ANNUAL DISCLOSURE
YEAR 2024
ON CONSOLIDATED BASIS

Pursuant to Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms (Part Eight - Disclosure by Institutions)

Contents

UNITED BULGARIAN BANK AD ("UBB" or the "Bank") is a joint stock company registered in Bulgaria in September 1992, through the merger of 22 commercial banks. In June 2017 KBC Bank NV ("KBC") acquired 99.91% of the Bank's capital. On 05.02.2018 the Commercial Register of the Registry Agency has officially entered the reorganization of CIBANK JSC through merger into UNITED BULGARIAN BANK AD, and in April 2023 the merger with the former Raiffeisenbank Bulgaria EAD (now wholly owned by KBC Bank NV) with UBB was registered.

At the end of 2023. UBB AD launched a capital increase procedure with 16 840 389 shares and a total issuance value of BGN 309 021 138.15 in order to strengthen its position on the market and strengthen its capital base. As a result, in March 2024, the registered share capital reached 194,008,837 shares and a shareholding of KBC Bank NV of 99.96%.

1. Scope and Consolidation Methods

This disclosure report has been prepared on a consolidated basis with data as of December 31, 2024, as per Article 70 par. 3 of the Law on Credit Institutions. UBB discloses information on semi-annual basis under part VIII, Title II of Regulation 575/2013.

1.1. Subsidiaries in the Consolidated Report

The subsidiaries and affiliated companies in the corporate structure of UBB as of December 2024 are the following:

Template EU LI3: Outline of the differences in the scopes of consolidation (entity by entity)

a	b	c	d	e	f	g	h
		Method of prudential consolidation					Description of the entity
Name of the entity	Method of accounting consolidation	Full consolidation	Proportional consolidation	Equity method	Neither consolidated nor deducted	Deducted	
EAST GOLF PROPERTIES EOOD	*Full consolidation*	*X*					*Non-financial entity*
UBB CENTER MANAGEMENT EOOD	*Full consolidation*	*X*					*Non-financial entity*
CASH SERVICES COMPANY EAD	*Equity method*			*X*			*Non-credit financial entity*

On 31 December 2024 the Bank is the sole owner of UBB Centre Management EOOD and East Golf Properties EOOD. UBB also has its associated company named Druzhestvo za Kasovi Uslugi AD consolidated using the equity method.

Both companies East Golf Properties EOOD and UBB Centre Management EOOD are SPV (Special purpose vehicles) established by the bank for the real estate management.

1.2. Other qualitative information on the scope of application

The investments in the companies are not deducted from the own funds in compliance with Art. 48 and 89 of the Regulation 575/2013 and are included in the RWA at 100% and 250% where applicable.

As of 31.12.2024 no practical or legal impediment to the prompt transfer of own funds or to the repayment of liabilities between the parent undertaking and its subsidiaries exist. There are no items to report under Art. 436 d) and e) CRR.

2. Risk Management Policies and Rules

2.1. Disclosure of concise risk statement approved by the management body

The Capital Adequacy Statement (CAS) is a core element of UBB´s Internal Capital Adequacy Assessment Process (ICAAP) under the SSM's Supervisory Review and Evaluation Process (SREP). The CAS is defined as: 'A concise and meaningful statement, approved and signed by the management body, outlining the thinking of the management body on the institution´s capital adequacy'.

UBB Management Board's and Supervisory Board's assessment, which is made according to relevant guidelines and regulations, is based on careful review of the quality and outcome of the key building blocks supporting UBB's continuous ICAAP process. These considerations are summarized in this Capital Adequacy Statement, are further substantiated in the background materials of the ICAAP submission and reflect reporting to the MB and SB during 2024 and early 2025.

MB and SB conclude that UBB's capitalization is solid both from a regulatory (normative) as well as from a more comprehensive internal (economic) capital perspective. This statement is based on UBB's current and future risk profile, both in the base case and under adverse conditions, the quality of its risk management, control environment and governance.

2.2. Information on the risk governance structure

The Bank aims at adopting best practices regarding risk governance, considering all relevant guidelines and regulatory requirements. The Bank's risk governance framework is organized at three levels:

- *Strategic* – Risk management is first and foremost the responsibility of the Management Board (MB). Management Board make all decisions regarding the risk management framework of the Bank, the risk limits and appetite and the risk management policies, assisted by the MB Local Risk Management Committee (LRMC). Supervisory Board (SB) approves and controls the proposed by Management Board risk management framework and risk appetite, assisted by the Risk and Compliance Committee (RCC).
- *Tactical* – UBB Senior Management has the responsibility to implement the Risk Management Framework and Risk Appetite, defined by the Management Board and approved by the Supervisory Board, across the organization.

  UBB Chief Risk Officer (CRO) translates the Vision, Mission and Strategy of the Group Risk to the UBB level and presents it to the Management Board for decision.

  The role of the CRO is to ensure that business entities operate within the defined risk appetite, as well as to help and enable business entities to fully and effectively incorporate a risk perspective in their decisions and to effect cultural change. The CRO's scope of the responsibilities covers all risk types and all businesses entities.

  Risk Management Directorate supports the CRO and is responsible for the development, maintenance, reporting and general oversight of risk management, as well as the verification that the risks undertaken by the Bank in the course of its business activities remain within the limits approved by the MB/LRMC.

  The CRO leads the LRMC and administratively reports to the Bank's CEO but at the same time is directly supervised by the Group Chief Risk Officer and is part of the

Group Risk Management at KBC and whenever he considers necessary, has direct access to the Group Risk Management of KBC, as well as to Risk and Compliance committee (RCC) of the Supervisory Board and Audit Committee. The Risk Management Directorate is actively involved in senior management risk-related committees.

- *Operational* – it encompasses the different lines of Business and business units and refers to the management of risks at the point of their inception. The risk framework for this type of risks provides for the creation and maintenance of appropriate control systems, detailed in specific procedures and instructions.

The risk management model in UBB consists of three lines of defense:

1) The first line includes the business units that are responsible for the risk management of the risks inherent in their activities;

2) The second line of defense includes the regulatory defined control functions (risk function and compliance function) and also the tax, legal and finance function, as well as Data Quality Management:

- The risk function sets the standards for risk management via the UBB Risk Management Framework and creates oversight over the control environment and risk exposure;
- The compliance function manages compliance risk based on the Compliance Charter, the Integrity Policy and the Compliance Rules.

3) The third line of defense is the UBB Internal Audit, which gives reasonable assurance to the Supervisory Board that the overall internal control environment is effective, and that policies and processes are in place, effective, and consistently applied throughout UBB.

The risk function and compliance function, as part of the second line of defense, have been set up as an independent, group-wide functions with presence both at group and local entity level. The CRO of UBB is part of the management committees, to make sure the voice of Risk function and Compliance is heard and to ensure that the decision-making bodies are appropriately challenged on matters of risk management and are given expert advice. The CRO has a veto right which can be used in the different committees where material decisions are taken. The direct reporting line of the UBB CRO to the Group CRO further ensures its independence.

The roles and responsibilities of the risk function, the compliance function and the audit function within the three lines of defence are further detailed in the UBB Risk Governance Charter, Compliance Charter of UBB and Internal UBB Audit Charter of United Bulgarian Bank.

2.3. Declaration approved by the management body on the adequacy of the risk management arrangements

The Supervisory Board (SB) of UBB is required by regulation to set up, approve and oversee the implementation of an adequate and effective internal governance and internal control framework that includes a clear organizational structure and well-functioning independent internal risk management, compliance and audit functions that have sufficient authority, stature and resources to perform their responsibilities.

For this purpose, the RCC (under delegated authority of the SB) on annual basis needs to assess the risk function to verify whether risk governance, risk management and resources remain adequate for and commensurate with UBB's risk profile, business model, nature, size and complexity and whether UBB continues to be compliant with the applicable requirements regarding sound internal governance arrangements.

The following opinion on the adequacy of the risk function is proposed to the RCC:

The risk function:

- is functioning independently, adequately and effectively;
- has sufficient capacity to perform sound risk management;
- has a sufficient mix of experience and maturity.

The Internal Control Statement 2023 confirmed that the integrated and risk-type specific frameworks are overall well implemented in UBB.

2.4. Disclose information on the main features of risk disclosure and measurement systems

UBB publishes Disclosures on semi-annual basis.

2.5. Strategies and processes to manage risks

Risk Management Directorate manages and coordinates the overall process on the implementation of the Basel Accord standards at UBB, in full coordination with the respective program at KBC Group level. All strategies, policies and procedures for management and analysis of the main risk types, including that of capital adequacy, have been reconciled with KBC Group. The Bank has taken appropriate actions for the implementation of Basel III (CRD IV framework) regulatory requirements and IFRS9 framework.

Risk Management policies handle the identification and analysis of risks which the Bank undertakes and determine appropriate limits and control procedures. The policies and the procedures are regularly reviewed in order to incorporate the latest changes in the regulatory frameworks, market conditions and the products and services offered by the bank.

Risk measurement and assessment is performed through utilization of methods based on the best banking practices; the accepted methodologies and procedures are regularly reviewed and updated from the involved units/bodies.
There is ongoing and effective monitoring of the risks undertaken by the Bank. Risk Management Directorate informs the Executive Management for these risks through regular and ad hoc reports to the Local Risk Management Committee (LRMC) and other relevant committees.

The Internal Audit Directorate performs regular audits of the adequacy and quality of the adopted mechanisms of internal controls.

UBB has developed and implemented key policies and rules for risk management including:

    - UBB Risk Governance Charter;
    - UBB Risk Appetite Statement 2024-2027;
    - UBB Enterprise risk management framework;
- KBC Risk Standards for Changes and Local implementation to KBC Risk Standards for Changes
    - UBB Non-Trading Market Risk Management Framework;
    - UBB Liquidity Risk Management Framework;
    - ALM Rule and Measurement Book
    - UBB Liquidity Risk Rule Book;
    - Operational Risk Management Framework;
    - Credit Risk Management Framework;
    - UBB Counterparty Credit Risk Framework;
    - UBB Trading Market Risk Management Framework;
    - UBB Reputational Risk Management Framework;
    - UBB Standard on Risk Responses
    - Operational Risk Standard on Risk & Control measurements
    - UBB Business Continuity Management (BCM) Framework;
    - UBB Instruction for Crisis Management by Crisis Committee
    - UBB ICAAP Policy;
    - UBB ILAAP Policy;
    - UBB Stress testing Standards for Financial Risk;
    - UBB standard for collection of operational event data;
    - Charter of the Local Risk Management Committee of UBB AD;
    - Risk and Compliance Committee Charter of United Bulgarian Bank AD;
    - UBB New and Active Products Process (NAPP) Committee Charter;
    - UBB Data Management Framework (DQM);
    - UBB Asset Encumbrance Policy.
    - Responsible Behavior Framework of UBB AD
    - Rules and procedures for capital adequacy assessment
    - Operational Risk Standard on the setup and maintenance of Risk and Control Inventories

Key ratios and risk limits are included in the Risk Appetite defining Bank’s risk tolerance (appetite) to the different risk types.

In order to minimize the consequences from possible extreme situations, calamities and failures and in order to ensure business continuity, the Bank is covered by Group and locally developed plans as follows:

- Liquidity Contingency Plan;
- Business Continuity Plan;

- Recovery Plan – Group level

These plans are developed in accordance with the principles and requirements incorporated in the regulatory framework and are consistent with the organizational structure and business strategy of KBC Group.

3. Governance

3.1. Governing Bodies

The corporate bodies of UBB are the General Meeting of Shareholders, the Supervisory Board and the Management Board.

The Supervisory Board is the corporate body of the Bank which is empowered to carry out preliminary, current and subsequent control over the compliance of the activities of the Bank with the applicable laws, Articles of Association and the decisions of the General Meeting of Shareholders in the interests of the Bank's clients and its shareholders. The activity of the Supervisory Board is supported by Remuneration Committee, Nomination Committee and Risk and Compliance Committee.

The Management Board makes decisions on all issues which are not of the exclusive competence of the General Meeting of Shareholders or the Supervisory Board, while observing the provisions of the law and the Articles of Association in compliance with the resolutions of the General Meeting of Shareholders and under the Supervisory Board's control.

The Audit Committee is established as a standalone independent body directly reporting to the General Meeting of Shareholders, in compliance with the Independent Financial Audit Act.

The Supervisory Board of the Bank consists of 6 (six) members elected by the General Meeting of Shareholders, including 1/3 external and independent members, in compliance with the requirements of the Credit Institutions Act.

The Bank is managed and represented by Management Board which consists of 8 (eight) persons elected by the Supervisory Board for a term of up to 4 (four) years. The members of the Management Board could be re-elected with no limitations.

3.2. Election of Members of the Management Board

The Management Board comprises from 3 (three) up to 9 (nine) persons elected by the Supervisory Board for a mandate of up to 4 (four) years. The Management Board members may be re-elected without limitations. The Supervisory Board upon a decision of its elects the members of the Management Board. Each board member may be dismissed by decision of the Supervisory Board prior to the expiration of his/her mandate. The Management Board upon the Supervisory Board's approval elects a Chief Executive Officer among its members. The Chief Executive Officer performs the overall management organization and the day-to-day managerial control on the UBB's activity. The management Board adopts its Operational Rules which is approved by the Supervisory Board.
Detailed information on the knowledge, skills and expertise of the members of the Management Board is disclosed in the Annual Financial Report.

3.3. Information on the diversity policy with regard of the members of the management body

While the diversity of the Management is not a criterion for the assessment of the member's individual suitability and institutions are primarily responsible for ensuring that members of the management bodies fulfil the suitability criteria, diversity should also be taken into account when selecting and assessing members of the management bodies. Diversity within the Management leads to a broader range of experience, knowledge, skills and values, and is one of the factors that enhance the functioning of the management body and address the phenomenon of "group-think". A diverse pools of members allows a broad set of qualities and competences to be put together, and variety of view and experiences, facilitating different independent opinions and sound decision-making.

3.4. Risk Management Bodies

3.4.1. Supervisory Board (SB)

- The SB decides and supervises the current and future risk appetite and risk strategy. The SB is responsible for putting robust governance arrangements in place, to ensure that all material risks are appropriately managed and that capitalization and liquidity are adequate.
- In order to do so, the SB decides on the UBB Risk Governance Charter and the UBB Enterprise Risk Management Framework, UBB ICAAP/ILAAP policies, and supervises the implementation, efficiency and effectiveness of the RMF's general concept, which is to be in all underlying frameworks and standards including the implementation of NAPP (New active product and process) Standard. UBB Risk function is responsible to implement the general concept and the strategy related building blocks of the UBB Risk Management Framework aligned with KBC Risk Management Framework.
- To make sure that risks are properly managed according to the specified governance arrangements, the SB is also responsible for the development of a sound and consistent risk culture, based on a full understanding of the risks UBB faces and how they are managed, and taking into account the Group Risk Appetite.

3.4.2. Risk and Compliance committee (RCC)

The Risk and Compliance Committee of UBB advises the Supervisory Board of UBB on issues within the latter's responsibility before they are submitted for decision:

- The current and future risk appetite and risk strategy, and the supervision of risk exposure compared to the risk appetite.
- The general concept and the strategy related building blocks of the KBC Risk Management Framework, including the implementation of NAPP Standard
- The general concept and the strategy related building blocks of the KBC RMF, including the implementation of NAPP Standard.
- The supervision of the implementation, efficiency, and effectiveness of the KBC RMF., including the implementation of NAPP Standard.
- Under authority delegated to them by the Supervisory board of UBB, the RCC of UBB issue periodic opinions on the quality, capacity, and skills of the Risk function. It supervises the implementation of the "KBC Standards for Assessment of the Risk Function".

The RCC of UBB reviews whether prices of liabilities and assets and categories of off-balance sheet products offered to clients take fully into account the institution's business model and risk strategy. Where prices do not properly reflect risks in accordance with the business model and risk strategy, the RCC of UBB shall present a remedy plan to the SB of UBB.

To assist in the establishment of sound remuneration policies and practices, the RCC of UBB examines, without prejudice to the tasks of the remuneration committee, whether incentives provided by the remuneration system take into consideration risk, capital, liquidity and the likelihood and timing of earnings.

Upon delegation of the Supervisory Board of UBB, the RCC of UBB issues periodic (annual) opinions on the quality of the Risk function.

3.4.3. Management Board of UBB (MB)

The Management Board of UBB is the single integrating management committee on risk management. The Management Board of UBB issues within the latter are responsibility:

- Define the Risk Appetite, including the strategic objectives with regard to risk, capital and return, and propose it to the Supervisory Board for decision.
- Propose for decision to the Supervisory board the UBB Risk Governance Charter and the UBB Enterprise Risk Management Framework, UBB ICAAP/ILAAP policies.
- Monitor the risk exposure compared to the Risk Appetite, and periodically reports on its status and evolution to the Risk and Compliance Committee and the Supervisory Board.
- Decides the Vision, Mission and Strategy of the UBB Risk Function - aligned with the Vision, Mission and Strategy of KBC Group Risk - and supervises the implementation.
- Monitor the implementation, efficiency and effectiveness of the KBC Risk Management Framework including the implementation the NAPP Standard and the KBC Standards for Assessment of the Risk Function of as well as its compliance with legal and regulatory requirements.

Include the risk and capital dimension in all their decision-making acting as role model for a sound and consistent bank-wide risk culture.

3.4.4. Local Risk Management Committee (LRMC)

The Local Risk Management Committee (LRMC) was established in accordance with the requirements of KBC Group. The chairman of the LRMC is the CRO of UBB. LRMC is a collective body of the Bank, which supports the Management Board in assessing the adequacy of, and compliance with the KBC RMF, and risk and capital monitoring and balance sheet management. In this capacity, the LRMC has the following key responsibilities:

- To propose the UBB Enterprise Risk Management Framework, the Risk Governance Charter and the ICAAP/ILAAP policies to the Management Board for advice, before these documents are submitted for approval to the Supervisory board;

- To propose to the Management Board the Risk Management Framework and its main building blocks and to periodically review the same. UBB Risk Management Framework will be aligned with the Group Risk Management Framework;
- To periodically review the effectiveness of and compliance with the KBC Risk Management Framework and propose improvement actions to the Management Board;
- To implement the Group CRO Services’ strategy on the local level by setting up the core processes reflecting the strategic value propositions, defining the key performance indicators for these processes and assigning related roles, responsibilities and resources;
- To follow up on the efficiency and effectiveness of the core processes and decide on improvement actions;
- To actively promote (via communication and education) the risk and capital agenda;
- To propose a framework of limits and policies;
- To monitor exposure against these limits;
- To decide on or recommend to the Management Board limit reviews and changes, or mitigating action when exposure is in excess of limits, in line with the governance rules for limits;
- To manage coordination issues across business units;
- To share knowledge and best practices and promote/request alignment;
- To act as a sounding Management Board for risk concepts, (to be) decided on at the UBB Risk and Compliance Committee (RCC) / CRO Services MC;
- To act as a second level of escalation in the New and Active Products Process (NAPP);
- To monitor the Local Risk Profile (integrated and by risk type), including results of stress-tests, to ensure consistency with the Risk Appetite;
- To monitor market context, solvency, liquidity, earnings at risk, risk/return profile, balance sheet profile, maturity transformation and structural interest rate exposure;
- To monitor capital adequacy and usage of regulatory and economic capital;
- To exercise additional oversight in the activity domains of the CRO (credit and operational risks) to mitigate the risks linked with imperfect split in 1st and 2nd line of defense in the activity domains of the CRO.

LRMC has a generic agenda covering all substantial financial risks (credit risk, ALM, liquidity, macroeconomic environment) as well as non-financial risks (operational risk, reputational risk, business risk, data quality, information risk management).
The Committee shall hold meetings on a monthly basis or more often if needed.
The Minutes and decisions from LRMC meetings are approved on the next session of the Committee or if necessary separate items are ratified on MB.

3.4.5. New and Active Products Process (NAPP)

Following the implementation of the Strategic Risk Management Framework, the Bank has established a specialized body for the management of new and active products and their applicable processes – New and Active Products Process (NAPP).

The mission of NAPP is to facilitate and support the process of approving new products and the regular review of existing products, the main objective being the commercial aspects of a product to be balanced from a risk and operational perspective.

NAPP takes the final decisions on approving a new product or review of an existing product before being offered to customers of UBB through various distribution channels.

NAPP ensures that products offered comply with the requirements and capability of the clients.

3.4.6. Corporate Sustainability and Responsibility Steering Committee Bulgaria

The CSRSC shall assist the Country Team with the implementation and proper functioning of the approved KBC Group's corporate sustainability and responsibility framework in Bulgaria. The CSRSC has overall responsibility locally for CSR, provides leadership and demonstrates commitment to CSR across the country's activities. Communication and raising internal awareness on CSR is an important part of their role. They identify issues that are relevant locally and implement the Group CSR framework in a way that suits their CSR needs and priorities. As a CSR Steering Committee, it provides strategic guidance and approves the CSR policies and approach. They will follow up on performance and progress within their country.

3.4.7. Sustainable Finance Steering Committee (Green Committee)

The role of Sustainable Finance Steering Committee (Green Committee) is to assist with the operational mission and actions towards ESG Strategy and Program. The mission of the Committee is to:

- Overview and steer the process of preparation of Sustainable Financing Strategy (SFS) with regards to specific sectors and segments of the Bulgarian lending market. Ultimate goal of such strategy is to set targets and achieve portfolio composition, which would minimize risks associated with environmental changes and their impact, while benefitting from the opportunities arising as a result of the shift towards sustainable financing.
- Promote and support investment projects in alternative energy supply, energy savings, etc.

3.4.8. Local Provisioning Committee

The Local Provisioning Committee has been established and has received its authority by the Management Board. It is a collective body of the Bank that makes decisions and recommendations on all topics related to impairments of financial assets of the Bank.

The mission of the Local Provisioning Committee is to assist the Management Board in:

- Approval (changes to) the Bank's Impairment Policy for financial assets under IFRS 9;

  Challenging and approval of the monthly impairment results/loss allowances on financial assets not at Fair value through profit or loss (FVPL) on a Bank level under IFRS 9;
- Challenging of Expected Credit Loss (ECL) model - in case of unusual/ unexpected model output, inform the Local Risk Management Committee and potentially trigger a model review.

3.4.9. Crisis Committee

The Crisis Committee is the committee in charge for handling crises, including recovery and resolution situations. The main tasks of the Crisis Committee are decision making, leadership, welfare needs of staff, information management and engaging and communicating with stakeholders.

Specific responsibilities include:

- monitoring the overall progress of recovery;
- ensuring the recovery is in line with the long-term interests of the organization and meets the organization's legal obligations and (personal) liability;
- approving significant expenditure;
- ensuring the financial health of the organization;
- managing communications with stakeholders, in particular with the media and the regulator, and approving media statements, monitoring and adjusting the media strategy as and when necessary;
- identifying and maximizing opportunities or advantages arising from the incident;
- deciding on the termination of the crisis situation, demobilizing of the teams involved and follow-up actions.

The Crisis Committee takes decisions taking into account:

- the advice of the relevant expert colleagues, and an impact analysis;
- whether the current situation brings KBC Group/UBB in the recovery/ resolution context (as described in the official recovery/ resolution plans requested by the regulators) or not. If the Crisis Committee decides that the bank is in recovery mode or in resolution, it will immediately inform the Group Crisis Committee, LRMC, Bulgarian National Bank, other regulators, other authorities depending on the type of crisis. If the situation develops positively, the Crisis Committee may decide that the bank is no longer in recovery mode.

3.4.10. Local Credit Committee Bad Loans

Local Credit Committee Bad Loans is authorised to make decisions for all (group) exposures, managed by Recovery Directorate. The competences of Credit Committee Bad Loans are described in Credit Committees' Delegation Rights table in the SME and Corporate Credit Committees Rules. Chairperson of the committee is the CRO.

4. Differences between Accounting and Regulatory Exposure Amounts

4.1. Accounting Scope and Mapping of Financial Statement Categories with Regulatory Risk Categories

The financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations

Committee (IFRS IC) applicable to companies reporting under IFRS as adopted by EU. UBB discloses the following two forms:

Template EU LI1- Differences between the accounting scope and the scope of prudential consolidation and mapping of financial statement categories with regulatory risk categories

		a	b	c	d	e	f	g
				Carrying values of items				
		Carrying values as reported in published financial statements	Carrying values under scope of prudential consolidation	Subject to the credit risk framework	Subject to the CCR framework	Subject to the securitisation framework	Subject to the market risk framework	Not subject to own funds requirements or subject to deduction from own funds
	Breakdown by asset clases according to the balance sheet in the published financial statements							
1	Cash and cash balances with the Central Bank	6,599,635	6,599,635	6,599,635				
2	Due from banks	1,414,750	1,414,750	1,414,750				
3	Reverse repos with banks	977,994	977,994	-	977,994			
4	Derivative financial instruments	15,098	15,098	15,098	15,098		15,098	
5	Financial assets at fair value through profit or loss	12,184	12,184	-			12,184	
6	Financial assets at fair value through OCI*	1,378,583	1,378,583	1,378,583				
7	Securities at amortized cost	6,147,216	6,147,216	6,147,216				
8	Loans and advances to customers	20,610,640	20,610,640	20,610,640				
9	Investments in subsidiaries and associated companies	4,876	4,876	4,876				
10	Intangible assets	35,794	35,794	35,794				35,794
11	Property and equipment	132,681	132,681	132,681				
12	Investment properties	63,787	63,787	63,787				
13	Right-of-use assets	46,756	46,756	46,756				
14	Deferred tax assets	6,409	6,409	6,409				
15	Corporate income tax receivables	-	-	-				
16	Other assets	16,330	16,330	16,330				
xxx	**Total assets**	**37,462,733**	**37,462,733**	**36,472,555**	**993,092**		**27,282**	**35,794**
	Breakdown by liability classes according to the balance sheet in the published financial statements							
1	Deposits from banks	4,153,290	4,153,290					
2	Derivative financial instruments	12,385	12,385		12,385		12,385	
3	Deposits from customers	27,426,663	27,426,663					
4	Other borrowed funds	1,441,660	1,441,660					
5	Current income tax liabilities	32,881	32,881					
6	Provisions	24,196	24,196					
7	Lease liabilities	47,261	47,261					
8	Other liabilities	118,787	118,787					
xxx	**Total liabilities**	**33,257,123**	**33,257,123**		**12,385**		**12,385**	

Template EU LI2 - Main sources of differences between regulatory exposure amounts and carrying values in financial statements

		a	b	c	d	e
			Items subject to			
		Total	Credit risk framework	Securitisation framework	CCR framework	Market risk framework
1	**Assets carrying value amount under the scope of prudential consolidation (as per template LI1)**	37,426,939	36,472,555	0	993,092	27,282
2	**Liabilities carrying value amount under the scope of prudential consolidation (as per template LI1)**	33,257,123				12,385
3	**Total net amount under the scope of prudential consolidation**	4,169,816				14,897
4	**Off-balance-sheet amounts**	5,939,045	5,939,045			
5	*Differences in valuations*					
6	*Differences due to different netting rules, other than those already included in row 2*				62,702	
7	*Differences due to consideration of provisions*		-10,569			
8	*Differences due to the use of credit risk mitigation techniques (CRMs)*		-185,379			
9	*Differences due to credit conversion factors*		-3,287,368		-908,438	
10	*Differences due to Securitisation with risk transfer*					
11	*Other differences*					
12	**Exposure amounts considered for regulatory purposes**	39,029,668	38,897,410		132,258	

4.2. Prudent valuation adjustments (PVA)

UBB discloses the information referred to in point (e) of Article 436 CRR in the following template:

Template EU PV1 Prudent valuation adjustments (PVA)

		a	b	c	d	e	EU e1	EU e2	f	g	h
		Risk category					Category level AVA - Valuation uncertainty				
	Category level AVA	Equity	Interest Rates	Foreign exchange	Credit	Commodities	Unearned credit spreads AVA	Investment and funding costs AVA	**Total category level post-diversification**	Of which: **Total core approach** in the trading book	Of which: **Total core approach** in the banking book
1	Market price uncertainty		0	0			131	5	68	68	0
2	Not applicable										
3	Close-out cost		312	408			0	0	360	360	0
4	Concentrated positions								0		
5	Early termination								0		
6	Model risk		0	0			170	0	85	85	0
7	Operational risk		16	20					36	36	0
8	Not applicable										
9	Not applicable										
10	Future administrative costs		0						0		
11	Not applicable										
12	**Total Additional Valuation Adjustments (AVAs)**								**549**	**549**	**0**

5. Regulatory Capital and Capital Adequacy

5.1. Structure and Elements of Own Funds

The table below provides reconciliation of regulatory own funds to balance sheet items in the audited financial statements of United Bulgarian Bank, as per Template EU CC2 from Regulation (EU) 2021/637:

Table EU CC2 Reconciliation of regulatory own funds to balance sheet in the audited financial statements

		a	b	c
		Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
		As at period end	As at period end	
Assets - *Breakdown by asset clases according to the balance sheet in the published financial statements*				
1	Cash and cash balances with the Central Bank	6,599,635	6,599,635	
2	Due from banks	1,414,750	1,414,750	
3	Reverse repos with banks	977,994	977,994	
4	Derivative financial instruments	15,098	15,098	
5	Financial assets at fair value through profit or loss	12,184	12,184	
6	Financial assets at fair value through OCI	1,378,583	1,378,583	
7	Securities at amortized cost	6,147,216	6,147,216	
8	Loans and advances to customers	20,610,640	20,610,640	
9	Investments in subsidiaries and associated companies	4,876	4,876	
10	Intangible assets	35,794	35,794	EU CC1, row 8
11	Property and equipment	132,681	132,681	
12	Investment properties	63,787	63,787	
13	Right-of-use assets	46,756	46,756	
14	Deferred tax assets	6,409	6,409	EU CC1, row 75
15	Other assets	16,330	16,330	
xxx	**Total assets**	**37,462,733**	**37,462,733**	
Liabilities - *Breakdown by liability clases according to the balance sheet in the published financial statements*				
1	Deposits from banks	4,153,290	4,153,290	
2	Derivative financial instruments	12,385	12,385	
3	Deposits from customers	27,426,663	27,426,663	
4	Other borrowed funds	1,441,660	1,441,660	
5	Current income tax liabilities	32,881	32,881	
6	Provisions	24,196	24,196	
7	Lease liabilities	47,261	47,261	
8	Other liabilities	118,787	118,787	
xxx	**Total liabilities**	**33,257,123**	**33,257,123**	
Equity				
1	Share capital	194,009	194,009	EU CC1, row 1-2
2	Share premium and Statutory reservs	1,211,691	1,211,691	EU CC1, row 1-2
3	Retained earnings	2,662,643	2,662,643	EU CC1, row 2
4	Revaluation and orther reserves	23,829	23,829	EU CC1, row 3
5	**TOTAL EQUITY ATTRIBUTABLE TO UBB SHAREHOLDERS**	**4,092,172**	**4,092,172**	
6	Additional tier-1 instrument included in equity	113,438	113,438	EU CC1, row 3
xxx	**TOTAL EQUITY**	**4,205,610**	**4,205,610**	

5.2. Disclosure of information about the main features of capital instruments

Below information about main characteristics of main features of capital instruments of United Bulgarian Bank AD is presented in accordance with template EU CCA from Regulation (EU) 2021/637:

Table EU CCA Main features of regulatory own funds instruments and eligible liabilities instruments

		a
		Qualitative or quantitative information - Free format
1	Issuer	United Bulgarian Bank AD
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	BG1100085056 (Central Depository)
2a	Public or private placement	0
3	Governing law(s) of the instrument	Bulgarian Law
3a	Contractual recognition of write down and conversion powers of resolution authorities	
	Regulatory treatment	Common Equity Tier 1 (CET1)
4	Current treatment taking into account, where applicable, transitional CRR rules	Tier 1 capital
5	Post-transitional CRR rules	Common Equity Tier 1 (CET1)
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Eligible at solo and consolidated basis
7	Instrument type (types to be specified by each jurisdiction)	Ordinary, registered, dematerialised, freely transferable shares with voting rights
8	Amount recognised in regulatory capital or eligible liabilities (Currency in million, as of most recent report	BGN 194,008,837
9	Nominal amount of instrument	BGN 194,008,837
EU-9a	Issue price	100%
EU-9b	Redemption price	100%
10	Accounting classification	Share capital
11	Original date of issuance	1992 - 2005
12	Perpetual or dated	Perpetual
13	Original maturity date	Not Applicable
14	Issuer call subject to prior supervisory approval	Yes
15	Optional call date, contingent call dates and redemption amount	Not Applicable Not Applicable
16	Subsequent call dates, if applicable	
	Coupons / dividends	
17	Fixed or floating dividend/coupon	Not Applicable Not Applicable
18	Coupon rate and any related index	Not Applicable
19	Existence of a dividend stopper	No
EU-20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Not Applicable
EU-20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Not Applicable
21	Existence of step up or other incentive to redeem	No
22	Noncumulative or cumulative	Non-comulative
23	Convertible or non-convertible	Not Applicable
24	If convertible, conversion trigger(s)	Not Applicable
25	If convertible, fully or partially	Not Applicable
26	If convertible, conversion rate	Not Applicable
27	If convertible, mandatory or optional conversion	Not Applicable
28	If convertible, specify instrument type convertible into	Not Applicable
29	If convertible, specify issuer of instrument it converts into	Not Applicable
30	Write-down features	No
31	If write-down, write-down trigger(s)	Not Applicable
32	If write-down, full or partial	Not Applicable
33	If write-down, permanent or temporary	Not Applicable
34	If temporary write-down, description of write-up mechanism	Not Applicable
34a	Type of subordination (only for eligible liabilities)	
EU-34b	Ranking of the instrument in normal insolvency proceedings	
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrume	All senior creditors
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	Not Applicable
37a	Link to the full term and conditions of the instrument (signposting)	

5.3. Information about own funds

The Bank presents details of own funds in line with Regulation (EU) 575/2013 as per guideline in Template EU CC1 Regulation (EU) No 2021/637:

Table EU CC1 Composition of regulatory own funds

		(a) Amounts	(b) Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
Common Equity Tier 1 (CET1) capital: instruments and reserves			
1	Capital instruments and the related share premium accounts	1,216,366	Article 26, Paragraph 1, Articles 27-29
	of which: Instrument type 1	194,009	EBA List, Article 26, Paragraph 3
	of which: Instrument type 2	1,022,357	EBA List, Article 26, Paragraph 3
	of which: Instrument type 3		EBA List, Article 26, Paragraph 3
2	Retained earnings	1,599,192	Article 26, Paragraph 1, c/
3	Accumulated other comprehensive income (and other reserves)	782,804	Article 26, Paragraph 1
EU-3a	Funds for general banking risk		Article 26, Paragraph 1, f/
4	Amount of qualifying items referred to in Article 484 (3) CRR and the related share premium accounts subject to phase out from CET1		Article 486, Paragraph 2
5	Minority interests (amount allowed in consolidated CET1)	-	Article 84
EU-5a	Independently reviewed interim profits net of any foreseeable charge or dividend		Article 26, Paragraph 2
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**3,598,362**	
Common Equity Tier 1 (CET1) capital: regulatory adjustments			
7	Additional value adjustments (negative amount)	- 549	Articles 34, 105
8	Intangible assets (net of related tax liability) (negative amount)	- 22,343	Article 36, Paragraph 1,b/, Article 37
9	Not applicable		
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) CRR are met) (negative amount)		Article 36, Paragraph 1, c/, Article 38
11	Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value		Article 33, Paragraph 1, a/
12	Negative amounts resulting from the calculation of expected loss amounts		Article 36, Paragraph 1,d/, Article 40, Article 159
13	Any increase in equity that results from securitised assets (negative amount)		Article 32, Paragraph 1
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing		Article 33, Paragraph 1, b/
15	Defined-benefit pension fund assets (negative amount)		Article 36, Paragraph 1, e/, Article 41
16	Direct, indirect and synthetic holdings by an institution of own CET1 instruments (negative amount)		Article 36, Paragraph 1,f/, Article 42
17	Direct, indirect and synthetic holdings of the CET 1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)		Article 36, Paragraph 1, g/, Article 44
18	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		Article 36, Paragraph 1, h/, Article 43, 45 and 46, and Article 49, Paragraphs 2 and 3, Article 79
19	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		Article 36, Paragraph 1,i/, Article 43, 45 and 47, and Article 48, Paragraph 1, b/ and Article 49, Paragraphs 1- 3, Articles 79
20	Not applicable		
EU-20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative		Article 36, Paragraph 1, k/
EU-20b	of which: qualifying holdings outside the financial sector (negative amount)		Article 36, Paragraph 1,k/, i), Articles 89-91
EU-20c	of which: securitisation positions (negative amount)		Article 36, Paragraph 1,k/, ii), Article 243, Paragraph 1, b/, Article 244, Paragraph 1, b/ and Article 258
EU-20d	of which: free deliveries (negative amount)		Article 36, Paragraph 1,k/, iii) Article 379, Paragraph 3
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met) (negative amount)		Article 36, Paragraph 1,c/, Article 38,Article 48, Paragraph 1, a/
22	Amount exceeding the 17,65% threshold (negative amount)		Article 48, Paragraph 1
23	of which: direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities		Article 36, Paragraph 1,i/, Article 48, Paragraph 1, b/
24	Not applicable		
25	of which: deferred tax assets arising from temporary differences		Article 36, Paragraph 1,c/,Article 38, Article 48, Paragraph 1, a/
EU-25a	Losses for the current financial year (negative amount)		Article 36, Paragraph 1,a/, and Article 472, Paragraph 3
EU-25b	Foreseeable tax charges relating to CET1 items except where the institution suitably adjusts the amount of CET1 items insofar as such tax charges reduce the amount up to which those items may be used to cover risks or losses (negative amount)		Article 36, Paragraph 1,l/
26	Not applicable		
27	Qualifying AT1 deductions that exceed the AT1 items of the institution (negative amount)		Article 36, Paragraph 1, j/
27a	Other regulatory adjustments	- 22,643	
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	**- 45,535**	
29	**Common Equity Tier 1 (CET1) capital**	**3,552,827**	

	Additional Tier 1 (AT1) capital: instruments		
30	Capital instruments and the related share premium accounts		Articles 51-52
31	of which: classified as equity under applicable accounting standards		
32	of which: classified as liabilities under applicable accounting standards		
33	Amount of qualifying items referred to in Article 484 (4) CRR and the related share premium accounts subject to phase out from AT1		Article 486, Paragraph 3
EU-33a	Amount of qualifying items referred to in Article 494a(1) CRR subject to phase out from AT1		
EU-33b	Amount of qualifying items referred to in Article 494b(1) CRR subject to phase out from AT1		
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties		Articles 85-86
35	of which: instruments issued by subsidiaries subject to phase out		Article 486, Paragraph 3
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**	-	
	Additional Tier 1 (AT1) capital: regulatory adjustments		
37	Direct, indirect and synthetic holdings by an institution of own AT1 instruments (negative amount)		Article 52, Paragraph 1,b/, Article 56, a/, Article 57
38	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)		Article 56, b/, Article 58
39	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		Article 56, c/, Articles 59, 60 and 79
40	Direct, indirect and synthetic holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)		Article 56,d/, Articles 59 and 79
41	Not applicable		
42	Qualifying T2 deductions that exceed the T2 items of the institution (negative amount)		Article 56, d/
42a	Other regulatory adjustments to AT1 capital		
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**	-	
44	**Additional Tier 1 (AT1) capital**	-	
45	**Tier 1 capital (T1 = CET1 + AT1)**	**3,552,827**	
	Tier 2 (T2) capital: instruments		
46	Capital instruments and the related share premium accounts		Articles 62-63
47	Amount of qualifying items referred to in Article 484(5) CRR and the related share premium accounts subject to phase out from T2 as described in Article 486(4) CRR		Article 486, Paragraph 4
EU-47a	Amount of qualifying items referred to in Article 494a(2) CRR subject to phase out from T2		
EU-47b	Amount of qualifying items referred to in Article 494b(2) CRR subject to phase out from T2		
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties		Articles 87-88
49	of which: instruments issued by subsidiaries subject to phase out		Article 486, Paragraph 4
50	Credit risk adjustments		Article 62, C/ and d/
51	**Tier 2 (T2) capital before regulatory adjustments**	**179,404**	
	Tier 2 (T2) capital: regulatory adjustments		
52	Direct, indirect and synthetic holdings by an institution of own T2 instruments and subordinated loans (negative amount)		Article 63, ,b/, i), Article 66, a/, Article 67
53	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)		Article 66, ,b/, Article 68
54	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		Article 66, c/, Articles 69, 70, 79
54a	Not applicable		
55	Direct, indirect and synthetic holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)		Article 66, d/, Articles 69, and 79
56	Not applicable		
EU-56a	Qualifying eligible liabilities deductions that exceed the eligible liabilities items of the institution (negative amount)		
EU-56b	Other regulatory adjustments to T2 capital		
57	**Total regulatory adjustments to Tier 2 (T2) capital**	-	
58	**Tier 2 (T2) capital**	**179,404**	
59	**Total capital (TC = T1 + T2)**	**3,732,231**	
60	**Total Risk exposure amount**	**17,463,100**	

Capital ratios and requirements including buffers			
61	Common Equity Tier 1 capital	20.34%	Article 92, Paragraph 2, a/
62	Tier 1 capital	20.34%	Article 92, Paragraph 2, b/
63	Total capital	21.37%	Article 92, Paragraph 2, c/
64	Institution CET1 overall capital requirements	13.00%	CRD, Articles 128-131 and 133
65	of which: capital conservation buffer requirement	2.50%	
66	of which: countercyclical capital buffer requirement	2.00%	
67	of which: systemic risk buffer requirement	3.00%	
EU-67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer requirement	1.00%	
EU-67b	of which: additional own funds requirements to address the risks other than the risk of excessive leverage		
68	**Common Equity Tier 1 capital (as a percentage of risk exposure amount) available after meeting the minimum capital requirements**	7.34%	CRD, Article 128
National minima (if different from Basel III)			
69	Not applicable		
70	Not applicable		
71	Not applicable		
Amounts below the thresholds for deduction (before risk weighting)			
72	Direct and indirect holdings of own funds and eligible liabilities of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)		article 36, paragraph 1, h/), article 45-46, article 56, c/, article 59-60, article 66, c/, article 69-70
73	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 17.65% thresholds and net of eligible short positions)		Article 36, Paragraph 1,i/, Articles 45 and 48
74	Not applicable		
75	Deferred tax assets arising from temporary differences (amount below 17,65% threshold, net of related tax liability	6,409	Article 36, Paragraph 1, c/, Articles 38 and 48
Applicable caps on the inclusion of provisions in Tier 2			
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)		Article 62
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach		Article 62
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)		Article 62
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach		Article 62
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2014 and 1 Jan 2022)			
80	Current cap on CET1 instruments subject to phase out arrangements		Article 484, Paragraph 3, Article 486, Paragraphs 2 and 5
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)		Article 484, Paragraph 3, Article 486, Paragraphs 2 and 5
82	Current cap on AT1 instruments subject to phase out arrangements		Article 484, Paragraph 4, Article 486, Paragraphs 3 and 5
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)		Article 484, Paragraph 4, Article 486, Paragraphs 3 and 5
84	Current cap on T2 instruments subject to phase out arrangements		Article 484, Paragraph 5, Article 486, Paragraphs 4 and 5
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)		Article 484, Paragraph 5, Article 486, Paragraphs 4 and 5

Intangible assets other than software assets are subtracted directly from own funds under Article 36(1) b. Tax assets fall below the threshold set in Article 38 (3) and are risk weighted at 250% in Other Items asset class.

5.4. Capital Requirements

The Bank fully complies with the Regulation (EU) 575/2013, Directive 2013/36/EU and supervisory requirements of BNB, according to which Tier-I capital and of the Total capital adequacy ratios (OCR and P2G) should be no less than 17.13 % and 19.50 % respectively.

The structure of the required capital by types of risk is the following:

Table EU OV1 Overview of total risk exposure amounts

		Total risk exposure amounts (TREA)		Total own funds requirements
		a	b	c
		2024	2023	T
1	Credit risk (excluding CCR)	15,924,881	14,386,409	1,273,990
2	Of which the standardised approach	15,924,881	14,386,409	1,273,990
3	Of which the Foundation IRB (F-IRB) approach			
4	Of which slotting approach			
EU 4a	Of which equities under the simple riskweighted approach			
5	Of which the Advanced IRB (A-IRB) approach			
6	Counterparty credit risk - CCR	44,681	34,081	3,574
7	Of which the standardised approach	44,681	34,081	3,574
8	Of which internal model method (IMM)			
EU 8a	Of which exposures to a CCP			
EU 8b	Of which credit valuation adjustment - CVA			
9	Of which other CCR			
10	Not applicable			
11	Not applicable			
12	Not applicable			
13	Not applicable			
14	Not applicable			
15	Settlement risk	0	0	
16	Securitisation exposures in the non-trading book (after the cap)	0	0	
17	Of which SEC-IRBA approach			
18	Of which SEC-ERBA (including IAA)			
19	Of which SEC-SA approach			
EU 19a	Of which 1250% / deduction			
20	Position, foreign exchange and commodities risks (Market risk)	5,663	3,275	453
21	Of which the standardised approach	5,663	3,275	453
22	Of which IMA			
EU 22a	Large exposures			
23	Operational risk	1,487,875	1,279,863	119,030
EU 23a	Of which basic indicator approach			
EU 23b	Of which standardised approach	1,487,875	1,279,863	119,030
EU 23c	Of which advanced measurement approach			
24	Amounts below the thresholds for deduction (subject to 250% risk weight)	28,218	25,708	2,257
25	Not applicable			
26	Not applicable			
27	Not applicable			
28	Not applicable			
29	**Total**	**17,463,100**	**15,703,628**	**1,397,047**

5.5. Capital Adequacy and Capital Buffers

UBB applies Standardized approach for its capital adequacy report for credit, market and operational risk. The capital requirements, capital buffers imposed by the Regulator and Available Capital are as follows:

Table EU KM1 Key metrics template

		a	b	c	d	e
		Q4 2024	Q2 2024	Q4 2023	Q2 2023	Q4 2022
	Available own funds (amounts)					
1	Common Equity Tier 1 (CET1) capital	3,552,827	3,523,277	2,756,568	2,755,070	1,373,440
2	Tier 1 capital	3,552,827	3,523,277	2,870,006	2,868,508	1,373,440
3	Total capital	3,732,231	3,701,258	3,047,987	3,046,489	1,373,440
	Risk-weighted exposure amounts					
4	Total risk exposure amount	17,463,100	17,108,153	15,703,816	15,072,677	7,510,655
	Capital ratios (as a percentage of risk-weighted exposure amount)					
5	Common Equity Tier 1 ratio (%)	20.34%	20.59%	17.55%	18.28%	18.29%
6	Tier 1 ratio (%)	20.34%	20.59%	18.28%	19.03%	18.29%
7	Total capital ratio (%)	21.37%	21.63%	19.41%	20.21%	18.29%
	Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)					
EU 7a	Additional own funds requirements to address risks other than the risk of excessive leverage (%)	1.50%	1.50%	1.50%	1.50%	1.50%
EU 7b	of which: to be made up of CET1 capital (percentage points)	0.84%	0.84%	0.84%	0.84%	0.84%
EU 7c	of which: to be made up of Tier 1 capital (percentage points)	1.13%	1.13%	1.13%	1.13%	1.13%
EU 7d	Total SREP own funds requirements (%)	9.50%	9.50%	9.50%	9.50%	9.50%
	Combined buffer and overall capital requirement (as a percentage of risk-weighted exposure amount)					
8	Capital conservation buffer (%)	2.50%	2.50%	2.50%	2.50%	2.50%
EU 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	0	0	0	0	0
9	Institution specific countercyclical capital buffer (%)	2.00%	2.00%	2.00%	1.50%	1.00%
EU 9a	Systemic risk buffer (%)	3%	3%	3%	3%	3%
10	Global Systemically Important Institution buffer (%)	0	0	0	0	0
EU 10a	Other Systemically Important Institution buffer (%)	1.00%	1.00%	1.00%	1.00%	1.00%
11	Combined buffer requirement (%)	8.50%	8.50%	8.50%	8.00%	7.50%
EU 11a	Overall capital requirements (%)	18.00%	18.00%	18.00%	17.50%	17.00%
12	CET1 available after meeting the total SREP own funds	11.87%	12.13%	9.91%	10.71%	8.79%
	Leverage ratio					
13	Total exposure measure	40150711	36812606	35960930	33699326	18790839
14	Leverage ratio (%)	8.85%	9.57%	7.98%	8.51%	7.31%
	Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)					
EU 14a	Additional own funds requirements to address the risk of excessive leverage (%)	0%	0%	0%	0%	0%
EU 14b	of which: to be made up of CET1 capital (percentage points)	0	0	0	0	0
EU 14c	Total SREP leverage ratio requirements (%)	3.00%	3.00%	3.00%	3.00%	3.00%
	Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)					
EU 14d	Leverage ratio buffer requirement (%)	0.00%	0.00%	0.00%	0.00%	0.00%
EU 14e	Overall leverage ratio requirement (%)	3.00%	3.00%	3.00%	3.00%	3.00%
	Liquidity Coverage Ratio					
15	Total high-quality liquid assets (HQLA) (Weighted value -average)	14,414,031	12,438,310	13,446,182	11,557,231	6,787,684
EU 16a	Cash outflows - Total weighted value	14,372,479	10,708,052	12,834,740	6,857,357	5,350,335
EU 16b	Cash inflows - Total weighted value	7,491,727	5,812,447	6,917,822	1,349,734	1,595,462
16	Total net cash outflows (adjusted value)	6,880,752	4,895,605	5,916,918	5,507,623	3,754,873
17	Liquidity coverage ratio (%)	209%	254%	227%	210%	181%
	Net Stable Funding Ratio					
18	Total available stable funding	28,274,110	27,161,577	25,855,556	23,637,864	12,632,974
19	Total required stable funding	16,850,851	16,186,690	15,311,955	14,585,928	7,429,296
20	NSFR ratio (%)	168%	168%	169%	162%	170%

6. Countercyclical Buffer Requirements

In accordance with Commission delegated regulation (EU) 1152/2014, when calculating the Countercyclical Buffer Requirements (CBR), UBB allocates all foreign credit exposures to the country of registration (i.e. Bulgaria), as none of the foreign exposures represent more than the 2% threshold of its aggregate risk weighted exposures:

Template EU CcyB1 Geographical distribution of credit exposures relevant for the calculation of the countercyclical buffer

		a	b	c	d	e	f	g	h	i	j	k	l	m
		General credit exposures		Relevant credit exposures – Market risk		Securitisation exposures Exposure value for non-trading book	Total exposure value	Own fund requirements				Risk-weighted exposure amounts	Own fund requirements weights (%)	Countercyclical buffer rate (%)
		Exposure value under the standardised approach	Exposure value under the IRB approach	Sum of long and short positions of trading book exposures for SA	Value of trading book exposures for internal models			Relevant credit risk exposures - Credit risk	Relevant credit exposures – Market risk	Relevant credit exposures – Securitisation positions in the non-trading book	Total			
010	**Breakdown by country:**													
011	BULGARIA	22,805,079					22,805,079	1,209,238			1,209,238	15,115,475	100%	2%
020	TOTAL	22,805,079					22,805,079	1,209,238			1,209,238	15,115,475	100%	

As of 31.12.2024 UBB has foreign exposures (for the purpose of calculating CCR) towards Belgium, Austria, Switzerland, Czech Republic, Denmark, Germany, Spain, Finland, France, UK, Greece, Croatia, Hungary, Ireland, Israel, Italy, South Korea, Liechtenstein, Luxembourg, Malaysia, Netherlands, Poland, Portugal, Romania, Serbia, Sweden, Slovakia, Turkey, South Africa, USA.

Template EU CCyB2: Amount of institution-specific countercyclical capital buffer

		a
1	Total risk exposure amount	17,463,100
2	Institution specific countercyclical capital buffer rate	2.0%
3	Institution specific countercyclical capital buffer requirement	349,262

7. Disclosure of own funds and eligible liabilities

The resolution plan for UBB is based on a Single Point of Entry (SPE) approach at KBC Group level, with ‘bail-in’ as the primary resolution tool. Bail-in implies a recapitalization and stabilization of the bank by writing down certain unsecured liabilities and issuing new shares to former creditors as compensation.

The internal MREL requirements of UBB are met with the downstream of MREL instruments in a senior non-preferred debt from KBC Bank, based upon the Intercompany Loan Framework Agreement. The higher MREL regulatory requirement (implementation of Market confidence charge from June 2025) was considered in the annual planning cycle (APC) 2025-2027 and the downstream in 1Q2025 of new SNP debt from KBC Bank was executed. MREL is integrated in the existing group wide processes & policies, such as Risk Appetite, Capital Management Policies, strategic planning (APC), ICAAP/ILAAP/Recovery Plan and an appropriate MREL reporting framework is in place.

Template EU iLAC: Internal loss absorbing capacity: internal MREL and, where applicable, requirement for own funds and eligible liabilities for non-EU G-SIIs

		a	b	c
		Minimum requirement for own funds and eligible liabilities (internal MREL)	Non-EU G-SII requirement for own funds and eligible liabilities (internal TLAC)	Qualitative information
Applicable requirement and level of application				
EU-1	Is the entity subject to a non-EU G-SII requirement for own funds and eligible liabilities? (Y/N)			N
EU-2	If EU-1 is answered by 'Yes', is the requirement applicable on a consolidated or individual basis? (C/I)			
EU-2a	Is the entity subject to an internal MREL? (Y/N)			Y
EU-2b	If EU-2a is answered by 'Yes', is the requirement applicable on a consolidated or individual basis? (C/I)			I
Own funds and eligible liabilities				
EU-3	Common Equity Tier 1 capital (CET1)	3,548,377		
EU-4	Eligible Additional Tier 1 capital	-		
EU-5	Eligible Tier 2 capital	179,404		
EU-6	Eligible own funds	3,727,781		
EU-7	Eligible liabilities	1,251,731		
EU-8	of which permitted guarantees	-		
EU-9a	(Adjustments)	-		
EU-9b	Own funds and eligible liabilities items after adjustments	4,979,512		
Total risk exposure amount and total exposure measure				
EU-10	Total risk exposure amount (TREA)	17,436,906		
EU-11	Total exposure measure (TEM)	40,150,636		
Ratio of own funds and eligible liabilities				
EU-12	Own funds and eligible liabilities as a percentage of the TREA	**28.56%**		
EU-13	of which permitted guarantees			
EU-14	Own funds and eligible liabilities as a percentage of the TEM	**12.40%**		
EU-15	of which permitted guarantees			
EU-16	CET1 (as a percentage of the TREA) available after meeting the entity's requirements	**10.35%**		
EU-17	Institution-specific combined buffer requirement			
Requirements				
EU-18	Requirement expressed as a percentage of the TREA	**18.21%**		
EU-19	of which part of the requirement that may be met with a guarantee			
EU-20	Requirement expressed as percentage of the TEM	**5.90%**		
EU-21	of which part of the requirement that may be met with a guarantee			
Memorandum items				
EU-22	Total amount of excluded liabilities referred to in Article 72a(2) of Regulation (EU) No 575/2013			

Template EU TLAC2: Creditor ranking - Entity that is not a resolution entity

		Insolvency ranking			Sum of 1 to n
		1 (most junior)	3 (most senior)	5 (most senior)	
		Resolution entity	Resolution entity	Resolution entity	
1	**Empty set in the EU**				
2	Description of insolvency rank (free text)	Common Equity Tier 1 capital (CET1)	Eligible Tier 2 capital	Senior non-preferred debt	
3	**Empty set in the EU**				
4	**Empty set in the EU**				
5	**Empty set in the EU**				
6	Own funds and eligible liabilities for the purpose of internal MREL	3,548,377	179,404	1,251,731	4,979,512
7	of which residual maturity ≥ 1 year < 2 years	0	0	0	0
8	of which residual maturity ≥ 2 year < 5 years	0	0	1,251,731	1,251,731
9	of which residual maturity ≥ 5 years < 10 years	0	0	0	0
10	of which residual maturity ≥ 10 years, but excluding perpetual securities	0	179,404	0	179,404
11	of which perpetual securities	3,548,377	0	0	3,548,377

8. Leverage

The Bank calculates its leverage ratio in accordance with Article 429 of Regulation 575/2013. It gets the measure capital divided the measure of total exposure of the Bank and expressed as a percentage. The total exposure measure is the sum of the exposure values of all assets and off-balance sheet items not deducted when determining the capital measure.

Leverage management targets are set in the Risk Appetite Statement (RAS). The Supervisory Board (SB), supported by the Risk and Compliance Committee (RCC) and the Management Board (MB) approves the Risk Appetite Statement and through it the acceptable levels of risk and the targets the bank should always comply with.

The risk function measures the leverage ratio and reports it quarterly to the Local Risk Management Committee (LRMC).

Template EU LR1 LRSum: Summary reconciliation of accounting assets and leverage ratio exposures

		a
		Applicable amount
1	Total assets as per published financial statements	37,462,733
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of prudential consolidation	-
3	(Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference)	-
4	(Adjustment for temporary exemption of exposures to central banks (if applicable))	-
5	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the total exposure measure in accordance with point (i) of Article 429a(1) CRR)	-
6	Adjustment for regular-way purchases and sales of financial assets subject to trade date accounting	
7	Adjustment for eligible cash pooling transactions	
8	Adjustment for derivative financial instruments	86,387
9	Adjustment for securities financing transactions (SFTs)	-
10	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	2,661,376
11	(Adjustment for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital)	
EU-11a	(Adjustment for exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) CRR)	
EU-11b	(Adjustment for exposures excluded from the total exposure measure in accordance with point (j) of Article 429a(1) CRR)	
12	Other adjustments	- 59,785
13	**Total exposure measure**	40,150,711

As of the end of the year 2024, the Bank has sustained a leverage ratio of 8.85% (fully phased-in definition) against a preliminary EBA target level of 3.0%.

Template EU LR2 LRCom: Leverage ratio common disclosure

		CRR leverage ratio exposures	
		a	b
		2024	2023
	On-balance sheet exposures (excluding derivatives and SFTs)		
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)	36,447,297	34,083,509
2	Gross-up for derivatives collateral provided, where deducted from the balance sheet assets pursuant to the applicable accounting framework		
3	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)		
4	(Adjustment for securities received under securities financing transactions that are recognised as an asset)		
5	(General credit risk adjustments to on-balance sheet items)		
6	(Asset amounts deducted in determining Tier 1 capital)	- 22,343	- 17,448
7	Total on-balance sheet exposures (excluding derivatives and SFTs)	**36,424,954**	**34,066,061**
	Derivative exposures		
8	Replacement cost associated with SA-CCR derivatives transactions (ie net of eligible cash variation margin)	11,188	7,743
EU-8a	Derogation for derivatives: replacement costs contribution under the simplified standardised approach		
9	Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions	75,199	47,978
EU-9a	Derogation for derivatives: Potential future exposure contribution under the simplified standardised approach		
EU-9b	Exposure determined under Original Exposure Method		
10	(Exempted CCP leg of client-cleared trade exposures) (SA-CCR)		
EU-10a	(Exempted CCP leg of client-cleared trade exposures) (simplified standardised approach)		
EU-10b	(Exempted CCP leg of client-cleared trade exposures) (Original Exposure Method)		
11	Adjusted effective notional amount of written credit derivatives		
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)		
13	**Total derivatives exposures**	**86,387**	**55,721**
	Securities financing transaction (SFT) exposures		
14	Gross SFT assets (with no recognition of netting), after adjustment for sales accounting transactions	977,994	-
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)		
16	Counterparty credit risk exposure for SFT assets	-	-
EU-16a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Articles 429e(5) and 222 CRR		
17	Agent transaction exposures		
EU-17a	(Exempted CCP leg of client-cleared SFT exposure)		
18	**Total securities financing transaction exposures**	**977,994**	**-**
	Other off-balance sheet exposures		
19	Off-balance sheet exposures at gross notional amount	5,945,613	5,424,637
20	(Adjustments for conversion to credit equivalent amounts)	- 3,273,668	- 3,575,338
21	(General provisions deducted in determining Tier 1 capital and specific provisions associated associated with off-balance sheet exposures)	- 10,569	- 10,151
22	**Off-balance sheet exposures**	**2,661,376**	**1,839,148**

	Excluded exposures		
EU-22a	(Exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) CRR)		
EU-22b	(Exposures exempted in accordance with point (j) of Article 429a(1) CRR (on and off balance sheet))		
EU-22c	(Excluded exposures of public development banks (or units) - Public sector investments)		
EU-22d	(Excluded exposures of public development banks (or units) - Promotional loans)		
EU-22e	(Excluded passing-through promotional loan exposures by non-public development banks (or units))		
EU-22f	(Excluded guaranteed parts of exposures arising from export credits)		
EU-22g	(Excluded excess collateral deposited at triparty agents)		
EU-22h	(Excluded CSD related services of CSD/institutions in accordance with point (o) of Article 429a(1) CRR)		
EU-22i	(Excluded CSD related services of designated institutions in accordance with point (p) of Article 429a(1) CRR)		
EU-22j	(Reduction of the exposure value of pre-financing or intermediate loans)		
EU-22k	(Total exempted exposures)		
	Capital and total exposure measure		
23	**Tier 1 capital**	3,552,827	2,870,006
24	**Total exposure measure**	**40,150,711**	**35,960,930**
	Leverage ratio		
25	Leverage ratio (%)	8.85%	7.98%
EU-25	Leverage ratio (excluding the impact of the exemption of public sector investments and promotional loans) (%)	8.85%	7.98%
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) (%)	8.85%	7.98%
26	Regulatory minimum leverage ratio requirement (%)	3.00%	3.00%
EU-26a	Additional own funds requirements to address the risk of excessive leverage (%)	0.00%	0.00%
EU-26b	of which: to be made up of CET1 capital	0.00%	0.00%
27	Leverage ratio buffer requirement (%)	0.00%	0.00%
EU-27a	Overall leverage ratio requirement (%)	3.00%	3.00%
	Choice on transitional arrangements and relevant exposures		
EU-27b	Choice on transitional arrangements for the definition of the capital measure		
	Disclosure of mean values		
28	Mean of daily values of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivable	834,160	1,522,787
29	Quarter-end value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	-	-
30	Total exposure measure (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	40,006,877	37,483,717
30a	Total exposure measure (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	39,172,717	35,960,930
31	Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	8.88%	7.66%
31a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)	9.07%	7.98%

In 2024 UBB was not required to track and report values of SFT values, therefore it has nothing to report in the report.

Template EU LR3 LRSpl: Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)

		a
		CRR leverage ratio exposures
EU-1	**Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:**	37,504,243
EU-2	Trading book exposures	1,076,565
EU-3	Banking book exposures, of which:	36,427,678
EU-4	Covered bonds	-
EU-5	Exposures treated as sovereigns	13,392,474
EU-6	Exposures to regional governments, MDB, international organisations and PSE, not treated as sovereigns	183,196
EU-7	Institutions	1,434,018
EU-8	Secured by mortgages of immovable properties	7,249,576
EU-9	Retail exposures	5,681,401
EU-10	Corporates	7,264,554
EU-11	Exposures in default	205,339
EU-12	Other exposures (eg equity, securitisations, and other non-credit obligation assets)	1,017,120

9. Liquidity Risk Disclosure

9.1. Liquidity Management Basics

Liquidity risk is the risk that an organization will be unable to meet its liabilities/obligations as they come due, without incurring higher than expected costs. This problem increases when an institution is faced with, for instance, sudden increased withdrawals of funds or when funding lines are cut.

Three subtypes of liquidity risk are distinguished:

- Day-to-day liquidity Risk: The risk that no sufficient buffer is always available to deal with exceptional liquidity events when wholesale funding cannot be rolled over.
- Structural liquidity risk (commonly referred to as funding risk): The risk that the company’s long-term assets and commitments cannot be (re-)financed timely or can only be refinanced at a higher-than-expected cost.
- Contingency liquidity risk: The risk that a company is unable to attract additional funds or replace maturing liabilities under stressed market conditions.

UBB’s liquidity and funding management approach and the assessment of its adequacy are detailed in the UBB’s ILAAP Policy.

A prerequisite for the UBB’s ILAAP Policy is the UBB’s Corporate Strategy and the Risk Appetite Statement. The two documents are the reference for an iterative and continuous ILAAP process, based on (1) thorough risk identification, (2) risk measurement, (3) risk appetite setting, (4) forward looking assessments, (5) monitoring and (6) response. These process steps are not strictly sequential but interact with one another.

To allow well founded and pro-active liquidity and funding decisions, UBB assesses liquidity adequacy from both a regulatory (normative) and an internal (economic) perspective. This is in line with the UBB Liquidity Risk Management Framework (LRMF) and the KBC Group Funding Framework, which defines the regulatory and internal measures and dimensions for liquidity management, funding strategy and risk appetite related to liquidity.

UBB's Liquidity Risk Management Framework (LRMF) shows how liquidity risk management is performed on a continuous basis. The LRMF defines the playing field, and the risk management rules as well as the processes in the business-as-usual (BAU) and in stress situations. A robust and regularly tested Liquidity Contingency and Recovery Plans are put in place. None of the mentioned crisis plans came close to being activated in 2024.

Risk management is a key component of the strategic management of UBB. It aims to simultaneously improve both UBB's risk resiliency and agility in a volatile, uncertain, complex and ambiguous environment. In doing so, it helps to safeguard the interests of UBB and its stakeholders. The UBB's Enterprise Risk Management Framework defines the standards for risk management, making sure that the risk management process is uniformly and qualitatively implemented throughout the whole of KBC Group.

The UBB Liquidity Risk Management Framework elaborates on the specific measures, methods, processes, and tools used for liquidity risk management. Risk tolerance is expressed, among others, through a set of liquidity risk limits that serve as solid footing for the liquidity risk management process. They are complemented with internal liquidity risk assessments and a set of processes and reports in order to allow adequate and independent monitoring of the business.

A structure of management bodies and committees are in place and performs the governance function. These management bodies and committees are engaged with liquidity risk management in the Bank. The Supervisory Board (SB), supported by the Risk and Compliance Committee (RCC) and the Management Board (MB), establishes the risk parameters by expressing the Risk Appetite. A set of liquidity risk limits complemented with internal liquidity risk assessments and a set of monitoring processes and reports are present in order to allow an adequate and independent steering of the liquidity position. For all risk related activities and topics Management Board (MB) is supported and advised by the Local Risk Management Committee (LRMC).

To promote clear accountability for risk taking, oversight and independent assurance, a "three lines of defense" concept is implemented in UBB, which is the foundation of UBB's risk governance.

Liquidity management itself is organized within the **Treasury Directorate**, which acts as a **first line of defense** and is responsible for the overall liquidity and funding management of the UBB. The Treasury directorate monitors and steers the liquidity profile on a daily basis and sets the policies and steering mechanisms for funding management. These policies ensure that local management has an incentive to work towards a sound funding profile. It also performs stress tests, actively monitors its collateral on a group-wide basis and is responsible for ensuring the Liquidity Contingency Plan (LCP) that sets out the strategies for addressing liquidity shortfalls in emergency situations.

The **Market and Liquidity Risk Management Department within Risk Management Directorate** acts as **a second line of defense** and is responsible for identifying, measuring, monitoring, reporting and stress testing liquidity risk, independently from the first line of defense. The Risk function also sets standards via the LRMF, supports the business with its implementation and challenges the business on their risk identification, measurement and response.

The third line of defense is performed by **Internal Audit**, assuring an independent review and challenge of the UBB's first- and second-line liquidity (risk) management processes.

The Liquidity Risk Appetite and Profile are expressed as a combination of four measures, which are defined via a set of Early Warning Level (EWL) signals and hard limits, in the yearly Risk Appetite Statement of the Bank:

- Minimum Liquidity Coverage Ratio (LCR)
- Minimum Net Stable Funding Ratio (NSFR)
- Potential Liquidity Coverage Ratio (Recovery Plan Indicator)
- Max. Sustainable Non-Maturity Deposits Outflow (Recovery Plan Indicator)

Setting the risk appetite for short and medium-term liquidity risk (LCR, NSFR, Potential LCR, Max. Sustainable NMDs Outflow) is based on an internal assessment of the liquidity buffers to sustain a major stress. Risk Appetite setting is embedded in UBB's Aligned Planning Cycle (APC), a concrete three-year forward view in which the strategy, finance, treasury, and risk perspectives (including liquidity risk) are taken into account.

The structural funding position is managed as part of the integrated annual planning process (APC). Funding and liquidity are one of the key elements of the planning process, in addition to other important elements such as capital, profit and risks. UBB's funding strategy is to build up sufficient buffer in terms of LCR and NSFR via the guidance of the KBC Group Funding Framework. The KBC Group Intraday Liquidity Management Framework has also been implemented by local treasury to provide compliance with local intraday liquidity reporting requirements set out by the group policy.

Intraday liquidity in UBB is managed by a combination of limits (operational limits towards payments systems; counterparty settlement limits, counterparty limits on individual payments), delegation authority granted to the Treasury Directorate, and a set of procedures governing the interaction between the Payments Department and Treasury Directorate.

UBB intraday liquidity management procedures allow Treasury directorate to make sure that sufficient liquidity is in place for central bank reserve requirements and positive end of day balance.

Specifically, as regards the liquidity position of UBB, a reporting system is in place that caters for adequate monitoring with different frequencies:

- On a monthly basis, Liquidity and Funding Report is produced by Treasury and presented to LRMC. In this report Treasury presents its assessment of the liquidity and funding situation.
- Market and Liquidity Risk Management Department within Risk Management Directorate calculates the LCR, NSFR and other additional liquidity ratios/measures to monitor the liquidity profile and to assess possible breaches of UBB's internal limits. The liquidity measures and the results of the performed stress tests are part of the Integrated Risk Report, presented to the LRMC, the RCC and the supervisor.

- On a quarterly basis, the reports are complemented with additional metrics such as the intraday liquidity stress tests performed in all banking entities within the KBC Group by the Treasury functions.

Stress testing plays an important role in the UBB's liquidity management. It aims at giving insight into the liquidity risk profile as input for risk management strategies and positions. As such it is a valuable tool in the risk identification process to create risk awareness and evoke discussions. Stress test results are a key input for:

- defining the target liquidity risk position (Treasury Strategy exercise);
- defining and underpinning the risk appetite and its corresponding limits (reverse stress tests);
- targets for operational risk measures and providing a view on the size of the most liquid part of UBB's asset buffer.

Finally, liquidity stress testing provides a basis for UBB's Liquidity Contingency Plan and Recovery Plan.

UBB manages and monitors its liquidity position and funding strategies on an ongoing basis, but recognizes that unexpected events, economic or market conditions, or other situations beyond its control could cause a liquidity crisis. Therefore, UBB evaluates this risk continuously and has supplemented its Liquidity Contingency Plan (LCP) with an LCP Playbook containing operational guidelines, allowing it to be maximally prepared if such a crisis would emerge. Both are fully aligned with the Recovery Plan of the Bank. In stress situations the LCP early warning levels are monitored and reported on a daily basis.

The Bank's LCP addresses the strategy for managing a liquidity crisis, establishes an action plan for covering cash shortfalls in emergency situations and defines the respective allocation of tasks and responsibilities. It helps the Bank to buy time to think through the range of possible measures for remedying the situation and to restore confidence. The LCP is tested twice a year. The LCP testing is performed on group level as local treasury function is responsible to update and submit the UBB's LCP.

Since, the insufficient liquidity is one of the key threats to business continuity/viability, there is a natural connection between the ILAAP, which supports the continuity of operations from the liquidity perspective, and the Recovery Plan (RP). UBB is part of KBC Group Recovery plan. The objective of the RP is to identify the options that might be available to counter a crisis, to assess whether these options are sufficiently robust and whether their nature is sufficiently varied to cope with a wide range of diverse shocks.

According to the regulatory requirements an **internal liquidity adequacy assessment process (ILAAP)** is performed on a yearly basis and assessing the bank's identification, measurement, management and monitoring processes for liquidity, containing all qualitative and quantitative information necessary for underpinning the risk profile.

As an outcome of the process, the bank has to make a clear and formal Liquidity Adequacy Statement (LAS) supported by an analysis of the outcomes, approved and signed by the Management Board and the Supervisory Board. The LAS is submitted to the relevant authority. The **Liquidity Adequacy Statement (LAS) 2024 and Risks to Liquidity and Funding 2024** presents the view of the UBB Management Board (MB) and the Supervisory Board (SB) on the current and forward-looking liquidity adequacy of UBB. It outlines MB's and the SB's thinking on its ability to maintain an adequate liquidity and funding position going forward in view of the Corporate Strategy, business model, and current and expected evolution of risk profile under different scenarios, next to the effectiveness of risk management, control environment and governance.

MB and the SB conclude that UBB's liquidity and funding position is solid in view of its current and future risk profile, both in the baseline scenario and under adverse conditions, the quality of its risk management, internal control environment and governance and taking both a regulatory (normative) and a more comprehensive internal (economic) liquidity and funding perspective into account.

This conclusion is supported by:

- A solid and well-embedded ILAAP, which is comprehensive and proportionate to the nature, scale and complexity of UBB activities in all its building blocks, both qualitative and quantitative. It is further confirmed by the ECB SREP 2024 Joint Decision for UBB that assesses the liquidity risk for UBB as medium-low risk;
- A sustainable business model supports a sound liquidity position.
- A sound risk and control environment, with continued progress made in liquidity and funding risk management throughout 2024.
- A low-risk appetite with regard to liquidity;
- Regulatory ratios that stand well above both the regulatory and internal floors. At the end of 2024 the Net Stable Funding Ratio (NSFR) stood at 168% and the Liquidity Coverage Ratio (LCR) stood at 209%.
- A solid liquid asset buffer that comprises 7 326 MEUR unencumbered central bank eligible assets.
- Liquidity ratios that remain solid under a wide range of stress scenarios performed.
- A robust and regularly tested Liquidity Contingency Plans (LCP) for early identification and effective management of potential liquidity crisis situations next to Recovery Plans (RP) designed to provide an orderly return to a normal situation in case measures would not prevent UBB from slipping into recovery mode.

9.2.Liquidity Coverage Ratio (LCR)

Regulatory LCR ratio stood at a comfortable level and maintained a stable liquidity position: LCR was 209% as of end-of-2024, which is well above the minimum regulatory requirement and also UBB's internal limit. In addition to the regulatory requirements the Bank has an early warning level of 120%. This is according to group practices and policies. In this respect, the Bank disposes of enough high-liquidity resources, in order to handle powerful stress scenario, which continues for 30 days.

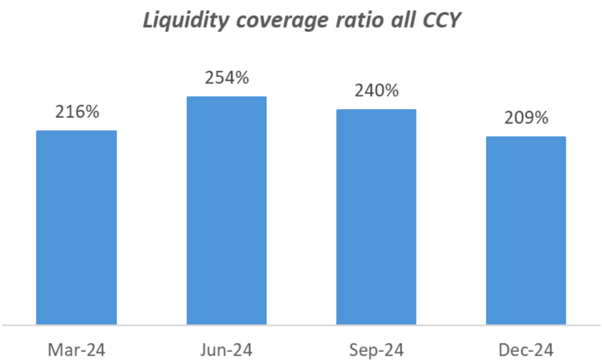
Template EU LIQ1 Quantitative information of LCR

Scope of consolidation: (solo/consolidated)

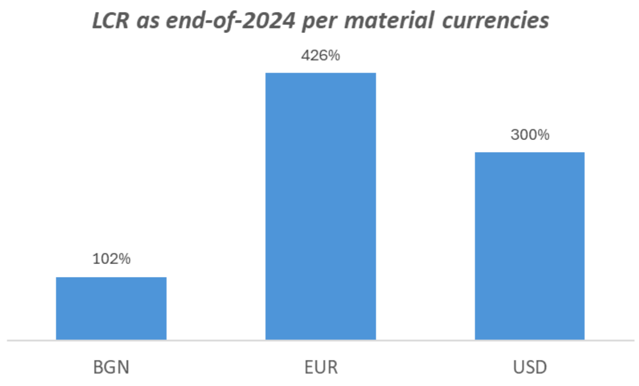
(in BGN thousands)

		a	b	c	d	e	f	g	h
		Total unweighted value (average)				Total weighted value (average)			
EU 1a	Quarter ending on (DD Month YYY)	31/12/2024	30/09/2024	30/06/2024	31/03/2024	31/12/2024	30/09/2024	30/06/2024	31/03/2024
EU 1b	Number of data points used in the calculation of averages	3	3	3	3	3	3	3	3
HIGH-QUALITY LIQUID ASSETS									
1	Total high-quality liquid assets (HQLA)					11,874,619	11,846,550	11,715,307	12,615,975
CASH - OUTFLOWS									
2	Retail deposits and deposits from small business customers, of which:	21,433,895	20,902,728	20,367,491	19,683,540	1,419,233	1,382,259	1,351,369	1,314,558
3	*Stable deposits*	16,924,059	16,553,237	16,186,904	15,698,936	846,203	827,662	809,345	784,947
4	*Less stable deposits*	2,246,756	2,152,889	2,105,270	3,984,603	346,722	334,936	334,493	529,612
5	Unsecured wholesale funding	0	0	0	0	0	0	0	0
6	*Operational deposits (all counterparties) and deposits in networks of cooperative banks*	1,775,193	1,378,007	1,424,399	1,158,489	442,469	342,995	351,295	283,282
7	*Non-operational deposits (all counterparties)*	2,998,236	3,020,644	3,469,365	5,975,754	2,124,706	2,068,803	2,159,972	3,924,901
8	*Unsecured debt*	0	0	0	0	0	0	0	0
9	*Secured wholesale funding*					0	0	0	0
10	Additional requirements	0	0	0	0	0	0	0	0
11	*Outflows related to derivative exposures and other collateral requirements*	5,371,798	4,713,355	3,505,818	2,766,262	5,371,798	4,713,355	3,505,818	2,766,262
12	*Outflows related to loss of funding on debt products*	0	0	0	0	0	0	0	0
13	*Credit and liquidity facilities*	4,796,175	4,726,709	4,297,348	4,030,783	665,520	491,849	528,491	562,719
14	Other contractual funding obligations	1,146,795	935,912	861,020	842,018	57,340	46,796	43,051	42,101
15	Other contingent funding obligations	260,751	182,822	223,607	383,199	260,751	182,822	223,607	383,199
16	TOTAL CASH OUTFLOWS					11,103,524	10,241,903	8,853,343	9,451,825
CASH - INFLOWS									
17	Secured lending (e.g. reverse repos)	586,749	977,916	1,075,709	2,752,621	0	0	0	0
18	Inflows from fully performing exposures	6,637,090	6,093,142	4,866,774	4,199,424	6,346,524	5,801,495	4,588,627	3,978,374
19	Other cash inflows	0	0	0	0	0	0	0	0
EU-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer					0	0	0	0
EU-19b	(Excess inflows from a related specialised credit institution)					0	0	0	0
20	TOTAL CASH INFLOWS	7,223,839	7,071,058	5,942,482	6,952,045	6,346,524	5,801,495	4,588,627	3,978,374
EU-20a	*Fully exempt inflows*	0	0	0	0	0	0	0	0
EU-20b	*Inflows subject to 90% cap*	0	0	0	0	0	0	0	0
EU-20c	*Inflows subject to 75% cap*	7,223,839	7,071,058	5,942,482	6,952,045	6,346,524	5,801,495	4,588,627	3,978,374
TOTAL ADJUSTED VALUE									
EU-21	LIQUIDITY BUFFER					11,874,619	11,846,550	11,715,307	12,615,975
22	TOTAL NET CASH OUTFLOWS					4,757,000	4,440,408	4,264,716	5,473,451
23	LIQUIDITY COVERAGE RATIO					263%	275%	278%	235%

The changes in the ratio during the year are related to the normal business activities of the bank (predominantly to the volumes and maturity of the intragroup transactions) as well as the legal merger of the two banks.



LCR also monitors the monthly reports per material currency.
As of end-of-2024, the respective figures in BGN, EUR and USD are well above regulatory required level (min 100%):



At the end of 2024, UBB has a substantial amount of unencumbered liquid assets: 7 326 MEUR of unencumbered central bank eligible assets, 3 951 MEUR of which are in the form of liquid government bonds. The rest are cash and central bank exposures in the form of central bank receivables and minimum required reserves 3 374 MEUR and other securities. Most of the unencumbered liquid assets are denominated in Euro and Bulgarian lev. The composition of UBB's bond portfolios is decided as part of the APC process and Treasury strategies. The wholesale funding is limited mainly to intragroup funding, while funding from non-wholesale markets was accounted for by stable funding from core customer segments in our core markets.

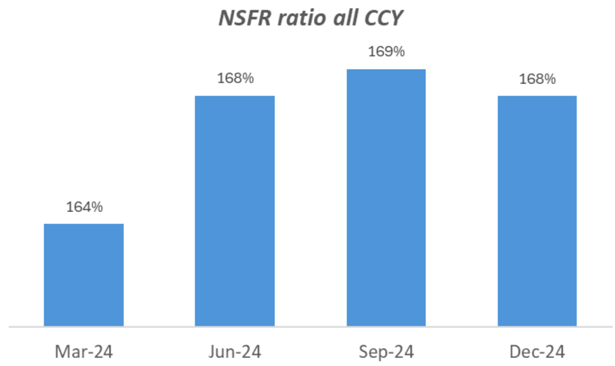
There are no other elements in the calculation of the LCR that the bank considers important, and which are not included in the calculations of this indicator.

9.3.Net Stable Funding Ratio (NSFR)

As well as the liquidity coverage ratio, the net stable funding ratio remained stable in the previous year and above the regulatory requirements. No breaches of the limit were observed through the entire year. Net Stable Funding Ratio as of end of 2024 is 168%.

The volume of the ratio exceeds minimum regulatory requirement of 100%, which discloses the ability of the Bank to maintain its action, while at the same time ensures stable assets and liabilities maturity structure.

On the funding side, UBB has a solid customer deposit base in our core markets, resulting in a stable funding mix. A significant portion of the funding is attracted from core customer segments – Retail and SME.



UBB finances 73% of its assets by means of customer funding. The long-term wholesale funding is also tolerated for the bail-in purposes and funding diversification as well.

The stable customer funding position of UBB is also proved by the fact of lack of concentration of large depositors. The share of top 10 non-financial depositors is less than 10% of the total liabilities of the Bank as of end-of-2024.

Template EU LIQ2 - Net Stable Funding Ratio

		a	b	c	d	e
		Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
Available stable funding (ASF) Items						
1	Capital items and instruments		**0**	**0**	**3,727,780**	**3,727,780**
2	*Own funds*		0	0	3,548,376	3,548,376
3	*Other capital instruments*		0	0	179,404	179,404
4	Retail deposits		**20,679,851**	**1,092,927**	**56,894**	**20,519,117**
5	*Stable deposits*		16,420,544	913,900	47,614	16,515,336
6	*Less stable deposits*		4,259,307	179,027	9,280	4,003,781
7	Wholesale funding:		**4,300,625**	**93,553**	**0**	**2,197,090**
8	*Operational deposits*		1,227,746	0	0	0
9	*Other wholesale funding*		4,300,625	93,553	0	2,197,090
10	Interdependent liabilities		**0**	**0**	**0**	**0**
11	Other liabilities:		**302,745**	**0**	**47,261**	**47,261**
12	*NSFR derivative liabilities*	0				
13	*All other liabilities and capital instruments not included in the above categories*		4,262,110	0	1,433,749	1,433,749
14	**Total available stable funding (ASF)**					**28,274,110**
Required stable funding (RSF) Items						
15	Total high-quality liquid assets (HQLA)					**289,384**
EU-15a	Assets encumbered for a residual maturity of one year or more in a cover pool		**0**	**0**	**0**	**0**
16	Deposits held at other financial institutions for operational purposes					
17	Performing loans and securities:		**3,803,413**	**2,099,899**	**16,809,818**	**15,927,596**
18	*Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut*		0	0	0	0
19	*Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions*		977,915	0	0	48,896
20	*Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:*		2,470,062	1,949,184	15,404,249	14,362,230
21	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		123,101	122,468	4,705,021	3,181,048
22	*Performing residential mortgages, of which:*		123,101	122,468	4,705,021	3,181,048
23	*With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk*		123,101	122,468	4,705,021	3,181,048
24	*Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products*		355,436	150,715	1,405,569	1,516,470
25	Interdependent assets		**0**	**0**	**0**	**0**
26	Other assets:		**51,072**	**20,642**	**261,873**	**333,587**
27	*Physical traded commodities*				0	0
28	*Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs*				0	0
29	*NSFR derivative assets*				2,713	2,713
30	*NSFR derivative liabilities before deduction of variation margin posted*				12,385	619
31	*All other assets not included in the above categories*		0	0	0	0
32	Off-balance sheet items		**5,939,045**	**0**	**0**	**296,952**
33	**Total RSF**					**16,850,851**
34	**Net Stable Funding Ratio (%)**					**168%**

10. Credit Risk and Risk Weighted Assets

The Bank is exposed to credit risk, which represents the risk that a particular counterparty may not be able to pay in full its obligations when they become due.

All financial assets classified as “loans and advances”, “held to maturity”, and “available for sale” are subject to review for impairment. The Bank performs the assessment on each balance sheet reporting date whether there is objective evidence justifying the impairment of a financial asset or a group of financial assets.

In accordance with the International Financial Reporting Standards (“IFRS”), a financial asset (or a group of financial assets) is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (“loss event”) and that a loss event (or events) has an impact on the estimated future cash flows of the financial asset (or group of financial assets), which impact can be reliably estimated. It is not mandatory to identify a single, discrete event that caused the impairment. Rather, the combined effect of several events may have caused the impairment. Losses expected as a result of future events, no matter how likely, do not result in impairment of financial assets. Objective evidence that a financial asset or group of assets is impaired includes observable data about the following loss events (reference: International Accounting Standard 39, Paragraph 59):

(a) Significant financial difficulty of the issuer or obligor;
(b) A breach of contract, such as a default or delinquency in interest or principal payments;
(c) The Bank, for economic or legal reasons relating to the borrower’s financial difficulty, granting to the borrower a concession that the Bank would not otherwise consider;
(d) It is becoming probable that the borrower will be declared insolvent or resort to other financial reorganization;
(e) The disappearance of an active market for that financial asset because of financial difficulties;
(f) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:

- Adverse changes in the payment status of borrowers in the group, or
- National or local economic conditions that correlate with defaults on the assets in the group.

The Bank supervises the concentration of credit risk on aggregate basis (i.e. with regards to all balance sheet and off-balance sheet exposures). More specifically, the Bank monitors the concentrations of credit risk by industries and by groups of connected borrowers. Regarding the connected parties, the Bank monitors the ratio of the groups’ credit exposures to the Bank’s regulatory capital, in accordance with the Credit Institutions Act, Regulation 575/2013 and Ordinance №7 of BNB.

UBB applies the Standardized Approach for calculation of Risk Weighted Assets. The distribution of exposures into Asset Classes is in the table below:

Template EU CR4 Standardised approach – Credit risk exposure and CRM effects

	Exposure classes	Exposures before CCF and before CRM		Exposures post CCF and post CRM		RWAs and RWAs density	
		On-balance-sheet exposures	Off-balance-sheet exposures	On-balance-sheet exposures	Off-balance-sheet exposures	RWAs	RWAs density (%)
		a	b	c	d	e	f
1	Central governments or central banks	13,015,842	-	13,046,461	862	44,134	0.34%
2	Regional government or local authorities	181,741	45,540	182,330	22,826	41,000	19.98%
3	Public sector entities	1,455	2,300	5,396	2,001	1,517	20.51%
4	Multilateral development banks	-	-	896,793	-	-	0.00%
5	International organisations	376,632	-	376,632	-	-	0.00%
6	Institutions	1,434,018	57,207	1,658,093	33,195	767,442	45.38%
7	Corporates	7,264,554	3,490,776	6,586,522	1,474,565	7,453,655	92.46%
8	Retail	5,681,401	1,910,060	5,299,914	768,692	4,226,602	69.65%
9	Secured by mortgages on immovable property	7,249,576	423,763	7,249,576	214,603	2,723,616	36.49%
10	Exposures in default	205,339	5,398	184,481	2,408	221,142	118.33%
11	Exposures associated with particularly high risk	17,803	-	17,566	-	26,349	0.00%
12	Covered bonds	7,435	-	7,435	-	744	0.00%
13	Institutions and corporates with a short-term credit assessment	-	-	-	-	-	0.00%
14	Collective investment undertakings	-	-	-	-	-	0.00%
15	Equity	27,204	-	27,204	-	34,521	126.90%
16	Other items	972,113	-	972,113	-	428,840	44.11%
17	TOTAL	36,435,113	5,935,044	36,510,516	2,519,152	15,969,562	40.92%

The distribution of exposures by applicable Risk Weights is shown on the following table:

Template EU CR5 Standardised approach

	Exposure classes	Risk weight															Total	Of which unrated
		0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150%	250%	370%	1250%	Others		
		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	q
1	Central governments or central banks	12,949,998	-	-	-	66,489		-		-	30,836	-	-	-	-	-	13,047,323	6,046,748
2	Regional government or local authorities	-	-	-	-	205,156		-		-	-	-	-	-	-	-	205,156	157,321
3	Public sector entities	5,880	-	-	-	-		-		-	1,517	-	-	-	-	-	7,397	7,397
4	Multilateral development banks	896,793	-	-	-	-		-		-	-	-	-	-	-	-	896,793	896,793
5	International organisations	376,632	-	-	-	-		-		-	-	-	-	-	-	-	376,632	376,632
6	Institutions	-	-	-	-	263,805		1,420,312		-	7,171	-	-	-	-	-	1,691,288	7,729
7	Corporates	-	-	-	-	-		1,263		-	8,059,824	-	-	-	-	-	8,061,087	7,959,378
8	Retail exposures	-	-	-	-	-		-		6,068,606	-	-	-	-	-	-	6,068,606	6,068,606
9	Exposures secured by mortgages on immovable property	-	-	-	-	-	5,771,833	1,692,346		-	-	-	-	-	-	-	7,464,179	7,464,179
10	Exposures in default	-	-	-	-	-		-		-	118,384	68,505	-	-	-	-	186,889	186,889
11	Exposures associated with particularly high risk	-	-	-	-	-		-		-	-	17,566	-	-	-	-	17,566	17,566
12	Covered bonds	-	-	-	7,435	-		-		-	-	-	-	-	-	-	7,435	-
13	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-		-		-	-	-	-	-	-	-	-	-
14	Units or shares in collective investment undertakings	-	-	-	-	-		-		-	-	-	-	-	-	-	-	-
15	Equity exposures	-	-	-	-	-		-		-	22,326	-	4,878	-	-	-	27,204	27,204
16	Other items	552,887	-	-	-	-		-		-	412,817	-	6,409	-	-	-	972,113	972,113
17	TOTAL	14,782,190	-	-	7,435	535,450	5,771,833	3,113,921	-	6,068,606	8,652,875	86,071	11,287	-	-	-	39,029,668	30,188,555

11. Information about recognized External Credit Assessment Institutions ("ECAIs") and Export Insurance Agencies ("EIA")

In accordance with Art. 135 & 138 of Regulation (EU) 575/2013of BNB, UBB utilizes ratings assigned by the rating agencies Standard & Poor's, Moody's, and Fitch Ratings.

The credit ratings by recognized ECAIs are equalized to the EU levels of credit quality approved by BNB and the supervisory bodies of the EU member states and are used for risk weights determination in the process of capital adequacy calculation. Where two or more than two credit assessments are available from ECAIs and they correspond to different risk weights, the Bank applies the rules described in Art. 138 of the Regulation (EU) 575/2013.

Ratings of nominated ECAIs are used mainly for exposures to central governments & central banks, bonds issued by Regional Governments (US State Governments) and exposures to institutions.

When determining the applicable Risk Weight of counterparties, UBB strictly follows EBA's ECAI Master Scale.

12. Asset Quality and Non-Performing Loans

The IFRS 9 impairment model is an Expected Credit Loss (ECL) model which means that it is not necessary for a loss event to occur before an impairment loss is recognized. All financial assets except the ones measured at fair value through profit or loss will generally carry a loss allowance including:

- Financial assets that are measured at amortized cost;
- Debt instruments that are measured at fair value through other comprehensive income;
- Loan commitments that have been issued and are not measured at fair value through profit or loss;
- Financial guarantees given that are not measured at fair value through profit or loss;
- Lease receivables recognized by the lessors (in scope of IFRS 16); and
- Contract assets (in scope of IFRS 15)

The impairment model is an expected credit loss model where the impairment amount is measured at an amount equal to 12 month expected credit losses (the portion of lifetime expected credit losses that represent the expected credit losses that result from default events on a financial instrument that are possible within the next 12 months after the reporting date) or lifetime expected credit losses (resulting from all possible default events over the expected life of a financial instrument). The measurement basis for impairment depends on the approach that is applied for the financial instruments in scope.

Measurement of Expected Credit Losses (ECL)

ECL is calculated as the product of probability of default (PD), estimated exposure at default (EAD) and loss given default (LGD).

12.1. Non-Performing Loans

Strategy for Non-performing loans management

To manage adequately the NPL levels , UBB will continue to follow the current strategy with its two main directions:

- focus on avoidance of new NPL's through maintaining the current underwriting criteria, step-by-step automation of the monitoring procedures, including fast actions on first signals and constant expansion of the risk awareness of Business.
- fast recovery through very active collection with early involvement both for companies and for retail, using a specialized call center and dedicated restructuring units. Expanding the communication channels with clients and taking first steps in digitalizing the end-to-end process of restructuring.

A regular write-off schedule is also applied, which further contributes to a reduction in the volume of old problem loans, as well as an annual reduction in the NPL portfolio.

One of the sub-portfolios with the highest NPL ratio continues to be the SME portfolio, both the current as well as the expected one. Therefore, the national/international guarantee funds will continue to be actively used as an instrument to decrease the risk in this portfolio and speed up its recovery. Some of the new guarantee schemes cover even for medium and large corporate clients.

Definition of default

UBB defines defaulted financial assets in the same way as the definition for internal risk management purposes and in line with the guidance and standards of financial industry regulators. A financial asset is considered in default if any of the following conditions is fulfilled:

- there is a significant deterioration in creditworthiness;
- the asset is flagged as non-accrual;
- an asset that is already flagged as forborne or granted additional forbearance measures of reaches DPD of more than 30 days;
- UBB has filed for the borrower's bankruptcy;
- the counterparty has filed for bankruptcy or sought similar protection measures;
- the credit facility granted to the client has been terminated.

UBB applies a backstop for facilities whose status is '90 days or more past due'. In this context, a backstop is used as a final control to ensure that all the assets that should have been designated as defaulted are properly identified.

The ECL is calculated in a way that reflects:

- an unbiased probability weighted amount;
- the time value of money; and
- information about the past events current conditions and forecast economic conditions.

Lifetime ECL represents the sum of ECL over the lifetime of the financial asset discounted at the original effective interest rate. The 12-month ECL represents the portion of lifetime ECL resulting from a default in the 12-month period after the reporting date.

UBB uses specific IFRS 9 models for PD EAD and LGD in order to calculate ECL. As much as possible and to promote efficiency, UBB uses modelling techniques similar to those developed for prudential purposes (i.e. Basel models). That said UBB ensures that the Basel models are adapted so they comply with IFRS 9. For example:

- UBB removes the conservatism that is required by the regulator for Basel models;
- UBB adjusts how macroeconomic parameters affect the outcome to ensure that the IFRS 9 models reflect a 'point-in-time' estimate rather than one that is 'through the cycle' (as required by the regulator).
- UBB applies forward-looking macroeconomic information in the models.

Significant increase in credit risk

The measurement basis (12-month PD or Lifetime PD) depends on whether there has been a significant increase in credit risk since initial recognition. Different tiers are used in the assessment for significant increase in credit risk, followed by the two multi-tier approaches (one for loans and advances and another for debt securities) used for staging such as:

- Lifetime PD at the reporting date versus the one at the initial recognition

- Forbearance flag on client level
- Days past due
- Watch lists
- Collective assessment
- Forward looking information

UBB also considers three different forward-looking macroeconomic scenarios with different weightings when calculating ECL. The base case macroeconomic scenario represents its estimates for the most probable outcome and also serves as primary input for other internal and external purposes. The maximum period for measurement of ECL is the maximum contractual period (including extensions) except for specific financial assets that include a drawn and an undrawn amount available on demand and UBB's contractual ability to request repayment of the drawn amount and cancel the undrawn commitment does not limit the exposure to credit risk to the contractual period. Only for such assets can a measurement period extend beyond the contractual period.

Template EU CR1 Performing and non-performing exposures and related provisions.

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
	FR1_F_18.00	Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumulated partial write-off	Collateral and financial guarantees received	
		Performing exposures			Non-performing exposures			Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions				On performing exposures	On non-performing exposures
			Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3			
005	Cash balances at central banks and other demand deposits	6,177,649	6,177,649	-												
010	Loans and advances	22,761,744	21,372,585	1,389,159	430,661		430,661	- 95,044	- 36,959	- 58,085	- 224,878	-	- 224,878	- 6,881	14,868,892	158,958
020	Central banks		-	-			-									
030	General governments	202,018	198,466	3,552	686		686	- 193	- 187	- 6	- 686		- 686		93,015	-
040	Credit institutions	2,262,088	2,261,754	334	-		-	- 270	- 262	- 8	-		-		956,795	-
050	Other financial corporations	532,364	531,733	631	6		6	- 341	- 328	- 13	- 6		- 6		75,320	-
060	Non-financial corporations	9,905,492	8,788,942	1,116,550	213,914		213,914	- 42,248	- 20,611	- 21,637	- 73,223		- 73,223	- 5,510	7,462,294	118,710
070	Of which SMEs	5,067,910	4,481,649	586,261	175,633		175,633	- 22,944	- 8,847	- 14,097	- 58,898		- 58,898	- 3,964	3,846,436	105,204
080	Households	9,859,782	9,591,690	268,092	216,055		216,055	- 51,992	- 15,571	- 36,421	- 150,963		- 150,963	- 1,371	6,281,468	40,248
090	Debt securities	7,504,588	7,504,588	-	-		-	- 1,116	- 1,116	-	-		-		19,631	
100	Central banks	-														
110	General governments	7,394,626	7,394,626					- 1,085	- 1,085							
120	Credit institutions	27,078	27,078					- 11	- 11						19,631	
130	Other financial corporations	9,935	9,935					- 6	- 6							
140	Non-financial corporations	72,949	72,949					- 14	- 14							
150	Off-balance-sheet exposures	5,934,175	5,481,548	452,627	4,870	-	4,870	10,570	7,563	3,007	-				3,092,103	938
160	Central banks															
170	General governments	71,066	70,710	356				2	2						22,889	
180	Credit institutions	58,327	58,327					5	5							
190	Other financial corporations	287,901	287,901					31	31						60,980	
200	Non-financial corporations	4,951,216	4,518,905	432,311	2,864		2,864	10,325	7,492	2,833					2,872,269	920
210	Households	565,665	545,705	19,960	2,006		2,006	207	33	174					135,965	18
220	**Total**	**42,378,156**	**40,536,370**	**1,841,786**	**435,531**	-	**435,531**	- **85,590**	- **30,512**	- **55,078**	- **224,878**	-	- **224,878**	- **6,881**	**17,980,626**	**159,896**

Template EU CR1-A: Maturity of exposures

		a	b	c	d	e	f
		Net exposure value					
		On demand	<= 1 year	> 1 year <= 5 years	> 5 years	No stated maturity	Total
1	Loans and advances	1,046,954	4,876,033	9,970,436	12,776,973	141,077	28,811,473
2	Debt securities		970,036	3,301,078	3,244,541		7,515,655
3	***Total***	1,046,954	5,846,069	13,271,514	16,021,514	141,077	36,327,128

Template EU CR2 Changes in the stock of non-performing loans and advances

FR2_F_24.01		a
		Gross carrying amount
010	**Initial stock of non-performing loans and advances**	434,131
020	Inflows to non-performing portfolios	158,485
030	Outflows from non-performing portfolios	- 161,955
040	Outflows due to write-offs	- 34,444
050	Outflow due to other situations	- 127,511
060	**Final stock of non-performing loans and advances**	430,661

Template EU CR2a Changes in the stock of non-performing loans and advances and related net accumulated recoveries

FR2_F_24.01		a	6
		Gross carrying amount	Related net accumulated recoveries
010	**Initial stock of non-performing loans and advances**	434,131	
020	Inflows to non-performing portfolios	158,485	
030	Outflows from non-performing portfolios	- 161,955	
040	Outflow to performing portfolio	-	
050	Outflow due to loan repayment, partial or total	- 125,896	
060	Outflow due to collateral liquidations	-	0
070	Outflow due to taking possession of collateral	-	0
080	Outflow due to sale of instruments	- 1,615	0
090	Outflow due to risk transfers	-	0
100	Outflows due to write-offs	- 34,444	
110	Outflow due to other situations	-	
120	Outflow due to reclassification as held for sale	-	
130	**Final stock of non-performing loans and advances**	430,661	

12.2. Credit Quality

The disclosure of credit quality as of December 2024 is included in the following templates:

Template EU CQ1 Credit quality of forborne exposures

FR1_F_19.00		a	b	c	d	e	f	g	h
		Gross carrying amount/nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forborne exposures	
		Performing forborne	Non-performing forborne			On performing forborne exposures	On non-performing forborne exposures		Of which collateral and financial guarantees received on non-performing exposures with forbearance measures
				Of which defaulted	Of which impaired				
005	Cash balances at central banks and other demand deposits								
010	Loans and advances	124,536	172,531	172,531	172,531	- 1,660	- 58,254	216,427	97,965
020	Central banks								
030	General governments								
040	Credit institutions								
050	Other financial corporations								
060	Non-financial corporations	115,485	135,638	135,638	135,638	- 896	- 37,714	199,447	85,909
070	Households	9,051	36,893	36,893	36,893	- 764	- 20,540	16,980	12,056
080	Debt Securities								
090	Loan commitments given								
100	**Total**	**124,536**	**172,531**	**172,531**	**172,531**	**- 1,660**	**- 58,254**	**216,427**	**97,965**

Template EU CQ2 Quality of forbearance

FR2_F_26.00		a
		Gross carrying amount of forborne exposures
010	Loans and advances that have been forborne more than twice	33,226
020	Non-performing forborne loans and advances that failed to meet the non-performing exit criteria	43,411

Template EU CQ3: Credit quality of performing and non-performing exposures by past due days

		a	b	c	d	e	f	g	h	i	j	k	l
		Gross carrying amount/nominal amount											
		Performing exposures			Non-performing exposures								
FR1_F_18.00			Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which defaulted
005	Cash balances at central banks and other demand deposits	6,177,649	6,177,649	-		-	-	-	-	-	-	-	
010	Loans and advances	22,761,744	22,728,470	33,274	430,661	187,430	36,963	43,806	83,820	74,101	2,601	1,940	430,661
020	Central banks												
030	General governments	202,018	202,017	1	686	-	-	2	684	-	-	-	686
040	Credit institutions	2,262,088	2,262,088	-	-	-	-	-	-	-	-	-	-
050	Other financial corporations	532,364	531,875	489	6	6	-	-	-	-	-	-	6
060	Non-financial corporations	9,905,492	9,887,327	18,165	213,914	119,572	19,083	15,245	36,177	23,215	282	340	213,914
070	Of which SMEs	5,067,910	5,049,745	18,165	175,633	103,791	19,083	15,243	16,661	20,233	282	340	175,633
080	Households	9,859,782	9,845,163	14,619	216,055	67,852	17,880	28,559	46,959	50,886	2,319	1,600	216,055
090	Debt securities	7,504,588	7,504,588	-	-	-	-	-	-	-	-	-	-
100	Central banks												
110	General governments	7,394,626	7,394,626										
120	Credit institutions	27,078	27,078										
130	Other financial corporations	9,935	9,935										
140	Non-financial corporations	72,949	72,949		-					-			-
150	Off-balance-sheet exposures	5,934,175			4870								0
160	Central banks												
170	General governments	71,066											
180	Credit institutions	58,327											
190	Other financial corporations	287,901											
200	Non-financial corporations	4,951,216			2864								
210	Households	565,665			2006								
220	**Total**	**42,378,156**	**36,410,707**	**33,274**	**435,531**	**187,430**	**36,963**	**43,806**	**83,820**	**74,101**	**2,601**	**1,940**	**430,661**

Template EU CQ4: Quality of non-performing exposures by geography

		a	b	c	d	e	f	g
	FR2_F_20.04	Gross carrying/nominal amount				Accumulated impairment	Provisions on off-balance-sheet commitments and financial guarantees given	Accumulated negative changes in fair value due to credit risk on non-performing exposures
	BG, BE, other		Of which non-performing		Of which subject to impairment			
				Of which defaulted				
010	**On-balance-sheet exposures**	**32,334,461**	**430,739**	**430,739**	**32,334,461**	**- 321,180**		
	BG	27,264,668	424,222	424,222	27,264,668	- 316,913		
	BE	1,003,979	47	47	1,003,979	- 66		
	ZZ	376,634	-	-	376,634	- 2		
	FR	166,246	37	37	166,246	- 62		
	PL	231,857	41	41	231,857	- 31		
	SK	307,831	-	-	307,831	- 8		
	US	554,900	-	-	554,900	- 39		
	Other Countries	2,428,346	6,392	6,392	2,428,346	- 4,059		
	Off-balance-sheet exposures	5,939,045	4,870	-			10,570	
	BG	5,799,116	4,870	-			10,276	
	BE	12,521	-	-			-	
	AT	24,453	-	-			3	
	DE	71,376	-	-			279	
	Other Countries	31,579	-	-			12	
170	**Total**	**38,273,506**	**435,609**	**430,739**	**32,334,461**	**- 321,180**	**10,570**	

Template EU CQ5: Credit quality of loans and advances to non-financial corporations by industry

FR1_F_6.00		a	b	c	d	e	f
		Gross carrying amount				Accumulated impairment	Accumulated negative changes in fair value due to credit risk on non-performing exposures
			Of which non-performing		Of which loans and advances subject to impairment		
				Of which defaulted			
010	Agriculture, forestry and fishing	859,195	21,101	21,101	859,195	- 10,358	-
020	Mining and quarrying	27,491	-	-	27,491	- 31	-
030	Manufacturing	3,090,318	82,286	82,286	3,090,318	- 39,063	-
040	Electricity, gas, steam and air conditioning supply	806,583	2,546	2,546	806,583	- 10,502	-
050	Water supply	85,098	-	-	85,098	- 274	-
060	Construction	563,345	8,232	8,232	563,345	- 7,616	-
070	Wholesale and retail trade	3,274,311	42,459	42,459	3,274,311	- 28,853	-
080	Transport and storage	436,314	16,374	16,374	436,314	- 7,744	-
090	Accommodation and food service activities	136,169	7,318	7,318	136,169	- 3,684	-
100	Information and communication	163,016	2,310	2,310	163,016	- 882	-
110	Financial and insurance actvities	11,598	58	58	11,598	- 78	-
120	Real estate activities	234,425	24,041	24,041	234,425	- 983	-
130	Professional, scientific and technical activities	117,989	684	684	117,989	- 1,266	-
140	Administrative and support service activities	118,177	1,104	1,104	118,177	- 881	-
150	Public administration and defense, compulsory social security	-	-	-	-	-	-
160	Education	15,821	23	23	15,821	- 95	-
170	Human health services and social work activities	65,899	3,721	3,721	65,899	- 1,209	-
180	Arts, entertainment and recreation	30,938	38	38	30,938	- 114	-
190	Other services	82,719	1,619	1,619	82,719	- 1,838	-
200	**Total**	**10,119,406**	**213,914**	**213,914**	**10,119,406**	**- 115,471**	-

Template EU CQ6: Collateral valuation - loans and advances

FR1_F_18.00/F_18.02		a	b	c	d	e	f	g	h	i	j	k	l
		Loans and advances											
			Performing		Non-performing								
						Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days						
				Of which past due > 30 days ≤ 90 days				Of which past due > 90 days ≤ 180 days	Of which: past due > 180 days ≤ 1 year	Of which: past due > 1 years ≤ 2 years	Of which: past due > 2 years ≤ 5 years	Of which: past due > 5 years ≤ 7 years	Of which: past due > 7 years
010	Gross carrying amount	23,192,344	22,761,683	33,274	430,661	187,430	243,231	36,963	43,806	83,820	74,101	2,601	1,940
020	Of which secured	19,370,798	19,104,240	22,621	266,558	128,707	137,851	24,935	22,186	32,513	53,854	2,445	1,918
030	Of which secured with immovable property	11,176,843	10,995,075	7,140	181,768	121,915	59,853	16,891	11,007	13,452	16,345	726	1,432
040	Of which instruments with LTV higher than 60% and lower or equal to 80%	3,308,610	3,286,773		21,837	15,820	6,017						
050	Of which instruments with LTV higher than 80% and lower or equal to 100%	1,712,930	1,706,181		6,749	6,305	444						
060	Of which instruments with LTV higher than 100%	2,093,101	2,048,898		44,203	33,247	10,956						
070	Accumulated impairment for secured assets	- 155,039	- 61,311	- 1,397	- 93,728	- 14,830	- 79,025	- 8,094	- 11,104	- 21,382	- 35,977	- 1,551	- 917
080	Collateral												
090	Of which value capped at the value of exposure	15,392,887	15,257,706	9,853	135,181	94,390	40,791	10,154	13,355	6,837	9,160	554	731
100	Of which immovable property	10,994,584	10,876,545	9,074	118,039	82,408	35,631	6,812	12,561	6,639	8,354	538	727
110	Of which value above the cap	-	-	-	-	-	-						
120	Of which immovable property	-	-	-	-	-	-						
130	Financial guarantees received	1,118,053	1,094,099	1,082	23,954	9,325	14,629	3,434	1,850	1,765	7,090	233	257
140	Accumulated partial write-off	- 6,881	- 39	- 7	- 6,842	- 1,546	- 5,296	-	- 4	- 49	- 3,978	- 119	- 1,146

Template EU CQ7: Collateral obtained by taking possession and execution processes

FR1_F_18.00/F_18.02		a	b	c	d	e	f	g	h	i	j	k	l
		Loans and advances											
			Performing		Non-performing								
						Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days						
				Of which past due > 30 days ≤ 90 days				Of which past due > 90 days ≤ 180 days	Of which: past due > 180 days ≤ 1 year	Of which: past due > 1 years ≤ 2 years	Of which: past due > 2 years ≤ 5 years	Of which: past due > 5 years ≤ 7 years	Of which: past due > 7 years
010	Gross carrying amount	23,192,344	22,761,683	33,274	430,661	187,430	243,231	36,963	43,806	83,820	74,101	2,601	1,940
020	Of which secured	19,370,798	19,104,240	22,621	266,558	128,707	137,851	24,935	22,186	32,513	53,854	2,445	1,918
030	Of which secured with immovable property	11,176,843	10,995,075	7,140	181,768	121,915	59,853	16,891	11,007	13,452	16,345	726	1,432
040	Of which instruments with LTV higher than 60% and lower or equal to 80%	3,308,610	3,286,773		21,837	15,820	6,017						
050	Of which instruments with LTV higher than 80% and lower or equal to 100%	1,712,930	1,706,181		6,749	6,305	444						
060	Of which instruments with LTV higher than 100%	2,093,101	2,048,898		44,203	33,247	10,956						
070	Accumulated impairment for secured assets	- 155,039	- 61,311	- 1,397	- 93,728	- 14,830	- 79,025	- 8,094	- 11,104	- 21,382	- 35,977	- 1,551	- 917
080	Collateral												
090	Of which value capped at the value of exposure	15,392,887	15,257,706	9,853	135,181	94,390	40,791	10,154	13,355	6,837	9,160	554	731
100	Of which immovable property	10,994,584	10,876,545	9,074	118,039	82,408	35,631	6,812	12,561	6,639	8,354	538	727
110	Of which value above the cap	-	-	-	-	-	-						
120	Of which immovable property	-	-	-	-	-	-						
130	Financial guarantees received	1,118,053	1,094,099	1,082	23,954	9,325	14,629	3,434	1,850	1,765	7,090	233	257
140	Accumulated partial write-off	- 6,881	- 39	- 7	- 6,842	- 1,546	- 5,296	-	- 4	- 49	- 3,978	- 119	- 1,146

Template EU CQ8: Collateral obtained by taking possession and execution processes – vintage breakdown

FR2_25.01_		a	b	c	d	e	f	g	h	i	j	k	l
		Debt balance reduction		Total collateral obtained by taking possession									
						Foreclosed ≤ 2 years		Foreclosed > 2 years ≤ 5 years		Foreclosed > 5 years		Of which non-current assets held-for-sale	
		Gross carrying amount	Accumulated negative changes	Value at initial recognition	Accumulated negative changes	Value at initial recognition	Accumulated negative changes	Value at initial recognition	Accumulated negative changes	Value at initial recognition	Accumulated negative changes	Value at initial recognition	Accumulated negative changes
010	Collateral obtained by taking possession classified as PP&E												
020	Collateral obtained by taking possession other than that classified as PP&E			40,370	-9,995	3,132	- 619	13,817	- 1,500	23,421	- 7,876		
030	Residential immovable property			10,945	-1,269	617	- 81	2,581	- 16	7,747	- 1,172		
040	Commercial immovable property			29,262	-8,639	2,515	- 538	11,236	- 1,484	15,511	- 6,617		
050	Movable property (auto, shipping, etc.)			163	- 87	-	-	-	-	163	- 87		
060	Equity and debt instruments												
070	Other collateral												
080	**Total**			**40,370**	**-9,995**	**3,132**	**- 619**	**13,817**	**- 1,500**	**23,421**	**- 7,876**		

13. Techniques for Credit Risk Mitigation

The Bank expects repayment of its loan claims primarily from the operational cash flows of the obligors. The collateral is considered as a secondary source for repayment of credit exposures, in case the Bank initiates legal actions against the Obligors.

As a matter of principle, the Bank accepts only 1st rank mortgages or pledges. Inferior rank liens can be accepted on an exceptional basis. The first exception is when all superior ones have been registered in favor of the Bank. The second exception is when any superior lien in favor of a third party has been verified as not corresponding to any outstanding claim or such claim, even if existing, will be cancelled or become void soon (max two months) after the registration of the one in favor of the Bank.

The collaterals must fulfill the following conditions in order to be accepted by the Bank:

1. Legal substance – existence of the proper legal and other documentation, proving the ownership right and the fulfilment of the special requirements of the law;

2. Clear identification – the collateral, as supported by its documentation, to be clearly identifiable;
3. Exclusivity of collateral rights – the Bank to be the undisputable holder/bearer of the specific collateral rights;
4. Sufficiency – Sufficient in terms of amounts, ideally exceeding the respective credit exposure in order to cover possible reduction in their realization price, the expenses and time needed for their realization;
5. Liquidity – the collaterals must be possible to be liquidated within a reasonable time in the current market conditions.

The Bank accepts all collaterals that can be used as an alternative source for the repayment of the Bank's lending claims. However, the Bank has a higher appetite for and accepts that only some of them have the qualitative characteristics (secondary market, short liquidation horizon, easily assessed market price, legal processes allowing the creditor to possess and liquidate them, slow amortization, etc.) permitting to the Bank to assume and calculate a securing value for them. These are:

1. Pledge of deposits ("born receivables under deposit" as per the legal term) with UBB and other banks;
2. Transfer agreement of born receivables (special deposits kept in the Bank's name provided as collateral by the collateral provider) under the Law on Financial Collateral Arrangements;
3. Pledge of receivables under direct, unconditional, irrevocable and full guarantee, issued by first-class local or foreign financial institutions, government and municipalities;
4. Pledge of Multinational bank bonds - investment grade only;
5. Pledge of local government bonds and other local governmental debt titles;
6. Pledge of municipalities bonds;
7. Mortgage on real estate properties and real estate related rights with a recognized market value;
8. Pledge of movable tangible assets – machines, vehicles, equipment, aircrafts, etc.;
9. Pledge of living stock that is fully insured against all risks, the insurance policy is assigned in favor of the Bank and the Bank is referred as loss payee;
10. Marine mortgage;
11. Pledge of non-sensitive goods based on public licensed warehouses titles;
12. Pledge of shares of companies /investment grade only/ and traded in SE /stock exchanges/;
13. Pledge of corporate bonds /investment grade only/ and traded in stock exchanges;
14. Pledge of shipping documents /only sea and railway transport/;
15. Pledge of trade receivables under a contract, from counterparties/payers;
16. Pledge of subsidies and grants by governmental or EU entities, provided that the Bank is able to check and has verified in advance that all preconditions set by the same entities for the disbursement of the subsidy or grant have been fully met.

The Bank, as a matter of principle, encourages the undertaking of fully collateralized credit risks. A credit risk is considered as fully collateralized when the securing value of the collaterals is at least equal to the corresponding risk. Securing value is defined as the outcome of the multiplication of the market value of collateral with the corresponding to every collateral co-efficient. The securing value calculated in this way cannot however exceed the liquidation value and the legal right of the Bank over the asset.

UBB supports the development of entrepreneurship in Bulgaria, thanks to successful partnerships with guarantors like the European Investment Bank, European Investment Fund, Bulgarian Development Bank, National Guarantee Fund, Fund Manager of Financial Instruments in Bulgaria, European Bank for Reconstruction and Development, Council of Europe Development Bank, International Finance Corporation and Bulgarian Export Insurance Agency.

Credits under programs like COSME, COSME COVID-19, COSME Digitalization Pilot, InnovFin, JEREMIE and others form the majority of the portfolio secured by financial guarantees.

Template EU CR3 CRM techniques overview: Disclosure of the use of credit risk mitigation techniques

		Unsecured carrying amount	Secured carrying amount			
				Of which secured by collateral	Of which secured by financial guarantees	
						Of which secured by credit derivatives
		a	b	c	d	e
1	Loans and advances		15,027,850	13,842,465	1,185,385	
2	Debt securities	7,483,841	19,631	-	19,631	
3	Total	7,483,841	15,047,481	13,842,465	1,205,016	-
4	*Of which non-performing exposures*	271,703	158,958	138,940	20,018	
EU-5	*Of which defaulted*	271,703	158,958			

UBB does not use netting as means of Credit Risk Mitigation, therefore it has nothing to disclose under Article 453 (a) CRR.

14. Counterparty Credit Risk

The Counterparty credit risk (CCR) originates from deals with derivatives, repo deals, deals of lending/borrowing of securities or commodities, transactions with extended settlement and represents the risk that the counterparty under a particular deal may default prior to the final settlement of the cash flows under the deal.

The Bank has adopted rules and procedures for assessment, management and control of counterparty risk by countries and banks. All counterparties receive a risk rating category according to their official internal ratings. Based on this and according to the accepted groupwide methodology, risk limits are set by counterparties, both for total exposure and by products.

The Market and Liquidity Risk Management Department within the Risk Management Directorate monitors limit utilization daily and escalates limit violations towards internal management bodies.

The scope of transactions that bear Counterparty Credit Risk in UBB is limited. Derivative deals are conducted predominantly with KBC Bank Belgium with the purpose of managing the currency and interest rate risk positions. Likewise, repo deals are also conducted predominantly within KBC group or done for managing primary dealership of the bank on the local market.

14.1. Analysis of CCR exposure by approach

The Bank allocates capital for counterparty credit risk purposes originated by derivatives and repo deals by applying Standardized Approach for Counterparty Credit risk (SA-CCR) calculation, pursuant to Section 3, Art. 274 – Art. 281 of Regulation (EU) 575/2013.

SA-CCR is the most appropriate methodology for UBB, which can be used for regulatory capital calculation taking into consideration the volume and the complexity of the derivatives business case. To have comparability between exposure (EAD) and limit consumption the same approach is used for limit monitoring.

Under SA-CCR the exposure required for the regulatory capital calculation and the limit usage (monitoring) is calculated as the sum of the replacement cost (Art. 275) and the potential future exposure (Art. 278), which is subsequently multiplied by a supervisory alpha factor.

Template EU CCR1 - Analysis of CCR exposure by approach

		a	b	c	d	e	f	g	h
		Replacement cost (RC)	Potential future exposure (PFE)	EEPE	Alpha used for computing regulatory exposure value	Exposure value pre-CRM	Exposure value post-CRM	Exposure value	RWEA
EU-1	EU - Original Exposure Method (for derivatives)	-	-		1.4	-	-	-	-
EU-2	EU - Simplified SA-CCR (for derivatives)	-	-		1.4	-	-	-	-
1	SA-CCR (for derivatives)	8,192	37,348		1.4	84,801	63,755	62,703	30,769
2	IMM (for derivatives and SFTs)					-	-	-	-
2a	*Of which securities financing transactions netting sets*					-	-	-	-
2b	*Of which derivatives and long settlement transactions netting sets*					-	-	-	-
2c	*Of which from contractual cross-product netting sets*					-	-	-	-
3	Financial collateral simple method (for SFTs)					-	-	-	-
4	Financial collateral comprehensive method (for SFTs)					69,556	69,556	69,556	13,911
5	VaR for SFTs					-	-	-	-
6	**Total**					154,357	133,311	132,259	44,680

14.2. Transactions subject to own funds requirements for CVA risk

As of 31.12.2024, UBB has no transactions subject to own funds requirements for CVA risk.

Template EU CCR2 - Transactions subject to own funds requirements for CVA risk

		a	b
		Exposure value	RWEA
1	Total transactions subject to the Advanced method	0	0
2	(i) VaR component (including the 3× multiplier)		
3	(ii) stressed VaR component (including the 3× multiplier)		
4	Transactions subject to the Standardised method	0	0
EU-4	Transactions subject to the Alternative approach (Based on the Original Exposure Method)	0	0
5	**Total transactions subject to own funds requirements for CVA risk**	0	0

14.3. CCR exposures by regulatory exposure class and risk weights

The receivables from local and foreign banks, the receivables or liabilities for repurchase of securities, and the FX deals are assigned a risk weight in accordance with Regulation (EU) 575/2013, Chapter 6 of Title II of Part Three.

Template EU CCR3 – Standardised approach – CCR exposures by regulatory exposure class and risk weights

	Exposure classes	Risk weight											
		a	b	c	d	e	f	g	h	i	j	k	l
		0%	2%	4%	10%	20%	50%	70%	75%	100%	150%	Others	Total exposure value
1	Central governments or central banks												
2	Regional government or local authorities												
3	Public sector entities												
4	Multilateral development banks												
5	International organisations												
6	Institutions					20,448	3,823			-			24,271
7	Corporates									20,260			20,260
8	Retail								149				149
9	Institutions and corporates with a short-term credit assessment												
10	Other items												
11	**Total exposure value**	-	-	-	-	**20,448**	**3,823**	-	**149**	**20,260**	-	-	**44,680**

14.4. Available Collateral on CCR Transactions

The composition and volume of available collateral are in the table below:

Template EU CCR5 - Composition of collateral for CCR exposures

		a	b	c	d	e	f	g	h
		Collateral used in derivative transactions				Collateral used in SFTs			
	Collateral type	Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received		Fair value of posted collateral	
		Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated
1	Cash – domestic currency	0	0	0	0	0	0	0	0
2	Cash – other currencies	0	0	0	0	0	0	0	0
3	Domestic sovereign debt	0	0	0	0	0	0	0	0
4	Other sovereign debt	0	0	0	0	0	0	0	0
5	Government agency debt	0	0	0	0	0	0	0	0
6	Corporate bonds	0	0	0	0	0	0	0	0
7	Equity securities	0	0	0	0	0	0	0	0
8	Other collateral	0	0	0	0	0	0	0	977,994
9	**Total**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**977,994**

15. Market Risk

Market risk is the risk of experiencing losses due to adverse changes in market prices. This includes changes in the value of traded assets (e.g. stock and commodity prices), movements in directly or indirectly observable prices (such as market indices, spreads, and correlations), and effects of changes in the volatility and liquidity of these factors. Market risk, therefore, arises from present value changes of on- and off-balance sheet positions in the bank's trading and banking book.

Regarding the Banking Portfolio, the strategy of UBB is to acquire liquid assets in accordance with the requirements of the Group and the local regulator. In general, the volumes are adjusted in line with the Annual Planning Cycle (APC) and defined in line with Risk Appetite Statement (RAS). Potential investments are carefully selected and in accordance with internal rules, procedures and approved limits.

Risks in scope of the non-trading market risk domain (i.e. on- and off-balance sheet positions in the banking book) can be aggregated into two basic pillars: *Interest Rate Risk* (ALM risk, including CSRBB) and *Risk arising from Asset Mix* (Asset Mix risk, excluding credit risk).

With respect to the trading book volume the market risk profile of UBB is very low as well as the risk appetite.

The main trading market risk measurements in UBB are Stop Loss Limits and FX open position Limits.

15.1. Position (Interest rate) Risk on Exposures in the Trading Book Portfolio

Position risk refers to the risk of change in the prices of debt and equity instruments in the trading book. It contains two components: specific risk and general position risk. The specific risk represents a risk of a change in the price of a financial instrument as a result of factors related to its issuer or the issuer of the underlying instrument. General position risk is the risk of a change in the price of a financial instrument because of factors that are not contingent on the specific characteristics of the instruments, e.g. equity markets or interest rates movements.

With regards to the net positions in debt instruments, capital requirements for specific risk are calculated by currency and in accordance with the position’s category based on the issuer’s credit rating and the residual maturity in compliance with Art. 336 of Regulation (EU) 575/2013.

The Bank applies a maturity-based approach to calculating the general position risk in accordance with Art. 339 of Regulation (EU) 575/2013, by distributing the debt instruments with fixed interest rate according to their residual maturity, and those with floating interest rate, to the next repricing date.

15.2. Capital requirements for Foreign Exchange Risk

The Bank calculates capital requirements for foreign exchange risk resulting from both, the banking and the trading book, according to the standardized approach, described in Chapter 3 (Art. 351-354) of Regulation (EU) 575/2013. As the sum of the overall net foreign exchange open position does not exceed 2% of the total own funds, there are no local requirements for the Bank to allocate capital for foreign exchange risk.

The own funds requirement for foreign exchange risk is the sum of the overall net foreign exchange position in the reporting currency, multiplied by 8 % and the own funds requirement on the matched position of closely correlated currencies which is 4 %.

Since Bulgaria participates in ERM II, according to Article 354 (4), the capital requirement on the matched position in currency pair BGN-EUR is calculated as 1.6 % of the value of such matched position.

The Bank has no equity instruments and commodity risk exposures in the Trading Book.

UBB uses the Standardized Approach for Market Risk Calculations.

Template EU MR1 Market risk under the standardized approach

.

		a
		RWEAs
	Outright products	
1	Interest rate risk (general and specific)	5,663
2	Equity risk (general and specific)	
3	Foreign exchange risk	-
4	Commodity risk	
	Options	
5	Simplified approach	
6	Delta-plus approach	
7	Scenario approach	
8	Securitisation (specific risk)	
9	**Total**	**5,663**

16. Operational Risk

Operational Risk is the risk of a loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes all non-financial risks except compliance risk.

In UBB the KBC Operational Risk Management Framework (ORMF) is implemented. The ORMF has been fundamentally reviewed in 2024 as per the Program for Redesign of Operational & Information Risk also called PRIOR program. Following a Group initiative PRIOR, UBB has started applying an enhanced approach towards operational risk management. We gradually move from processes to business lines, and from assessment of GKCs - to building and keeping up to date Risk and Control Inventories (R&CIs), where new risks are continuously identified in a dynamic risk management environment. These new concepts are gradually replacing the old concepts of Group Key Controls objectives. The aim is to have more correct oversight and better assurance to stakeholders on operational risk exposures as well as on the quality of internal control environment. PRIOR results in a more correct Groupwide oversight and better assurance to stakeholders on operational risk exposures as well as on the overall quality of internal control environment.

To support the new approach, a new system GRACE was successfully implemented to replace BWise as central GRC (Governance, Risk & Compliance) tool within the KBC group. Trainings for the tool have already been performed.

A building block of the framework is the registration and analysis of operational risk losses and events. The document that regulates the process of collection and registration of operational risk losses and events in UBB follows OPR Standard on Loss and near miss data collection process. The operational risk losses and events are registered in the central KBC tool GLORY. The registered events are analyzed and reported to LRMC as corrective measures to avoid future losses are proposed.

Local Operational Risk Managers (LORMs), who are part of the 1LoD business units of the Bank, are appointed for all business lines in UBB and trained regularly by the 2LoD (Non-financial Risks Department).

Business Continuity Management (BCM) is performed in accordance with the KBC Group standards and guidelines via the local BCM Framework. BCM is defined as strategic and tactical ability of an entity to plan and react properly in the event of a serious disruptions, crisis or disasters, ensuring the continuity of the critical services. BCM focuses on availability i.e. the Recovery Time Objective (RTO) or the amount of time in which business activities need to be operational again following a serious disruption, crisis or disaster.

In UBB BCM is coordinated by local Operational risk function as the business units are responsible for BCM framework implementation. Business Impact Analyses (BIAs) are prepared for all business lines in UBB and for each activity a recovery time objective is defined. For each business line a BC coordinator is assigned who has the task to define the critical activities, point out the (critical) systems and vital people in the business unit, to prepare Business Continuity Plan (BCP) for crisis situations as well as to coordinate the BCP and phone tree testing. The BC coordinator also reviews and updates the respective BIAs, BCPs and phone trees at least once a year.

The Bank applies the Standardized Approach for calculating the capital requirements for operational risk.

Template EU OR1 Operational risk own funds requirements and risk-weighted exposure amounts

		a	b	c	d	e
Banking activities		Relevant indicator			Own funds requirements	Risk exposure amount
		Year-3	Year-2	Last year		
1	Banking activities subject to basic indicator approach (BIA)					
2	Banking activities subject to standardised (TSA) / alternative standardised (ASA) approaches	755,827	825,748	1,049,208	119,030	1,487,875
3	*Subject to TSA:*	755,827	825,748	1,049,208		
4	*Subject to ASA:*					
5	Banking activities subject to advanced measurement approaches AMA					

17. Disclosure of Encumbered and Unencumbered assets

The encumbered and unencumbered assets of UBB to 31.12.2024 are as follows:

UBB’s encumbered assets include:

- blocked government securities in connection with attracted funds from budget organizations
- blocked cash at the Central bank in relation to the participation in a guarantee mechanism for local cards settlement
- blocked cash on account with banks, representing margin account for derivative deals.

None of the collateral received by the Bank is available for encumbrance.

Blocking of assets for securing funds of budget organizations is carried out on the basis of Art. 152 of the Public Finance Act and Art. 96 of the Law on State Budget

Template EU AE1 Encumbered and Unencumbered Assets

		Carrying amount of encumbered assets		Fair value of encumbered assets		Carrying amount of unencumbered assets		Fair value of unencumbered assets	
			of which notionally eligible EHQLA and HQLA		of which notionally eligible EHQLA and HQLA		of which EHQLA and HQLA		of which EHQLA and HQLA
		010	030	040	050	060	080	090	100
010	**Assets of the disclosing institution**	418,754	417,508			37,043,979	13,639,514		
020	Loans and advances on demand	51,040	51,040			6,126,609	5,995,709		
030	Equity instruments	0	0			22,326		22,326	
040	Debt securities	366,468	366,468	341,749	341,749	7,149,188	7,090,918	7,026,598	6,967,279
050	of which: covered bonds					7,435		7,330	
060	of which: securitisations								
070	of which: issued by general governments	366,468	366,468	341,749	341,749	7,039,257	7,039,257	6,916,979	6,916,979
080	of which: issued by financial corporations					36,996	36,996	35,775	35,775
090	of which: issued by non-financial corporations					72,935	14,665	73,844	14,525
100	Loans and advances other than on demand	1,246				22,871,237			
110	Including: loans secured by real estate					11,452,678			
120	Други активи	0				874,619	552,887		

Template EU AE2 - - Collateral received and own debt securities issued

		Carrying amount of encumbered assets		Fair value of encumbered assets		Carrying amount of unencumbered assets		Fair value of unencumbered assets	
			of which notionally eligible EHQLA and HQLA		of which notionally eligible EHQLA and HQLA		of which EHQLA and HQLA		of which EHQLA and HQLA
		010	030	040	050	060	080	090	100
010	**Assets of the disclosing institution**	418,754	417,508			37,043,979	13,639,514		
020	Loans and advances on demand	51,040	51,040			6,126,609	5,995,709		
030	Equity instruments	0	0			22,326		22,326	
040	Debt securities	366,468	366,468	341,749	341,749	7,149,188	7,090,918	7,026,598	6,967,279
050	of which: covered bonds					7,435		7,330	
060	of which: securitisations								
070	of which: issued by general governments	366,468	366,468	341,749	341,749	7,039,257	7,039,257	6,916,979	6,916,979
080	of which: issued by financial corporations					36,996	36,996	35,775	35,775
090	of which: issued by non-financial corporations					72,935	14,665	73,844	14,525
100	Loans and advances other than on demand	1,246				22,871,237			
110	Including: loans secured by real estate					11,452,678			
120	Други активи	0				874,619	552,887		

Template EU AE3 - Sources of encumbrance

		Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and securitisations encumbered
		010	030
010	**Carrying amount of selected financial liabilities**	**266,904**	**366,468**

18. Securitization

There has been no securitization of the Bank's assets in 2024.

19. Specialized Lending

UBB has nothing to disclose in 2024.

20. Remuneration Policies and Practices

The governance of the UBB Remuneration Policy involves the implementation and the continuing review of the remuneration practices. The main bodies involved in these roles are the UBB Supervisory Board and the UBB Remuneration committee. The Supervisory Board, on the basis of a recommendation from UBB Remuneration committee, discusses and finally approves all decisions, prepared and proposed by the Remuneration Committee.

The Remuneration Committee is a subcommittee of the Supervisory Board, composed of Chairperson and two independent members, who are also members of the supervisory board and are not executive members of the Management Board of Directors. The members of the SB are appointed by the General Meeting of Shareholders for a period of 4 (four) years. The Remuneration Committee exercises competent and independent judgment on remuneration policies and practices, and the incentives created for managing risk, capital and liquidity. It is responsible for the preparation of decisions regarding remunerations, considering the implications for the risk and risk management of the bank, the long-term interests of shareholders, investors and other stakeholders in the bank.

In 2024 the UBB Remuneration Committee gathered twice - on regular Committee Meeting, held on 20.03.2024 and on 24.10.2024.
The UBB Remuneration Policy was amended once in 2023, with regard to the legal merger with the ex-Raiffeisen Bank Bulgaria and in order to be in compliance with the KBC Group Remuneration Policy. The list of Key Identified staff (KIS) was also reviewed and updated.

The Remuneration Policy of UBB is based on the KBC Remuneration Policy of KBC Group complies with BNB Ordinance No. 4 on the requirements for remuneration in banks. The Remuneration Policy of UBB is fully compatible with the Bank stakeholders' interests, KBC Corporate Social Responsibility Policy, KBC Corporate Sustainability strategy and KBC Compliance Rules.

The Remuneration Policy covers all forms of remuneration, including salaries and other financial and material benefits for all the staff members and defines some specific remuneration guidelines for Key Identified Staff (KIS).

A mandatory component in the remuneration schemes for all UBB employees is individual performance-based compensation, based on a yearly performance appraisal instrument and taking non-financial/qualitative criteria into account, such as personal development, compliance with the institution's systems and controls, sound risk behavior, commitment to the business strategies and its major policies and contribution to the performance of the team. Remuneration schemes used within UBB are based on competences, job weightings, skills, contribution and performance, and are aligned with long-term shareholder interests and profitability, considering overall risk and the cost of capital.
The variable remuneration shall not exceed 100% of the total annual fixed remuneration. A minimum proportion of 10% of the variable compensation is based upon the KBC Group reported results, mandatory parameter only for KBC senior managers.

Variable remuneration is a set of monetary bonuses, premiums and performance incentives, and other equivalent non-cash instruments. The variable remuneration should not induce risk-taking in excess of the risk profile of the Bank and should be based on risk- and liquidity-adjusted profit, not on gross revenues. Performance bonuses shall be paid only in case of Bank's net profit plan fulfilment at above 80%.

Capital and liquidity parameters are set as a risk gateway for paying out variable remuneration for all categories of the staff including the Key Identified staff.

If one of the parameters is not met – no variable remuneration will be paid for the performance year and “non-vested” deferred amounts will not vest in the respective year and will be lost.

If the risk gateway is passed, the level of the variable remuneration paid still could depend on other variable remuneration guidelines and processes in force. Quantitative risk adjustment measures such as the Risk Adjusted Profit (RAP) are additionally introduced for positions considered as KBC top 300 and impact the level of variable remuneration directly by risk adjusting the size of bonus pools and individual awards.

An integral part of the Remuneration Policy is the List of Key Identified staff members with a material impact on the risk profile of the Bank, identified by qualitative and quantitative criteria as per the Regulatory Technical Standards (RTS) on Key Identified staff, for which are subject to specific requirements regarding non-cash instruments and deferrals, related to their variable remuneration.
Key Identified staff are differentiated in the following groups:

- First group KBC Group KIS – Members of the Supervisory and the Management Board of UBB;
- Second group KBC Group KIS – Senior Management and other managers specifically defined by KBC Group;
- Third group KIS (local KIS) – Employees responsible for the management of the independent risk management, regulatory compliance and internal audit services and heading material business units of the Bank;
- Fourth group KIS – employees whose remuneration exceeds certain quantitative thresholds.

For the Key Identified staff members from First and Second Group p, considered to be Material KIS, 50% of the variable remuneration consists of share-linked instruments, i.e. phantom stock based upon the KBC Group share, or an alternative equity-linked instrument imposed by a local regulator. This principle is applied to both the variable remuneration component paid upfront and the deferred variable remuneration component.

For all employees identified as KIS with less significant influence on the company risk profile, the variable monetary remuneration shall be based on the results of the core business of the Bank, the results of the structural unit, and their individual performance. 50% of the variable monetary remuneration of these employees, for which the amount of the variable exceeds EUR 40 000 and up to EUR 50 000 shall be deferred, to promote the achievement of sustainable and long-term results and discourage risk-taking beyond the acceptable level for the given position. In case of unsatisfactory financial result of the Bank, the Management Board can take a decision to limit the deferred variable remuneration of employees identified as non-material KIS, to suspend or reduce their payment.

Variable compensation is subject to ex-post risk adjustment measures. Ex post risk adjustment operates either by reducing deferred but not yet vested amounts in case of significant downturn in the financial performance (malus), either by reclaiming ownership of deferred amounts already vested or paid in the past, until maximum five years after payment (claw back) at the discretion of the Supervisory Board of KBC Group and to the extent permitted by law.

Template REM1 Remuneration awarded for the financial year

			a	b	c	d
			MB Supervisory function	MB Management function	Other senior management	Other identified staff
1	Fixed remuneration	Number of identified staff	6	7		20
2		Total fixed remuneration	45	2,683		2,734
3		Of which: cash-based	45	2,683		2,734
4		(Not applicable in the EU)				
EU-4a		Of which: shares or equivalent ownership interests				
5		Of which: share-linked instruments or equivalent non-cash instruments				
EU-5x		Of which: other instruments				
6		(Not applicable in the EU)				
7		Of which: other forms				
8		(Not applicable in the EU)				
9	Variable remuneration	Number of identified staff				
10		Total variable remuneration		839		847
11		Of which: cash-based		454		847
12		Of which: deferred		385		
EU-13a		Of which: shares or equivalent ownership interests				
EU-14a		Of which: deferred				
EU-13b		Of which: share-linked instruments or equivalent non-cash instruments		334		
EU-14b		Of which: deferred		334		
EU-14x		Of which: other instruments				
EU-14y		Of which: deferred				
15		Of which: other forms				
16		Of which: deferred				
17	Total remuneration (2 + 10)		**45**	**3,522**	**-**	**3,581**

Template REM3 Deferred remuneration

		a	b	c	d	e	f	EU - g	EU - h
	Deferred and retained remuneration	Total amount of deferred remuneration awarded for previous performance periods	Of which due to vest in the financial year	Of which vesting in subsequent financial years	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in the financial year	Amount of performance adjustment made in the financial year to deferred remuneration that was due to vest in future performance years	Total amount of adjustment during the financial year due to ex post implicit adjustments (i.e.changes of value of deferred remuneration due to the changes of prices of instruments)	Total amount of deferred remuneration awarded before the financial year actually paid out in the financial year	Total of amount of deferred remuneration awarded for previous performance period that has vested but is subject to retention periods
1	MB Supervisory function								
2	Cash-based								
3	Shares or equivalent ownership interests								
4	Share-linked instruments or equivalent non-cash instruments								
5	Other instruments								
6	Other forms								
7	MB Management function	2,768	1,006	1,762			775	1,023	771
8	Cash-based	1,198	509	689				386	221
9	Shares or equivalent ownership interests								
10	Share-linked instruments or equivalent non-cash instruments	1,570	497	1,073			775	637	550
11	Other instruments								
12	Other forms								
13	Other senior management								
14	Cash-based								
15	Shares or equivalent ownership interests								
16	Share-linked instruments or equivalent non-cash instruments								
17	Other instruments								
18	Other forms								
19	Other identified staff								
20	Cash-based								
21	Shares or equivalent ownership interests								
22	Share-linked instruments or equivalent non-cash instruments								
23	Other instruments								
24	Other forms								
25	Total amount	**2,768**	**1,006**	**1,762**	**-**	**-**	**775**	**1,023**	**771**

Template REM5 Information on remuneration of staff whose professional activities have a material impact on institutions' risk profile (identified staff)

		a	b	c	d	e	f	g	h	I	j
		Management body remuneration			Business areas						
		MB Supervisory function	MB Management function	Total MB	Investment banking	Retail banking	Asset management	Corporate functions	Independent internal control functions	All other	Total
1	Total number of identified staff										33
2	Of which: members of the MB	6	7	13							
3	Of which: other senior management										
4	Of which: other identified staff				2	5	0	4	3	6	
5	Total remuneration of identified staff	45	3,522	3,567	340	969	-	657	442	1,174	
6	Of which: variable remuneration	-	839	839	85	239		180	109	235	
7	Of which: fixed remuneration	45	2,683	2,728	255	730	-	477	333	939	

In relation to requirements for disclosures on diversity the following information is presented from “*Diversity & Inclusion framework”*:

<table>
<tr><th>KPI</th><th>Actions</th><th>Status
<AS IS></th><th>Timeframe</th></tr>
<tr><td rowspan="5">Diversity metrics – focus areas</td><td>Strive for balanced diversity structure of the Management body of KBC Bulgaria Group on:

1. Gender
No numeric targets to be set except for the significant credit institution, part of KBC Group in Bulgaria:
- MB and SB of UBB – ratio of underrepresented gender towards overrepresented gender to fit within the 20% best ratios as measured by EBA Benchmarking of Diversity[1]

Actions to achieve the target:
- In any succession and given that from hard regulatory requirements on the position (‘fit and proper”), there should be a strive for equal nominees 50%:50% f:m along with the remaining suitability requirements, as laid out in the Succession and Suitability policies of UBB
-
-</td><td><table><tr><th>Body</th><th>Male</th><th>Female</th><th>Ratio (m:f)</th></tr><tr><td>UBB MB</td><td>4</td><td>3</td><td>57%:43%</td></tr><tr><td>UBB SB</td><td>5</td><td>1</td><td>83%:17%</td></tr></table></td><td>Q3 2025 dependent on mandates</td></tr>
<tr><td>2. Education
- Target for education diversity: All boards include members with diverse educational majors – economic, legal, technical etc.</td><td>- Members with economic, legal and technical education</td><td>Permanent</td></tr>
<tr><td>3. Experience
- Target for experience diversity: All boards include members with experience in different financial institutions and/or in different countries
-</td><td>- Members with experience in different financial institutions, in different countries</td><td>Permanent</td></tr>
<tr><td>4. Age
- Ensure generation mix with at least two generations
- Definitions of gens:
Baby boomers (b/w 1946 and 1964)
Gen X (b/w 1965 and 1980)
Gen Y (b/w 1981 and 1996)
Gen Z (b/w 1997 and 2012)</td><td>MB: 13% BB, 87% GenX
SB: 67% BB, 33% GenX</td><td>Permanent</td></tr>
<tr><td>Support of returning mothers</td><td>- Specialized on-boarding program for returning mothers launched, e.g. provide career counselling and orientation; investigate suitable opportunities depending on individual circumstances and business situation</td><td>Permanent</td></tr>
</table>

		– Breastfeeding leave for mothers of young children – Options for flexi time and/or other appropriate arrangements for returning mothers allowing them to better balance their work duties with child care	
	Offboarding of retiring employees	– Preferential rates for bank products and services remain unchanged after retirement /currently in UBB/.	Permanent
		–	
Responsible reporting	Get ready for the reporting on Directive EU 2023/970 to strengthen the application of the principle of equal pay for equal work or work of equal value between men and women through pay transparency and enforcement mechanisms.	– In progress of implementation to start reporting from, 2027 onwards	2027
	A new template report which is part of the annual report to the BNB – Ordinance 4, on the benchmarking exercises on remuneration practices, the gender pay gap and approved higher ratios under Directive 2013/36/EU	The report is related to representation of staff of different genders by quartile of remuneration level. The reporting period is Y2023, and the gender pay gap has been calculated in accordance with the guidelines (diff between men's and women's average remuneration expressed as a percentage of men's average remuneration).	2024
Diversity metrics - people with disabilities	Positions available for people with disabilities	– All entities comply with Bulgarian legislation with respect to employing people with disabilities, e.g. 2% of average headcount	Permanent
	Support to employees and their children	– Charity fund, which proves support to employees and their children with disadvantages/ disabilities or families with 3 or more kids	Permanent
Gender Pay Gap	Ensure equal pay	– Gender pay gap analysis presented to CMT once per year according to the KBC selected methodology with further details on methodology and clarifications. – Topic and goal are taken into consideration in the regular annual salary review round in H1 of each year	Annually
Gender equality principle in all HR related processes, incl. promotion decisions	Equal treatment and inclusion are essential part of our organizations. Equal opportunities principle is included in several HR polices	– HR related polices reviewed and updated, explicitly embedding D&I and equal opportunities principles in all HR related processes	Permanent
	In all decisions on hiring, promotion and development, as a principle it is requested to consider candidates from both genders. In this way focus is kept on the matter and an evolutionary progress can be achieved. At group level this principle is applied on appointments for TOP300 and nomination as top talent.	– Embedded in the process	Permanent

Training & communication	Learning events	– Available for enrollment learning session “How to stay connected with our child while being full time employee in a fast-paced world”	Permanent
	Ensure internal communication on D&I	– Post information on Diversity & Inclusion in Internal sites/e-learning platforms / Elaborating possible types of communication, taking into consideration local specifics	Permanent
Top talent pool	Monitor Top talent gender ratio and look for ways to balance the gender ratio incl. focus on the underrepresented gender. Target for the local talent list – maintain the 50-50 proportion with 10% deviation over time.	In line: – Current top talent ratio: 54% male / 46% female	Permanent
Zero tolerance rule on flagrant disrespectful behavior	Promote principle throughout all staff	In line – Current Code of conduct valid for all entities in Bulgaria, in which are embedded the principles of **equal treatment, diversity and respect**. The newly approved Code of conduct was communicated to all employees in April 2021. It explicitly introduces zero tolerance rule on flagrant disrespectful behavior, e.g. ▪ Abusing one’s position in dealings with colleagues. ▪ Making insulting remarks about others. ▪ Acting in a way that undermines the integrity or dignity of colleagues. ▪ Conspiring against colleagues. ▪ Bullying, harassing, discriminating against or sexually harassing colleagues or clients – There is a process in place for submitting signals in cases of harassment and other flagrant disrespectful behavior (Whistleblowing policy).	Permanent

21. Indicators of potential climate change transition risk

The Taxonomy Regulation establishes an EU-wide framework according to which investors and businesses can assess whether certain economic activities are environmentally sustainable.

There are four checks to be performed in order to label an economic activity as environmentally sustainable. The activity must:

- be a relevant activity, i.e. the activity is on the list of activities which are considered as most relevant for achieving the environmental goals defined by Europe. The relevant activities are called taxonomy-eligible activities and are described in Delegated Acts;

- contribute substantially to at least one of the environmental objectives and comply with the Technical Screening Criteria for substantial contribution as described in Delegated Acts;
- do no significant harm to any of the other environmental objectives and comply with the Technical Screening Criteria for “do no significant harm” as described in Delegated Acts;
- be carried out in compliance with minimum social and governance safeguards.

An economic activity which passes the four checks, is called a taxonomy-aligned economic activity.

Six environmental objectives are laid out in the Taxonomy Regulation:

- climate change mitigation (CCM);
- climate change adaptation (CCA);
- sustainable use and protection of water and marine resources (WTR);
- transition to a circular economy (CE);
- pollution prevention and control (PPC);
- protection and restoration of biodiversity and ecosystems (BIO).

Article 8 of the Taxonomy Regulation requires undertakings covered by the Non-Financial Reporting Directive (NFRD) to include information in their non-financial information statements on how, and to what extent, their activities are associated with environmentally sustainable economic activities. The Disclosure Delegated Act specifies the content and presentation of the information to be disclosed.

UBB is exempted from the obligation to publish a sustainability statement and a consolidated sustainability statement as the information is included in the consolidated sustainability statement of its parent undertaking, KBC Group, with registered office at Havenlaan 2, 1080 Brussels, Belgium. KBC Group’s consolidated sustainability statement and the assurance opinion relating to it are included in the KBC Group annual report for 2024 available on Annual reports.

Template D 01.00 Banking book- Indicators of potential climate Change transition risk: Credit quality of exposures by sector, emissions and residual maturity

		Columns															
		Gross carrying amount					Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions (Mln EUR)			GHG financed emissions (scope 1, scope 2 and scope 3 emissions of the counterparty) (in tons of CO2 equivalent)		GHG emissions (column i): gross carrying amount percentage of the portfolio derived from company-specific reporting	<= 5 years	> 5 year <= 10 years	> 10 year <= 20 years	> 20 years	Average weighted maturity
			Of which exposures towards companies excluded from EU Paris-aligned Benchmarks in accordance with Article 12(1) points (d) to (g) and Article 12(2) of Regulation (EU) 2020/1818	Of which environmentally sustainable (CCM)	Of which stage 2 exposures	Of which non-performing exposures		Of which Stage 2 exposures	Of which non-performing exposures		Of which Scope 3 financed emissions						
		0010	0020	0030	0040	0050	0060	0070	0080	0090	0100	0110	0120	0130	0140	0150	0160
Exposures towards sectors that highly contribute to climate change	0010	9,528,129	84,959	-	1,070,331	204,357	109,110	20,034	69,627	4,572,102	3,578,546	0	6,892,367	2,262,618	372,921	223	4
A - Agriculture, forestry and fishing	0020	859,195	-	-	83,503	21,101	10,358	1,794	7,099	605,880	400,574	-	628,448	220,459	10,288	-	4
B - Mining and quarrying	0030	27,491	146	-	6,710	-	31	3	-	9,527	2,938	-	16,610	10,881	-	-	4
B.05 - Mining of coal and lignite	0040	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.06 - Extraction of crude petroleum and natural gas	0050	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B.07 - Mining of metal ores	0060	7,966	-	-	-	-	17	-	-	3,147	1,008	-	7,966	-	-	-	3
B.08 - Other mining and quarrying	0070	19,379	-	-	6,710	-	13	3	-	5,811	1,816	-	8,498	10,881	-	-	5
B.09 - Mining support service activities	0080	146	146	-	-	-	1	-	-	569	114	-	146	-	-	-	-
C - Manufacturing	0090	3,104,985	454	-	342,571	82,286	39,065	3,003	30,396	1,541,180	1,248,446	-	2,466,716	601,223	37,045	1	3
C.10 - Manufacture of food products	0100	662,513	-	-	48,180	16,343	8,427	475	6,405	292,188	247,532	-	527,742	127,614	7,157	-	3
C.11 - Manufacture of beverages	0110	138,851	-	-	7,791	3,793	1,883	38	1,715	37,187	31,261	-	99,320	39,531	-	-	3
C.12 - Manufacture of tobacco products	0120	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
C.13 - Manufacture of textiles	0130	32,807	-	-	2,371	14,427	5,961	79	5,854	7,041	6,375	-	23,019	1,125	8,663	-	5
C.14 - Manufacture of wearing apparel	0140	45,777	-	-	8,467	342	439	151	245	11,953	9,235	-	30,808	13,362	1,607	-	4
C.15 - Manufacture of leather and related products	0150	3,377	-	-	1,338	16	53	35	15	779	644	-	2,730	199	448	-	4
C.16 - Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials	0160	106,862	-	-	11,270	699	981	269	409	16,642	12,058	-	96,350	9,199	1,313	-	3
C.17 - Manufacture of paper and paper products	0170	97,994	-	-	31,016	9,451	3,028	109	2,882	103,686	74,168	-	88,593	9,250	151	-	3
C.18 - Printing and reproduction of recorded media	0180	46,913	-	-	760	60	93	41	31	8,654	8,229	-	24,342	22,404	167	-	5
C.19 - Manufacture of coke and refined petroleum products	0190	454	454	-	-	-	2	-	-	19	15	-	454	-	-	-	-
C.20 - Manufacture of chemicals and chemical products	0200	149,334	-	-	6,464	88	354	74	-	72,556	57,212	-	131,028	18,306	-	-	2
C.21 - Manufacture of basic pharmaceutical products and pharmaceutical preparations	0210	153,432	-	-	50,433	-	270	155	-	9,603	7,750	-	153,432	-	-	-	2
C.22 - Manufacture of rubber products	0220	234,347	-	-	9,824	4,935	1,304	121	722	243,701	215,680	-	116,890	113,434	4,022	1	5
C.23 - Manufacture of other non-metallic mineral products	0230	116,970	-	-	2,731	3,852	353	65	149	60,772	31,418	-	98,294	18,162	514	-	3
C.24 - Manufacture of basic metals	0240	350,260	-	-	16,779	37	1,410	48	22	378,817	307,217	-	334,458	15,477	325	-	2
C.25 - Manufacture of fabricated metal products, except machinery and equipment	0250	275,614	-	-	41,488	1,261	1,054	274	597	81,602	65,644	-	214,151	52,559	8,904	-	3
C.26 - Manufacture of computer, electronic and optical products	0260	82,093	-	-	503	4,590	1,167	19	1,067	21,914	19,367	-	53,883	28,210	-	-	4
C.27 - Manufacture of electrical equipment	0270	196,294	-	-	27,873	365	661	114	187	56,190	48,582	-	176,989	19,248	57	-	2
C.28 - Manufacture of machinery and equipment n.e.c.	0280	99,750	-	-	9,221	1,222	377	36	263	40,674	33,044	-	74,304	25,446	-	-	3
C.29 - Manufacture of motor vehicles, trailers and semi-trailers	0290	91,935	-	-	228	14	274	2	14	32,417	28,304	-	42,373	49,562	-	-	5
C.30 - Manufacture of other transport equipment	0300	85,973	-	-	44,373	19,516	9,572	454	9,067	15,471	12,045	-	80,789	5,184	-	-	2
C.31 - Manufacture of furniture	0310	54,438	-	-	12,544	390	446	132	242	20,237	12,950	-	35,235	18,109	1,094	-	4
C.32 - Other manufacturing	0320	54,791	-	-	3,983	43	174	52	29	19,121	11,871	-	49,113	5,083	595	-	3

C.33 - Repair and installation of machinery and equipment	0330	24,206	-	-	4,934	842	- 782	- 260	- 481	9,956	7,845	-	12,419	9,759	2,028	-	5
D - Electricity, gas, steam and air conditioning supply	0340	806,583	18,550	-	132,410	2,546	- 10,502	- 6,152	- 656	87,718	39,346	0	288,886	305,740	211,957	-	8
D35.1 - Electric power generation, transmission and distribution	0350	788,018	-	-	132,393	2,546	- 10,403	- 6,150	- 656	84,078	36,396	0	270,386	305,675	211,957	-	8
D35.11 - Production of electricity	0360	624,017	-	-	131,840	1,939	- 9,302	- 6,115	- 395	67,629	28,717	0	109,817	302,243	211,957	-	9
D35.2 - Manufacture of gas; distribution of gaseous fuels through mains	0370	18,550	18,550	-	16	-	- 99	- 2	-	3,445	2,948	-	18,485	65	-	-	3
D35.3 - Steam and air conditioning supply	0380	15	-	-	1	-	-	-	-	195	2	-	15	-	-	-	2
E - Water supply; sewerage, waste management and remediation activities	0390	85,098	-	-	4,327	-	- 274	- 52	-	56,772	44,400	-	42,544	41,073	1,481	-	5
F - Construction	0400	563,345	-	-	62,097	8,232	- 7,616	- 1,384	- 4,194	37,521	33,906	-	417,843	117,301	28,201	-	3
F.41 - Construction of buildings	0410	312,696	-	-	45,587	4,070	- 3,248	- 697	- 988	21,812	19,740	-	218,165	70,602	23,929	-	4
F.42 - Civil engineering	0420	119,181	-	-	4,484	2,826	- 2,695	- 104	- 2,370	8,030	7,144	-	95,918	22,843	420	-	2
F.43 - Specialised construction activities	0430	131,468	-	-	12,026	1,336	- 1,673	- 583	- 836	7,679	7,022	-	103,760	23,856	3,852	-	3
G - Wholesale and retail trade; repair of motor vehicles and motorcycles	0440	3,274,311	-	-	326,855	42,459	- 28,853	- 5,210	- 18,187	2,081,481	1,693,043	-	2,542,044	676,799	55,462	6	3
H - Transportation and storage	0450	436,352	65,809	-	64,653	16,374	- 7,744	- 1,538	- 5,797	133,473	101,361	-	342,821	89,458	4,032	41	3
H.49 - Land transport and transport via pipelines	0460	312,782	65,809	-	56,862	7,963	- 6,062	- 1,328	- 4,401	117,044	88,720	-	269,420	40,320	3,042	-	3
H.50 - Water transport	0470	18,635	-	-	274	-	- 31	- 30	-	470	349	-	18,198	437	-	-	4
H.51 - Air transport	0480	26,912	-	-	2	2,575	- 1,173	-	- 1,149	11,847	9,318	-	24,337	2,575	-	-	1
H.52 - Warehousing and support activities for transportation	0490	74,305	-	-	7,138	5,746	- 396	- 156	- 196	3,307	2,375	-	29,783	43,920	561	41	5
H.53 - Postal and courier activities	0500	3,718	-	-	377	90	- 82	- 24	- 51	805	599	-	1,083	2,206	429	-	7
I - Accommodation and food service activities	0510	136,169	-	-	26,524	7,318	- 3,684	- 648	- 2,849	6,571	4,393	-	78,243	47,379	10,547	-	5
L - Real estate activities	0520	234,600	-	-	20,681	24,041	- 983	- 250	- 449	11,979	10,139	-	68,212	152,305	13,908	175	7
Exposures towards sectors other than those that highly contribute to climate change*	0530	686,548	-	-	46,219	9,557	- 6,375	- 1,603	- 3,596				449,289	158,282	56,864	22,113	14
K - Financial and insurance activities	0540	33,708	-	-	421	58	- 78	- 18	- 42				7,677	3,693	228	22,110	-
Exposures to other sectors (NACE codes J, M - U)	0550	652,840	-	-	45,798	9,499	- 6,297	- 1,585	- 3,554				441,612	154,589	56,636	3	15
TOTAL	0560	10,214,677	84,959	-	1,116,550	213,914	- 115,485	- 21,637	- 73,223	4,572,102	3,578,546	0	7,341,656	2,420,900	429,785	22,336	4

Template D 02.00.a Banking book - Indicators of potential climate change transition risk: Loans collateralised by immovable property - Energy efficiency of the collateral (I)

		Columns														
		Total gross carrying amount	Level of energy efficiency (EP score in kWh/m² of collateral)						Level of energy efficiency (EPC label of collateral)							Without EPC label of collateral
			0; <= 100	> 100; <= 200	> 200; <= 300	> 300; <= 400	> 400; <= 500	> 500	A	B	C	D	E	F	G	
		0010	0020	0030	0040	0050	0060	0070	0080	0090	0100	0110	0120	0130	0140	0150
Total EU area	0010	11,544,069	122,974	1,954,854	1,834,785	1,870,076	908,653	789,886	23,963	271,437	1,914	0	0	0	0	11,246,755
Of which Loans collateralised by commercial immovable property	0020	5,121,856	74,876	13,201	63,139	38,296	137,864	789,886	237	86,982	0	0	0	0	0	5,034,637
Of which Loans collateralised by residential immovable property	0030	6,391,913	48,098	1,941,653	1,771,646	1,831,780	770,789	0	23,726	184,455	1,914	0	0	0	0	6,181,818
Of which Collateral obtained by taking possession: residential and commercial immovable properties	0040	30,300	0	0	0	0	0	0	0	0	0	0	0	0	0	30,300
Of which Level of energy efficiency (EP score in kWh/m² of collateral) estimated	0050	7,256,872	98,661	1,780,681	1,830,276	1,867,363	899,704	780,186								7,256,872
Total non-EU area	0060	3,395	0	0	0	0	0	0	0	0	0	0	0	0	0	3,395
Of which Loans collateralised by commercial immovable property	0070	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Of which Loans collateralised by residential immovable property	0080	3,395	0	0	0	0	0	0	0	0	0	0	0	0	0	3,395
Of which Collateral obtained by taking possession: residential and commercial immovable properties	0090	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Of which Level of energy efficiency (EP score in kWh/m² of collateral) estimated	0100	0	0	0	0	0	0	0								0

Template D 02.00.b Banking book - Indicators of potential climate change transition risk: Loans collateralised by immovable property - Energy efficiency of the collateral (II)

		Columns
		Without EPC label of collateral
		Of which level of energy efficiency (EP score in kWh/m² of collateral) estimated
		0160
Total EU area	0010	64.52%
Of which Loans collateralised by commercial immovable property	0020	21.58%
Of which Loans collateralised by residential immovable property	0030	99.82%
Of which Collateral obtained by taking possession: residential and commercial immovable properties	0040	0.00%
Of which Level of energy efficiency (EP score in kWh/m² of collateral) estimated	0050	100.00%
Total non-EU area	0060	0.00%
Of which Loans collateralised by commercial immovable property	0070	0.00%
Of which Loans collateralised by residential immovable property	0080	0.00%
Of which Collateral obtained by taking possession: residential and commercial immovable properties	0090	0.00%
Of which Level of energy efficiency (EP score in kWh/m² of collateral) estimated	0100	0.00%