREST AND ENSURING CONFIDENTIALITY.** The rules have been developed in accordance with Articles 51-54 of the Credit Institutions Act, Article 116b of the Public Offering of Securities Act, European Banking Authority Guidelines on Internal Governance (EBA/GL/2021/05) in conjunction with Directive 2013/36/EU, Article 187, para. 1(10) and (2) of the Labour Code and Art. 123a para. 7 of the Social Security Code. These rules clearly regulate: the basic principles of management in the area of conflicts of interest; the procedures for disclosing conflicts of interest and for ensuring confidentiality on the part of administrators and other employees directly involved in the performance of the Bank's object of business; the measures to be taken by the Bank with regard to potential or specific conflicts of interest; the responsibilities and sanctions in the event of violation of the norms governing relations with potential or specific conflict. The rules establish an organization of the Bank's activities that prevents administrators and other employees from placing themselves in a position where their duties to a client conflict with their duties to another client, or their own interests conflict with their duties to a client of the Bank.

- **RISK MANAGEMENT RULES** - The established risk management framework at Texim Bank AD ensures adequate identification, measurement, analysis, monitoring and control of all risks material to the Bank and includes:

- Policies, rules and procedures to comprehensively identify, measure, monitor and control all risks material to the Bank;
- An organisational structure for risk management with an appropriate allocation of responsibilities between the different management levels and independence between the business units performing the functions of creating or renewing exposures and those performing risk assessment and control;

- Processes for regular monitoring and appropriate reporting mechanisms to the Bank's Management to support effective risk management;
- Processes to control the maintenance at all times of sufficient capital to cover material risks, both in normal and stressed conditions;
- Developing, improving and supplementing the established system for risk reporting, analysis and control in accordance with the development of the Bank's risk profile, the requirements of national and European legislation and good banking practices.

The policies and processes for the management and control of all material risks inherent in the activities of Texim Bank AD are consistent with the nature, scale and complexity of the Bank's business.

8.3. Internal control and audit

Texim Bank AD has established an internal control system that contains control functions with appropriate powers to perform their duties.

The internal control framework covers the entire organisation, including the activities of all structural, support and control units, outsourcing and distribution channels with robust administrative and reporting procedures.

To ensure an adequate risk management and internal control framework, the Bank has established a system of Three Lines of Defence.

The “first line” of defence is the business units, which are responsible for the day-to-day management of the risks they take on, as well as for the decisions and compliance with the risk limit framework when conducting business.

The “second line” of defence is provided by the specialised units for periodic risk monitoring and control (Risk Analysis and Management Directorate and Regulatory Compliance Directorate). The second line of defence helps to ensure that the first line functions as expected, with well-defined policies, the use of appropriate techniques to identify risk factors, and the assessment of the likelihood and impact of risks.

The “third line” of defence is internal audit, which provides an independent assessment of the effectiveness of internal governance, risk management and control processes. The specialized internal audit service of Texim Bank AD performs regular reviews of the implementation of and compliance with the risk management framework and its complementary policies and processes, as well as the internal control systems in place. The scope of internal audit includes both business units and units related to risk management and regulatory compliance. Internal audit provides assurance on the effectiveness of governance, risk management and internal control, including how the first and second lines of defence are achieving objectives, and makes recommendations and supports continuous improvement in the effectiveness of the Bank's processes relating to the management and control of operations.

The result of the internal audit activity is presented to the highest level of management in the Bank and provides the Board of Directors and senior management with reasonable assurance based on the highest level of independence and objectivity, in accordance with legislation, international standards for the professional practice of internal auditing and applicable methodology.

The Audit Committee of Texim Bank AD, as an independent body, monitors the financial reporting process and presents recommendations and proposals to ensure its effectiveness; analyses the effectiveness of the internal control system, the risk management system and the internal audit activity in the Bank; verifies the independence of the registered (external) auditors in accordance with the requirements of the current legislation and Regulation (EU) 537/2014,

including the appropriateness of the provision of additional services outside the Bank's audit; ; be familiar with the statutory audit of the annual and consolidated financial statements, and in particular its implementation; the independence and effectiveness of internal audit and shall monitor the relationship with the external auditor;

The Audit Committee of Texim Bank AD operates in accordance with the developed and approved Rules of Procedure and Regulations set out in the Independent Financial Audit Act. The Bank's management, assisted by the Audit Committee, shall give reasons in writing to the General Meeting for the selection of the auditor, guided by the established requirements of professionalism. At the General Meeting of Shareholders held in 2024, for the purpose of joint inspection and certification of the annual financial statements on an individual and consolidated basis of Texim Bank AD for 2024 and the supervisory reports determined by the Bulgarian National Bank, the audit companies „Grant Thornton“ OOD and „RSM BG“ OOD have been selected to jointly perform the audit.

8.4. Protection of shareholders' rights

Shareholders of the Bank can be Bulgarian and foreign legal entities and individuals. The Bank's shares are book-entry securities that certify that their holders participate with the nominal value specified therein in the Bank's capital. Each ordinary share entitles to one vote at the General Meeting of Shareholders, the right to a dividend and a liquidation share commensurate with the nominal value of the share. The shares of the Bank are transferred freely, subject to the requirements of the current legislation. The Bank's Shareholders' Book is kept by Central Depository AD, which issues a certification document for the holding of shares under the terms and conditions of the legislation in force. Any person who has acquired a book-entry registered share and is entered in the Bank's shareholders' book at the Central Depository AD acquires the status of a shareholder of the Bank and may exercise his/her rights as a shareholder in accordance with the Statute and the legislation in force. The transfer of dematerialized registered shares issued by the Bank shall take effect from the moment of registration of the transaction with Central Depository AD.

The shareholders of the Bank have the following rights:

- to vote in the General Meeting, one share entitling to one vote;
- a dividend proportionate to the nominal value of the shares held. The right to receive a dividend shall be vested, in accordance with the Securities Act, in the persons entered in the registers of the Central Depository as shareholders on the 14th day following the day of the General Meeting at which the Annual Financial Report and the resolution on the distribution of profits were adopted;
- a liquidation share proportionate to the nominal value of the shares held;
- to acquire a portion of the new shares issued in the capital increase corresponding to their share in the capital prior to the increase;
- to familiarize themselves with the written materials related to the agenda of the General Meeting;
- to authorise another person in writing to represent them at the General Meeting, subject to the requirements set out in these Articles of Association and in the POSA;
- other rights in accordance with the Statutes and applicable law.

Any shareholder may request information on the Bank's condition at any time and in accordance with the regulations. The members of the Bank's Management Board and Supervisory Board are obliged to answer comprehensively and accurately shareholders' questions asked at the General Meeting about the Bank's economic and financial situation and

business activities, unless the questions concern circumstances and facts constituting inside information or other secrets protected by law (Article 115, paragraph 13 of the Public Offering of Securities Act).

The General Meeting of Shareholders of the Bank consists of all shareholders with voting rights. Shareholders participate in the General Meeting in person, or through authorized representatives. The right to vote at the General Meeting shall, in accordance with the Polish Securities Act, be exercised only by persons registered as shareholders in the Bank's Shareholders' Register with the Central Depository 14 days prior to the date of the General Meeting, in accordance with the list of shareholders provided by the Central Depository. Shareholders - legal entities shall be represented by their legal representatives, who shall identify themselves with a document of current registration (original or certified copy), respectively a similar document for shareholders - foreign legal entities and an identity document of the legal representative(s). Shareholders - natural persons shall be identified by an identity document. Shareholders - legal entities or natural persons may be represented at the General Meeting by proxies authorised by a power of attorney issued under the terms and procedure of Article 116 of the Securities Act. The signature of the proxy shareholder must be notarised. Each shareholder may be represented by only one proxy at the General Meeting. Powers of attorney shall be submitted to the Bank one business day prior to the day of the General Meeting.

The General Meeting shall be convened by invitation, which shall be published in the Commercial Register at least 30 days before the opening of the General Meeting. The invitation shall be published on the Bank's website and disclosed to the FSC and the public under the terms and conditions of the POSA. During the period from the announcement of the invitation to the date of the General Meeting, the meeting materials shall be available to shareholders and their representatives.

The texts in the materials are specific and clear without misleading shareholders. All proposals concerning major corporate events are presented as separate items on the agenda of the General Meeting, including the proposal for profit distribution.

The Management Board shall exercise effective control over the conduct of the General Meeting by making the necessary arrangements for the voting of shareholders and proxies in accordance with the instructions of the shareholders. The Management Board shall organise the General Meeting and ensure equal treatment of all shareholders and the right of each shareholder to express its opinion on the items on the agenda. The Management Board shall assist shareholders authorised by the court to include additional items on the agenda of the General Meeting. The shareholders shall be informed of the decisions taken at the General Shareholders' Meeting by the public disclosure of the Minutes of the General Shareholders' Meeting and their publication in the Commercial Register.

IX. GUIDELINES FOR THE GROUP'S ACTIVITIES IN 2025-2027

9.1. As strategic objectives in the period 2025-2027 we can outline:

- Maintaining and expanding perceived priorities in terms of product and customer base, resources, information and staffing;
- Maintaining and developing high professionalism in service, customer-oriented strategy, expanding the range of core credit, deposit and combination products and related financial services to individuals, private commercial enterprises, etc.
- Actively participate in the money and capital markets to enhance transaction efficiency and return on assets;

- Participation in the implementation of harmonised statistical reporting in fulfilment of economic and convergence criteria in the area of balance of payments; implementation of international accounting standards and requirements;
- Finalisation of the AnaCredit project, which aims to create a common database with detailed individual information on credit risk instruments for banks and other financial institutions involved in lending.
- Implementing the requirements of the Digital Operational Resilience Act (DORA), thereby ensuring that the Bank's resilience is maintained and built upon in the event of major operational events or risks;
- Analysis and preparation to meet Basel III requirements.
- Optimise and effectively control the Bank's revenue and expenditure budget.
- Analysis and definition of climate and environmental risks.

The Group's management and employees will continue to work to expand market share in corporate and retail banking, while maintaining the universal commercial profile and core competitive advantages in the offering of bundled financial services and other instruments.

Overall, for the Group, issues relating to collateral and securing the capital position have always been a major focus of the business.

During the three-year period, the Group's team will focus on maintaining very strong performance related to core capital ratios, liquidity and structural performance metrics in line with macro-prudential requirements. The Group will continue to maintain high liquidity ratios, combined with the permanent monitoring of indicators and optimal asset and liability management.

9.2. Important highlights in 2025-2027 will be:

- New issue of shares for the purpose of a Tier 1 capital increase;
- A new issue of convertible bonds, which is effectively a Tier 2 capital increase;
- Raising additional cash and investing it effectively, combined with a thorough analysis of potential risks;
- Diversification of the services and product lines offered, with high priority to be given to the formation and management of a well-diversified commercial portfolio, corporate and retail banking, custody services, trust management, long-term investment and project financing for technological renewal, increasing the competitiveness and efficiency of economic entities, etc.

9.3 The Group's short and medium term objectives are to:

9.3.1. Development of new products and services

Texim Bank AD 's team of experts will continue to develop specialized loan and deposit products tailored to customer requirements, business specifics and the market environment. The Bank develops a wide range of credit products in the field of consumer lending, offering competitive lending parameters and terms.

Texim Bank AD is included in the list of banks servicing most of the programmes of the Agriculture Fund. The bank is ready to assist its clients in the development of projects financed by EU structural and cohesion funds.

The management expects to continue to develop the servicing of the budget area.

Efforts will be focused on increasing the sales of the Bank's standard products, mainly to its traditional customer groups, as well as on expanding and enriching the product range in

the direction of digitalization, mobile banking, offering bundled products and other innovative solutions. In line with the development strategy, the Bank plans its activities in the following business segments related to the defined business lines:

- Retail banking
 - Consumer loans;
 - Mobile and internet lending;
 - Mortgage and housing lending;
 - Active offering of package products and services;
 - Package products and services.
- Corporate and institutional lending
 - Small and medium-sized enterprises;
 - Municipalities;
 - First-class corporate clients;
 - Branch, regional and other associations;
 - Specialized programs.
- Financial Markets (Treasury Operations)
 - Interbank market operations for deposits;
 - Domestic money market operations forming claims on commercial banks and non-banks;
 - Management of working capital and investment portfolios.

In 2025-2027, the following priorities emerge in relation to key customer groups:

- ◆ Retain and expand its position in the corporate market, retail banking market, government securities transactions, corporate securities transactions, banking services and products related to state and local budgets, etc. The Bank will pursue an active policy aimed not only at maintaining the market position of its core products - deposit taking, consumer lending, loans for the purchase and construction of homes, but will also focus on developing the product range by intensifying cross-selling, combined products, both in terms of types and volume.
- ◆ Precise definition of the affluent sector and focus on the development of specific /tailor-made/ products, as well as preparation for offensive entry into this market.
- ◆ Further development of the small and medium enterprises segment, identifying and developing links with appropriate programmes designed to support the development of micro, small and medium enterprises.
- ◆ Increasing the volume and relative share of money market operations. The securities portfolio will be diversified with higher yielding assets.
- ◆ Increase in earning assets on account of better cash flow management, current accounts and increase in funds in other liabilities.
- ◆ Expansion of the volume of card payments in line with the development of card operators, including the national operator.
- ◆ Increase volume and distribution of banking products through digital channels.

9.3.2. Increase revenue generating opportunities through careful credit policy, reliability in credit administration and enhanced subsequent control over the activity

Texim Bank AD 's strategy for lending activities for the period 2025-2027 is fully aligned with acceptable risk taking. The objectives we set ourselves are related to maintaining

a well-balanced and structured loan portfolio with a minimum relative share of hard-to-collect loans and constantly optimizing the cost-to-service ratio. During this period, the Management will work towards efficient and prudent management of the loan portfolio (in terms of size, structure and ratios between different types of loans), analysing and forecasting the dynamics of resources according to the criteria - maturity, risk, customers, industries, market of the resource, etc.

9.4. The projected amount of loans and receivables from corporate customers over the next three years

Texim Bank AD will continue to develop specialized loan and deposit products, including package programs, tailored to customer requirements, business specifics and the market environment. The Bank offers a wide range of credit products in corporate banking, taking into account the competition in the market. The management envisages to develop and deepen the servicing of the budget area. An important priority in the activities of the Corporate and Institutional Banking Directorate is participation in tenders (procedures) with offers for servicing various units of the budget sphere.

The planned amount of loans and receivables from corporate customers for the next three-year period is as follows:

As of 31.12.2025 to reach a balance sheet debt of BGN 176 million. The planned interest income on loans to corporate customers as at 31.12.2025 amounts to BGN 7,74 million. The planned income from fees on loans and bank guarantees amounts to BGN 415 thousand.

As of 31.12.2026 to reach a balance sheet debt of BGN 188 million, i.e. planned growth of over 7%. The planned interest income on loans to corporate customers for 2026 is BGN 8.3 million. The planned income from fees on loans and bank guarantees amounts to BGN 450 thousand.

As of 31.12.2027, the balance sheet debt will reach BGN 203 million, i.e. a planned growth of nearly 8%. The planned interest income on loans to corporate customers for 2027 is BGN 8.7 million. The planned income from fees on loans and bank guarantees amounts to BGN 470 thousand.

For the period under review, the projected classified credit exposures to be less than 4.5% of the loan portfolio.

The main restrictive parameters for the granting of new loans in the area of corporate lending are:

- optimising loan repayment terms;
- restricting lending to customers with collection and payment problems, declining net sales and other negative financial indicators and business circumstances;
- limiting loans with a large grace period;
- Thoroughly analysing newly authorised loans in terms of return on investment, with priority given to projects with faster returns;
- thorough analysis of the applicant's solvency. Targeting customers with good credit history and alternative loan servicing options, as well as customers with self-participation options in loan transactions and maintaining balances in their current accounts in excess of the monthly loan repayment;
- maximum protection against credit risk for the life of the loan. Credit risk management will be carried out through continuous monitoring, with a focus on: deepening the analysis of the economic situation and the state of market conditions for the sectors in which the borrowers are positioned, as well as their financial and economic situation, while maintaining the existing

forms, timing and content of the monitoring process; taking anticipatory actions by the Bank and the customers, respectively, as a result of specific risk factors identified related to the borrowers, business Increasing the Bank's protection in loan transactions will be implemented by minimizing the negative consequences for the Bank of entering into annexes related to changes in loan terms and interest rates other than those originally agreed;

- When granting loans to legal entities, sole proprietorships and sole proprietorships, the aim is to expand the activity, including through EU structural funds projects, only in a real proven existing market and in sectors without a noticeable impact of the economic crisis.

9.5. “Retail Banking” Segment

The pandemic and the subsequent crisis have shown the direction in which the banking sector needs to develop, namely a comprehensive digitalization of services, processes and products that significantly reduces operational costs and increases customer satisfaction. The aim is to actively attract new customers by developing fully online products and processes, including through the mobile banking platform. The digitalization and automation of processes provides opportunities to access more potential customers, greater visibility of the Group, and consequently better results.

The main implementation steps are:

- Digitalization and automation of the process of attracting new customers:
- Development of remote service delivery channels and creation of a new digital remote customer acquisition process using cloud-based electronic signature. We plan to develop the ability to remotely obtain a credit card, open an account, bank debit card and enable mobile banking for new and existing customers;
- Create a digital wallet, virtual cards and NFC payments, instant person-to-person payments and more;
- Attracting new customers to the Bank's website through remote customer identification (digital identity) without the need to visit a Bank office;
- Fully online sales processes for loan and deposit products. Implementation of fully automated solutions for the provision of credit to individuals - in this regard, the preparation of sites related to automatic scoring has been launched;
- Emphasis on transaction banking;
- In parallel with the implementation of banking packages for individuals and legal entities, aimed at customers actively making payments, the Bank will position itself as a reliable partner, offering additional services, directly or through third parties. Real-time services are becoming the norm, with instant payments setting new market standards. Additionally, the focus will be on high net worth customers who would actively use a large number of the Bank's products and services. The increasing use of digital wallets in stores, online and in apps, creates the need to develop a digital wallet;
- Bonus incentive programs for customers who use card products to increase the amount of transactions and, consequently, the balance debt on card credit products, which is currently 24%, with the goal of reaching a minimum of 50%;
- Automated scoring to assess the creditworthiness of individuals;

- Creation of a new system for commodity credit with the possibility of integration via API interface. The goal is to create the possibility of integration of commercial e-stores and the possibility of creating BNPL type products /buy now and pay later/;
- A project related to the creation of an opportunity for the Bank to provide a software POS to its customers registered as merchants /the implementation of the device is through an Android application installed on a smart device/;
- Project for the development of an additional card product - virtual card;
- Participation in the Borica project for migration to a new WAY4 system.

The budgeted parameters by year are as follows:

Loans to households	2025	2026	2027
Credit portfolio	BGN 81.5 million	BGN 95.5 million	BGN 109.8 million
Planned net growth	17%	15%	15%
Interest and fee income	BGN 3.8 million	BGN 4.5 million	BGN 5.5 million

The following means will be used to achieve the objectives in this area:

➤ **Expansion and active interaction with the partner network of traders**

The Bank will continue to invest in relationship management with credit intermediaries and merchants offering credit products to individuals. In terms of commodity lending, staff will be trained in each office to assist traders in their interaction with the Bank. Proactive communication and assistance after signing the contract with the Bank will lead to higher performance in commodity lending and greater satisfaction among traders and end customers.

The alternative sales channels through partner-merchant network has potential for development, and we will rely on active regular interaction with our partners to achieve higher lending results to individuals during the period 2025-2027.

➤ **Continuation of the strategy adopted regarding:**

- Increase and improve results through the selection and training of sales teams positioned in the Bank's branch network.
- A structured approach and special offers to attract new banking customers;
- Planning of sales campaigns covering different target customer groups in order to achieve structured communication leading to long-term relationships and increased use of products and services;
- Combining competitive personal loan offers with some of the fastest approval times in the market, increasing customer satisfaction and loyalty;
- Development of combined payment packages for individuals;
- Develop and build on the capabilities of distribution channels and alternative banking platforms.

The following means will be used to achieve the objectives in these areas:

- **Development of card services and products;**
- **Improvement and implementation of innovative remote banking solutions.**

In the period 2025 - 2027, the Bank will continue to improve its internet and mobile banking services, as well as to expand the range of products and services offered in order to optimize costs and enforce the Bank's high-tech image. The range of products and services to be offered through alternative distribution channels continues to be expanded.

9.6. Design and development of card services and products

In the period 2025 - 2027, the card business will continue its development trend and focus on expanding digital sales channels for card products and attracting new customers. Following the successful introduction of remote customer identification and signing of consumer credit applications and contracts, the focus of subsequent development will be the ability to remotely apply for cards, obtain a PIN via SMS or in mobile banking, remotely activate cards via the web and mobile banking. In this way, the main line of the Bank will be continued, that is, constantly upgrading the quality of service and in response to modern trends aimed at remote banking. A complementary step will be the remote issuance and feeding of virtual cards, tokenization of cards in the mobile phone to the payment applications of Google Pay and Apple Pay. The introduction of bundled services in combination with a digitized card will meet modern trends and market demand, while enabling rapid adaptation to customer needs. The forthcoming tokenisation of Texim Bank AD's cards is also expected to significantly reduce the cost of production, customisation and distribution of physical cards, which will set a better and environmentally responsible management in the card industry. This is expected to contribute to an increase in the customer base, the number of cards issued and the volume of payments made with them, forming additional customer satisfaction and loyalty.

Targets planned for the period 2025 - 2027 - Credit cards

Card type/Year	Number of cards			Credit limit granted BGN			Balance debt BGN		
	2025	2026	2027	2025	2026	2027	2025	2026	2027
Standard/ Classic	1 681	1 967	2 301	3 916 996	4 536 735	5 254 527	897 750	1 032 413	1 187 275
Gold	272	310	353	1 634 558	1 830 705	2 050 389	410 357	459 600	514 752
Platinum	130	148	169	2 155 584	2 414 254	2 703 965	397 093	444 744	498 114
Corporate Gold	55	61	69	424 106	466 517	513 169	74 458	81 904	90 095

Card type/Year	Number of transactions			Transaction volume BGN		
	2025	2026	2027	2025	2026	2027
Standard/ Classic	81 506	96 177	117 336	6 224 767	7 345 225	8 961 174
Gold	27 013	31 606	37 927	3 478 237	3 965 191	4 599 621
Platinum	19 496	22 810	27 372	5 488 219	6 256 569	7 257 620
Corporate Gold	3 974	4 649	5 579	1 071 927	1 157 681	1 273 449

Card type/Year	Income from card fees, including interchange fees			Interest income			Revenue from annual service charges		
	2025	2026	2027	2025	2026	2027	2025	2026	2027
Standard/ Classic	40 988	49 186	61 482	105 317	115 849	127 434	19 011	19 962	20 960
Gold	17 365	20 838	26 048	33 308	36 639	40 303	13 230	13 892	14 587
Platinum	34 713	41 655	52 069	26 025	27 326	28 693	24 150	25 358	26 625
Corporate Gold	17 845	21 414	25 697	4 623	4 715	4 810	4 579	4 854	5 145

Among the Bank's priorities with regard to credit cards will be to encourage customers to make greater use of their credit limits through various incentive mechanisms - games, discounts, bonuses, etc., with the aim of reaching the target of BGN 8.1 million credit limit by the end of 2025 and BGN 10.5 million by the end of 2027.

In terms of product, consideration will be given to developing and offering additional credit cards to the already issued main cards, which will also be able to benefit from the credit limit allocated to the main card, thus aiming to increase the regular balance of credit card debt and therefore interest income.

Targets for the period 2025 - 2027 - Debit cards

Card type/Country	Number of cards			Income from transaction, management and interbank fees		
	2025	2026	2027	2025	2026	2027
Debit cards	16 000	20 480	26 214	536 183	680 953	864 810

Based on the positive growth achieved in the last two years, the Bank is targeting an increase in the number of debit cards issued to individuals and legal entities by an average of around 25-27% on an annual basis to reach 26,214 at the end of 2027. The process of attracting customers for debit cards continues to see a significant share and interest in issuing so-called instant cards issued at a Bank office. In terms of offering this type of cards, the Bank is expected to continue its leadership role in the Bulgarian market in 2025.

Offering additional options and services to debit and credit cards will also be a focus - e.g. insurance to cover instalments due in the event of temporary incapacity, insurance to cover damage in the event of unauthorised use of cards, etc. A significant role in this process is expected to be contributed by the synergy process launched with companies offering the mentioned services.

Planned development of the POS Terminals Transactions segment for the period 2025 - 2027.

	2025	2026	2027
Number of POS terminals	350	450	570
Number of POS transactions	535 630	830 227	1 286 852
Amount of POS transactions in BGN	47 737 853	71 606 779	107 410 169
Commissions collected from traders in BGN	388 560	505 128	656 666
Interbank commission paid to card issuers in BGN	215 092	316 185	464 792
Net commission income in BGN	173 468	188 943	191 874

In 2025 the focus will again be on increasing the number of physical and virtual POS terminals. The total number of terminals operated by the Bank is expected to exceed 350 by the end of the year, and the growth trend will increase over the next two years, reaching 570 installed devices by the end of 2027. The main goal will be to attract new merchants who generate large turnover through the POS terminals installed in their locations, with an annual increase of 25% to 30% in revenue from commissions for transactions carried out.

In 2025, a card acceptance project with UnionPay and Diners/Discovery brands is also expected to be launched, which will further increase revenue for the Bank as well as customer satisfaction.

This year Texim Bank AD will increasingly offer its customers terminals with wi-fi connectivity, which find their specific market and demand from certain companies. With a view

to expanding services to merchants, as well as covering specific business categories of merchants, the option of implementing additional solutions and optimizations such as the implementation of software POS will be sought through BORIKA AD. The same allows acceptance of card payments by a merchant via a mobile phone, or a tablet with Android operating system. The implementation of the software POS will provide a new channel to attract merchants, an opportunity to attract small and micro merchants, reduce hardware costs on the part of the Bank, increase its competitiveness in the Acquiring part, and also respond to green trends and responsible business development.

9.7. Customer service concept - private banking, investment banking and asset management

The Private Banking unit of Texim Bank AD carries out its activities by consistently meeting the targets set in the annual strategic plan for performance improvement.

The main method in the work of Private Banking is the application of an individual approach and personal attitude in the work with significant for the bank clients - individuals and companies. The aim is to achieve optimum efficiency in the relationship, building sustainable mutual trust and a lasting business partnership between the Bank and the client.

Private Banking's development strategy for the period 2025 - 2027 includes continuous efforts to upgrade and expand digital capabilities for more and more products and services. An important task for the period remains the introduction of a new service for the proper remote identification, initiation and submission of orders by remote means for trading in financial instruments.

Other goals and objectives for Private Banking at Texim Bank AD are:

- 10% expansion of the customer base with new customers;
- Growth of the attracted resources from Private Banking clients by 10%;
- Maximize total fee revenue and grow average revenue per customer by 20%;
- Expansion of customer base and transactions in financial instruments by 30%;
- Minimize potential operational risks from Private Banking's activities through the application of consistently high controls and continuous technology and software development;
- Continuous development and improvement of the knowledge and competences of the employees and the team of Private Banking;
- Improvement and automation of processes related to investment intermediation services.

The high demands in banking with first-class clients require continuous improvement of the qualifications and competences of the Private Banking team. Challenges in this regard are finding new technological solutions, expanded opportunities for communication and implementation of operations, as well as the simultaneous continuous improvement of the expertise and training of employees for the timely and accurate execution of all questions and tasks in customer service. All of this should be in line with the ever-changing demands of legislation and customers for greater security, speed and efficiency.

The banking group on a consolidated basis includes Texim Bank AD /Parent Bank/ and its controlled subsidiaries: UD Texim Asset Management EAD, Texim Project Company EOOD, Texim Solutions EOOD, Texim Investments EOOD. The Bank owns 100% of the capital of UD Texim Asset Management EAD, which in turn manages the activities of four mutual funds - Texim Bulgaria Fund; Texim Conservative Fund; Texim Balkans Fund and Texim Commodity Strategies Fund.

The activity of Texim Asset Management EAD is aimed at achieving high returns at reasonable and measured risk for its unitholders of the funds it manages. The current performance of Texim

Asset Management EAD depends to a large extent on Bulgarian and international capital market conditions, including macroeconomic data such as GDP growth, unemployment rate, inflation, interest rates and yields, personal income, etc. In the short and medium term, Texim Asset Management EAD will seek to preserve and increase the value of the shares of the managed funds, making the most of every positive opportunity in the financial markets, while strictly observing the investment restrictions and limits set out in the respective fund documents. An important objective for the management company is to expand the client base and increase the assets for each of the managed funds.

9.8. Custody Services and Bondholders' Trustee

In the past year 2024, the Group has reported a significant growth of nearly 30% in the value of assets under custody through growth in the value of client portfolios and the acquisition of new institutional clients. The Bank's strategy for the period from the beginning of 2025 to the end of 2027 is to maintain and develop the trend of positive growth.

For the period 2025 - 2027, the prerequisites are in place to increase the Group's market share in terms of services provided by continuing to maintain the information security it possesses for its operations, in line with regulatory requirements, as well as in its customer-oriented and qualified staff, ensuring the quality of the services offered. The available information and qualified staff are a condition for maintaining the high level of service to institutional clients and for increasing the number of institutional clients in the next three-year period.

In 2024, the Group strengthened its leadership position as the preferred partner for bondholders by being active in attracting new bond issuers.

During the period 2025 to 2027, the Group will continue to realise its potential to maintain the trend of increase in the number of bond issuers served.

The trend of the Group being chosen as the preferred partner as a trustee for bondholders and a bank providing depository and custody services will continue over the next three-year period.

9.9. Improvement and implementation of innovative remote banking solutions

The strategy for the development of the digital channels, marketing, strategic development and synergies activities in 2025 - 2027 mainly focuses on the following areas:

- Development of remote channels and addition of services to the already established remote customer service centre;
- Continuation of a project to create a new digital vision for the Bank;
- A project related to the creation of a digital wallet and virtual cards and NFC payments between individuals;
- SEPA related project Instant Transfers, P2P, R2P;
- Development of the sales project with synergy between the Bank and "Saglasie", offering online insurance and pension fund products in the office network;
- Building and maintaining the Bank's digital marketing strategy.

The main digital projects for the period 2025 - 2027 are:

- **Project for a new product - Online Deposit to offer the possibility of recruiting new customers and opening a deposit product remotely.**
The project aims to enable new and existing customers to apply for services without visiting a Bank office. The project aims to allow remote signing of documents. A second

product, Online Deposit, is expected to be launched in 2025 and the project will continue with the development of a product, Online Card.

- **Continuation of a project to create a new digital vision for the Bank.**
The Bank's new corporate website was launched in the second half of 2022. The planned next stages of the project are to revamp and completely rewrite the existing Mobile Banking (2025-2027) and to streamline the processes in the Internet Banking system (2025).
- **A project related to the creation of a digital wallet and virtual cards and NFC payments.**
The launch of the project is closely linked to the launch of the Mobile Banking Rewrite Project (2025-2027). A digital wallet (or e-wallet) is a financial transaction application that runs on mobile devices. It reliably stores the Bank's customer payment information. These apps will allow our customers to pay when they shop using their mobile device so that they do not need to carry their bank cards with them. Virtual cards work just like a physical bank card - they simply sit in the digital wallet on the user's phone instead of their physical wallet. Protected by encryption, they offer a safe and convenient way to pay online and in-store. NFC is a type of wireless communication between two devices. It is carried out at a distance of no more than 4 cm. The connection is usually low speed, but the main advantage is that it is instantaneous, without the need for additional setup. Bank customers will be able to pay wirelessly through their phones.
- **Launched a project related to strengthening the synergy between the Bank and the companies of "Saglasie", offering online insurance and pension funds in the office network.**
The project aims to create an e-shop with the ability to accept card payments for remote sales of various types of insurance and pension products.
- **Project related to SEPA Instant Transfer Transfers, P2P, R2P.**
SEPA Instant EUR (2024) is a payment scheme that allows transactions to be processed in seconds, regardless of the time or day of the week. Unlike most payment methods, speed is not dependent on the underlying clearing and settlement arrangements of our account provider. So as long as both European payment institutions involved in the transfer are SEPA Instant participants, the transfer should be almost instantaneous, or up to 10 seconds by definition.
The project is expected to be completed in 2025.
- **Launched a project to build the Bank's digital marketing strategy.**
The project includes the creation of a digital marketing strategy, also called Online Marketing and the promotion of the brand among potential customers through the Internet and other forms of digital communication. The metrics to be monitored are as follows:
 - Impressions: How often has anyone seen a link to the Bank's website on Google.
 - Clicks: How often has someone clicked on a Google link to the Bank's website.
 - Position (average): relative ranking of our link's position in Google, where 1 is the top position, 2 is the next position, etc. Displayed only for Google search results.
 - Click-through rate: the calculation of (clicks ÷ impressions).

The main electronic sales and/or communication channels (mediums) to be used are as follows:

- Social networks;
- YouTube ad;
- Google Advertising;
- Banner advertising in the Investor.bg network;
- SEO;
- Email Marketing;
- Affiliate Marketing.

9.10. Liquidity and markets

In 2025, we expect the Bulgarian economy to continue with a moderate recovery in a continuing uncertain economic environment in which there are major structural changes in the global and European economies. The expected effects of the trade confrontations that have started in the leading economies, albeit with some time lag, will affect the country given that Bulgaria's main trading partners are EU countries, which in turn will inevitably affect the national economy and economic development.

Against this backdrop, the banking sector in Bulgaria continues to operate under heightened external uncertainty but under relatively favourable macroeconomic conditions. The Board of Governors (BoG) of the BNB set the level of the countercyclical capital buffer applicable to credit risk exposures in the Republic of Bulgaria at 2.0% in the first quarter of 2026, based on an assessment under Article 5(1)(a) of the Bank of Bulgaria's Financial Regulation. (3) and (4) of BNB Regulation No 8 on capital buffers, the combined buffer requirement, the restrictions on distributions and the additional own funds recommendation.

At the beginning of 2025, the BNB adopted a new Ordinance No 6 on the provision of emergency liquidity support. The Regulation is issued on the basis of Art. 48, par. 3, in conjunction with § 6, par. 1 of the BNB Act, promulgated in State Gazette No 13 of 13 February 2024 (new BNB Act). The new regulation defines the conditions, collateral and procedure under which, in the event of the Republic of Bulgaria's accession to the euro area, the BNB, as a Eurosystem central bank and outside the scope of Eurosystem monetary policy operations, will be able to provide emergency liquidity support to a solvent bank in the country.

The ratio of liquidity coverage in the banking system as at 31 December 2024 shows a slight decrease and stands at 241.0% (against 246.7% as at 31 December 2023). The liquidity buffer is BGN 56.9 billion and net liquidity outflows are BGN 23.6 billion (vs. BGN 53.0 billion and BGN 21.5 billion at end-2023, respectively).

At the end of December, deposits in the banking system amounted to BGN 163.0 billion, which is BGN 15.7 billion (10.6%) more compared to December 2023. Compared to the end of the previous year, there was an increase in the resources attracted by households - by BGN 9.6 billion (11.7%), deposits of non-financial enterprises, which increased by BGN 3 billion (6.4%), and those of credit institutions (by BGN 3.5 billion, 33.1%) and other financial enterprises (by BGN 0.2 billion, 5.4%). The only certain decrease was in deposits of the general government sector (by BGN 0.7 billion, 17.2%).

In 2025, Texim Bank AD will continue to traditionally follow a conservative model of behaviour that has proven itself over time. Market conditions, geopolitical and economic

environment will be analysed on an ongoing basis, and particular, the decisions and monetary policy of the ECB and the US Federal Reserve will be monitored in the context of global economic and political developments.

With a view to diversifying risk as well as meeting the requirements for servicing state and municipal budget accounts, the Bank will continue to maintain optimal levels of the government securities portfolio. Depending on market conditions and geopolitical developments, investments in government bonds of EU countries are also envisaged, with a preliminary analysis of both the situation in the specific country and the international one, so as to avoid high-risk assets. In order to achieve higher yields and portfolio diversification, the Bank will also analyse the possibility of investing in corporate bonds, necessarily applying a thorough analysis of the issuer in the context of the economic and political challenges that could have an impact.

Texim Bank AD will continue to improve the developed system for liquidity analysis and monitoring, which, based on reports from the information system and other data prepared on this basis, gives a clear picture of the real liquidity situation and facilitates its management.

The measures that Texim Bank AD will take to achieve the above objectives and effects by the end of 2027 are as follows:

- The Bank will continue to maintain a high Liquidity Coverage Ratio (LCR ratio) and Net Stable Funding Ratio (NSF ratio), calculated in accordance with Regulation 575/2013 and in line with the Bank's adopted Recovery Plan and its annexes, where an additional buffer over minimum regulatory requirements is also mentioned. For this purpose, an active and permanent monitoring of liquidity ratios will be applied and the Bank's assets and liabilities will be managed in a manner adequate for the respective situation.
- During the period 2025 - 2027, Texim Bank AD will continuously analyse its investments in the context of economic and geopolitical developments that have a significant impact on financial markets. The Money Markets and Liquidity Department will keep the members of the Bank's Management Board and the ALCO informed on an ongoing basis in order to make informed management decisions on key asset and liability management issues.
- During the period 2025-2027, the Bank will continue to develop its systems for liquidity analysis and monitoring and risk assessment and diversification. A particular focus in the period 2025 - 2027 will be the monitoring and analysis of financial markets and their impact on the Bank's cash flows, liquidity and trading strategy in financial markets.

In the area of fundraising in the period 2025-2027, the Bank will continue to work towards:

- Developing and offering quality products and services at competitive levels in the core segments of the liability. Texim Bank AD will continue to implement an adequate deposit interest rate policy that is fully aligned with market conditions and the dynamic competitive environment.
- Increasing the quality of customer service and the quality of services offered, individual and package effective solutions for its customers;
- Development of digital distribution channels for banking products;
- Preserving the good image and increasing the trust of the clients of Texim Bank AD , as well as attracting new clients;
- Coordinated management of assets and liabilities by optimising the spread between earnings on earning assets and the cost of liabilities.

The Bank's strategy in terms of funds raised from customers is to maintain a steady and stable growth in liabilities by increasing competitive products, and for this purpose, it will focus on such products based on remote means and channels in the context of digitalization of products and services, which the Bank seeks to develop so as to be accessible to the largest possible range of customers.

In this sense, the Bank's conservative forecast in the medium term is an expected growth of attracted funds of about 10% per year, with a more moderate growth for 2025 due to the expectations of a convertible bond issue to provide about BGN 20 million, the Bank will apply a moderately conservative and at the same time balanced and competitive policy in terms of the cost of attracted funds at levels close to the average value of the resource in the banking system in the country.

9.11. Interbank and international operations strategy

In the area of trade finance and international payments, it is planned to expand the product range, including work with letters of credit, documentary operations, etc. In international payments, we foresee continued growth, and the aim will be to increase the volume of overseas remittances and payments, as a continuation of the policy pursued in previous years and the growth of these banking services in 2024.

We will continue to work towards establishing the Group as a reliable partner for customers in the field of foreign exchange payments through efficient, quality and prompt service of customer transfer orders.

We plan to undertake additional activities in relation to optimising and automating processes in the Group's information system through the use of various distribution channels, providing additional opportunities for the execution of customer transfer orders in order to fully satisfy their current needs and requirements.

In terms of payment technology and technique, work is underway to migrate to BISERA EUR for SEPA Step 2 payments (in the context of the BNB's acquisition of a direct stake in Step 2).

Work will continue in relation to optimising payment-related costs by actively managing the routing of customer transactions through the optimal channels in line with their conditions (especially in the context of the forthcoming euro adoption), without affecting the quality of the business conducted.

The work related to the introduction and management of reporting in accordance with the requirements of MIFID, the automation of the preparation of the required reports and the optimization of the interaction of the Directorate with other units integrated in its activities in Texim Bank AD (Liquidity, Accounting, Private Banking, etc.) will continue.

It will consolidate the steady growth in inward remittances achieved in 2024 by offering competitive tariff terms for the benefit of the Bank's customers.

The Group's team will continue to improve the activities related to the timely, quality and efficient execution of all back-office operations in order to ensure the smooth flow and execution of transactions in the FX and BGN markets, interbank deposits, transactions in government securities and other financial instruments.

9.12. Strategy of Texim Bank AD in relation to joining the Eurozone and adopting the single European currency.

In June 2024, the European Commission and the ECB published their regular convergence reports for the EU countries that are not members of the single monetary union, from which it became clear that Bulgaria does not meet the price stability criterion. As a result,

the country was not invited to join the euro area within the target date of 1 January 2025 set by the Government. The National Assembly adopted the Law on the Introduction of the Euro in the Republic of Bulgaria (LERB), followed by a decision obliging the Bulgarian Government and the BNB to submit an application for the preparation of an extraordinary convergence report within a short period of time after the fulfilment of the aforementioned criterion to the Ministry of Finance (MoF), on the basis of which the country would adopt the euro. In connection with the publication by Eurostat of the latest official macroeconomic data for the EU countries for January 2025, and especially the Harmonised Index of Consumer Prices (HICP) data, it appears that our country already fulfils the last outstanding criterion for price stability. On this basis, at a meeting of the Council of Ministers on 24.02.2025, it was decided to make a formal request to the European Commission and the ECB for the elaboration of extraordinary convergence reports for Bulgaria, and on 25.02.2025 the Minister of Finance and the Governor of the BNB sent such a formal request to the European institutions responsible for the process. The convergence reports are expected to be ready in June 2025, after which there is an approximate timeframe of about a month for the responsible European institutions (such as the Council of Finance Ministers of the Eurozone countries) to confirm Bulgaria's accession, fixing the exchange rate of the lev against the euro, and to issue a formal invitation to Bulgaria to join the Eurozone, respectively adopting the euro as the national currency from the beginning of 2026.

In connection with the processes led by the BNB, the MoF and the FSC related to the organization and management of the exchange of the Bulgarian lev for the euro in the financial and banking system of the country, the Bank seeks to ensure administrative capacity /including organizational, information and human resources/, and the relevant functional structure is being prepared, engaged in planning, coordination and control of the processes in order to ensure timely preparation at a sufficiently early stage and ensure quality and reliable implementation.

In addition, the Bank has the necessary financial resources and expert and technical capacity, which is mainly dedicated to the organisation and execution of assignments for the redesign of the Bank's information and accounting systems and software products. This is expected to be the most complex, costly and resource intensive part of the overall process of preparing the Bank for the conversion. To this end, a number of preliminary tests will be carried out to ensure the smooth conversion of the main accounting records and values from levs to euro, and the BNB will be notified of the final date for completion of the tests. The Bank envisages updating the records maintained relating to assets, liabilities, capital and off-balance sheet assets and liabilities in the context of their conversion from levs to euro, and will comply with the rules set out in Regulation (EC) No 1103/97 in the event of rounding differences.

In addition, the Bank envisages revising the tariff for interest, fees and commissions in BGN and EUR within the regulatory deadline for their dual display, in compliance with the requirements of IFRS 9 /i.e. it will be indicated which interest, fees or commissions are or are not an integral part of the effective interest rate/, and the Bank's revised tariff will be prepared and published on the website in due time, for which customers will be notified before the new tariff comes into force.

In accordance with the BNB requirements, the Bank will make arrangements for the timely preparation and submission of reporting templates in accordance with the applicable business cards at the individual and consolidated level denominated in euro.

X. INFORMATION GIVEN IN VALUE AND QUANTITATIVE TERMS ON THE MAIN CATEGORIES OF GOODS, PRODUCTS AND/OR SERVICES PROVIDED, INDICATING THEIR SHARE IN THE SALES REVENUE OF "TEXIM BANK" AD AS A WHOLE AND THE CHANGES THAT OCCURRED DURING THE FINANCIAL YEAR UNDER REVIEW

10.1. LENDING

Loans and receivables from customers

Types of customers

	As at 31.12.2024	As at 31.12.2023
Private companies	98,912	99,146
Budget	328	427
Households and individuals	69,624	56,921
Financial enterprises	54,834	34,359
Impairment for uncollectibility	(1,433)	(1,466)
TOTAL	222, 265	189,387

By industry

	As at 31.12.2024	As at 31.12.2023
Individuals	69,624	56,921
Industry	12,038	15,254
Services and other	41,298	44,157
Trade	38,227	26,111
Budget	328	427
Construction	5,517	5,577
Transport	22,766	22,766
Agriculture	436	1,586
Finance	33,464	18,054
Impairment for uncollectibility	(1,433)	(1,466)
TOTAL	222,265	189,387

10.2. DEPOSITS

The following table summarizes information regarding deposits from customers other than credit institutions as at 31.12.2024.

	As at 31 December 2024			As at 31 December 2023		
	BGN	Foreign currency	Total	BGN	Foreign currency	Total
RESIDENTS	408 956	196 381	605 337	395 005	161 387	556 392
Budget	16 691	215	16 906	23 843	186	24 029
Finance	74 993	8 458	83 451	29 583	7 593	37 176
Households and individuals	155 821	103 077	258 898	136 921	91 699	228 620
Services	74 653	42 183	116 836	57 840	22 399	80 239
Industry	12 529	8 256	20 785	9 511	2 726	12 237
Trade	41 220	22 336	63 556	38 872	26 580	65 452
Transport	7 902	7 798	15 700	5 567	8 040	13 607
Construction	20 651	2 934	23 585	87 883	1 221	89 104
Agriculture	4 496	1 124	5 620	4 985	943	5 928
NON-RESIDENTS	1 027	3 629	4 656	771	11 064	11 835
	409 983	200 010	609 993	395 776	172 451	568 227

XI. INFORMATION ON REVENUES, DIVIDED INTO DIFFERENT CATEGORIES OF ACTIVITIES, DOMESTIC AND FOREIGN MARKETS, AS WELL AS INFORMATION ON THE SOURCES OF SUPPLY OF MATERIALS NECESSARY FOR THE PRODUCTION OF GOODS, OR THE PROVISION OF SERVICES, REFLECTING THE DEGREE OF DEPENDENCE ON EACH INDIVIDUAL SELLER OR BUYER/CONSUMER, IN CASE THE RELATIVE SHARE OF ANY OF THEM EXCEEDS 10 PERCENT OF THE EXPENSES, SALES REVENUE, INFORMATION SHALL BE PROVIDED FOR EACH INDIVIDUAL, HIS SHARE OF SALES, OR HIS PURCHASES AND RELATIONS WITH THE ISSUER

In 2024, the Group's net income by business type is as follows:

- **Net interest income, fees and commissions, net income from transactions in financial assets**

The net interest income for 2024 amounts to BGN 17 028 thousand and is formed from interest income of BGN 18 270 thousand and interest expenses of BGN 1 242 thousand. Interest income is dominated by interest on loans and receivables, while interest on borrowed funds is the main component of interest expense.

- **Net fee and commission income**

The realised net income from fees and commissions in 2024 amounts to BGN 5 578 thousand, with revenues of BGN 6 558 thousand and expenses of BGN 980 thousand. Fee and commission income is generated from bank transfers, treasury operations, loan servicing, e-card operations, securities transactions, mutual fund management income, investment advisory services, etc.

- **Net gains from transactions in financial assets at fair value through profit or loss**

Realized net gains from securities and foreign exchange trading operations in 2024 amount to BGN 3 018 thousand (2023: BGN 2 995 thousand). These gains are the result of transactions in shares of financial institutions, non-financial institutions and other customers and transactions in bonds issued by the Bulgarian Government and trading companies as well as fair value revaluations during the period. This group of income also includes the result of foreign exchange transactions. For 2024 the net income from foreign exchange trading is BGN 783 thousand (2023: BGN 785 thousand).

- **Net gains on transactions in financial assets at fair value through other comprehensive income**

In 2024, income from transactions with financial assets carried at fair value through other comprehensive income of BGN 60 thousand (2023: expense of BGN 154 thousand) was recorded. These revenues are mainly generated from trading in corporate bonds.

- **Net gains (losses) on financial assets at amortised cost**

In 2024, receivables were purchased at cost amounting to BGN 121 714 thousand. Proceeds from repayment of receivables amounted to BGN 122 629 thousand. The realised profit amounted to BGN 915 thousand.

In 2023, loans carried at amortised cost were sold, with a net loss of BGN 430 thousand.

- **Net foreign exchange losses**

In 2024, a foreign exchange gain of BGN 26 thousand was realized.

- **Other operating expenses, net**

In 2024, the Group generated other operating income of BGN 1,003 thousand. The majority of this income consists of rental income, fees from insurance agent contracts, trustee for bondholders, sale of commemorative coins and other services. In 2024 the Group has recorded other operating expenses of BGN 3 129 thousand.

- **Change in fair value of investment properties**

For 2024 the Group has recorded a positive net revaluation from investment properties in the amount of BGN 235 thousand.

- **Impairments for uncollectibility of financial assets**

The net result of impairments for uncollectibility in 2024 is BGN 310 thousand, this amount is formed of impairments of financial assets carried at fair value through other comprehensive income in the amount of BGN 87 thousand and impairments of financial assets at amortised cost in the amount of BGN 223 thousand.

- **General and administrative expenses for operations and depreciation expenses**

Administrative expenses for the Group's operations in 2024 amount to BGN 18 361 thousand and depreciation expenses amount to BGN 3 744 thousand.

- **Provisions expenses**

Provisions for off-balance sheet commitments amounted to BGN 33 thousand.

XII. INFORMATION ON CONCLUDED SIGNIFICANT TRANSACTIONS

During 2024, the Group did not enter into any major transactions that were material to its operations.

XIII. INFORMATION ABOUT THE TRANSACTIONS CONCLUDED BETWEEN TEXIM BANK AD AND RELATED PARTIES DURING THE REPORTING PERIOD, PROPOSALS FOR CONCLUDING SUCH TRANSACTIONS, AS WELL AS TRANSACTIONS THAT ARE OUTSIDE ITS USUAL ACTIVITY, OR MATERIALLY DEVIATE FROM THE MARKET CONDITIONS TO WHICH TEXIM BANK AD OR ITS SUBSIDIARY IS A PARTY WITH AN INDICATION OF THE VALUE OF THE TRANSACTIONS, THE NATURE OF THE CONNECTION AND ANY INFORMATION, NECESSARY TO ASSESS THE IMPACT ON THE ISSUER'S FINANCIAL POSITION

As at 31 December 2024 and 2023, the Group has receivables and payables from related parties as follows:

Related parties and balances	Balance as at 31.12.2024	Balance as at 31.12.2023
Key management personnel		
Loans granted	687	384
Deposits received	1 345	1 158
Other receivables	2	12

The revenue and expenses generated by the Group in 2024 and 2023 from related party transactions are as follows:

Related parties and types of transactions	For the year ended	For the year ended
	31.12.2024	31.12.2023
Key management personnel		
Interest income	23	15
Fees income	5	6
Interest expenses	(1)	-

During 2024, the Bank engaged in related party transactions by making loans, raising cash, etc. All related party transactions were entered into on normal commercial terms in the ordinary course of the Bank's business and are not at variance with market terms. The authorization of credit transactions has been made after credit risk analysis and assessment, subject to liquidity and collateral adequacy requirements and internal regulations.

Key personnel of the Bank are the members of the Management Board, including the Executive Directors, who are directly involved in corporate operational management, and the members of the Supervisory Board, who exercise control over the Bank's activities and make important decisions for its development.

The remuneration of the members of the Management Board paid in 2024 totals BGN 633 thousand (2023 - BGN 528 thousand).

The remuneration of the members of the Supervisory Board paid in 2024 totals BGN 269 thousand (2023 - BGN 270 thousand).

The remuneration of the members of the Board of Directors of Texim Asset Management EAD for 2024 amounts to BGN 167 thousand (2023 - BGN 139 thousand).

XIV. INFORMATION ON EVENTS AND INDICATORS OF AN UNUSUAL NATURE FOR TEXIM BANK AD, HAVING A SIGNIFICANT IMPACT ON THE ACTIVITIES OF THE BANK, AND THE INCOME EARNED AND EXPENSES INCURRED. ASSESSMENT OF THEIR IMPACT ON THE CURRENT YEAR'S RESULTS

During the year, there were no events and indicators of an unusual nature for the Group that had a material impact on its operations.

XV. INFORMATION ON OFF-BALANCE-SHEET TRANSACTIONS - NATURE AND BUSINESS PURPOSE, INDICATION OF THE FINANCIAL IMPACT OF THE TRANSACTIONS ON THE BUSINESS IF THE RISK AND BENEFITS OF THESE TRANSACTIONS ARE MATERIAL TO "TEXIM BANK" AD AND IF THE DISCLOSURE OF THIS INFORMATION IS MATERIAL FOR THE ASSESSMENT OF THE FINANCIAL POSITION OF TEXIM BANK AD

Off-balance sheet commitments on bank guarantees issued in BGN, EUR and USD amounted to BGN 21 864 thousand. Total undrawn commitments on contracted loans and overdrafts (including corporate loans and retail loans) as at 31.12.2024 amount to BGN 17 400 thousand compared to BGN 17 230 thousand as at the end of 2023.

XVI. INFORMATION ON THE SHAREHOLDINGS OF TEXIM BANK AD, THE MAIN INVESTMENTS IN THE COUNTRY AND ABROAD (IN SECURITIES, FINANCIAL INSTRUMENTS, INTANGIBLE ASSETS AND REAL ESTATE), AS WELL AS INVESTMENTS IN EQUITY SECURITIES OUTSIDE THE ECONOMIC GROUP AND THE SOURCES, METHODS OF FINANCING

The intangible assets and property held by the Group as at 31 December 2024 are detailed in notes 10 and 11 to the Annual Consolidated Financial Statements.

The financial instruments held by the Group as at 31.12.2024 are: government bonds, corporate bonds, shares and units, loans and receivables from customers, resources provided and deposits with banks and securities receivable under repurchase agreements with a total

carrying amount of BGN 520 308 thousand, classified into the following groups: at fair value through profit and loss, at fair value through other comprehensive income and debt instruments at amortised cost, loans and receivables and securities receivable under repurchase agreements with banks, and debt instruments at amortised cost.

As at 31.12.2024 the Group owns government securities issued by the Government of the Republic of Bulgaria for a total amount of BGN 63 865 thousand. Government securities issued by foreign governments amounted to BGN 292 thousand.

Corporate debt securities of Bulgarian and foreign issuers at the end of 2024 amounted to BGN 76 566 thousand, and shares and stakes of enterprises, as well as shares in collective investment schemes held by the Group, amounted to BGN 57 987 thousand.

As of 31.12.2024 the total amount of loans and receivables from customers, after provisioning, is BGN 271 231 thousand, of which resources and deposits from banks amount to BGN 48 966 thousand.

As of 31.12.2024 the total amount of securities redemption receivables is BGN 50 367 thousand.

As at 31.12.2024, the subsidiaries do not hold any shares of the Bank.

XVII. INFORMATION ON THE LOAN AGREEMENTS CONCLUDED BY TEXIM BANK AD OR ITS SUBSIDIARIES, AS BORROWERS, INDICATING THEIR TERMS AND CONDITIONS, INCLUDING THE FINAL REPAYMENT TERMS, AS WELL AS INFORMATION ON GUARANTEES AND COMMITMENTS PROVIDED

Deposits from customers other than credit institutions and liabilities under lease agreements amounted to BGN 614 808 thousand, including BGN 609 993 thousand deposits from customers other than credit institutions - residents and non-residents, and BGN 4 815 thousand liabilities under lease agreements.

XVIII. INFORMATION CONCERNING LOANS GRANTED, GUARANTEES GIVEN, OR COMMITMENTS INCURRED BY "TEXIM BANK" AD OR ITS SUBSIDIARIES IN GENERAL TO A PERSON OR ITS SUBSIDIARIES, INCLUDING RELATED PERSONS, INDICATING THE NAMES OR THE NAME AND EIC OF THE PERSON, THE NATURE OF THE RELATIONSHIP BETWEEN "TEXIM BANK" AD, OR THEIR SUBSIDIARIES AND THE BORROWING PERSON, THE AMOUNT OF THE PRINCIPAL OUTSTANDING, THE INTEREST RATE, THE DATE OF CONCLUSION OF THE CONTRACT, THE FINAL REPAYMENT DATE, THE AMOUNT OF THE COMMITMENT, SPECIFIC CONDITIONS OTHER THAN THOSE REFERRED TO IN THIS PROVISION, AND THE PURPOSE FOR WHICH THEY WERE GRANTED, IF THEY WERE CONCLUDED AS EARMARKED

Texim Bank AD is a credit institution and as part of its core business provides loans in compliance with the requirements of Regulation (EU) 575/2013, the Credit Institutions Act and its implementing acts, as well as the internal regulations of Texim Bank AD. All loans are in force and concluded in accordance with the Bank's internal regulations, and the liquidity and collateral sufficiency requirements set forth in the Rules for Lending Activities of Texim Bank AD are complied with.

The Bank's activities as a credit institution are supervised by BNB. In this regard and in accordance with the requirements of the Credit Institutions Act, detailed information on all loans granted by the Bank is duly submitted to the Central Credit Register maintained by the BNB.

Subsidiaries of Texim Bank AD did not lend in 2024.

XIX. INFORMATION ON THE USE OF PROCEEDS FROM THE ISSUE OF SECURITIES DURING THE REPORTING PERIOD

Following a preliminary approval under Article 33d of Regulation No. 2 of 2006 on the licences, approvals and authorisations issued by the Bulgarian National Bank, in conjunction with Article 39, paragraph 6 of the Credit Institutions Act, pursuant to Decision No. 338 of 29.09.2020 of the Board of the BNB the cash raised through the bonds in the amount of BGN 22 000 thousand is included in the Tier 2 capital of Texim Bank AD, in accordance with the requirements of Article 63 of Regulation No. 575/2013 of the European Parliament and of the Council of 26 June 2013.

The funds raised in the amount of BGN 22 000 thousand were used by Texim Bank AD in accordance with the objectives set out in the Prospectus for Initial Public Offering and Admission to Trading on a Regulated Market of Convertible Corporate Bonds of Texim Bank AD, confirmed by Decision No. 237-E of 26 March 2020 of the Financial Supervision Commission, as well as in accordance with the Bank's strategy to raise funds for business development in lending and the introduction of additional products and services and to increase the efficiency of existing ones, as well as to protect against potential investors.

The proceeds of the bonds were not used to acquire assets other than in the ordinary course of the Bank's business.

In 2024, the entire remaining bond issue was converted into shares, resulting in an increase in equity of BGN 8 million.

XX. ANALYSIS OF THE RELATIONSHIP BETWEEN THE FINANCIAL RESULTS REPORTED IN THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR AND PREVIOUSLY PUBLISHED FORECASTS OF THOSE RESULTS

The Group has not published specific development forecasts in its 2024 annual consolidated management report and accordingly does not report the result between previously made forecasts and achieved results.

XXI. ANALYSIS AND ASSESSMENT OF THE FINANCIAL RESOURCES MANAGEMENT POLICY, INDICATING THE POSSIBILITIES OF SERVICING THE OBLIGATIONS, THE POSSIBLE THREATS AND THE MEASURES THAT THE GROUP HAS TAKEN, OR IS ABOUT TO TAKE, TO ADDRESS THEM

The Group manages its assets in accordance with applicable legislation and internal regulations. The Group services all its liabilities in a timely manner and maintains a high degree of liquidity.

Liquidity risk arises from the mismatch between the maturity of assets and liabilities and the potential lack of sufficient funds to meet the Bank's payments on current financial liabilities, as well as to provide funds to finance increases in financial assets and potential claims on off-balance sheet commitments. Liquidity risk is subject to analysis and control by the Asset and Liability Management Committee. The Bank's main sources of funds are deposits and other borrowed resources. For the year 2024, there are no indicators (indicators) of the Bank for the occurrence of increased risk regulated in the Liquidity Risk Management Rules. Periodically, in accordance with the Internal Rules, Liquidity Reports have been prepared /in a normal banking environment and in a Liquidity Crisis scenario/.

The preventive function in liquidity risk management consists of daily monitoring and management of liquidity, maintaining sufficient availability of high quality liquid assets to cover mismatches between cash inflows and outflows, analysis of mismatches between cash inflows and outflows by maturity interval, both in a normal banking environment and in a crisis.

The Bank follows the obligations and restrictions arising from the Credit Institutions Act, the Public Offering of Securities Act, European legislation and BNB Regulation No. 11

on the management and supervision of banks' liquidity. A quantitative measure of liquidity risk is the liquidity coverage ratio. The Bank traditionally maintains a large volume of highly liquid assets - cash on hand and funds on deposit with the BNB - which ensure that its liquidity needs are met without any problems. As an additional instrument to ensure high liquidity, the Bank uses the resources and advances provided by financial institutions. Basically, these are deposits with first-class international and Bulgarian financial institutions with maturity up to 7 days. The Bank is able to meet all its payment needs on maturing financial liabilities.

XXII. ASSESSMENT OF THE POSSIBILITIES FOR THE REALISATION OF THE INVESTMENT INTENTIONS, INDICATING THE AMOUNT OF AVAILABLE FUNDS AND REFLECTING POSSIBLE CHANGES IN THE FINANCING STRUCTURE OF THIS ACTIVITY

The Group will finance its operations over the next three years with its own funds and leverage. The Bank has available equity capital within the meaning of EU Regulation № 575 to realise its expansion intentions and we are setting out in the Strategy and Budget Framework for the three-year period a new issue of convertible bonds as well as a capital increase through a further issue of ordinary shares.

XXIII. INFORMATION ON CHANGES DURING THE REPORTING PERIOD IN THE GROUP'S MAIN MANAGEMENT PRINCIPLES

There have been no changes to the Group's fundamental governance principles in 2024. The Group's governance principles are in line with European frameworks and internationally recognised standards of good corporate governance.

XXIV. INFORMATION ON THE MAIN FEATURES OF THE INTERNAL CONTROL SYSTEM AND RISK MANAGEMENT SYSTEM APPLIED BY TEKSIM BANK AD IN THE PROCESS OF PREPARING THE FINANCIAL STATEMENTS

Internal control and audit

Texim Bank AD has established and operates a Specialised Internal Audit Service (SIAS). The SIAS is an independent structural unit in the system of Texim Bank AD, subordinated to the supreme body - the General Meeting of Shareholders, and when it is not in session - to the Supervisory Board. The SIAS carries out internal audit in the Bank, which is one of the main elements of the internal control system.

The SIAS provides the Bank's Management with independent, objective and unbiased assessments of the risks and controls implemented in response to management and operational activities with respect to: the strategy, reliability and integrity of financial and operational information; the effectiveness and efficiency of operations, including safeguarding of assets; and compliance with laws, regulations, internal regulations and contracts.

The Internal Audit covers all aspects of the Bank's operations - all structural units, activities and processes, review of risk management procedures, internal control systems, information systems and management processes.

Internal Audit carries out its activities in accordance with an Annual Audit Plan approved by the Supervisory Board, prepared according to a risk-based methodology proposed by the Head of the SIAS. Internal audit activities include periodic transaction reviews, review for compliance with best banking practices, compliance with regulatory requirements, proposals for the introduction of preventive measures to prevent and detect fraud.

In carrying out its functions, the SIAS verifies and evaluates:

- A governance process aimed at promoting ethical relationships within the Bank; ensuring effective governance and accountability; communicating to relevant units regarding risks and controls; coordinating activities and sharing information between external auditors and management;
- The reporting and information system, the usefulness of the analyses produced and the accuracy of the data;
- The legality of operations, compliance with internal rules and procedures and the implementation of management decisions;
- Compliance of internal control policies and procedures with legal and regulatory requirements, as well as with the decisions of the management and control bodies
- The accuracy and effectiveness of the implementation of internal policies and procedures;
- Results and performance;
- The possibility of fraud;
- Risk management systems, risk assessment methodologies and capital adequacy;
- The appropriateness, quality and effectiveness of the control activities performed by the units responsible for operational control of the business units in transactions and operations, the risk management structure and the regulatory compliance service;
- The reliability and timeliness of reporting to the Bulgarian National Bank;
- Protecting the Bank's assets from insolvency and abuse;
- The implementation of contracts and commitments;
- The selection and qualification of staff and the compliance of job descriptions and competencies.

In carrying out its functions, the Specialist Internal Audit Service carried out assurance audit engagements through a systematic approach to assess the Bank's risk management, internal control and governance systems and make recommendations for their improvement, as well as periodically review their implementation.

XXV. INFORMATION ON CHANGES IN THE MANAGEMENT AND SUPERVISORY BODIES DURING THE FINANCIAL YEAR UNDER REVIEW

On 26.03.2024, Mr. Ivaylo Lazarov Donchev and Ms. Mariya Petrova Vidolova were registered as Managers of the newly established subsidiary of the Bank Texim Investments Ltd. in the Commercial Register and the Register of Non-Profit Companies at the Registry Agency.

On 07.02.2024 changes in the composition of the Board of Directors and in the representatives of Texim Asset Management EAD were registered in the Commercial Register and the Register of Non Profit Companies at the Registry Agency. Elisaveta Arseniyeva Panayotova, as a member of the Board of Directors, Executive Director and representative of Texim Asset Management EAD, was dismissed. Vasil Nikolaev Valkov was elected as a new member of the Board of Directors with a five-year term of office, Executive Director and representing Texim Asset Management EAD.

XXVI. INFORMATION ON FEES AND SERVICES RENDERED BY AUDITORS

The Bank's annual standalone and consolidated financial statements for 2024 have been audited by Grant Thornton OOD and RSM BG OOD (selected in accordance with the GMS resolution dated 26 June 2024).

The company "Grant Thornton" OOD. has an address of management: Sofia, 26 Cherni vrah Blvd. The company is a member of the Institute of Certified Public Accountants in Bulgaria (ICPA), registered as an audit firm under reg. No 32 of the register under art. 20 of the Independent Financial Audit and Sustainability Assurance Act. The registered auditor

responsible for the 2024 audit is Mariy Georgiev Apostolov with personal reg. no. 0488 in the register.

The company "RSM BG" OOD has its address of management: Sofia, bul. "Fridtjof Nansen" No 9, fl. 7. The company is a member of the Institute of Certified Public Accountants in Bulgaria (ICPA). The company is registered in the register under art. 20 of the Independent Financial Audit and Sustainability Assurance Act as an audit firm under Reg. No. 173. The registered auditor responsible for the 2024 audit is Mariana Petrova Mihailova with personal reg. no. 203 in the register.

The remuneration for the statutory independent financial audit of the stand-alone and consolidated financial statements of Texim Bank AD for the period ending 31 December 2024 is BGN 221 thousand excluding VAT, which includes the remuneration of the two audit firms.

The other services not related to the statutory financial audit, which are provided by the two audit firms, include the engagement to perform agreed procedures in connection with the application of Ordinance No. 10 of the Bulgarian National Bank on the organization, management and internal control in banks for the period 1 January - 31 December 2024, the fee for which is a total of BGN 13 thousand for the two audit firms. During 2024 and up to the date of this report, no tax advisory or other services other than those mentioned above have been performed by the two audit firms, Grant Thornton OOD and RSM BG OOD.

The fee for the statutory independent financial audit of the annual financial statements of Texim Asset Management EAD for the period ending 31 December 2024 is BGN 5 thousand excluding VAT.

XXVII. INFORMATION ABOUT THE SHARES HELD BY THE MEMBERS OF THE MANAGEMENT AND CONTROL BODIES AND PROCURATORS OF TEXIM BANK AD, INCLUDING THE SHARES HELD BY EACH OF THEM SEPARATELY AND AS A PERCENTAGE OF THE SHARES OF EACH CLASS, AS WELL AS OPTIONS ON ITS SECURITIES PROVIDED TO THEM BY TEXIM BANK AD - TYPE AND AMOUNT OF THE SECURITIES ON WHICH THE OPTIONS ARE ESTABLISHED, OPTION EXERCISE PRICE, PURCHASE PRICE, IF ANY, AND TERM OF OPTIONS

The shares acquired, held and transferred by the members of the Management and Supervisory Boards of Texim Bank AD are as follows:

	Full Names	Post	Number of shares held by Texim Bank AD as of 01.01.2024	Number of shares of Texim Bank AD, acquired in 2024	Number of shares of Texim Bank AD transferred in 2024	Number of shares held by Texim Bank AD as at 31.12.2024
1	Mariya Petrova Vidolova	Executive Director and Member of the Management Board	569	0	0	569

The remaining members of the Management and Supervisory Boards of Texim Bank AD did not own, acquire or transfer any shares of the Bank in 2024 and do not have any special rights to acquire shares and bonds of Texim Bank AD (information pursuant to Article 187 e of the Commercial Act).

INFORMATION PURSUANT TO ARTICLE 247, PARAGRAPH 2, POINT 4 OF THE COMMERCIAL ACT

Participation of members of the Management and Supervisory Boards of Texim Bank AD in commercial companies as unlimited partners. Holding more than 25% of the capital. Participation in the management of other companies

NAMES	Holding more than 25% of the capital of other companies	Participation in the management of other companies, or cooperatives as procurators, managers, or members of boards
APOSTOL APOSTOLOV	<ul style="list-style-type: none"> - Sole owner of the capital of "Ala Consult" EOOD; - Sole owner of the capital of "Energreen" EOOD; - Partner in "Studio Seven Hills" OOD; - Shareholder in Quadra AD; - indirect participation in "Sustainable Business Consulting" OOD. 	<ul style="list-style-type: none"> - Chairman of the Supervisory Board of Texim Bank AD; - Chairman of the Board of Directors of Central Depository AD; - Member of the Supervisory Board of "Electricity Distribution Networks West" EAD; - Manager of "Ala Consult" EOOD; - Manager of "Energreen" EOOD; - Chairman of the Board of Trustees and President of the Higher School of Insurance and Finance /VUZF/; - Member of the Management Board of the Bulgarian Association of Investment Bankers.
MILEN MARKOV	<ul style="list-style-type: none"> - Partner in ELBA PROPERTIES OOD, (the company is not active); - Sole owner of the capital of MTM EOOD, (the company does not operate). 	<ul style="list-style-type: none"> - Deputy Chairman of the Supervisory Board of Texim Bank AD; - Chairman of the Board of Directors and Executive Director of Pension Insurance Company "Saglasie" AD; - Chairman of the Board of Directors of Life Insurance Company Saglasie AD; - Chairman of the Board of Directors of Insurance Company Saglasie AD; - Member of the Management Board of the Bulgarian Association of Supplementary Pension Security Companies.
PETAR HRISTOV	<ul style="list-style-type: none"> - Shareholder in "Mega Trans" AD; - Partner in "Albatros 1" OOD; - Partner in "Profayer" OOD; - Partner in "Chaika Property Management Service" OOD; 	<ul style="list-style-type: none"> - Member of the Supervisory Board of Texim Bank AD; - Executive Director and member of SD – "Mega Trans" AD.

	- Partner in “Mineral Processing” OOD.	
VESELIN MOROV	Does not own	<ul style="list-style-type: none"> - Member of the Supervisory Board of Texim Bank AD ; - Member of the Board of Directors of Pension Insurance Company Saglasie AD.
IVELINA SHABAN	Does not own	<ul style="list-style-type: none"> - Member of the Supervisory Board of Texim Bank AD ; - Member of the Board of Directors and Executive Director of Real Finance Asset Management AD; - Member of the Board of Directors and Executive Director of Holding Varna AD; - Procurator at Real Finance AD; - Member of the Board of Directors and Executive Director of Saint Constantine and Helena Holding AD; - Member of the Board of Directors and Executive Director of Kamchia AD; - Manager of Park Build EOOD; - Member of the Management Board of M Sat Cable EAD, through Holding Varna AD; - Member of the Management Board of M Sat Invest EAD, through Holding Varna AD; - Member of the Board of Varna Realtis EAD, through Holding Varna AD; - Member of the Management Board of Shabla Golf-Vaklino AD, through Saint Constantine and Helena Holding AD; - Member of the Management Board of Shabla Marina AD, through Saint Constantine and Helena Holding AD; - Member of the Management Board of Atlas 1 EAD, through Holding Varna AD.
IGLIKA LOGOFETOVA	<ul style="list-style-type: none"> - Logofetova and Partners Law Firm, a civil company registered under the Obligations and Contracts Act; - Sole owner of the capital of Ipsilon Assets EOOD - in liquidation 	<ul style="list-style-type: none"> - Chairman of the Management Board of Texim Bank AD ; - Chairman of the Board of Directors of Texim Asset Management EAD; - Managing partner of the Logofetova and Partners Law Firm, a civil partnership registered under the Obligations and Contracts Act.

		<ul style="list-style-type: none"> - Member of the Board of Directors of Villa Ship EAD; - Liquidator of Ipsilon Assets EOOD.
IVAILO DONCHEV	- Sole owner of the capital of VIT MD EOOD	<ul style="list-style-type: none"> - Deputy Chairman of the Board and Executive Director of Texim Bank AD ; - Manager of VIT MD EOOD - Manager of Texim Investments EOOD
MARIYA VIDOLOVA	Does not own	<ul style="list-style-type: none"> - Executive Director and Member of the Management Board of Texim Bank AD ; - Manager of Texim Solutions EOOD - Manager of Texim Investments EOOD
DIMITAR ZHILEV	Does not own	<ul style="list-style-type: none"> - Member of the Management Board of Texim Bank AD; - Member of the Board of Directors of BM Leasing EAD; - Deputy Chairman of the Board of Directors and representative of Concord Asset Management AD.

Within the meaning of Article 240 b of the Commercial Act, the members of the Management and Supervisory Boards of Texim Bank AD and their related persons did not enter into any contracts in 2024 that went beyond the Bank's ordinary business or deviated materially from market conditions.

XXVIII. INFORMATION ON ARRANGEMENTS KNOWN TO THE GROUP (INCLUDING AFTER THE END OF THE FINANCIAL YEAR) THAT MAY RESULT IN CHANGES IN THE PROPORTION OF SHARES OR BONDS HELD BY CURRENT SHAREHOLDERS OR BONDHOLDERS IN THE FUTURE

The Group is not aware of any arrangements (including after the end of the financial year) which may result in changes in the relative shareholdings of existing shareholders in a future period.

XXIX. INFORMATION ON PENDING JUDICIAL, ADMINISTRATIVE OR ARBITRATION PROCEEDINGS CONCERNING LIABILITIES OR CLAIMS OF THE GROUP IN THE AMOUNT OF AT LEAST 10% OF ITS OWN FUNDS ; IF THE TOTAL VALUE OF THE LIABILITIES OR CLAIMS OF THE GROUP IN ALL PROCEEDINGS INITIATED EXCEEDS 10% OF ITS OWN FUNDS, INFORMATION SHALL BE PROVIDED FOR EACH PROCEEDING SEPARATELY

The Group has no pending judicial, administrative, or arbitration proceedings concerning any liabilities or claims of the Group amounting to 10% or more of its equity. The aggregate amount of the Group's liabilities or claims in all proceedings pending does not exceed 10 per cent of its own funds.

XXX. DETAILS OF THE INVESTOR RELATIONS DIRECTOR, INCLUDING TELEPHONE NUMBER AND CORRESPONDENCE ADDRESS

Investor Relations Director is Irena Georgieva Ivanova, correspondence address - Sofia 1303, 117 Todor Alexandrov blvd., tel. 02/903 55 05.

XXXI. INFORMATION IN CONNECTION WITH THE PUBLIC STATEMENT OF THE EUROPEAN SECURITIES AND MARKETS AUTHORITY (ESMA) SETTING THE COMMON EUROPEAN PRIORITIES FOR THE APPLICATION OF THE 2024 ANNUAL FINANCIAL STATEMENTS.**Climate issues**

In 2025, the Group will continue to work on developing and implementing a methodology aimed at assessing exposures to climate and environmental risks and the vulnerability of the loan portfolio. The development of appropriate policies to effectively manage climate and environmental risks in line with regular monitoring and escalation rules and their integration into the overall risk management framework is expected. The Bank will continue to carry out internal stress tests and scenario analyses as tools with regard to the management of climate and environmental risks, mainly targeting the physical manifestation of this type of risk.

Macroeconomic environment

In 2022, leading central banks will begin a decisive cycle of restrictive monetary policy, consisting of substantial and rapid increases in key interest rates and attempts to contain the huge liquidity in financial markets following the global pandemic period. This trend was discontinued in the second half of 2023 amid declining inflation to levels approaching the long-term target of 2%. In early June 2024, the ECB made the first cut in key interest rates (by 25 bps) in the Eurozone in many years, with the ECB cutting rates again in September 2024, and the US Federal Reserve also began its downward cycle, cutting the federal funds rate by 50 bps. In the fourth quarter, the ECB and the Federal Reserve continued lowering rates, reducing them by 100 bp each for the year combined. Expectations for further monetary easing globally remain, but there are risks of a downside shift in macroeconomic parameters, particularly those in the U.S., where a new presidential administration took office in January 2025, beginning a decisive and rapid implementation of new protectionist economic policies, part of the Republican Party's election agenda, as well as significant changes in the global geopolitical environment and conjuncture. Risks of recession in the face of rising inflation are intensifying globally.

The Group regularly monitors, analyses and evaluates the decisions and policies of the BNB, the ECB and the Federal Reserve. As of end-December 2024, the ECB deposit facility rate (which banks receive on funds deposited with the ECB) is 3.00%. Following the latest changes, there has also been a decrease in the cost of BGN resources in Bulgaria, as measured by the LEONIA Plus index published by the BNB, which is a weighted average of interest rates on all transactions for unsecured overnight deposits in BGN on the interbank market in Bulgaria. This index had negative values for the last few years including until July 2022, after which a significant and rapid change started - at the end of 2022 it reached levels of 1.82%, and at the end of 2023 it rose to 3.80%, after which it started to decrease and from mid-2024 and at the end of December 2024 it settled at levels of around 2.80%.

Taxonomy-related disclosures

In 2025, the Group will continue its work to develop and adapt its internal systems to comply with the requirements of the Taxonomy Regulation for classifying economic activities as environmentally sustainable. This will align the taxonomy with the main economic activities and lines of development so that the Group can prepare in a timely and adequate manner for the increased reporting requirements.

XXXII. CAPITAL STRUCTURE

Texim Bank AD is a public company whose shares and bonds are listed and traded on the Bulgarian Stock Exchange.

The capital of Texim Bank AD amounts to BGN 36 795 036 (thirty-six million seven hundred ninety-five thousand thirty-six), divided into 36 795 036 (thirty-six million seven hundred ninety-five thousand thirty-six) ordinary, registered, dematerialised shares with voting rights at the General Meeting, with a par value of BGN 1 (one lev) each.

Minutes of the meetings of the Management Board and Supervisory Board of Texim Bank AD dated 16.07.2024, resolutions were taken for increasing the Bank's capital by converting issued bonds and for amending the Bank's Articles of Association, according to which the capital of Texim Bank AD was increased by BGN 3 200 000 (three million and two hundred thousand) - from BGN 33 595 036 (thirty-three million and five hundred and ninety-five thousand and thirty-six) to BGN 36 795 036 (thirty-six million and seven hundred and ninety-five thousand and thirty-six). The capital was increased by issuing 3 200 000 new ordinary, registered, dematerialised shares (ISIN: BG1100001921) with voting rights with a nominal value of BGN 1 000 each, by converting 8 000 ordinary, dematerialised, registered, freely transferable, unsecured, interest-bearing, convertible corporate bonds with ISIN code BG2100007207, with a nominal value of BGN 1 000 each.

XXXIII. INFORMATION ON SECURITIES NOT ADMITTED TO TRADING ON A REGULATED MARKET IN THE REPUBLIC OF BULGARIA OR ANOTHER MEMBER STATE

There are no securities of Texim Bank AD that are not admitted to trading on a regulated market in the Republic of Bulgaria or another Member State.

There are no different share classes.

XXXIV. INFORMATION ON THE DIRECT AND INDIRECT OWNERSHIP OF 5 PER CENT OR MORE OF THE VOTING RIGHTS IN THE GENERAL MEETING OF TEXIM BANK AD, INCLUDING DETAILS OF THE SHAREHOLDERS, THE SIZE OF THEIR SHAREHOLDING AND THE MANNER IN WHICH THE SHARES ARE HELD

The persons who hold, as at 31.12.2024, directly and indirectly 5 or more than 5 percent of the voting rights in the General Meeting of Texim Bank AD are:

	Name	UIC	% of voting rights as at 31.12.2024	% of voting rights as at 31.12.2023
1	“Web Finance Holding” AD	103765841	16,64%	17,93%
2	“TK-Hold” AD	121657705	9,90%	9,95%
3	“Sila Holding” AD	112100237	8,89%	8,84%
4	Pension Insurance Company “Saglasie” AD	831284154	5,31%	5,82%
5	“Etrade” AD	130301989	3,88%	4,25%
6	“Datamax” AD	831257470	3,76%	4,11%
7	“Datamax System Holding” AD	131466552	3,63%	3,98%

**As of 31.12.2024, the companies Etrade AD, Datamax System Holding AD and Datamax AD, as related parties, together hold 11.27% of the voting rights in the General Meeting of Shareholders of Texim Bank AD.*

XXXV. DETAILS OF SHAREHOLDERS WITH SPECIAL CONTROL RIGHTS AND DESCRIPTION OF THESE RIGHTS

Texim Bank AD has no shareholders with special control rights.

XXXVI. AGREEMENTS BETWEEN SHAREHOLDERS KNOWN TO TEXIM BANK AD WHICH MAY RESULT IN RESTRICTIONS ON THE TRANSFER OF SHARES OR VOTING RIGHTS

There are no agreements between shareholders known to Texim Bank AD that may result in restrictions on the transfer of shares or voting rights.

XXXVII. MATERIAL CONTRACTS OF "TEXIM BANK" AD WHICH BECOME EFFECTIVE, ARE AMENDED OR TERMINATED DUE TO A CHANGE IN CONTROL OF THE COMPANY IN THE COURSE OF A MANDATORY TENDER OFFER AND THEIR CONSEQUENCES, EXCEPT IN CASES WHERE THE DISCLOSURE OF THIS INFORMATION MAY CAUSE SERIOUS DAMAGE TO THE COMPANY; THE EXCEPTION UNDER THE PRECEDING SENTENCE SHALL NOT APPLY IN CASES WHERE "TEXIM BANK" AD IS OBLIGED TO DISCLOSE THE INFORMATION BY LAW

There are no material contracts of Texim Bank plc that will be triggered, amended or terminated due to a change in control of the Bank in a mandatory tender offer.

XXXVIII. ELECTRONIC REFERENCE TO THE INFORMATION AGENCY CHOSEN BY TEXIM BANK AD OR OTHER MEDIA THROUGH WHICH THE COMPANY PUBLICLY DISCLOSES INSIDE INFORMATION

<https://www.infostock.bg/infostock/control/announcement>

Information on the implementation of the principles and recommendations of the National Corporate Governance Code, in accordance with the principle "observe or explain", including the required under art. 100n, para 8 of POSA, information is presented in Appendix 1 to the Annual Consolidated Report on the Group's Activities: Corporate Governance Statement.

28 April 2025, Sofia

IVAYLO DONCHEV
/ EXECUTIVE DIRECTOR /



MARIYA VIDOLOVA
/ EXECUTIVE DIRECTOR /

**CONSOLIDATED CORPORATE GOVERNANCE STATEMENT
AS REQUIRED BY THE PROVISIONS OF
ART. 100N, PARA. 8 OF PUBLIC OFFERING OF SECURITIES ACT**

According to the requirements of art. 100n, para. 8 of POSA, Texim Bank AD presents this consolidated corporate governance statement as an integral part of the consolidated annual management report as at 31 December 2024

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As at 31.12.2024, the group of Texim Bank AD (the "Group") consists of the parent company Texim Bank AD (the "Bank") and its controlled subsidiaries – UD Texim Asset Management EAD, Texim Project Company EOOD, Texim Solutions EOOD and Texim Investments EOOD, as one reporting unit.

Texim Bank AD is the oldest private bank in the Republic of Bulgaria. The Bank is a joint-stock company registered in the Republic of Bulgaria in 1992 (decision of the Sofia City Court of 14.09.1992, company file No 24103/1992), licensed by the Bulgarian National Bank under license B-27, issued on the basis of Protocol No 50/04.09.1992 of the BNB Management Board for carrying out banking transactions in the country and abroad, updated by Decision of the BNB Governing Council No 248 of 11.04.1997, updated with orders of the Governor of BNB No 100-0570 of 23.12.1999; No RD 22-0687/03.08.2006; No RD 22-0852 of 07.05.2007; RD 22-2268 of 16.11.2009. By Order of the BNB Governor No RD 22 – 1351/06.07.2012, the name of the Bank was amended, namely Texim Bank AD. By Order of the BNB Deputy Governor – 121456/21.07.2017, the Bank's activity also includes the issuance of electronic money. The Bank has a universal license to carry out all types of banking transactions in the country and abroad.

"Texim Bank" AD is a licensed investment intermediary and is entered in the register of the Financial Supervision Commission under reg. no. 03-161 dated 18.02.1998. The Bank performs all the services that may be provided by an investment intermediary referred to in Article 6, par. 2 and 3 of the current Financial Instruments Markets Act, including acting as a registration agent.

With Decision No 1112-BD of 29.11.2012 of the Deputy Chairman of the FSC, Head of the Investment Supervision Department, Texim Bank AD was included in the list of banks that can be depository under the Collective Investment Schemes and Other Collective Investment Undertakings Act. By Order No 115106/27.10.2021 of the BNB Deputy Governor in charge of the Banking Supervision Department, Texim Bank AD is included in the list of custodian banks under the Social Security Code.

The Bank is a public company registered in the Commercial Register at the Registry Agency by Decision of 16.01.2013 and in the Register of Public Companies and Other Issuers, kept by FSC with Decision No 81-PD of 31.01.2013 within the meaning of Art. 30, para. 1, item 3 of the FSC. With Protocol No 8/11.02.2013 of the Board of Directors of BSE the trading in shares of Texim Bank AD was admitted to the Main Market BSE, Segment shares "Standard".

Texim Bank AD is a member of BSE AD, Central Depository AD, the Banking Organization for Card Payments (BORICA), the Bulgarian Association for Security in Card Payments (BASCR); National card scheme, European Payments Council - SEPA Credit Transfer Scheme, RINGS, full member of Visa Europe and MasterCard International, SWIFT, direct participant in TARGET. Since August 2012 the Bank is a member of the payment systems BISERA 6, BISERA and SEBRA. Texim Bank AD is a member of the Association of Banks in Bulgaria and the Bulgarian Association of Licensed Investment Intermediaries. The bank has been an agent of EasyPay, a registration body of InfoNotary since 2011.

In accordance with the requirements of art. 27 of Ordinance No 2 of the FSC of 9.11.2021 on initial and subsequent disclosure of information in case of public offering of securities and admission of securities to trading on a regulated market, as well as in connection with Art. 100t, para. 3 of the Public Offering of Securities Act, regarding the obligation to disclose to the public information under art. 24 of Ordinance No 2, Texim Bank AD, discloses regulated information to the public through the electronic media Infostock AD, through the official website: www.infostock.bg.

I. INFORMATION UNDER ART. 100N, AL. 8, ITEM 1 OF THE PUBLIC OFFERING OF SECURITIES ACT

The responsible management structures and employees of Texim Bank AD carry out the management of the Group strictly following the requirements and recommendations of the National Corporate Governance Code. In accordance with the corporate governance norms laid down in the Commercial Law and POSA, as well as with the norms and recommendations set out in the Code and in accordance with internationally recognized standards and principles, taking into account changes in the regulatory and economic environment, The Management Board and the Supervisory Board of Texim Bank AD independently and responsibly manage the Bank, following the established vision and strategic directions for the activity and monitoring the compliance with the interests of the shareholders.

Texim Bank AD complies with the National Corporate Governance Code, adopted by the National Corporate Governance Commission and approved as a corporate governance code under Art. 100n, para. 8, item 1, letter "a" of the Public Offering of Securities Act (POSA) by Decision No 850 - KKU of the FSC of 25.11.2021. In its activities, the Group takes into account and applies the basic principles laid down in the Corporate Governance Code.

II. INFORMATION UNDER ART. 100N, AL. 8, ITEM 2 OF THE PUBLIC OFFERING OF SECURITIES ACT

The Group complies with and applies the fundamental principles set out in the Corporate Governance Code in its operations and believes that the effective application of good corporate governance practices contributes to achieving sustainable growth and the Group's long-term objectives, as well as establishing transparent and fair relationships with all stakeholders. The Group implements, as appropriate, some of the recommendations set out in the Corporate Governance Code in light of its stated objectives and strategy.

1. Concerning Chapter I "Corporate management". The competences, rights and obligations of the members of the Management Board and the Supervisory Board follow the requirements of the law, the statutes and the standards of good professional and management practice. The functions and duties of the Management Board and the Supervisory Board are regulated in Art. 36 – Art. 45 of the Articles of Association .

In accordance with legal requirements and good corporate governance practices, the Bank has adopted a Code of Ethical Conduct for Administrators and Employees, a Remuneration Policy, Rules on the Procedure for Disclosure of Conflicts of Interest and Ensuring Confidentiality and other internal acts related to the sustainable development of the Company.

The Code of Ethical Conduct for Administrators and Employees is designed to promote ethical standards, fair and ethical conduct, compliance with all applicable laws, rules and regulations, and the avoidance of situations that may create a conflict between personal interests and the duties of employees, clients and shareholders.

The Remuneration Policy has been developed by the Bank's Supervisory Board and approved by the General Meeting of Shareholders. The policy promotes diversity and does not tolerate discriminatory relationships. It aims to promote good performance through gender

neutrality, meaning equal pay for men and women for equal work, or work of equal value. A job classification system is used to determine pay, which is based on the same criteria for men and women and is designed to exclude any discrimination.

In order to avoid creating incentives for excessive risk-taking, the Bank does not apply variable remuneration, has no established bonus, bonus-based, or profit-sharing schemes, and no other incentive schemes for members of the Management Board and Supervisory Board are given based on performance evaluation criteria.

The amount and structure of the remuneration of the members of the Management Board and the Supervisory Board take into account the duties and contribution of each member to the Bank's activities and performance.

The General Meeting of Shareholders determines the remuneration of the members of the Management Board and the Supervisory Board. The remuneration of the members of the Management Board is individually determined according to whether or not they have been assigned representative functions as executive directors and according to the duties and tasks assigned to them in the management contracts.

The Rules on the Procedure for Disclosure of Conflicts of Interest and Ensuring Confidentiality have been adopted by the Management Board and approved by the Supervisory Board of the Bank and are applicable to all administrators and employees of the Bank, including the members of the Management Board and the Supervisory Board. In order to ensure the reliable management of conflicts of interest and to protect the interests of the Bank and its shareholders, all transactions entered into with the Bank's administrators and/or their related parties are subject to the approval of the Management Board and transactions in excess of BGN 100,000 are also subject to the approval of the Supervisory Board. The administrator with whom the transaction is entered into or a person related to him/her shall not participate in the decision to enter into the transaction or in the process of its review. In the case of loans to administrators of the Bank and their related parties, the requirements of Article 45 of the ICA shall be complied with.

Management Board of the Bank. The Articles of Association of Texim Bank AD define the functions and powers of the Board of Directors in accordance with the resolutions of the General Meeting and the legal provisions. The Bank is managed and represented by the Management Board, which performs its activities under the supervision of the Supervisory Board. Pursuant to the Articles of Association, the Bank's Management Board consists of three to nine capable natural persons who are elected and appointed by the Supervisory Board. As at 31.12.2024 The Management Board consists of 4 members who are elected by the Supervisory Board for a term of five years and may be replaced and re-elected without limitation and at any time by the Supervisory Board.

The Management Board, subject to the approval of the Supervisory Board, entrusts the management and representation of the Bank to certain of its members - Executive Directors. The Bank shall be represented to third parties jointly by two Executive Directors.

The competencies, rights and duties of the members of the Board of Directors shall be determined in accordance with the requirements of the law, the Bank's Articles of Association, the Rules of Procedure of the Board of Directors and the standards of good professional and management practice. The Management Board shall decide on all matters that are specified in the Articles of Association and the applicable law and are not within the exclusive competence of the General Meeting or the Supervisory Board.

Board members are knowledgeable about the impact of climate on the Bank's development, reinforcing the Bank's sustainability and climate change priorities.

The Management Board shall ensure and supervise the establishment and operation of a risk management system, including cyber security risks, climate risks, value chain risks, as well as an internal control and internal audit system, and shall keep the Supervisory Board duly informed of its actions in a timely manner.

Supervisory Board of the Bank. The Bank's bylaws do not contain an explicit limit on the number of companies in which members of the Supervisory Board may hold management positions; however, in selecting new members of the Supervisory Board, the Bank considers the commitment of the proposed persons and their ability to effectively perform their tasks and duties. In proposing new members of the Supervisory Board, the principles of matching the competence of the candidates with the nature of the Bank's business shall be observed. The election of members of the Supervisory Board shall be made only after prior approval by the BNB, in accordance with the requirements of the ICA and the applicable regulations. The rules for the election of members of the SC are set out in the Bank's Articles of Association. Members of the Supervisory Board must have the relevant knowledge and experience that their position requires, including knowledge of the impact of climate on the company's development, with a commitment to promoting the company's sustainability and climate change priorities.

The Supervisory Board appoints, provides guidance and supervises the Bank's Management Board in accordance with the division of functions within the two-tier structure.

The Supervisory Board provides guidance to the Management Board in defining the Bank's objectives and strategy and the interests of shareholders and stakeholders, including in the context of sustainable development, and monitors their implementation. The objectives and strategies are established in accordance with the Bank's economic, social and environmental priorities.

The Supervisory Board provides guidance to the Management Board in the establishment of a risk management system, including cyber security risks, climate risks, value chain risks, as well as an internal control and internal audit system, a financial information system and monitors their functioning. The Supervisory Board supervises compliance with the laws and rules set forth in the Bank's constitution and other internal acts.

Pursuant to the Bank's Articles of Association (Article 41(5)), members of the Supervisory Board are eligible for re-election for successive terms without limitation. The Bank is subject to the special requirements of the Credit Institutions Act for persons proposed as members of the Supervisory Board, which are subject to the approval of the Bulgarian National Bank, and therefore frequent changes are inappropriate for the sustainable and proper implementation of the Bank's long-term objectives.

As at 31.12.2024 The Supervisory Board of the Bank consists of 5 individuals who are elected by the General Meeting for a term of five years and are eligible for re-election without limitation. The members of the Supervisory Board meet the requirements set out in the CIA, the POSA and the Bank's Articles of Association. At least one of the members of the Supervisory Board as required by the CIA and at least one-third of the members of the Supervisory Board as required by the POSA shall be independent persons. The independent member shall act in the best interests of the Company and the shareholders, supervise the actions of the Supervisory Body and participate effectively in its work in accordance with the

interests and rights of the shareholders. The independent member shall ensure impartiality and independence in the decision-making of the collective body.

2. Concerning Chapter II "Audit and Internal Control".

The Audit Committee is an independent body separate from the Supervisory Board and the Management Board of the Bank, which is elected and reports to the General Meeting of Shareholders. The Audit Committee of Texim Bank AD is responsible for the selection procedure of the registered external auditors and recommends to the General Meeting of Shareholders their appointment to perform an independent financial audit of the Bank.

The main functions of the Bank's Audit Committee are to: monitor the quality of financial statements, accounting policies and disclosure practices in the financial reporting process; make recommendations and suggestions to ensure its effectiveness. Oversee the statutory audit of the annual financial statements, including its performance. Verify and monitor the independence of the registered external auditors in accordance with the requirements of the legislation in force.

In selecting the external auditor, the Bank complies with all the requirements of the Independent Financial Audit and Sustainability Assurance Act and Regulation (EU) No 537/2014 on specific requirements regarding statutory audit of public-interest entities.

The Bank's Audit Committee monitors the effectiveness of the Bank's internal control system, risk management systems and internal audit activity with respect to financial reporting. It monitors and reviews the independence and effectiveness of the internal audit function, overseeing its independence and professionalism. Oversee the performance of and relationship with the external auditor, oversee the involvement of external auditors in the provision of audit and advisory services beyond the statutory financial audit.

The internal control system at Texim Bank AD is established in accordance with the Credit Institutions Act and BNB Regulation 10 on the organisation, management and internal control in banks. It is implemented by the Bank's management bodies and by control functions independent of the business: risk management, regulatory compliance and internal audit.

- The Risk Analysis and Management Department is responsible for the identification, assessment and measurement of risks to the Bank; periodic compliance assessment of internal risk assessment rules, policies and procedures; and the scope, structure and frequency of risk and risk culture reporting.
- The Regulatory Compliance Directorate ensures that regulatory compliance risk is adequately identified, measured and managed. It monitors changes in laws and regulations applicable to the Bank and the impact they have on the Bank's operations; advises the Bank's Management Board and Supervisory Board in adopting measures to comply with applicable laws, rules, regulations and standards and assesses the impact of changes in legal and regulatory requirements on the Bank's operations; reports on regulatory compliance risk to the management and control bodies;
The PIP and FT Division of the Directorate performs the functions of the Regulatory Compliance Office in relation to PIP/PFT (under Article 15a of Regulation 10 of the BNB) and the Specialised Office under Article 106 of the LMA;
- The Specialized Internal Audit Service performs independent assessment of the Bank's processes, transactions, operations, and control systems to improve the effectiveness of processes related to governance, control, and risk management.

3. Concerning Chapter III "Protection of Shareholders' Rights". The Board of Directors and the Supervisory Board, in the exercise of their powers regulated in the Articles of Association, shall ensure the equal treatment of all shareholders, including minority and foreign shareholders, by protecting their rights and facilitating their exercise within the limits permitted by the applicable law and in accordance with the provisions of the Bank's constitutive acts. The Bank's management shall ensure that all shareholders are informed of their rights.

The General Meeting shall be convened by invitation, which shall be published in the Commercial Register at least 30 days before the opening of the General Meeting. The invitation shall be published on the Bank's website and disclosed to the FSC, the BSE, the Central Depository and the public under the terms and conditions of the Securities Act. During the period from the announcement of the invitation until the date of the General Meeting, the meeting materials shall be available to the shareholders and their representatives. The texts in the materials are specific and clear without misleading shareholders. All proposals concerning major corporate events are presented as separate items on the agenda of the General Meeting, including the proposal for profit distribution.

The Board of Directors shall exercise effective control over the conduct of the General Meeting by making the necessary arrangements for the voting of shareholders and proxies in accordance with the instructions of the shareholders. The Board of Directors shall organise the General Meeting and ensure equal treatment of all shareholders and the right of each shareholder to express its opinion on the items on the agenda.

All shareholders shall be informed of the rules under which general meetings of shareholders are convened and held, including voting procedures. The corporate management shall provide sufficient and timely information on the date and place of the general meeting and full information on the matters to be considered and decided at the meeting. At the time of the general meeting, all shareholders shall be provided with the right to express their views as well as to ask questions.

The Bank announces on its website the information on the rights of shareholders and their participation in the General Meeting of Shareholders.

In view of the foregoing, the Bank has not provided the opportunity for remote participation in the General Meeting of Shareholders to date.

4. Regarding Chapter IV "Disclosure of Sustainability, Financial Reporting and Other Corporate Information". The Group complies with best practices with respect to the disclosure of complete, timely, accurate and understandable information related to sustainability, financial reporting and other corporate information without this being stated as a written policy. Any changes to the disclosure process are authorised by corporate management. All material periodic and incidental information is disclosed promptly after an assessment of the need for disclosure.

During 2024, no ethical issues arose between members of management or that required compliance with certain written procedures.

5. Concerning Chapter V "Stakeholders. Sustainable development". In the context of a changing legal and regulatory framework that places even greater emphasis on the topic of climate risk in 2025, the Group will continue to work on the design and implementation of a methodology aimed at assessing exposures to climate and environmental risks and the vulnerability of the loan portfolio. The development of appropriate policies to effectively manage climate and environmental risks in line with regular monitoring and escalation rules

and their integration into the overall risk management framework is expected. The Bank will continue to carry out internal stress tests and scenario analyses as tools with regard to the management of climate and environmental risks, mainly targeting the physical manifestation of this type of risk. Despite the absence of written disclosure rules, the Group recognises that effective engagement with stakeholders has a direct impact on corporate governance. The Group identifies which stakeholders are relevant to its operations based on their degree and spheres of influence, role and relevance to its sustainable development, and which in turn may influence its operations, and the Board in each case of a transaction with a stakeholder within the meaning of Article 40 of the Corporate Governance Code ensures that the recommendations of Chapter V of the Code are followed.

III. INFORMATION UNDER ART. 100N, PAR. 8, PT. 3 OF THE POSA

The Management Board of Texim Bank AD shall ensure and control the establishment and functioning of a risk management system, including an internal control and internal audit system, and shall inform the Supervisory Board of its actions in a timely and appropriate manner. The report on the Company's activities is presented to the General Meeting of Shareholders.

The Group has established and operates a financial information system, ensuring the integrated functioning of the accounting and financial reporting systems.

The Group has an internal control system in place to ensure the effective functioning of its reporting and disclosure systems. The internal control system is also established and operated with a view to identifying risks inherent in the Group's activities and supporting their effective management.

In the Group's Internal Control System, a Specialised Internal Audit Service (SIAS) operates as a "third line of defence", which is an independent structural unit subordinated to the highest authority - the General Meeting of Shareholders and, when the General Meeting of Shareholders is not in session, to the Supervisory Board. Internal Audit ensures the effective functioning of the reporting and disclosure system. The SIAS carries out its activities in accordance with an Annual Audit Plan approved by the Supervisory Board, prepared according to a risk-based methodology proposed by the Head of the SIAS. The activities of the SIAS include periodic reviews of processes by structures/functions/directions/, compliance with regulatory requirements, proposals for the introduction of preventive measures to prevent and detect fraud. The SIAS prepares reports on the results of its activities, which are provided to the management of the audited entities and reported to the Executive Directors, Management and Supervisory Boards together with the action plans for corrective measures and residual risk mitigation.

In accordance with the requirements of the current legislation and based on the criteria set by the Supervisory Board, the Supervisory Board approves the proposal of the Management Board to the General Meeting of Shareholders of the Bank for the selection of an Audit Committee with a composition that meets the legal requirements and the specific needs of the Bank. The Audit Committee provides oversight of internal audit activities and monitors relationships with external auditors. The Audit Committee operates according to a set of Rules of Procedure developed and approved.

The Audit Committee prepares and presents an annual report on its activities to the Annual General Meeting of Shareholders.

In accordance with the Credit Institutions Act, the Annual Financial Statements of Texim Bank AD on a stand-alone and consolidated basis are subject to an independent

financial audit jointly by two audit firms that are registered auditors under the Independent Financial Audit Act.

"Texim Bank" AD coordinates in advance with BNB the selection of auditors.

The auditors' report provides conclusions on the circumstances concerning the fair presentation of the Bank's financial position and financial result. Based on a detailed audit review, an audit opinion is expressed on the reliability of the internal control systems and the compliance of the annual financial and supervisory reports prepared by the Bank with the current legal and regulatory framework.

At the Annual Ordinary General Meeting of Shareholders of Texim Bank AD held on 26.06.2024, the auditing companies Grant Thornton OOD, UIC 831716285 and RSM BG OOD, UIC 121435206 were selected to jointly audit and certify the annual financial statements on an individual and consolidated basis of Texim Bank AD for 2024 and the supervisory reports determined by the Bulgarian National Bank.

Texim Bank AD has adopted and implemented rules and procedures governing the effective functioning of the Bank's reporting and disclosure systems. The rules detail the different types of information created and disclosed by the Bank, the internal document processes, the different levels of access to the types of information by those responsible and the timelines for processing and managing information flows.

The Bank has an independent structural unit - the Risk Analysis and Management Directorate, which is responsible for the identification, analysis and management of various types of risk. The established risk management system ensures the effective implementation of internal controls in the creation and management of all corporate documents, including financial statements and other regulated information that the Bank is required to disclose in accordance with legal provisions.

The main types of risks relevant to the Bank's activities and the policy for their management are regulated in policies, rules and procedures for the comprehensive identification, measurement, monitoring, management and control of all risks material to the Bank.

The risk management policy is applied in an integrated manner and in accordance with all other policies and principles regulated in the internal regulatory documents of the Group's parent company, Texim Bank AD. The Bank's Risk Management Policy documents the measures and procedures for identifying, managing and assessing the risks associated with its activities.

In the Internal Control Framework, as a second line of defence, there is a separate structural unit - the Regulatory Compliance Directorate, which ensures adequate identification, measurement and management of the regulatory compliance risk to which the Bank is or may be exposed, monitors/monitors compliance with the Compliance Policy, monitors regulatory changes and advises the Heads of the structural units, the Board and the SC of the Bank in adopting measures to achieve compliance with applicable laws. The Directorate also carries out specialised supervision to review, verify and evaluate the rules, procedures and requirements of the AML/CFT Act, the implementing acts.

IV. INFORMATION REFERRED TO IN ARTICLE 10 para. (1) item (C), (D), (F), (H) AND (I) OF DIRECTIVE 2004/25/ECO OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL OF 21 APRIL 2004 ON TAKEOVER BIDS, AS PROVIDED FOR IN ARTICLE 100N(8)(4) OF THE POSA

The persons holding, as of 31.12.2024, directly and indirectly 5 or more than 5 percent of the voting rights in the General Meeting of Texim Bank AD are:

	Name	UIC	% of voting rights as of 31.12.2024.	% of voting rights as of 31.12.2023.
1	"Web Finance Holding AD	103765841	16,64%	17,93%
2	"TK-Hold" AD	121657705	9,90%	9,95%
3	"Sila Holding" AD	112100237	8,89%	8,84%
4	Pension insurance Company "Saglasie" AD	831284154	5,31%	5,82%
5	"Eltrade" AD	130301989	3,88%	4,25%
6	"Datamax" AD	831257470	3,76%	4,11%
7	"Datamax System Holding" AD	131466552	3,63%	3,98%

** As of 31.12.2024, the companies Eltrade AD, Datamax System Holding AD and Datamax AD, as related parties, together hold 11.27% of the voting rights in the General Meeting of Shareholders of Texim Bank AD.*

Texim Bank AD has no shares that confer special control rights.

There are no restrictions on voting rights, such as restrictions on the voting rights of holders of a certain percentage or number of votes, deadlines for the exercise of voting rights or systems whereby, through cooperation with the Company, the financial rights attached to the securities are separated from the holding of the securities in relation to the shares issued by Texim Bank plc.

The procedure and manner for the appointment or replacement of members of the Management Board and the Supervisory Board, as well as the introduction of amendments to the Articles of Association of the Bank shall be carried out in accordance with the provisions of the Articles of Association and Bulgarian legislation.

The Bank may acquire its own shares by way of redemption with the written permission of BNB and subject to the other applicable provisions of the current legislation. The issue of new shares is within the competence of the General Meeting of Shareholders of the Bank.

V. INFORMATION PURSUANT TO ARTICLE 100N, PARAGRAPH 8, ITEM 5 OF THE POSA

The Group's organizational structure is built in accordance with the nature of its business, its shareholding structure, its legal form of organization, and its risk profile.

The Bank is a joint stock company with a two-tier management system. In accordance with its Articles of Association, the bodies of the company are the General Meeting of Shareholders, the Supervisory Board and the Management Board. The Bank is managed by

the Management Board. The Bank is jointly represented before third parties by two Executive Directors. The Supervisory Board exercises general supervision and preliminary, ongoing and subsequent control over the activities of the Management Board.

Management Board

The rules for the election of members of the Board of Directors are regulated in Article 35 of the Bank's Articles of Association.

The powers, rights and duties of the members of the Board of Directors shall be determined in accordance with the requirements of the law, the Bank's Articles of Association and the standards of good professional and management practice. The Management Board shall decide on all matters which are specified in the Articles of Association and the applicable law and are not within the exclusive competence of the Supervisory Board or the General Meeting.

The Management Board of Texim Bank AD coordinates its actions with the Supervisory Board regarding the Bank's strategy and business plan, transactions of a material nature, as well as other activities established in its constitutive acts.

The Management Board shall operate under the supervision of the Supervisory Board. As at 31.12.2024. The Management Board consists of 4 members who are elected by the Supervisory Board for a term of five years and may be replaced and re-elected without limitation and at any time by the Supervisory Board subject to the approval of the BNB. The Management Board of Texim Bank AD complies with the Code of Ethical Conduct for Administrators and Employees of Texim Bank AD, last updated November 2022.

The Management Board shall report to the Supervisory Board on the activities and condition of the Bank at least once every three months.

The rules for the work of the Board are regulated in its Rules of Procedure.

The Bank has a number of committees established in connection with supporting the activities of the Board. In their activities, the committees comply with the requirements of international standards, regulations and directives, as well as national legislation and internal regulations. The specialised committees of Texim Bank Plc are: the Asset and Liability Management Committee; the Operational Risk Management Committee; the Credit Council; the Credit Committee; the Internal Information Committee, the Change Management Committee, the Conflicts of Interest and Fiduciary Committee and the Organisation and Governance Committee in relation to the implementation of the Recovery Plan.

Supervisory Board

The Supervisory Board of Texim Bank AD consists of three to seven capable natural persons elected by the General Meeting for a term of up to 5 years. The election of members of the Supervisory Board shall be made only after prior approval by the BNB, in accordance with the requirements of the ICA and applicable regulations. The same person may not be both a member of the Supervisory Board and the Management Board of the Bank. The Supervisory Board may establish specialised committees and other subsidiary bodies to support its activities.

The rules for the election of the members of the Supervisory Board, as well as the representatives of the legal entities, members of the Supervisory Board are regulated by the law and the Articles of Association of the Bank.

At least one-third of the members of the Supervisory Board, in accordance with the Securities Act, must be independent persons.

By 31.12.2024. The Supervisory Board of the Bank consists of 5 individuals who are elected by the General Meeting for a term of five years and are eligible for re-election without limitation.

The Supervisory Board does not participate in the management of the Bank and represents the Bank only in its relations with the Management Board. In all cases where the law, the Supervisory Board's operating rules, or the Bank's internal rules in force so provide, the Supervisory Board grants prior authorization to enter into certain transactions. The Supervisory Board shall have the right at any time to request the Management Board to submit information, or a report on any matter affecting the Bank. The Supervisory Board may make necessary inquiries in the performance of its duties. It may use experts for this purpose.

The Bank's corporate management /Supervisory Board and Management Board/ act jointly in accordance with the adopted strategy as well as for the benefit of the shareholders and in consideration of the stakeholders.

The Group's corporate management is guided in its activities by generally accepted principles of integrity and managerial and professional competence, treating all shareholders equally and acting in their best interests.

VI. INFORMATION PURSUANT TO ARTICLE 100N, PARAGRAPH 8, ITEM 6 OF THE POSA

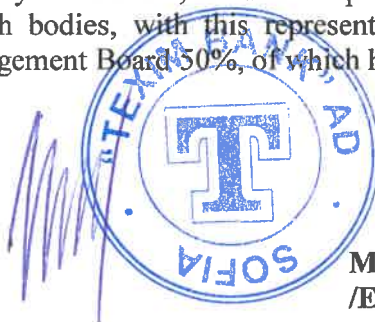
In accordance with national and European requirements, the Management and Supervisory Boards of Texim Bank AD exercise effective control and make decisions, including through the implementation of measures to ensure the diversity of management.

The Diversity Policy is part of the Bank's "Policy for Selection and Suitability Assessment of Supervisory Board Members, Management Board Members and Key Position Holders" and "Methodology for Suitability Assessment of Supervisory Board Members, Management Board Members and Key Position Holders".

The policy ensures that the members of the Management Board and Supervisory Board possess the necessary knowledge and skills, basic management abilities and broad social experience. In order to maintain diversity on the Boards, no discrimination is permitted on the basis of sex, race, color, ethnic or social origin, genetic characteristics, religion or belief, membership in a national minority, property status, birth, disability, age or sexual orientation.

The Policy sets out all the criteria for the assessment of individual and collective suitability, with quantitative and qualitative criteria in terms of age, gender, education, work experience. The representation of the under-represented gender should reach a minimum of 20% of the total composition of the management/supervisory body, and there should be representation in both bodies. By 31.12.2024, the under-represented gender shall reach 33.3% representation in total in both bodies, with this representation in the Supervisory Board reaching 20% and in the Management Board 50%, of which half shall be executive.

IVAYLO DONCHEV
/Executive director/



MARIYA VIDOLOVA
/Executive director/

DECLARATION

under Art. 100n, para 4, item 4 in relation with art. 100n, para. 5 of the Public Offering of Securities Act

The undersigned Ivaylo Lazarov Donchev - Executive Director, Mariya Petrova Vidolova - Executive Director, Dobromir Atanasov Tanov – Chief Accountant

We hereby certify, to the best of our knowledge, that:

1) The consolidated annual financial statements, prepared in accordance with the applicable accounting standards, accurately and honestly reflects the information on the assets and liabilities, the financial position and the profit from the activities of Texim Bank AD for 2024 and the companies included in the consolidation.

2) The annual management report contains a reliable overview of the development and results of the activity, as well as the state of Texim Bank AD, as well as the status of the issuer and the companies included in the consolidation, together with a description of the main risks and uncertainties facing the Bank.

.....
Ivaylo Donchev
Executive director

.....
Mariya Vidolova
Executive director

.....
Dobromir Tanov
Chief accountant



INDEPENDENT JOINT AUDITORS' REPORT

To the shareholders of Texim Bank AD
Sofia

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Texim Bank AD and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2024 and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows, for the year then ended, and notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2024 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting standards, as adopted by the EU.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the "Auditors' Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independent Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code), together with the ethical requirements of Bulgarian Financial Audit and Assurance of Sustainability Reporting Act, and we have fulfilled our other responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How this matter was addressed during the audit
<p data-bbox="193 277 608 306">Impairment of loans and receivables</p> <p data-bbox="193 331 692 387">Notes 7, 3.2 and 29.1 to the consolidated financial statements</p> <p data-bbox="193 412 692 651">Loans and receivables from customers with a balance sheet value of BGN 222,265 thousand represent a significant part of the Group's assets as of 31 December 2024 (32%). The determined individual and collective impairment related to expected credit losses is BGN 1,433 thousand as of the same date, as disclosed in note 7 of the consolidated financial statements.</p> <p data-bbox="193 680 692 792">The Group applies impairment models based on expected credit losses in accordance with the requirements of IFRS 9 Financial Instruments.</p> <p data-bbox="193 822 692 934">The assessment of expected credit losses from impairment of loans and receivables requires the Group's management to apply accounting estimates in the following areas:</p> <ul data-bbox="193 934 692 1256" style="list-style-type: none"> - the classification of exposures by phases of impairment and identification of exposures with deteriorating credit quality; - determining the probability of default and the expected loss in case of default; - the assumptions included in the risk parameters of the models for determining expected credit losses, with input data obtained from internal and external sources; - the factors involved and expected scenarios that may have an effect on expected credit losses. <p data-bbox="193 1285 692 1541">Notes 3.1 "Accounting estimates and accounting assumptions", 3.2 "Significant Sources of Uncertainty" and 29.1 "Credit Risk" of the consolidated financial statements present detailed information regarding the judgments and assumptions of the Group's management in the formation of expected credit losses from impairment of loans and receivables as of 31 December 2024</p> <p data-bbox="193 1570 692 1832">Due to the significance of the Group's loans and receivables and the need to apply significant judgments, assumptions and assumptions by the management in their classification and evaluation, as well as the determination of expected credit loss in accordance with the requirements of IFRS 9 "Financial Instruments", we considered that the determination of expected credit losses for loans and receivables is a key audit matter.</p>	<p data-bbox="715 277 1417 333">During our audit, our audit procedures included, but were not limited to:</p> <ul data-bbox="715 362 1417 1888" style="list-style-type: none"> - inquiries and gaining an understanding of the processes, policies and criteria and models used by the Group for the classification and subsequent reporting of loans and receivables and verifying the compliance of these criteria with the requirements of IFRS 9 "Financial Instruments". - verification and analysis of the adequacy of the policies, procedures and implemented controls on the processes for classification, subsequent reporting and monitoring from the point of view of their compliance with IFRS and good practices in the sector. - procedures for verifying the extent to which the controls related to the monitoring of the granted credits have been designed and implemented by the Group, as well as an assessment of their design and operational effectiveness. - verification and evaluation of credit classification processes and the determination of the necessary impairment on a collective and individual basis. - verification of a sampling principle of specific receivables from the loan portfolio, applying a risk-based approach and carrying out tests of details as part of substantive procedures regarding the classification and value of loans. - analysis of the financial condition of the borrowers and investigation of whether there are deviations in compliance with the contractual conditions, taking into account the impact of macroeconomic conditions on the relevant industries, the valuation of the assets provided as collateral and other factors that may affect the collection of loans and receivables checked on a sample basis. - verification of the compliance and analysis of the classification by phases, the methodology and the key assumptions used in the application of the models for the expected credit losses; performing a review of the Group's management's calculations of expected credit losses on a collective and individual basis; analysis of the used input data on a sampling basis and performing alternative recalculations; comparing the obtained results with our expectations and approximate calculations based on our professional judgment; review of historical data and calculation of impairments for granted loans and receivables, including probability of default, loss given default, expected future cash flows discounted to their present value and the impact of macroeconomic indicators and forward-looking scenarios used. - performing an analysis to what extent the requirements and instructions of the supervisory authorities, including the BNB, have been complied with and implemented by the Group's management; - analysis of the sensitivity of the collective impairment to changes in the assumptions used in the modelling. - verification and assessment of the adequacy of the disclosures in the consolidated financial statements, including the disclosures of the main assumptions and judgments related to the application of IFRS 9, the classification and impairment of loans and receivables and credit risk.

Information Other than the Consolidated Financial Statements and Auditors' Report Thereon

Management is responsible for the other information. The other information comprises the annual consolidated management report, including the consolidated corporate governance statement, prepared by management under Chapter Seven of the Bulgarian Accountancy Act and other applicable legislation requirements, but does not include the consolidated financial statements and our auditors' report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or whether our knowledge obtained in the audit may indicate that there is a material misstatement or otherwise the other information appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards, as adopted by the EU and Bulgarian legislation, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Supervisory Board and the Audit Committee of the Bank (Those Charged with Governance of General Management) are responsible for the supervision of the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and Bulgarian Independent Financial Audit and Assurance of Sustainability Reporting Act will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of our audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from

- error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
 - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
 - conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern;
 - evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
 - plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

We are jointly liable for the performance of our joint audit and the issued joint auditors' opinion in accordance with the requirements of Bulgarian Independent Financial Audit and Assurance of Sustainability Reporting Act. Upon acceptance and performance of the joint audit engagement on which we report, we have complied with the "Guidelines on performance of joint audit" issued on 13 June 2017 by Bulgarian Institute of Certified Public Accountants and Bulgarian Commission for Public Oversight of Statutory Auditors.

Report on Other Legal and Regulatory Requirements

Other reporting matters under the Accountancy Act and the Public Offering Act

In addition to our responsibilities for reporting under ISAs, described above in section "Information Other than the Consolidated Financial Statements and Auditors' Report Thereon", regarding the annual

consolidated management report, including the consolidated corporate governance statement, we have performed the additional procedures contained in the Guidelines of the professional organisation of certified public accountants and registered auditors in Bulgaria - Institute of Certified Public Accountants (ICPA). The procedures on the existence, form and contents of the other information have been carried out in order to state whether the other information includes the elements and disclosures in accordance with Chapter Seven of Bulgarian Accountancy Act and Article 100m, paragraph (10) in relation to Article 100m, paragraph (8), subparagraphs (3) and (4) of Bulgarian Public Offering of Securities Act.

Statement Pursuant to Article 37, Paragraph (6) of Bulgarian Accountancy Act

Based on the procedures performed, we describe the outcome of our work:

- The information in the consolidated management report is consistent with the consolidated financial statements for the same reporting period.
- The consolidated management report was prepared in accordance with the requirements of Chapter Seven of the Accountancy Act and Art. 100n, para. 7 of the Law on the Public Offering of Securities, except as stated:
 - the consolidated management report does not include the required information regarding the loan agreements under which the Group is a borrower according to item 8 of Appendix No. 2 to Ordinance No. 2/9.11.2021 in connection with Art. 100(n), paragraph (7), item 2 of the Civil Code, insofar as the Group complies with the requirements for bank secrecy pursuant to Art. 62, para. 2 of the Law on Credit Institutions.
 - the consolidated management report does not include the required information regarding loan agreements granted by the Group and information regarding provided guarantees or assumption of obligations according to item 9 of Appendix No. 2 to Ordinance No. 2/9.11.2021 in connection with Art. 100(n), paragraph (7), item 2 of the Civil Code, insofar as the Group complies with the requirements for bank secrecy pursuant to Art. 62, para. 2 of the Law on Credit Institutions.
- As a result of the acquired knowledge and understanding of the activities of the Group and the environment in which it operates, we have found no cases of material misrepresentation in the consolidated management report .
- In the consolidated corporate governance statement for the financial year for which the consolidated financial statement was prepared, contains the required information in accordance with Chapter Seven of the Accountancy Act and Art. 100n, para. 8 of the Law on the Public Offering of Securities information.

Statement Pursuant to Article 100m, Paragraph (10) of Bulgarian Public Offering of Securities Act

Based on the procedures performed and our knowledge of the Group and the environment in which it operates, in our opinion, there is no material misstatement in the description of the main characteristics of the internal control system and of the risk management system of the Group in connection with the financial reporting process and also in the information pursuant to Article 10, paragraph 1, items "c", "d", "f", "h" and "i" of Directive 2004/25/EC of the European Parliament and of the Council of 21 April 2004 on takeover bids, which are included in the consolidated corporate governance statement, being a component of the annual consolidated management report.

Reporting on compliance of the electronic format of the consolidated financial statements included in the annual consolidated financial report on the activity under Art. 100n, paragraph 5 of Bulgarian Public Offering of Securities Act with the requirements of ESEF Regulation

We have undertaken a reasonable assurance engagement on the compliance of the electronic format of the consolidated financial statements of Texim Bank AD for the year ended on 31 December 2024 included in the digital file „529900EKPN8EYA3AX590-20241231-BG-CON.zip“, with the requirements of Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards

on the specification of a single electronic reporting format ("ESEF Regulation"). Our opinion is only regarding the electronic format of the consolidated financial statements and does not include the other information contained in the annual consolidated financial report on the activity under art. 100n, para. 5 of Bulgarian Public Offering of Securities Act.

Description of Subject Matter Information and Applicable Criteria

Management has prepared the electronic format of Group's consolidated financial statements for the year ended 31 December 2024 in accordance with ESEF Regulation in order to comply with Bulgarian Public Offering of Securities Act. The rules for preparation of the consolidated financial statements in this electronic format are described in the ESEF Regulation and in our opinion, they are applicable criteria for providing reasonable assurance.

Responsibilities of Management and Those Charged with Governance

Group's management is responsible for the application of the requirements of ESEF Regulation in preparing the electronic XHTML format of the consolidated financial statements. These responsibilities include the selection and application of suitable iXBRL tags in accordance with the taxonomy of ESEF Regulation, as well as the application of such internal controls, which are necessary for the preparation of the electronic format of Group's annual consolidated financial statements, that are free from material misstatements in accordance with ESEF Regulation.

Those charged with governance are responsible for overseeing the process for preparation of Group's annual consolidated financial statements and application of ESEF Regulation.

Auditors' Responsibilities

Our responsibility is to obtain reasonable assurance about whether the electronic format of the consolidated financial statements complies with ESEF Regulation. We applied the "Guidance on issuing an opinion on the application of ESEF Regulation by issuers whose securities are admitted to trading on a regulated market in the European Union" and conducted our reasonable assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other than Audits or Reviews of Historical Financial Information (ISAE 3000 (Revised))". The standard requires that we comply with ethical requirements, design and perform audit procedures to obtain reasonable assurance whether the electronic format of Group's consolidated financial statements have been prepared in accordance with the applicable criteria described above. The nature, timing and extent of our procedures depend on our professional judgement, including the risk of material misstatements whether due to fraud or error, in applying the requirements of ESEF Regulation.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAE 3000 (Revised) will always detect a material misstatement when it exists.

Quality Management Requirements

We apply the requirements of International Standard on Quality Management (ISQM) 1, which requires the firm to design, implement and operate a system of quality control, including documented policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements for registered auditors in Bulgaria.

We have complied with the independence and other ethical requirements of the International Code of Ethics for Professional Accountants (including International Independent Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and adopted by BICPA, together with the ethical requirements of Bulgarian Independent Financial Audit and Assurance of Sustainability Reporting Act.

Summary of the Work Performed

The purpose of the designed and performed procedures was to obtain reasonable assurance whether the electronic format of the consolidated financial statements has been prepared in all material aspects in compliance with the requirements of ESEF Regulation. In performing procedures for assessing compliance with the requirements of ESEF Regulation on electronic (XHTML) format of Group's consolidated financial statements, we used professional judgement and applied professional scepticism. We also:

- obtained an understanding of the internal control and processes, related to the application of ESEF Regulation in preparing Groups' consolidated financial statements in XHTML format with iXBRL tags;
- checked that the enclosed XHTML format is valid;
- reconciling the data in the electronic format of the consolidated financial statements with the audited consolidated financial statements;
- evaluated the completeness of Group's tagging of the consolidated financial statements using the XBRL markup language;
- evaluated the appropriateness of the use of iXBRL elements selected from the ESEF taxonomy and the creation of extension elements where no suitable element in the ESEF taxonomy has been identified; and
- evaluated the use of anchoring in relation to the extension elements in accordance with ESEF Regulation.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion on compliance of the electronic format of the consolidated financial statements with ESEF Regulation

Based on the performed procedures, our opinion is that the electronic format of the consolidated financial statements of the Group for the year ended 31 December 2024, contained in the attached electronic file „529900EKPN8EYA3AX590-20241231-BG-CON.zip“, has been prepared in all material respects in accordance with the requirements of the ESEF Regulation.

Reporting Pursuant to Article 59 of Bulgarian Independent Financial Audit and Assurance of Sustainability Reporting Act in relation to Article 10 of Regulation (EC) № 537/2014

In accordance with the requirements of Bulgarian Independent Financial Audit and Assurance of Sustainability Reporting Act and in relation with Article 10 of Regulation (EC) № 537/2014, we report additionally the information as follows:

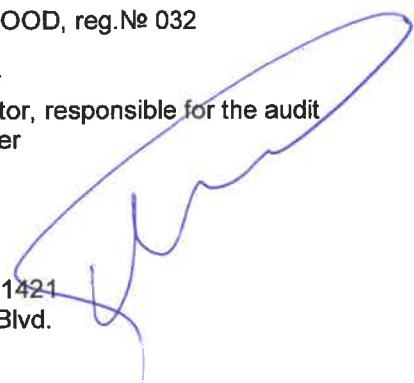
- Grant Thornton OOD and RSM BG OOD were appointed as statutory auditors of the consolidated financial statements of the Group for the year ended on 31 December 2024 by the general meeting of shareholders, held on 26 June 2024, for a period of one year.
- The audit of the consolidated financial statements of the Group for the year ended on 31 December 2024 has been made for eighth consecutive year, performed by Grant Thornton OOD and seventh consecutive year for statutory audit of the Group, performed by RSM BG OOD.
- We confirm that our audit opinion is consistent with the additional report to the audit committee, which was provided in accordance with Article 60 of Bulgarian Independent Financial Audit and Assurance of Sustainability Reporting Act.
- We declare that prohibited non-audit services referred to in Article 64 of Bulgarian Independent Financial Audit and Assurance of Sustainability Reporting Act were not provided.
- We confirm that we remained independent of the Group in conducting the audit.

- For the period for which we were engaged as statutory auditors, we have not provided any other services to the Bank and its controlled undertakings in addition to the statutory audit, which are not specified in the consolidated activity report or the consolidated financial statements of the Group.

Grant Thornton OOD, reg.№ 032

Mariy Apostolov
Registered auditor, responsible for the audit
Managing partner

Bulgaria, Sofia, 1421
26 Cherni vrah Blvd.

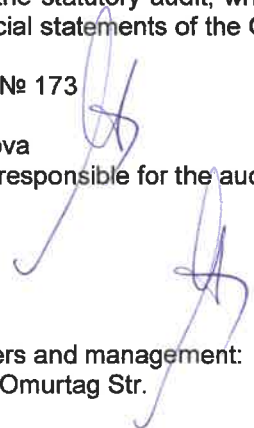


RSM BG OOD, reg.№ 173

Dr. Mariana Mihaylova
Registered auditor, responsible for the audit
Managing partner

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28 April 2025