2024

Annual report UBB

UBB Part of KBC Group

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Report of the management
(on individual and consolidated level)

Highlights

2024

AT A GLANCE

494 m
NET RESULT

4.2 bn
EQUITY

20.6 bn
LOANS TO CLIENTS

27.4 bn
DEPOSITS FROM CLIENTS

#1

- The biggest bank in terms of total assets
- NPS leader (#1) in both retail and business segments
- Primary dealer of securities on the Bulgarian market
- Acknowledged as best digital bank (2024) & Best mobile banking app

*The numbers above are on Solo/Conso level with the exception of Net result: 496 m/ 494 m on Solo/ Conso level.

Statement by the CEO of UBB

Dear shareholders, clients, colleagues and partners,

This Annual report presents an overview of UBB's achievements and initiatives of last year. It covers both financial and non-financial results, as well as strategic actions taken to further improve our customer service. It also highlights our actions towards the broader society in which we are proud to take-up a leading role.

Integration of former Raiffeisen bank Bulgaria and UBB completed

In 2024 we successfully finalized the integration. In the last 2 years we have unified and merged all products, business models, IT-systems into our united UBB. We did that with the utmost care for our staff and clients. We are therefore extremely happy to observe a stable customer base, as our clients appreciated our care by granting us in most of our clients segments top-2 NPS (net promotor score) evaluations in the market.

Excellent performance of UBB Group in 2024 in a challenging environment

Despite economic, (geo)political and integration-related challenges, we realized in 2024 an excellent net result of BGN 494 million.

Both our Net interest income (+ 9.4%), as well as our Net fee and commission income (+ 2.3%) were strong. This was driven by growth of the loan portfolio of 14.1% and deposits from clients (4.5%), as well as a strong performance of our KBC Group bank-insurance model. The Bank insurance income and asset management fee of UBB grew respectively by +7.5% and +37.6% year on year.

Despite substantial investments in staff, EURO-preparation and integration, we were able to leverage already on the merger synergies and process/product automations, which brought our C/I-ratio down to 46.2% (compared to 48.7% in 2023).

The quality of our credit portfolio remains solid with a credit costs ratio of 14 bps. UBB is strongly capitalized (Total Capital adequacy ratio of 21.38%) and highly liquid (LCR of 263%).

Digital first with a human touch, Human with a digital touch

We stay close to our customers both for private individuals as well as for our company clients. We do that in a mix of physical proximity as well as digital availability.

Our mobile app, online banking platform together with our digital assistant Kate are not only unburdening our clients and front-end staff members. They are key in providing high value digital solutions and innovations.

We currently have more than 700 000 active mobile clients and 70% of them are actively using Kate. Kate had over 1,8 million interactions with our clients and is able to resolve 68 % of our clients questions/request without human intervention (so-called "Kate-autonomy").

According to the latest 2024 Digital banking maturity benchmark report of Deloitte, UBB ranked with the highest score in Bulgaria for the completeness of its digital value proposition for private individuals in Mobile, Online and Public Web banks and is the only Bulgarian bank classified in the upper end of the group of digital

[1] Figures (on consolidated basis) for FY23 have been adjusted to include the effects of the merger of KBC Bank Bulgaria EAD as if it was part of UBB from 1st of January 2023 (like-for-like comparison)

smart fallowers.

I can however not forget to thank our 4 000 staff members. They are the ones who have both realized our merger and at the same time were ready to inform, assist and advice all clients who were in need of our human touch. Aside from our ambitious innovation roadmap, investing in competences of our staff and quality of our leadership stays therefore a key success factor for UBB and its clients.

Sustainability and our Role in Society

We are proud to claim a leading role in terms of sustainability and responsible behaviour which truly make a change in the daily life of our clients and society.

We have set ourselves concrete climate action plans and performance indicators. We aim to Achieve a reduction of our own KBC Group in Bulgaria GHG emissions of 84% by 2030 vs. the base year 2015. As of 2024 the KBC Group in Bulgaria GHG own emissions are 4 600 tCO_2, which is 83% reduction vs. base year 2015.

Currently the KBC Group in Bulgaria own car fleet consist of 70 hybrid and 129 electric vehicles. For UBB the replacement is 40% as we expect the full replacement to be finished by the end of 2027. We have 4 locations in which we installed solar energy stations to foresee in our own energy need.

We are also happy to support our clients in their journey towards greater sustainability. Simultaneously we invest in our staff to become knowledgeable sustainability ambassadors. Our internal sustainability academy in cooperation with Faculty of Economics and Business Administration of Sofia University "St. Kliment Ohridski" has already over 170 certified graduates.

We support our family-owned business customers by providing a training program to the 'next generation', young people that are preparing to become involved in the management of the family business. We support entrepreneurship and financial literacy by sponsoring various initiative like for example the National Competition for the best Youth start-up, a masterclass for young entrepreneurs.

2025 will probably be an exciting year. There might be challenges stemming from potential trade disputes and geopolitical tensions impacting growth and inflation expectations. We will likely welcome the EURO in Bulgaria. Demographics and the labor market will stay tense. But I am confident an optimistic that the Bulgarian economy and society is resilient and looking – as always – for the opportunities. We, as UBB, will surely do the same and we stay committed to be side by side of our clients throughout the journey.

I would like to thank our shareholders for their continuous support, our clients for their daily trust in us and our staff for their relentless commitment to make UBB the great company it is today and will be going forward.

Christof De Mil,
CEO KBC Group Bulgaria

Our business model

Who are we?

UBB is part of KBC Group in Bulgaria – an important pillar of the Bulgarian financial sector with over EUR 2.5 bn invested in the acquisition and development of some of the most significant local companies during the last 20 years, among which DZI, CIBANK, UBB, UBB Metlife, the Bulgarian operations of NN and Raiffeisenbank Bulgaria.

By means of a targeted policy for developing Bulgaria as a core market, both through acquisitions and in an organic way, the local bank of KBC, i.e. UBB, has been constantly growing its market share, by rising from #9 position in 2007 (CIBANK), going through number 3 position in 2017 (UBB & CIBANK) up to #1 position in total assets, following the merger between UBB and KBC Bank Bulgaria (former Raiffeisenbank Bulgaria).

Fitch rating
Short-term
IDR rating: F1
SSR rating: **a-**
Viability rating:bb
Outlook:
Positive

'A-'

*the highest rating among banks in Bulgaria

How do we create value?

> *The ultimate intention is to make our clients' financial lives easier in a proactive manner, through a solution-oriented bank-insurance model, in which we actually go futher than pure financial products.*

As a banker, we see that our clients are able to save and invest in a well-informed manner and that we actively offer them sustainable financial products. In this way, clients can grow their assets in line with their personal wishes and risk profile, and call on our expertise to assist them. We use the deposits of our clients entrust to us to provide loans to individuals, businesses and public authorities, thus keeping the economy turning. We also hold a portfolio of investments, which means we invest in the economy indirectly too. At the same time, we fund specific sectors and projects, such as infrastructure projects that have a major impact on the domestic economy.

We also offer our clients a variety of other services that are important to them in their everyday lives, including payments, cash management, trade finance, leasing, corporate finance, and money and capital market products. The role we play as a depositary and a lender ultimately means that we take on our customers' risks instead of them. Our risk and capital management know-how allow us to manage those risks, enabling our contribution to the sustainable growth of the economy.

In all these activities, we seek to take account of the impact on society and the environment, which we translate into concrete targets. Even more, we have made a conscious choice to enhance our positive impact on society – where possible – by focusing on areas where we can make a difference as a bank. The areas in question include financial literacy, environmental awareness, entrepreneurship and the issue of longevity and health. In our business operations, we also prioritize areas such as cyber risk, anti-corruption measures, climate change and, increasingly, other environmental aspects (such as biodiversity, a circular economy, water management and pollution).

we create value | **our business model** | market environment | our employees

Our business model/culture

We continuously work to ensure our behavior reflects our corporate culture values imbedded in the acronym PEARL+, which stands for: Performance, Empowerment, Accountability, Responsiveness, Local embeddedness. The '+' sign in PEARL+ symbolizes our focus on the joint development and smart copying of solutions, initiatives and ideas so that they are easy to utilize and deploy throughout the group, enabling us to work more efficiently, respond more quickly to change and make full use of local skills and talents group-wide.

PEARL+ is a mindset, a group-wide corporate culture, shared by all our staff. To embed this culture across the entire group and to ensure its success, we adopt not only a top-down but also a bottom-up approach to its implementation.

UBB integrates elements of traditional banking with the latest financial technologies, combining the characteristics of a universal bank with the features of a fintech organization. This approach aims to enhance flexibility in client relationships and streamline the use of products and services. Our focus is on collaboration and responsiveness, providing added value and encouraging client loyalty.

What makes us outstanding on the market

Integrated bank-insurance model

We offer an integrated response to our clients' banking and insurance needs. Our organization is similarly integrated, with most services operating at group level and managed in an integrated style. Our model offers our clients the benefit of a comprehensive, one-stop, relevant and personalized financial service that allows them to choose from a wider, complementary and optimized range of products and services, which go beyond pure bank-insurance. For ourselves, it offers benefits in terms of income and risk diversification, additional sales potential through intensive co-operation between the bank and insurance distribution channels, significant cost-savings and synergies, and heightened interaction opportunities aimed at a holistic understanding of our clients and their needs.

Digital perspective

Digital interaction with clients forms the basis of our strategic business model, not only in terms of sales and advice, but also in process and product development. In addition to a digital product range, we also offer our clients digital advice and develop all processes and products as if they had to be sold digitally. Artificial intelligence and data analysis will play an increasing part in digital sales and advice. Kate, our personal digital assistant, will feature prominently in this regard. Our experts naturally remain available at our branches and call centers to answer complex questions or provide advice at key life moments. The very success of our digital strategy allows us to free up more time and to improve the quality of advice we provide to clients.

Approach to sustainability

As a financial institution, we have a major direct and indirect impact on society. This aims to support our overall business strategy and integrate it into our day-to-day business operations and the products and services we provide. Our sustainability strategy, which is geared towards the local economy and society, consists of financial resilience and three cornerstones: 1) encouraging responsible behavior on the part of all our employees; 2) increasing our positive impact on society; 3) limiting any adverse social impact we might have.

In what environment did we operate?

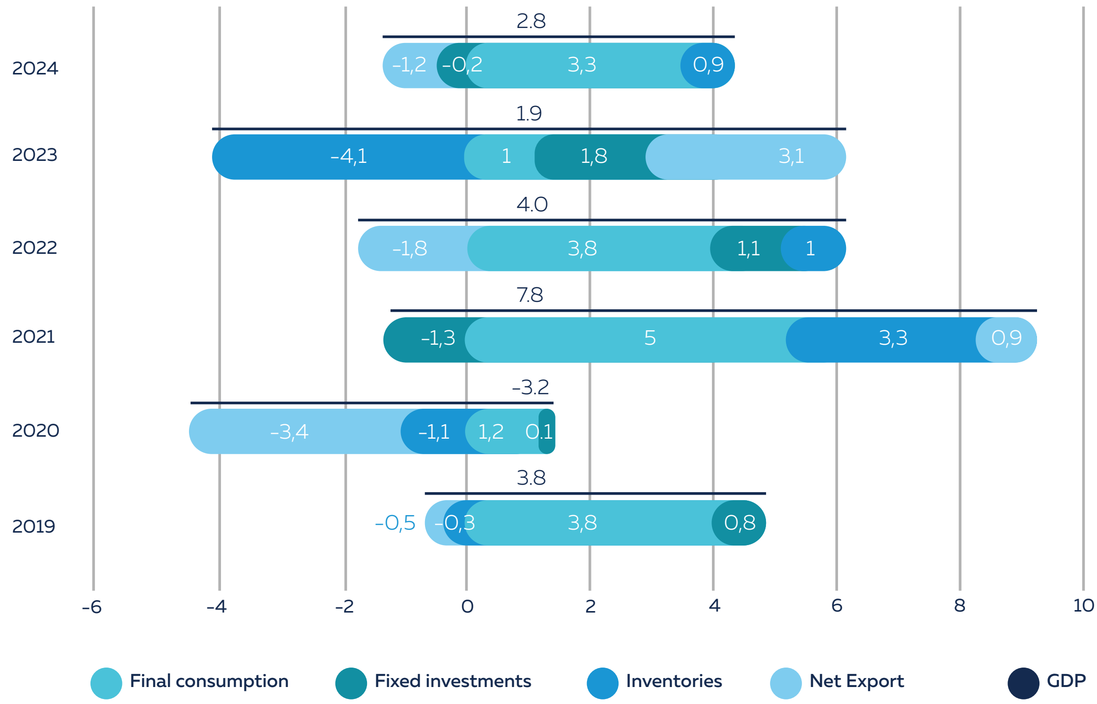
Macro watch

The geopolitical and geo-economic risks in 2024 soared compared to the turbulent 2023. The war in Ukraine continued as Russia stabilized its positions and launched a slow offensive on Ukrainian territory. Amid the smoldering conflict in Syria, a war broke out in Gaza between Israel and the terrorist group Hamas. The US presidential election campaign added uncertainty, mainly due to the program of the Republican Party's candidate Donald Trump, who proposes serious changes in the global political and economic order. This risk partially materialized with Trump's victory in November, but it is set to develop further in the coming years. In response to the slowing inflation central banks implemented a measured reduction in interest rates in 2024. However, in the constellation of factors affecting economic growth, the gradual loosening of monetary policy did not support GDP growth during the year. While the US economy was in a significantly better shape on the back of strong consumer demand, the euro area reported weaker output in 2024. The engine of European economy, Germany, which is also Bulgaria's largest trading partner, fell into recession. The growth of the French economy, the second largest in the EU, was modest, while Poland and Spain performed well.

Amid the political uncertainty in Bulgaria, successive early parliamentary elections were held in June and October 2024. As a result of the October elections, the most fragmented eight-party parliament in recent Bulgarian history was elected. Despite the low probability of forming a government in the very heterogeneous parliament, the long-lasting consultations and negotiations between the parties led to the formation of a regular coalition government which was voted in parliament in January 2025. Notwithstanding the political crisis, Bulgaria has deepened its integration into the European Union. The country was accepted as a full member of the Schengen area (now also by land, not just by air and water), which took effect in the beginning of 2025. The regular convergence reports of the European Commission and the European Central Bank concluded in June that the only obstacle to Bulgaria's euro area accession was the higher inflation in the country. By December, inflation slowed down significantly and approached the price stability criterion set by the Maastricht Treaty (deviation of just 0.1 pp).

Despite the highly turbulent external and domestic environment, in 2024 the Bulgarian economy achieved a very good result of 2.8% real growth, higher than the previous year (1.9% in 2023). Out of the GDP components, consumption (both private and public) increased by 4.3% year-on-year, while gross fixed capital formation (investment) contracted by -1.1%, due to increased external and internal uncertainty. Against this background, total exports (of goods and services) contracted by -0.8%, while imports' dynamics turned positive, reporting a moderate upsurge of 1.3%. Ultimately, economic growth in 2024 was a combined result of relatively strong domestic demand and positive net export. Domestic demand was driven by the consumption, fueled by strong real wage growth and accessible consumer credit. In turn, the moderate decline in investment due to the political crisis, had a negative impact on domestic demand. The decline in exports was a result of subdued growth in the euro area, especially the recession in Germany, and lower growth in Romania, the second largest destination for national exports. However, the contraction of exports along with the imports' increase did not lead to negative a net export. It remained significant during the year (3.5% of GDP).

GDP growth and contribution by components (%, real)



In line with the decent economic development, the harmonized unemployment rate continued not only to keep a stable low level during the year, but also scored a decrease down to 4.0% in December (-0.4pp compared to the end of 2023). In addition to the robust economic activity, the falling unemployment rate also reflects the sharply negative demographic processes in the country. Against this background, the average monthly salary expectedly soared by 13.6%, from BGN 2,173 at the end of 2023 to BGN 2,468 at the end of 2024. Nonetheless, this upsurge, significantly exceeding the rate of inflation, was largely a result of political decisions (increase of the minimum wage, salaries of civil servants, teachers, etc.).

Inflation in 2024 followed the steady downward trend from the previous year. While 2023 ended with a harmonized inflation rate of 5.0% (December-December), at the end of 2024 it fell down to the twice as low 2.1%. During the year, inflation remained primarily demand-driven, still encouraged by rising incomes, the sentiment for intense consumption and the accessible credit. Headline inflation was primarily driven by the services sector, where international competition is generally weaker. At the end of the year, the fastest-growing prices were observed in restaurants and hotels (7.8%), education (6.8%), alcohol and tobacco (5.5%), and food (2.9%).

In conditions dominated by political competition, total budget expenditures went up by 5.3% in 2024 to BGN 76.5 bn following the substantial rise of 9.9% in the previous year. Among their components, wage costs recorded a very strong growth of 17.5% in 2024, after the serious increase of 17.7% in 2023. The sharp rises of the inelastic wage costs amid falling inflation have put the state budget on a substantial deficit trajectory. As a result, the cash deficit in 2024 reached BGN 6.1 bn (3.0% of GDP). In turn, public debt increased to BGN 47.8 bn (23.6% of GDP), or BGN 6.4 bn more than its level a year ago (BGN 41.4 bn), still remaining one of the lowest in the EU. Regardless of the issues embedded in the budget, credit agencies did not change the country's rating and outlook during the year due to the prospects of soon joining the euro area. In this situation, maintaining deficit below the 3.0 percent threshold in the coming years would require curtailing of capital investments and non-wage costs.

The current account balance was positive at 0.2% of GDP in 2024 (0.9% of GDP in 2023). In turn, the flow of foreign direct investment into the country marked a decrease down to EUR 1.5 bn in 2024, compared to EUR 3.3 bn in the previous year.

Indicators	2022	2023	2024
GDP growth (%, yoy, real)	4.0	1.9	2.8
HICP (%, ann. avg.)	13.0	8.6	2.6
Unemployment rate (%, eop., Eurostat definition)	4.0	4.4	4.0
Government budget balance (% of GDP)	-2.9	-2.0	-3.0
Gross public debt (% of GDP)	22.6	22.9	23.6
Current account balance (% of GDP)	-0.7	0.9	0.2

Banking sector

As of end of 2024, 23 banks operate in Bulgaria, six of which are branches of foreign banks. The sector is characterized by a relatively high degree of concentration, with a significant presence of foreign-controlled banks, which account for most of the market share. The sector continues to evolve, with recent mergers and acquisitions driving further consolidation.

The Bulgarian banking sector reported a record Net profit in 2024 amounting to BGN 3 695 million, representing an increase of 8.1% vs. FY2023. This result was fueled by a substantial rise in net interest income, which climbed to BGN 5 566 million from BGN 4 846 million in the prior year (+14.9%). This increase in interest income was driven by continued lending growth, favorable interest rate conditions and prudent asset-liability management. Additionally, net fee and commission income experienced a considerable uplift, growing to BGN 1 620 million from BGN 1 474 million, reflecting the banking sector's successful efforts in expanding its service offerings and enhancing client engagement.

In 2024 the total amount of assets of the banking system experienced significant growth of 11.4%, reflecting the sector's resilience and adaptability in a dynamic economic environment. The major driver of the evolution was uplift in loans and advances excl. Other financial institutions, reaching BGN 101 654 million or 14.2% more than the previous year. A high-profile area continued to be the mortgage loan market in Bulgaria, which experienced significant growth, driven by rising property prices and increasing demand for housing. The total volume of mortgage loans surged by a record 25.2%. This remarkable growth was fueled by several factors, including the lowest in the European Union interest rates and a strong labor market that boosted disposable incomes.

Additionally, the banking system witnessed an increase in deposits of 8.9%, particularly from households and credit institutions, further bolstering the asset base. The loan-to-deposit ratio remains below 1 for most banks, indicating a prudent approach to financing and a strong self-funding capability.

Key figures on the banking sector follow in the table below:

Banking System Key Figures

P&L (BGN m)	2024	2023	2022	2021	2020	Delta 24/23
NII	5,566	4,846	3,227	2,757	2,649	14.9%
NFC	1,620	1,474	1,430	1,241	1,039	9.9%
Other Income	701	600	653	452	474	16.8%
TOTAL Income	7,887	6,921	5,309	4,450	4,162	14.0%
Operating Costs/excl. banking tax/	-2,786	-2,499	-2,253	-2,215	-2,264	11.5%
Operating Profit	5,101	4,422	3,057	2,235	1,898	15.4%
Impairments	-617	-446	-589	-664	-998	38.3%
Profit before tax	4,484	3,976	2,468	1,571	900	12.8%
Net profit	3,695	3,417	2,079	1,416	815	8.1%
Balance sheet	**2024**	**2023**	**2022**	**2021**	**2020**	**Delta 24/23**
Total Assets	191,611	172,075	155,406	135,410	124,006	11.4%
Loans to customers*	101,654	88,982	79,774	70,723	64,821	14.2%
Deposits	148,935	136,768	126,197	109,356	100,671	8.9%
KPIs	**2024**	**2023**	**2022**	**2021**	**2020**	
Loan to deposit ratio	74.0%	72.2%	71.7%	71.4%	72.5%	
NIM	3.9%	3.9%	3.0%	2.9%	2.9%	
COF	0.3%	0.2%	0.0%	0.0%	0.1%	
Cost to Income	38.1%	39.1%	46.1%	49.8%	54.4%	
Impaired loans ratio	3.4%	4.0%	5.2%	6.5%	8.2%	
CCR	0.6%	0.4%	0.7%	0.8%	1.1%	
ROE	17.4%	18.4%	12.3%	8.9%	5.5%	
ROA	2.1%	2.1%	1.4%	1.1%	0.7%	

** excl. Loans to Other Financial institutions*

UBB market position as of FY'24

UBB Bank solidified its market position as the largest bank in Bulgaria with a market share in total assets of 19.6%. Furthermore, the Bank also manages the biggest investment portfolio comprised of debt securities of BGN 7 515 million, representing a market share of 22.7%.

With regards to lending, in 2024 UBB achieved the highest expansion (+17.5%) of its portfolio of loans and advances to clients among its peers, thus capturing an additional slice of the market (+0.6%).

Rank		Market shares	MS gain/loss
1	Total Assets	19.6%	-23bps
2	Total loans	20.1%	+56bps
2	Business loans	19.2%	+89bps
2	Consumer loans	19.2%	-78bps
2	Mortgage loans	22.4%	+58bps
2	Total Attracted funds	18.3%	-79bps
2	Business attracted funds	17.7%	-170bps
2	Retail attracted funds	18.7%	-22bps
1	Debt securities	22.7%	+3bps

Looking on a segment level, it was a remarkable year for the Business lending, which realized annual growth of 13.6%, thus outpacing the market growth average of 8.4%. As a result, the Bank gained 89bps market share and ranks second in terms of size of business loans book. This illustrates how UBB is a reliable partner for the business in Bulgaria in a challenging economic situation, providing financial support and fostering growth and innovation.

Mortgage lending remained a special focus for UBB and in 2024 our mortgage portfolio rose with 28.6%, compared to the system average of 25.2%. Consequently, the bank improved its market position by 58bps to a 22.4% market share in terms of outstanding mortgage balances. At the same time, the growth of our consumer lending book lagged behind market, reflecting our relatively conservative approach towards lending to customers in an environment characterized with rapid increase in the cost of living.

On the liability side, Retail attracted funds expanded by a hefty 10.4%, however slightly below the broader market growth of 11.7%, leading to a 20 b.p. decrease in our market share. This was broadly in line with our asset management strategy, where in order to generate a better return on their savings, our clients direct some of their funds towards investment products with potentially higher profitability.

Awards and achievements

The leading position of the bank in digitalization was recognized various reputable analysts like Global Finance and Euromoney.

Best digital bank **2024**

Best ESG Bank

EUROMONEY AWARDS FOR EXCELLENCE BULGARIA 2024 BEST DIGITAL BANK

UBB Part of KBC Group

EUROMONEY AWARDS FOR EXCELLENCE BULGARIA 2024 BEST BANK FOR ESG

The leading British magazine **Euromoney recognizes UBB as the best ESG bank** for its achievements in the field of ESG (2nd time in a row) and as **the best digital bank** (1st time) – for our achievements and results in the field of digitalization. Euromoney's Awards for Excellence represent a strong token of distinction to the banks and bankers in an industry where differentiation is highly sought after and exceptionally difficult to demonstrate.

BEST DIGITAL BANK AWARD 2024 25th ANNUAL GLOBAL FINANCE

Global Finance recognized UBB Mobile for Best Mobile Banking App in Bulgaria **2024**

Furthermore, the prestigious international publication Global Finance outlined UBB Mobile as the best banking app in Bulgaria for 2024. Global Finance is a leading publication for financial industry ranking and awards.

Additionally, UBB was acknowledged for:

- "Best digital assistant (KATE)" on Digitalk & A1 awards 2024;
- "Responsible governance & internal training strategy" on PwC Contest ESG awards 2024;
- "Bank of the year" by the Association "Bank of the Year"

Main challenges

Climate change, global health risks and geopolitical and economic challenges

Our financial performance is obviously impacted by the global economy, as well as by the financial markets and demographic trends. The recent extreme weather conditions demonstrated that climate change and public health risks can have a significant impact. And geopolitical developments, such as the war in Ukraine, can also have major implications for the economy and hence our results.

How are we addressing them?

- we ensure in our long-term planning/scenario that our capital and liquidity positions are capable of withstanding a negative scenario.
- we calculate the impact of changes in key parameters and estimate the impact of material events as effectively as possible.
- if it turns out that the models are not capturing the increased credit risk resulting from specific events, we will set aside additional reserves based on management's assessment.
- we have translated our environmental and climate change strategy into specific targets and have committed ourselves to several relevant initiatives described in our Sustainability Report
- we constantly adjust our product and service offering and want to be a partner for our clients in their transformation to a more sustainable future.

Shifting client behaviour and competition

We face strong competition (from traditional players, online banks, fintechs, bigtechs, and so on), technological changes and shifting client behavior. All this is influencing clients' expectations in terms of speed, digital interaction, proactivity, personalization and relevance, and increasing the significance of digitalization and innovation, creating the need for a resilient, responsive organization capable of continuously adapting its processes and systems.

How are we addressing them?

- the creative input and diversity in terms of training and background of our employees is exceptionally important when it comes to equipping ourselves to deal with competition and technological change.
- we can draw on an immense volume of data, which – subject to clients' consent – enables us to understand more clearly what clients really want.
- we regularly review all our existing products, so that they can be adapted to take account of evolving client needs or changing circumstances.
- where possible, applications are copied from the KBC group's different core markets. We are also open to partnerships with fintech firms.
- in addition to innovation and digitalization, we are working hard to simplify and automate products and processes (straight-through processing).

Regulation

- Sustainability: EU measures to mobilize financial resources for sustainable growth including by means of tailored reporting (CSRD and art. 8 of the Taxonomy regulation);
- Digitality: EU initiatives related to the impact of new technologies on the financial services sector (Digital Operational Resilience Act, Cyber Resilience Act, AMLD (virtual currencies), Markets in Crypto-Assets Regulation, the digital euro and the European Digital Identity);
- Artificial Intelligence: the EU intends to regulate the sale, development and application of AI systems at the European level by means of a risk-based approach;
- Prudential supervision: transposition of Basel IV into the Capital Requirements Regulation (CRR3) and Capital Requirements Directive (CRD6); revision of Solvency II related to the reform of Crisis Management & Deposit Insurance framework;
- Payment transactions: proposal for a Regulation for instant credit transfers in euro, revision of the legal framework for payment services and a proposal for a Directive (PSD3) that focuses on prudential aspects.
- Financial markets and products: reform of the European Market Infrastructure Regulation, proposal for a Directive on distance marketing of financial services; EU Green Bonds Standards Regulation

How are we addressing them?

- we are making thorough preparations for the new regulations: specialized teams keep close track of the trends and rules
- we participate in working groups at sector organizations, where we analyze draft texts.
- we produce memorandums and provide training courses for the business side.
- we study the impact of regulations on client behavior and, where appropriate, adjust our products and processes to take account of shifts in that behavior; we likewise study the impact on transformation and innovation projects.

Cyber risks and data protection

Following the trends in the digital landscape, cyberattacks pose a constant threat in a rapidly digitalizing world. Developments based on Artificial Intelligence increase the number of potential cyberattacks and introduce new ways of launching cyberattacks.

Our focus at UBB is on ensuring both our clients and our entities benefit from optimal protection against cyber-crime.

How are we addressing them?

- we raise our employees' awareness of cyber risks by providing training in areas like phishing, smishing ('SMS phishing') and vishing ('voice phishing') and cyber fraud in general. We use simulation tests to check whether employees respond appropriately to various scenarios.
- we work to achieve highly secure and reliable ICT systems and data protection procedures.
- we are making every effort to collect threat intelligence and apply several tools that allow us to anticipate and respond to different cyber threats such as DDoS attacks and ransomware as quickly and accurately as possible.
- our Competence Centre for Information Risk Management & Business Continuity tracks all risks relating to data protection, cyber-crime and operational ICT.
- we also have our entities' cyber risks and defense mechanisms evaluated by internal and external security experts

Our team

Main challenges

- Prioritizing the well-being of our employees
- Investing in the long-term employability of our employees
- Investing in right skills within a culture of continuous learning
- Focusing on coaching and inspiring leadership
- Recruiting forward-looking professional

The accomplishment of our business objectives is largely attributable to the driving force behind the organization – our people.

Experienced managers play a crucial role in maximizing employee potential and effectively implementing the UBB strategy. We prioritize the training and development of managers at all levels, including intensive coaching and training sessions designed to enhance teamwork. Specifically, in 2024, UBB expanded its "_P1rvi_" Leadership Academy – a structured training program focused on building the capabilities required to achieve UBB's strategic goals by introducing two additional modules: 1) data-driven decisions; 2) automation tools. The Academy aims to channel the leadership development towards essential strategic competencies that will prepare us for significant innovation and the next stage of digital transformation.

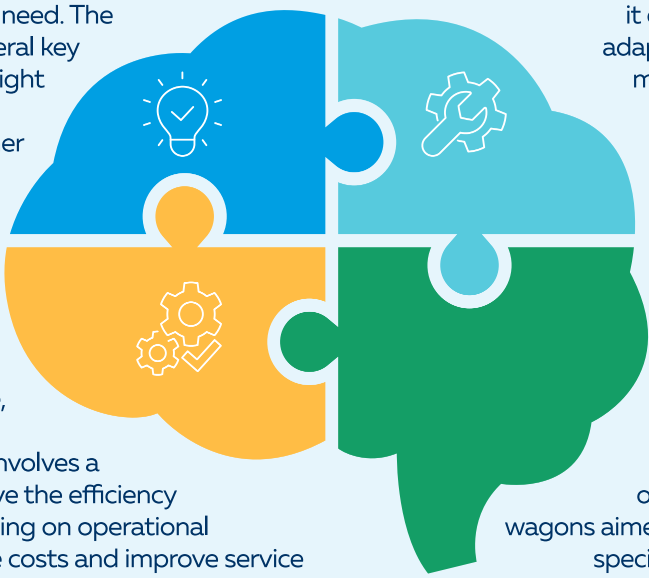
Our ambition is to ensure that our organization and employees remain resilient and grow alongside UBB. We are dedicated to fostering a learning culture where continuous education is an integral part of the daily activities. Our bank is currently undergoing an active transformation process, encompassing the development of core competencies centered around customer centricity.

SERVICE DESIGN

Service Design focuses on developing processes that are customer-centric and effectively address what customers want and need. The methodology involves several key principles, like finding the right problem before solving it, analyzing & observing rather than assuming.

AGILE Way of Work

Developing Agile Way of Work as a strategic competence is crucial for several reasons. Firstly, it enables the organization to adapt quickly to changes in the market and customer needs. Agile methodologies emphasize flexibility and responsiveness, allowing teams to pivot and adjust their strategies as new information and requirements emerge. Secondly, Agile promotes a culture of continuous improvement and innovation. The multidisciplinary teams are organized in Agile trains and wagons aimed at focusing on delivering specific tasks organized in epics.



OPERATIONAL ECCELLENCE

Operational Excellence is about being more effective, optimizing processes, and automating operations. It involves a continuous effort to improve the efficiency and effectiveness. By focusing on operational excellence, we try to reduce costs and improve service delivery.

Externally, the partnership with Sofia University St. Kliment Ohridski continued in 2024 with two more editions of KBC Bulgaria ESG Academy, which saw participation from 47 UBB employees. The Academy aims to provide employees, customers, and society with a comprehensive understanding of sustainability topics. The ESG Academy lasts three months and prepares the participants on the fast evolving sustainability topics in business, regulations and risk management. Additionally, the company supports employees financially through a sponsorship program to conduct scientific research and defend doctoral degrees related to sustainable financing.

UBB seeks to strengthen its position as a preferred employer of young talents, participating in over 17 career events and 5 workshops, including Career exhibitions at UNWE, Sofia University St. Kliment Ohridski, National Career days, Career Show Sofia, Talent fest, AUBG, National Trade Banking Gymnasium, and the "Hive" career forum.

Employee engagement is valued, and surveys are conducted twice per year along with internal client satisfaction surveys. Action plans based on survey results are developed for improvements. UBB employees can also support the activities of the "United for Charity" association, which supported 115 current and former employees and their children with nearly BGN 300 000 in 2024. Approximately 2,100 employees contribute regular monthly payments.

UBB's values are founded on the PEARL+ business culture. The 'E' signifies 'Empowerment,' referring to the commitment to provide employees with space to develop talent and creativity towards achieving business strategy. The '+' stands for cross-border co-creation and "smart copying" within the entire KBC group, encouraging collaboration among employees. Various “Team Blue” initiatives unite employees from different business areas, fostering pride and shared experiences.

Our employees receive competitive salaries and supplementary benefits. Ensuring employee health and well-being are prioritized, UBB utilizes medical insurance services from another entity within the KBC Group – DZI.

Our meaningful social dialogue with employee representatives covers themes such as pay, employment conditions, strategy, organization and well-being. HR policy application is monitored through high-quality surveys and accumulated HR data. Awareness of risks, including cyber risks, is raised via targeted information campaigns and training. “People risk” is an important operational risk tracked in collaboration with the risk department. More information about the workforce is available in the Sustainability Report.

Our network and relationships

Our social capital includes relationships with clients, shareholders, government, regulators, and other stakeholders, helping us stay socially relevant and responsible.

Our strategy

"P1rvi" Strategy

The corporate strategy, named "P1rvi" after the bank's position on the market, traces the path for tipping the scales in financial services in Bulgaria and emerging as the reference in bank-insurance business segments.

Our local "P1rvi" strategy outlines the role we want to play in society and puts emphasis on the following strategic pillars:

- We aspire to be a long-term profitable market leader – we focus on the long-term development of the financial group (bank, insurer, leasing, and pension companies) to achieve sustainable and profitable growth.
- We offer unique banking and insurance services simultaneously
- We place our clients at the core of everything we do
- We stay and will continue to be focused on further digitalization of services and bringing innovations to the market
- We are responsible towards the society and the local economy, being a front-runner on the market toward ESG
- We develop and embed clear responsible behavior standards to strike the right balance between the interest of the company, our customers, our employees and the society

Given the fact that the operational merger between UBB and KBC Bank Bulgaria was completed in 2024, our focus in the period 2025-2026 will be:

- accelerate digitalization, process automation and innovations in all segments, with strong focus in business banking
- Euro adoption – meet the necessary regulatory and business requirements until January 2026 (unless the official deadline is revised)

We offer our clients a unique bank-insurance experience

UBB is part of a Belgian bank-insurance financial group with extensive experience in both business segments. Our integrated model provides clients with a comprehensive service that allows them to choose from a wide range of products and services. We integrate our channels (bank branches and insurance agencies, contact centers, self-service terminals, the website, our home banking application, and mobile apps) to offer a seamless service.

As a bank-insurer, we are committed to promoting financial literacy and providing solid and transparent advice to help clients make informed decisions. We expect our employees to communicate with clients in an accessible, clear, understandable, and transparent manner.

The programme "I will take care" against business transformation

UBB is transitioning from providing universal financial products to delivering integrated solutions tailored to clients' needs. This shift represents a personalised approach, offering customised customer journeys and appropriate service sets for each individual client.

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Digital with a human touch

During the past few years we have been designing products, services and processes from a "digital-first" perspective. This implies that they were modified before being digitalized to make them simpler, more user-friendly and scalable and that they allow a fast and appropriate response to our clients' questions and expectations. For clients who so desire, we use the available data in an intelligent and appropriate manner. This is why we are transitioning from an omnichannel distribution model towards a digital-first distribution model. The human factor remains important in both models, as our staff and branches are at the disposal to support the customer journeys of our clients. In a digital-first distribution model, however, digital interaction with clients will form the initial basis. We therefore aim over time to provide all relevant commercial solutions via mobile applications. In addition to a digital product range, we will offer our clients digital advice and develop all processes and products as if they were sold digitally.

Kate

Our digital assistant, plays a pivotal role in digital sales and advisory by proactively offering personalized and relevant solutions. Clients can directly ask Kate questions regarding financial transactions and receive regular, discrete, and proactive proposals at appropriate times within their mobile app for maximum convenience. Should the client accept a proposal, the solution is delivered and processed entirely digitally. Employees in the branch network and the contact center remain vital as trusted advisors for our clients, supporting and encouraging digital processes, while monitoring usage through artificial intelligence and data analysis. To ensure optimal ease of use for our clients and expand the offerings via Kate, we have reorganized our internal processes, product and service delivery methods and organizational framework. This transformation necessitates a shift in mindset and ongoing in-service training for our staff. By automating certain administrative tasks and answering queries, Kate allows employees to focus on other issues, saving valuable time which can be used to engage with clients more frequently.

Although these efforts have clearly enhanced client perspectives and operational efficiency, our digital transformation strategy is still underway. We are now integrating various building blocks into "ecosystems" through which we will offer clients new services that support them in finding solutions for housing, mobility, health, etc., using our own products and services, as well as those from partners and suppliers. This approach enables clients to save and earn money beyond the traditional banking environment.

Digitalization also entails the responsibility to use available data responsibly. We ensure that data processing complies with GDPR and all privacy regulations, with processes in place for each new service launched. We adhere to key data protection principles such as purpose limitation (using data only for its collected purpose), data minimization (collecting only necessary data), and transparency (being clear about the data collected and used). Our privacy policy is published to ensure all individuals whose personal data is processed are properly informed. We make continuous efforts to secure data against unauthorized access, loss, or damage, retain personal data only as long as necessary, and maintain accuracy of all personal data. We allow our clients to decide how their data is used and how Kate utilizes this data, communicating transparently and providing a clear privacy overview wherein clients can adjust their preferences at any time.

Towards sustainable economy and society

We strive to build sustainable relationships with individuals, small and medium-sized enterprises and large corporate customers in Bulgaria. Responding to customer needs is very important to us. This means that we know and understand our customers better, effectively identifying their needs and responding quickly, while also offering them products and services tailored to their specific needs. We focus our efforts on the sustainable development of the various communities, in which we work. We encourage our employees to be responsive, responsible and results-oriented and we seek to embed this culture in the behavior of our employees and in their daily tasks.

UBB is committed to embedding **ESG** considerations into its decision-making, risk management processes for clients and 3rd party interactions –aiming at positive contribution to society and safeguarding long-term sustainability.

Sustainability highlights 2024

Environment

Customer engagement dialog

Strengthening the relationship with our clients through specific ESG workshops for supporting companies in their transition to sustainable business model

Climate target setting

Set targets 2030-2050 for the most carbon-intensive sectors in our loan portfolio and follow up on the emissions reductions annually

Own footprint

Our emissions reduction reached 82% compared to the base year 2015

Social

Health

Partnership between DZI and Healee for online health consultations; update of DZI KakSi application

Financial literacy

Handbook to Financial Solutions, Products & Services for employees

Employee engagement

ESG academy, investing in the professional advancement of stakeholders on the topics of sustainable development; employees participated in a number of training courses with focus on sustainability

Governance

Sustainability governance

Sustainability-related governance structure focusing on the implementation and monitoring the progress of related policies

Leadership

Pearl+ leadership academy for managers is active

Responsible behavior

Cyber security on focus, with multiple campaigns for prevention and awareness

Our role in society

As a financial institution that is responsible for environmental issues, we contribute to reducing the adverse effects of human activity on the planet's climate and we make efforts to counteract risks, UBB has implemented various activities aimed at reducing our negative imprint on the environment. We consider the impact our activities have on society and respond to societal needs and expectations in a balanced, reasonable and transparent manner.

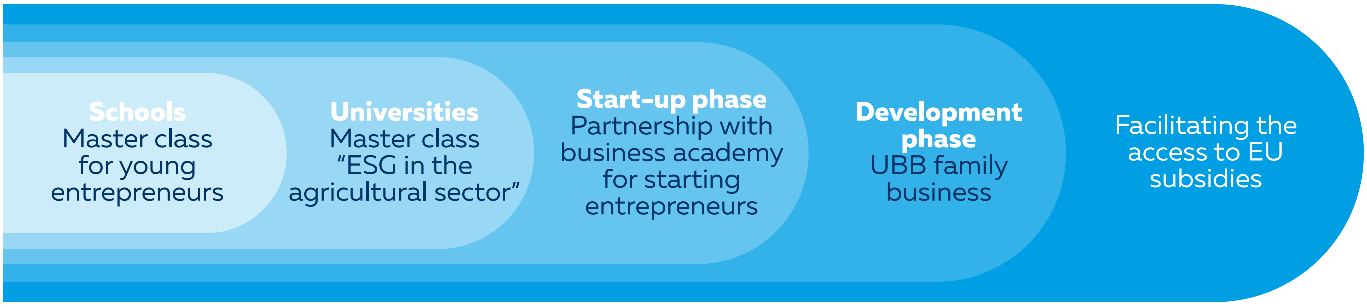
At UBB we believe that we can help make a positive difference in the transition to a sustainable economy and society. Through open collaboration with a rich ecosystem of partners, we create lasting value for our customers, work to empower our employees, and inspire sustainability in companies of all shapes and sizes. As a market leader in Bulgaria, we strive to be a reference for sustainability in the financial sector. UBB is committed to building the enabling conditions that will support our customers in their own transition, facilitating the discussion on the challenges posed by climate change and helping raise general awareness with our stakeholders.

Corporate resilience and responsibility is the true way of doing business. Resilience for us is not just part of a stand-alone strategy, but it is interwoven in our corporate vision and in our daily commercial activities. To us it means that we can meet the expectations of all stakeholders, not only today but with an outlook to the future.

We develop our role in society in 5 domains:

1. Entrepreneurship

UBB promotes entrepreneurship, through the different phases of the business life cycle, as we believe it is a key driver of economic growth and general prosperity.



Entrepreneurial programs & initiatives – UBB supports entrepreneurs through the lifecycle starting from aspiring young entrepreneurs with initiatives targeting schools and universities. We address both capital and other regions in order to facilitate the balanced entrepreneurship development throughout the country.

2. Financial literacy

We proactively use our professional knowledge and experience for the benefit of the society, supporting the work of financial industry organizations; professional associations, government and regulatory working groups focused on new legislation, codification of practices and digitization in the financial services sector.

We help our clients understand, plan, navigate and control their financial present and future through hosted webinars, tutorials on digital tools, coordinating research on employee benefits programs, providing consulting services and educational materials.

UBB embedded "Guide to Financial Solutions, Products and Services for Employees", which targets HR directors and managers of companies and aims to provide them with additional information on the opportunities provided by the banking, insurance, and pension systems for different types of employee-related financial solutions in these companies.

> *"We seek to build an ecosystem that supports clients and staff in their search for a healthy lifestyle."*

3. Health

Part of the corporate social responsibility policy of UBB is promoting healthy lifestyle by value propositions to employees, customers and society.

We support our clients and employees to improve their health and life receiving valuable information and tips on how to be more active, how to take care of their mental resilience, and try to focus their attention to prevention but not only to treatment of disease.

In addition to health and longevity campaigns and investments, UBB financed the upgrading and extension of the collection system of a wastewater treatment plant in Plovdiv, Bulgaria's second largest city. The project aims to protect public health and the environment from water pollution and to develop solutions for wastewater collection and treatment. These goals are balanced to safeguard the financial and operational viability of the water company. Potential environmental and social risks of this project financing are determined, assessed and managed according to the Equator Principles.

4. Responsible behavior

If we want to maintain and increase the confidence of our stakeholders, it is crucial that we act responsibly in everything we do. We strive to go beyond regulatory and compliance requirements: since customer focus is at the heart of our strategy, we focus specifically on sales and consulting with the right degree of responsibility. The basic principles here are respect for customers, colleagues and society. Winning and retaining our stakeholders' trust is the foundation of our "social license to operate" principle. We believe competence, open communication and individual integrity are the milestones of the trust we want to maintain. The trust of our stakeholders is the foundation of our continuing existence. In order to win and retain it, we continuously demonstrate that:

- We know our business (professionalism and competence);
- We are transparent in our communications (we provide clear, fair and not misleading information);
- We do what we say (we keep our promises and act with integrity);
- We aim for win-win relationships (we genuinely care about the interests of our customers)

Responsible behavior is the basic layer of sustainability at UBB and is considered as absolutely necessary to successfully implement an effective and credible sustainability strategy. The basic principles of responsible behavior are embedded into our PEARL+ values of Respect for our clients, colleagues, society and UBB itself, together with our responsive and result-driven spirit. In order to achieve the right balance between the interest of the company, the client and the employees, we have embedded clear standards and KPIs related to responsible behavior. Our ambitions always start from within through regular staff trainings focused on dilemma discussions.

5. Environmental responsibility

UBB is naturally in tune with the major economic, social and environmental challenges that mark our present and future. All these are analyzed by our teams and partners, and we mobilize all of our expertise and resources to address them.

In 2024 we took again an active role in increasing the sustainability awareness and sense of climate urgency in Bulgaria, taking specific steps to deliver change and showing high level of transparency.

We raise the awareness and engage society by provoking honest dialogs, build partnerships, feel the pulse of the employees, and openly demonstrate our stand in front of all our stakeholders.

In the heart of our sustainability journey is a profound belief in the power of partnership and connection with our clients. We transform our lending and investment activities and help our customers to support the transition to a sustainable economy. It's not just about being a bank; it's about being a trusted companion on the path towards a more sustainable world.

Sustainable finance program – through it in 2024 UBB continued to work actively on the identified main pathways:

- setting targets, measuring, collecting and reporting on financed sectors' emissions data
- preparing and updating the White Papers focused on key sector-specific ESG developments and their addressing in the context of the bank and insurance activities
- expert documents for assessing the development of carbon-intensive sectors in our portfolio
- developing and tracking banking products and services related to sustainability and green business solutions, validating sustainable activities
- monitoring and analyzing the impact of our own and client activities on biodiversity
- supply chain research on specific sectors; analysis of the business impact of adverse weather events
- development of innovative digital solutions

"We aim to evolve the financial system so that it incorporates the value of nature and contributes to preserving the ecosystems and society".

Strategy deployment

A structured and well-coordinated approach of strategy deployment is put in place to ensure our successful strategy implementation. The strategy is aligned, approved and monitored by the UBB Management Board & the Country Management team of KBC Group in Bulgaria. Strategical dialog cycles are regularly held with deep dives on the key strategic themes, direction and priorities.

Our clients

UBB is a universal bank with balanced portfolio of customer relationships across the entire spectrum of the economy and the society.

In addition to our unwavering commitment to addressing customers' requirements, we are leveraging digitalization to enhance the convenience of our services and expand our distinct bank-insurance model within the country. This drive towards customer centricity encompasses several target segments that are of interest to the bank.

Retail clients:

We drive business growth through expanding our seamless digital bank-insurance proposition, combined with additional services, advice and support provided by our retail distribution network and multichannel support teams. We then further rely on enhanced digital lead management activities to drive business growth.

Micro companies:

We deliver under a unique business model, where the company and its owner are both serviced by one dedicated microbusiness relationship manager, responsible for covering both their private and business needs in terms of investments, borrowing, insurance and transactional business.

Small and medium-sized enterprises:

UBB offers to its SME customers extensive geographical coverage and accessible services with a wide range of digitized offerings, including daily banking products, POS, FX, and Trade Finance. Our credit products are tailored to meet different needs: standard lending requests are handled with speed and uniformity, while more complex lending requests receive customized solutions. UBB's lending capabilities to SMEs are further enhanced through utilizing a wide range of financial instruments to access funding at preferential conditions.

Corporate clients:

Our Corporate banking activities are organized around specific industry knowledge, allowing our teams to achieve deeper understanding and create value added for our clients through addressing of their specific needs and acting as a trusted advisor. We have specialized units that can provide complex services in the field of project finance, financial institutions and custody, factoring, FX and financial market instruments and cash management. We combine the strength of an international group with local embeddedness, thus offering comprehensive top-notch service to some of the largest national and multinational customers in Bulgaria.

Markets & investment banking:

We provide our clients with direct access to local and international financial markets, offering them products and services for execution of various transactions with financial instruments, interest rate and currency risk management, Capital Markets funding, Mergers and Acquisitions (M&A). We strive to provide additional value to our clients, helping them to optimally manage their financial risks and turn market opportunities into stable revenues by maintaining and developing long-term partnerships with them.

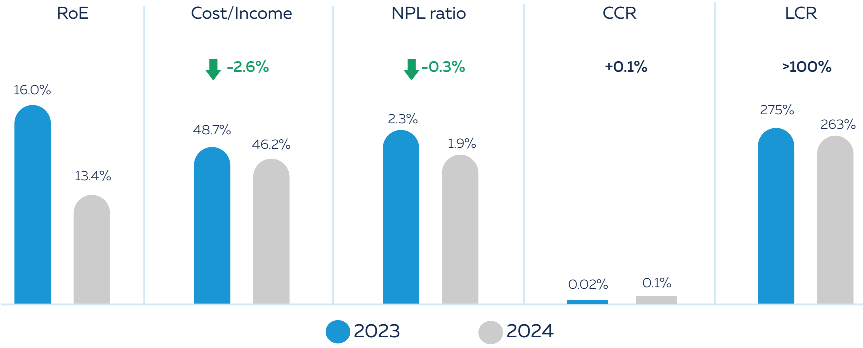
Asset management:

We provide a broad scope of asset management alternatives to our clients under advisory mode, including managed funds, unit-linked life insurance products, as well as themed investment opportunities reflecting on the ongoing market trends and developments. As a part of our Group approach, we maintain a special focus on socially responsible investing funds, which now represent a major part of our distributed volumes. UBB constantly works on enhancing the digital proposition, with the regular investment plans and the introduced in 2024 "InResto" product gaining growing popularity among our customers.

Our financial performance

UBB Group at a glance: Key performance indicators

Improved profitability, supported by increased cost efficiency and excellent credit quality with low loan losses.



Notes:
1) The Share capital (incl. Premium reserves) was increased in March 2024 by BGN 309 million to strengthen the capital position of the bank which impacts the ROE of 2024 vs 2023.
2) NPL ratio is calculated based on the Loan and advances incl. Credit institutions.
3) CCR stands for Credit Cost Ratio

Our Financial result

P&L items, BGN k	2024	2023	Delta	% Delta
Interest income	994,707	872,702	122,005	14.0%
Interest expense	(169,199)	(118,318)	(50,881)	43.0%
Net interest income	**825,508**	**754,384**	**71,124**	**9.4%**
Fee and commission income	388,846	375,117	13,729	3.7%
Fee and commission expense	(99,243)	(92,064)	(7,179)	7.8%
Net fee and commission income	**289,603**	**283,053**	**6,550**	**2.3%**
Net other income	12,214	15,196	(2,982)	-19.6%
Total income	**1,127,325**	**1,052,633**	**74,692**	**7.1%**
Personnel expenses	(222,517)	(211,480)	(11,037)	5.2%
General administrative expenses	(244,493)	(238,620)	(5,873)	2.5%
Depreciation and amortisation expenses	(53,273)	(62,815)	9,542	-15.2%
Total Operating expenses	**(520,283)**	**(512,915)**	**(7,368)**	**1.4%**
Impairment expenses	(29,813)	(4,149)	(25,664)	618.6%
Share in results of associated companies	725	476	249	52.3%
Profit before tax	**577,954**	**536,045**	**41,909**	**7.8%**
Income tax expense	(84,144)	(53,487)	(30,657)	57.3%
Profit for the year	**493,810**	**482,558**	**11,252**	**2.3%**

Note: PL figures (on conso basis) for FY23 have been adjusted to include the effects of the merger of KBC Bank Bulgaria EAD as if it was part of UBB from 1st of January 2023 (like for like comparison), while in the financial statements the merger was accounted for prospectively, by presenting Banks' combined results from the date of the merger (1 April 2023) onwards. This has been done with the objective of presenting a meaningful evolution of the Bank's activities and to allow for proper comparison of the annual performance.

Financial result summary

FY2024 was another remarkable year for UBB Group, whereby our strong financial performance was supported by substantial increase in lending income, combined with contained growth of the operating costs helped us deliver a record-high profit for the year of BGN 493.8 million (+2.3% YoY).

Total income reached BGN 1 127 million, a solid uplift of 7.1% compared to 2023 and much better than the increase in Total operating expenses. As a result, the Cost to Income ratio improved to 46.2% or 2.5pp (48.7% in 2023).

Operating Income

Net interest income increased by 9.4% or 71.1m with the main driver being the Interest income from customer loans (BGN +78.5 million). This was partly offset by higher Interest expense (+43% or BGN +50.9 million), of which 39% represent regulatory-driven costs related to the minimum requirement for own funds and eligible liabilities (MREL).

The performance of Net fee and commission income in 2024 is in direct relation with UBB's commitment to its clients not to update the tariff during the integration process with KBC Bank Bulgaria EAD. The modest uplift of +2.3% is entirely on the back of higher customer activity, which drove the Net loan and guarantees fees increase by 10.6%, while the commissions from distribution of Asset management product jumped by the impressive 37.6%.

Operating Expenses

Regardless of the persisting inflation in the country, over the past year the Bank's Total operating expenses increased by just 1.4% and far below the growth of the operating income, a testament to the efficiency potential of UBB. It is important to note that the bulk of this increase was attributed to a rise in Personnel expenses, highlighting the responsibility the Bank has as a trusted employer. Furthermore, the operating expenses were influenced by the execution of 2 vastly important projects - the integration of ex-KBC bank BG and the Euro adoption program.

Impairment charges

The Impairment charges for 2024 reflected the overall excellent credit quality, corresponding to CCR of 0.1%, while impaired loans ratio improved to 1.9%.

Our balance sheet

Balance sheet, BGN k	2024	2023	Delta	% Delta
Assets				
Cash, bank placements and reverse repos	8,992,379	9,789,576	(797,197)	-8.1%
Loans and advances to clients	20,610,640	18,056,825	2,553,815	14.1%
Securities	7,537,983	5,911,848	1,626,135	27.5%
Other assets	321,731	365,193	(43,462)	-11.9%
Total assets	**37,462,733**	**34,123,442**	**3,339,291**	**9.8%**
Liabilities				
Deposits and loans from banks	4,153,290	2,760,645	1,392,645	50.4%
Deposit from clients	27,426,663	26,255,585	1,171,078	4.5%
Other liabilities	1,677,170	1,723,309	(46,139)	-2.7%
Total liabilities	**33,257,123**	**30,739,539**	**2,517,584**	**8.2%**

Assets

Total assets of UBB Group increased in 2024 by 9.8% (BGN + 3 339 million). The main contributor to the positive evolution was the expansion of Loans and advances to clients by more than BGN 2 553 million or +14.1%. Furthermore, the total amount of securities, which represent mainly debt instruments at amortized costs increased by impressive 27.5% (BGN 1 626 million). This is due to the acquisition of mainly Bulgarian Government Debt securities throughout the year.

Liabilities

On 31 December 2024 the UBB's total liabilities on a consolidated base amounted to BGN 33 257 million (2023: BGN 30 740 million). The 8.2% growth compared to the previous year is mainly contributed by an increase of customers' deposits by 4.5% and also higher deposits and attracted funds from banks, including the regulatory-required MREL financing.

Segments performance 2024

Based on the products and customers serviced, UBB operates in the following main business segments:

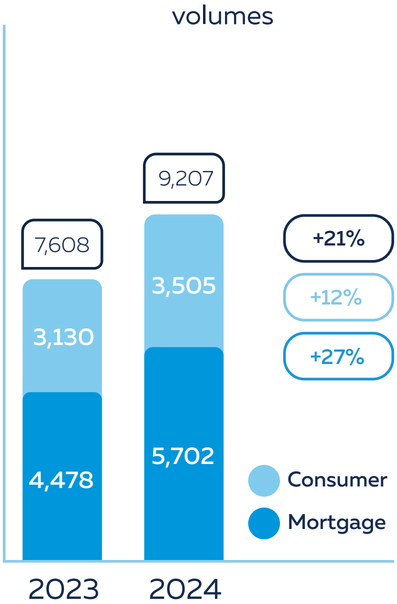
- In **Retail banking** we provide households customers with a comprehensive range of financial products (consumer and mortgage loans, credit cards, asset management and bank insurance products) and services, along with convenient omnichannel customer experience.
- In **Micro banking**, we aim to be the preferred bank for micro business helping them develop and grow in a sustainable way. We offer products to micro companies with a turnover of up to BGN 2 million and to their owners.
- In **SME banking** we support small and medium-sized companies with a turnover between BGN 2 million and 30 million, with a range of products and financial solutions such as trade finance, cash management, etc.
- In **Corporate banking** we focus on large corporate companies with a turnover above BGN 30 million, including other financial institutions, international network clients, and budget institutions. The bank provides services to clients, such as capital markets, cash management, project finance and trade finance.
- **ALM and other segment** includes intragroup clients.

All business segments pay and receive interest to/from ALM segment through given Fund Transfer Pricing rate (FTP) on arms' length basis to reflect the income/expenses on Liabilities/Assets per currencies and tenors.

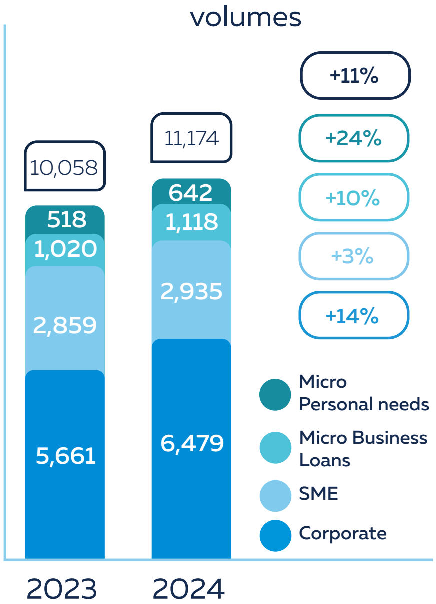
Overview of the primary segments results for 2024 and 2023 of UBB Group:

	Retail banking		Micro banking		Corporate & SME Banking		ALM & other		Total	
P&L items, BGN k	**2024**	**2023**	**2024**	**2023**	**2024**	**2023**	**2024**	**2023**	**2024**	**2023**
Net Interest Income	427,100	389,708	87,156	77,809	304,413	274,775	6,839	12,093	825,508	754,385
Net Fees and Commissions Income	141,982	126,238	61,445	65,213	84,615	90,465	1,561	1,136	289,603	283,052
Net other income	1,107	649	4,550	1,081	10,983	3,647	(4,426)	9,819	12,214	15,196
Total Income	570,189	516,595	153,151	144,103	400,011	368,887	3,974	23,048	1,127,325	1,052,633
Administrative expenses	(335,932)	(317,677)	(72,125)	(66,129)	(101,842)	(119,539)	(10,384)	(9,570)	(520,283)	(512,915)
Impairment expenses	(10,262)	(10,185)	7,627	(11,372)	(27,369)	3,880	191	13,528	(29,813)	(4,149)
Share in result of associated companies	-	-	-	-	-	-	725	476	725	476
PROFIT BEFORE TAX	223,995	188,733	88,653	66,602	270,800	253,228	(5,494)	27,482	577,954	536,045
Income tax expense	(31,454)	(18,832)	(12,451)	(6,646)	(38,087)	(25,267)	(2,152)	(2,742)	(84,144)	(53,487)
PROFIT FOR THE YEAR	192,541	169,901	76,202	59,956	232,713	227,961	(7,646)	24,740	493,810	482,558
Volumes, BGN m										
Total lending	9,207	7,608	1,760	1,538	9,414	8,520	230	391	20,611	18,057
Total deposits	17,216	15,598	2,995	2,997	7,081	7,477	135	184	27,427	26,256

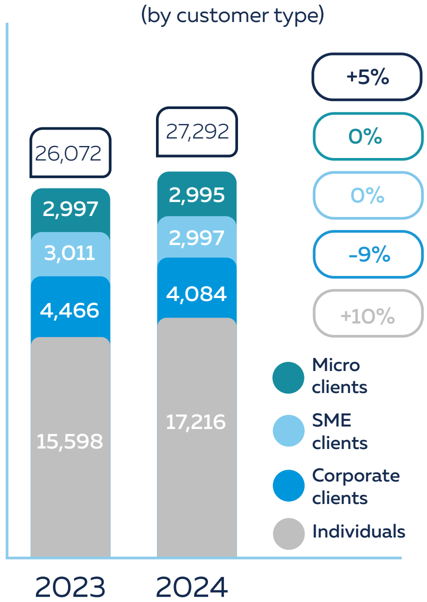
Retail loan volumes



Business loan volumes



Customer attracted funds
(by customer type)



Note: the graphs do not include the Intragroup balances

How do we manage our risks?

We aim to achieve our ambitions within a stringent risk management framework.

Risk management is an integral part of corporate strategy and decision-making process.

- We perform risk scans, deep dives and control inventories to identify all key risks.
- We define our risk appetite in a clear manner.
- We translate that into strict limit tracking per activity and business unit.
- We monitor the risk profile of existing and new products via a product approval process.
- We challenge the results of the periodic planning process via stress tests.
- We have Chief Risk Officer with a veto right in the different committees where material decisions are taken.

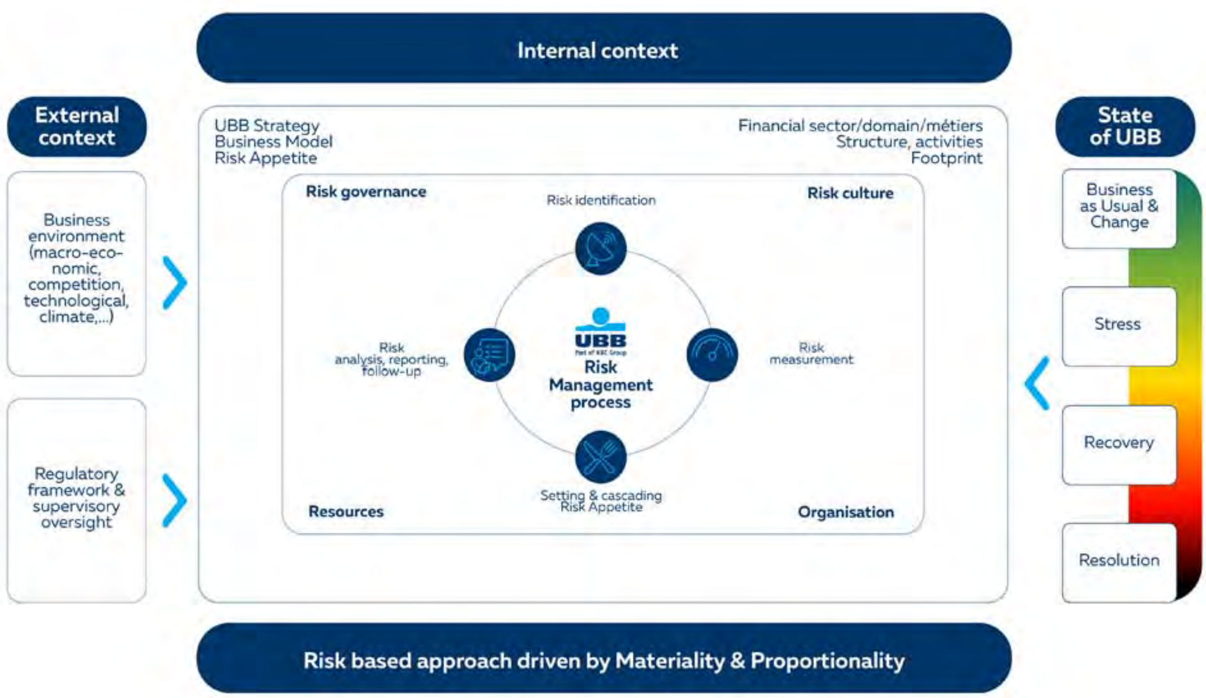
Risk management aims to simultaneously improve both UBB's risk resiliency and agility in a volatile, uncertain, complex and ambiguous environment. In doing so, it helps to safeguard the interests of UBB and its many stakeholders (clients, society, shareholders, employees, supervisors, ...).

More specifically, risk management refers to the coordinated set of activities to pro-actively identify and manage the many risks that can affect UBB in its ability to achieve its objectives, including by helping to promote a sound risk culture, and to ensure its long-term sustainability, also in case of crisis.

Sound risk management does not only apply to business-as-usual, but also to change (small and big transformations) and crisis situations (going from rather mild stress situations up to the most stressful, like resolution).

The principles that govern sound risk management within UBB are fully aligned with KBC Risk Management Framework (RMF). The UBB RMF sets a strict governance and clear rules and procedures on how risk management should be performed throughout UBB by defining standards for risk management that need to be applied in UBB in a consistent manner.

The Three Lines of Defence Model ensures the resilience of KBC's risk and control environment and safeguards the sustainability of our business model going forward. In this model, Business acts as the first line of defence, Risk as one of the second lines and Internal Audit as the third line. They all work together to prevent major impact losses for the bank.



The main risks related to the activity of UBB and of the banking sector in general are presented below:

Credit risk

Credit risk is the potential negative deviation from the expected value of a financial instrument arising from the non-payment or non-performance by a contracting party (for instance a borrower), due to that party's insolvency, inability or lack of willingness to pay or perform, or to events or measures taken by the political or monetary authorities of a particular country. Credit risk thus encompasses default risk and country risk, but also includes migration risk, which is the risk resulting from adverse changes in credit ratings.

The strategic objective of granting credit through loans and other credit products on a relationship-driven basis to private individuals, businesses and public authorities is to sustainably and profitably support economic activity in the country in which we operate. Our credit products are varied in type and structure as they are tailored to suit the needs of our clients, the prevailing legal context, the risk profile of the transaction and the sustainability objectives that we have committed to. Our credit activity is subject to a general risk appetite statement decided upon by the Supervisory Board and managed considering continuous input in terms of economic outlook and market information.

In line with the Credit Risk Management Framework, credit risk is managed at both transactional and portfolio level. Managing credit risk at the transactional level means that we have sound practices, processes and tools in place to identify and measure the risks before and after accepting individual credit exposures. Limits and delegations are set to determine the maximum credit exposure allowed and the level at which acceptance decisions are made. Managing the risk at portfolio level encompasses, inter alia, periodic measuring and analysing of risk embedded in the consolidated loan and investment portfolios and reporting on it, monitoring limit discipline, conducting stress tests under different scenarios and taking risk mitigating measures.

The appropriate risk management committees are periodically informed of relevant credit risk signals or observations. Credit risk signals that are considered material are reported to the Local Risk Management Committee. In addition, thematic and sectoral deep dives are performed to gain further insights into credit risk and to follow up on policies, procedures and monitoring instruments. The information gathered is used, among other things, to formulate policy actions and recommendations.

The sufficient credit risk management within UBB is supported by:

- *Existence of a robust management framework*
- *Recording impairment charges, taking risk-mitigating measures, optimising the overall credit risk profile, reporting, stress testing, etc.*
- *Limit systems to manage concentration risk in the loan portfolio, etc*

Market risk in the banking book (non-trading activities)

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 our Group and the local regulator. In general, the volumes are adjusted in line with our budgeting process - 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).

The sufficient non-trading market risk management within UBB is supported by:

- *Existence of a robust management framework*
- *Basis Point Value (BPV), NII simulation and stress testing, nominal amounts limit tracking for crucial indicators, open currency position in banking book monitoring, etc.*

Operational and other non-financial risks

Operational risk is the risk of loss resulting from inadequate or failed internal processes and IT systems, human error or sudden external events whether man-made or natural. Other non-financial risks include reputational risk, business risk and strategic risks.

The governance, rules and procedures on the performance of operational risk management are outlined in the Operational Risk Management Framework (ORMF). The ORFM has been fundamentally reviewed in 2024 as per the Program for Redesign of Operational & Information Risk also called PRIOR program. Following PRIOR, UBB started applying an enhanced approach towards operational risk management. From processes we gradually move to business lines, and from assessment of Group Key Controls (GKC) - 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. 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.

The sufficient operational risk management within UBB is supported by:
- Existence of a robust management framework
- Group key controls gradually being replaced by Risk & Control inventories, Key Risk Indicators (KRIs) etc

Market risk in trading activities

In line with the approved strategy for trading book positions, the Bank is not exposed to significant market risk arising from this kind of exposures. Trading book positions are managed and controlled daily in accordance with the Risk Appetite Statement. The focus continues to be trading with clients and the residual risk of foreign exchange positions, which are related to client transactions, as well as the risk of trading on behalf of the Bank, are relatively low given their volume and complexity.

Within UBB, the Local Risk Management Committee (and MB) sets the playing field by expressing the Risk Appetite. This playing field is translated, amongst others, into a set of trading market risk limits. Those limits are the core building blocks of the trading market risk management process.

The sufficient trading market risk management within UBB is supported by:
- *Existence of a robust management framework*
- *FX Open currency position daily monitoring, Stop Loss Limit of the Trading Book Bonds' portfolio daily monitoring, Notional limit for bonds held in the trading book daily monitoring, stress tests etc.*

Liquidity risk

The liquidity risk can be classified as potential inability of the bank to fund the increase of its assets and/or to meet its payment obligations which are due without incurring unacceptable losses.

UBB liquidity and funding position are solid in view of its current and future risk profile.

UBB manages its assets and liabilities in a manner guaranteeing that the Bank is able to fulfill its day-to-day obligations regularly and without delay both in going concern and in stressed environment. The Bank invests mainly in liquid assets.

The average level of the regulatory liquidity risk ratios are as follows:
- *263% Liquidity Coverage Ratio (LCR) for 2024 (2023: 275%)*
- *168% Net Stable Funding Ratio (NSFR) for 2024 (2023: 165%).*

The ratios are comfortably above the internal and regulatory limits showing that both short term resilience (LCR) and a stable funding profile (NSFR) are maintained.

In addition, UBB has a stable funding structure. The Bank aims at maintaining diversified deposit base and access to alternative funding sources by thus limiting the potential funding costs in case unexpected events occur.

During the reporting year, UBB has neither suffered from a shortage of cash funds, nor experienced any other liquidity difficulties. No such problems are expected to occur in the next financial year, as well.

Geopolitical risks underline the importance of stress testing to underpin / challenge the strength of the liquidity buffers. To test its resilience, UBB perform a wide range of stress tests as part of a sound stress testing mix, which is reviewed at least annually and adapted to the changing environment. The outcome of those stress tests is monitored and reported at Local Risk Management Committee (LRMC) to the management of the Bank. The scenarios for assessing the ability of the Bank to withstand the crisis situations in the liquidity risk area are developed according to the KBC group methodology. The currently applied stress tests show that UBB can withstand such adverse developments.

The sufficient liquidity risk management within UBB is supported by:
- *Existence of a sound management framework,*
- *Liquidity stress tests management of funding structure,*
- *Internal limits for LCR and NSFR as well as limits for Liquidity Recovery indicators,*
- *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).*

Climate-related and other ESG risks

ESG risks are the risks of (current or prospective) Environmental, Social or (corporate) Governance factors impacting UBB, either directly or via its counterparties and exposures:

- Environmental risk is the risk arising from climate change (climate risk) or from other environmental degradation such as biodiversity loss, scarcity of fresh water, (air, water and soil) pollution and waste.
- Social risk is the risk arising from changing expectations about relationships with employees, suppliers, clients and communities e.g., labour and workforce considerations, human rights and poverty, community impact, client relationships, etc.
- Governance risk is the risk arising from changing expectations concerning corporate governance, anti-corruption & anti-bribery, and transparency.

Since 2018, climate risk has been reconfirmed as a key risk in the annual Risk Scan exercise. In 2023, 'other environmental risks' were added to account for the increasing importance of the impacts of environmental degradation. Although risk assessment methodologies are more advanced for climate risk compared to some other ESG risk areas, the company is making continuous efforts to further improve the integration of climate and other ESG risks in the Risk Management Framework and in its risk management processes.

When managing climate and other environmental risks, we differentiate between:

- transition risks: risks arising from disruptions and shifts associated with the transition to a low-carbon, climate resilient or environmentally sustainable economy;
- physical risks: risks related to potential financial implications from physical phenomena associated with both climate or environmental trends that may disrupt operations or value chains or damage property.

The management of ESG risks is fully embedded in the existing risk management governance of UBB.

The sufficient climate-related and other ESG risks management is supported by:

- *integration of these risks into the existing risk management frameworks*
- *Environmental Risk Impact Map, Climate Risk Dashboard (climate risk KPIs monitoring), etc.*

Solvency (Capital) Risk

Capital Management is a key management process relating to all decisions on the level and composition of the capital. It aims to achieve the best possible balance between regulatory requirements, market expectations and management ambitions.

The solvency risk is risk that the Bank's regulatory capital (own funds) will fall below an acceptable level.

The solvency risk measurements are regulated in:

- Directive 2013/36/EU which set the general framework for Risk Management in financial institutions;
- Regulation EU 575/2013 (Credit Risk Regulation) which sets forth the rules for calculating Capital Adequacy Ratio (CAD) and the minimal requirements;
- Directive (EU) 2014/59 (Bank Recovery and Resolution Directive II) which sets forth the Minimum Requirement for own funds and Eligible Liabilities (MREL) ratio.

At bank level Solvency (Capital) Risk is managed by the Risk Function supported by Finance, Treasury and Legal. Management Board's involvement is insured via regular reporting of CAD and MREL levels (actual, forward-looking and stressed) to the Local Risk Management Committee (LRMC).

The Bank has sufficient own funds to ensure adequate coverage for its risk assets.

The UBB regulatory capital at 31 December 2024 amounts on individual level to BGN 3 727 780 thousand (2023: BGN 3 050 647 thousand) and on consolidated level amounts.to BGN 3 732 231 thousand (2023: BGN 3 047 987 thousand).

The following table presents the capital adequacy and MREL ratios of UBB which reflect its stability (solvency):

UBB's CAD and MREL ratios	Individual		Consolidated	
	31.12.2024	31.12.2023	31.12.2024	31.12.2023
Total capital adequacy ratio	21.38%	19.44%	21.37%	19.41%
Tier-I capital adequacy ratio	20.35%	18.31%	20.34%	18.28%
MREL (TREA)	28.56%	27.42%	n.a.	n.a.
MREL (TEM)	12.40%	11.92%	n.a.	n.a.

UBB have a solid current and forward-looking capital position, respecting all internal risk appetite targets and regulatory requirements, also under various types and severity of stress, taking into account the all material risks to which the Bank is exposed.

The sufficient capitalization of UBB is supported by a strong ICAAP architecture and capital planning processes in place.

Compliance risk

Compliance risk is the risk that a judicial, administrative or regulatory sanction is imposed on an institution and/or its employees because of non-compliance with the laws and regulations pertaining to the compliance domains, resulting in loss of reputation and potential financial loss. This loss of reputation can also be the result of non-compliance with the internal policy in this regard and with the institution's own values and codes of conduct in relation to the integrity of its activities.

As a matter of priority and as a minimum, the scope of activities of the Compliance function is to be concentrated in the following areas of integrity: Anti-Money Laundering and Countering the Financing of Terrorism, Tax Fraud Prevention, Investor Protection, Data Protection, Business Ethics, Fraud Risk Management, Protection of the Policyholder, Non-Discrimination, Consumer Protection, Governance Aspects of CRD IV and V, Solvency II and/or local legislation and Sustainable Finance

Focus on responsible and ethical behavior

If we want to maintain and increase the confidence of our stakeholders, it is crucial that we act responsibly in everything we do. We strive to go beyond regulatory and compliance requirements: since customer focus is at the heart of our strategy, we focus specifically on sales and consulting with the right degree of responsibility.

The basic principles here are respect for customers, colleagues and society. This provides us with legitimacy, guides our behaviour and guarantees our long-term survival.

Responsible behaviour is at the heart of honesty, fairness, transparency and confidentiality, combined with sound risk awareness. Responsible behaviour is especially important for the banker when it comes to proper advice and sales. That is why we pay particular attention to the training and awareness of our employees in this regard.

As a first step in building a corporate culture of ethical behaviour, a separate segment is dedicated to the initial training of newly hired employees.

In 2024, a focused training on Responsible behavior (combined with the topics of Operational risk and Information security in under the general Risk culture training) for the Bank's staff was conducted in order to uphold a stable level of awareness on these topics. The training was followed by a knowledge test in order the degree of staff awareness in regard to the importance of the topic to be assessed.

Anti-corruption Program

Criteria used to assess the risk of corruption are provided for in UBB's Anti-corruption program and are set up in conjunction with the national legal framework for the prevention of corruption and fraud and conflict of interest based on the British Bribery Act (with ex-territorial effect) introduced in 2011 and implemented with Group Compliance Rule No. 19 (Anti-Corruption Program) of the KBC Group.

Risk assessment

Key external risks:

- *Risk coming at country level* (high level of corruption, bad legislation, low transparency). For example: The countries with less than 50 points in accordance with the index of the: Transparency without borders (http://www.transparency.bg/bg/), excluding Bulgaria, are considered as higher corruption risk http://www.transparency.bg/en. The exception provided for Bulgaria should not be applicable to: Politically Exposed Persons (PEPs); businesses that are associated with higher corruption risk (as per a list); parties involved with cash intensive activities, which are still considered to be higher risk.
- *Sectoral Risk* (some departments of a financial institution or cross-border activities are more exposed; risks are different for a bank as compared to other activities such as leasing, investments services or a factoring company, etc.).
- *Transaction Risk* (charitable contributions, licenses and permits, public procurement).
- *Business Opportunity Risk* (complex projects including many intermediaries, not at market prices, no clear legitimate objective).
- *Business Partnership Risk* (transactions with foreign public officials, joint ventures, PEPs, agents and intermediaries).
- *Due Diligence Risk* (absence of due diligence on parties performing services on behalf of the Bank e.g. to establish business in a foreign market, M&A's).

Key internal risks:

- *Human Resources* (employee training, skills and knowledge, bonus culture, excessive risk taking).
- *Monitoring and Control* (Lack of monitoring, lack of reporting, lack of clear financial/ accounting controls).
- *Other* (Lack of clarity in procedures for hospitality, promotional expenses charitable contributions, etc., lack of anti-bribery message from the top management, specific divestment risks).
- The Bank organizes trainings to newcomers and refreshing trainings and tests to the personnel.

The number of employees trained in 2024 is as follows:
- Trainings for new employees on internal rules on ethics:
o Number of employees invited at training sessions – 447
o Number of employees who attended the trainings, including testing – 385
- Training for the whole bank staff on ethics and fraud risk management:
o Number of employees invited at training sessions – 4 258
o Number of employees who attended the trainings, including testing – 4 094
- Training for the whole bank's staff on internal procedures, prohibiting provision of unacceptable services and assistance:
o Number of employees invited – 4 308
o Number of employees who passed the test – 4 201

None was dismissed or was at suit for corruption in 2024.

- The Bank has developed a mechanism for sending signals for malpractices and violations of internal rules, including corruption.
- The following regulations in force in UBB and are directly or indirectly linked to corruption prevention:
  - Code of conduct (updated in 2024)
  - Policy on gifts, entertainment, donation and sponsorship
  - Whistle-blowing Rules (updated in 2024)
  - Rules for prevention of money laundering/financing of terrorism (updated in 2023)
  - Internal rules for inventory and non-remuneration of management mandates executed in other companies on nomination of KBC.

When assessing the risk of corruption as per UBB's Anti-corruption Program the following criteria of internal and external risk of bribes are taken into consideration.

Important new sustainability policies

Blacklist of companies and activities

We place businesses on this list that are involved with controversial weapons systems or which commit serious breaches of UN Global Compact Principles. The employees of the Bank / The Group are not permitted to do business with such enterprises.

Human rights

Our human rights policy is in line with the UN Guiding Principles on Business and Human Rights and UN Global Compact Principles.

Controversial regimes

We do not wish to be involved in financial activities with controversial regimes that fundamentally violate human rights and lack any form of good governance rule of law or economic freedom. We do however make an exception for humanitarian goods. Based on reputable external sources we decide each year what countries are to be included on our list of controversial regimes.

Arms-related activities

We are very reluctant to fund any kind of arms-related activities. Even though the arms industry plays a role in security funding is only provided to companies that meet strict conditions.

Project finance

We do not provide financing or advisory services to projects where the client does not comply with the Equator Principles.

Other socially sensitive sectors

We have imposed restrictions on other socially sensitive sectors such as narcotic crops, gambling, palm oil production, mining deforestation, land acquisition and involuntarily resettlement of indigenous populations and prostitution.

Teodor Marinov
Executive Director

UNITED BULGARIAN BANK AD SOFIA UBB

Svetla Georgieva
Executive Director

Date: 29.04.2025

Corporate Governance Statement

This Corporate Governance Statement has been prepared by virtue of Art. 40, Para. 1 of the Accountancy Act in relation to Art. 100, letter 'n', Para. 7 of the Public Offering of Securities Act and UBB AD Corporate Governance Code.

The Corporate Governance Code of United Bulgarian Bank AD is based on the regulatory requirements pertaining to UBB and adopted in the Bulgarian and international legal and regulatory framework while also transposing the best international practices, embedded in series of European codes and recommendations of the European Commission. This Code's introduction targets thorough harmonization with the philosophy of those practices and UBB warrants, definitely and transparently, as to how this philosophy is going to be applied in everyday practice. This document has been published at UBB's official web page - Division KBC Group, Section Important Documents: *(https://ubb.bg/attachments/Tab/923/download_bg/BG-Corporate-Governance-Code-UBB-21032023-as-of-the-LM_2.pdf)*

Management structure

UBB is a joint-stock company with a two-tier management system (a Supervisory Board and a Management Board).

Supervisory Board (SB)

The Supervisory Board has been empowered to exercise preliminary ongoing and subsequent control on the compliance of UBB's activity with the applicable law, the Articles of Association and the decisions of the General Meeting of Shareholders in the interest of the clients and shareholders of UBB AD. The competence of the Supervisory Board is stipulated in the law, the Articles of Association and with decisions of the General Meeting of Shareholders. The particular powers of the Supervisory Board are listed in UBB's Articles of Association as well as in the Operational Rules of the Supervisory Board of UBB AD and UBB AD's Corporate Governance Code.

UBB AD's Supervisory Board comprises from 3 (three) to 7 (seven) persons elected by the General Meeting of Shareholders. The Supervisory Board members are being elected for a mandate of 4 (four) years and may be re-elected without limitation. Each member's mandate may be terminated by the General Meeting of Shareholders at any time. The candidate-members of the Supervisory Board shall have to comply with the requirements indicated in Art. 11 of the Credit Institutions Act, Ordinance 20 of the BNB on the Requirements to the Members of the Management and Controlling Bodies of a Credit Institution and on the Assessment of the Suitability of Their Members and the Key Function Holders and requirements in line with the performance of their functions and in the Bank's Articles of Association and are subject to preliminary approval by the European Central Bank in cooperation with the Bulgarian National Bank.

In 2024 no personal changes were made in the composition of the Supervisory Board of the Bank.

Committees to the Supervisory Board

The following committees have been established to the Supervisory Board in support of its activity: Risk and Compliance Committee, Remuneration Committee and Nomination Committee.

The Risk and Compliance Committee is a sub-committee to the Supervisory Board. This committee consults the Supervisory Board on the overall current and future risk appetite and risk strategy, as well as the current and future rules on compliance. It supports the Supervisory Board in the monitoring and control on the application of these elements and rules by the senior management. This committee has no other powers and responsibilities than those delegated by the Supervisory Board.

In principle, only the Supervisory Board has decision-making powers, while the Risk and Compliance Committee has a consultative role unless some particular decision-making powers have been delegated to it by the Supervisory Board or such have been granted pursuant to the local legislation. The Supervisory Board bears full responsibility for the risks. The Risk and Compliance Committee comprises of the members of the Supervisory Board as envisaged in Art. 6 of Ordinance 7 of the BNB on the Organization and Management of Risks in Banks. The Committee members are nominated by the Supervisory Board, where majority of them are external to and independent from the Bank.

The Remuneration Committee is a sub-committee to the Supervisory Board established in accordance with Ordinance 4 of the BNB on the requirements for remunerations in banks, as well as with all applicable legal and regulatory requirements and with the best corporate governance practices. This committee performs competent and independent assessment of the remuneration policies and practices, as well as the incentives envisaged for managing risk capital and liquidity. The Committee is responsible for elaboration of decisions relating to remunerations, while considering the possible risk and the risk management at UBB, the long-term interests of shareholders, investors and the other interested parties connected to UBB. UBB AD Remuneration Committee comprises of members of the Supervisory Board, who are being appointed by the latter and majority of them are external to and independent from the Bank.

The Nomination Committee is a sub-committee to the Supervisory Board responsible for the election of candidate-members for the Management Board and the Supervisory Board in compliance with Ordinance 20 of the BNB for issuance of approvals to management board (board of directors) as well as supervisory board members of credit institutions and the requirements in line with the performance of their functions, as well as the applicable statutory and regulatory requirements. The Nomination Committee comprises of members of the Supervisory Board, who are being appointed by the latter and majority of them are external to and independent from the Bank. The Committee defines and recommends Supervisory Board candidate-members for election by the General Meeting of Shareholders and Management Board candidate-members for election by the Supervisory Board, while considering the balance of professional knowledge and skills the various qualifications and professional experience of the board's members, needed for UBB's management. Besides, the Committee elaborates a description of the functions and the requirements to the candidates and determines the time expected to be dedicated by the elected members to the activity of the Management Board and the Supervisory Board.

Audit Committee

The Audit Committee is a specialized body of UBB with functions, pursuant to the Independent Financial Audit Act. The Audit Committee together with the Supervisory Board execute preliminary, ongoing and subsequent control on the compliance of UBB's activity with the applicable laws, the Articles of Association and the decisions of the General Meeting of Shareholders in the interest of UBB's clients and its shareholders. The Audit Committee members are elected by the General Meeting of Shareholders by proposal of either the Management Board's or by the Supervisory Board's chairperson. Eligible Audit Committee members can also be non-executive Supervisory Board or Management Board members. Audit Committee members can be re-elected without limitation. Eligible Audit Committee members should be persons, having a master's degree in terms of education and qualification, knowledge in the field of banking, as at least one of the members should have not less than 5-year professional experience in the field of accounting or auditing. The majority of the Audit Committee members are external to and independent of UBB pursuant to Art. 107, Para. 4 of the Independent Financial Audit Act.

The Audit Committee of UBB AD is comprised of two members external to and independent from the bank and one member who is at the same time a Supervisory Board member. The Audit Committee is established as a separate and independent body from the Supervisory Board and the other bodies within the bank and reports directly to the General Meeting of Shareholders.

Management Board

The Management Board is responsible for UBB's activity while executing its rights and obligations as provided for in the law, its' Articles of Association, its Operational Rules and in the other Internal Rules of UBB. 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 particular powers of the Management Board are listed in UBB's Articles of Association, as well as in the Operational Rules of the Management Board of UBB AD and UBB AD's Corporate Governance Code.

UBB is being managed and represented by a Management Board comprising 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 Management Board members. Each Board member may be dismissed by decision of the Supervisory Board prior to the expiration of his/her mandate.

Upon deciding for appointment of MB members, the Supervisory Board is being assisted by the Nomination Committee, which has been established as its consultative body. The candidate-members of the Management Board shall have to comply with the requirements, indicated in Art. 11 of the Credit Institutions Act, Ordinance 20 of the BNB, as well as with UBB AD's Articles of Association and are subject to the preliminary approval of the European Central Bank in cooperation with the Bulgarian National Bank.

In 2024 the following personal changes were made in the composition of the Management Board of the Bank:

- By decision of the Supervisory Board of UBB AD under Minutes No. 17 of 07.06.2024 Mrs. Desislava Simeonova was released as a Management Board member and Executive Director of UBB AD. The change was officially registered in the Commercial Register and the Register of Non-profit Legal Entities on 17.06.2024. The number of members of the Management Board was changed from 8 (eight) to 7 (seven).
- By decision of the Supervisory Board of UBB AD under Minutes No. 23 of 28.08.2024 Mrs. Ani Angelova was

released as Management Board Member and Executive Director of UBB AD. The change was officially registered in the Commercial Register and the Register of Non-profit Legal Entities on 01.10.2024. The number of members of the Management Board was changed from 7 (seven) to 6 (six).

• By decision of the Supervisory Board of UBB AD under Minutes No. 35 of 28.11.2024 Mrs. Anna Atanasova-Dimitrova was appointed as new member of the Management Board and Executice Director of UBB AD. The change was officially registered in the Commercial Register and the Register of Non-profit Legal Entities on 09.12.2024. The number of members of the Management Board was changed from 6 (six) to 7 (seven).

• By decision of the Supervisory Board of UBB AD under Minutes No. 41 of 17.12.2024 Mr. Peter Roebben was released as Management Board Chairperson and Chief Executive Officer of UBB AD. The change was officially registered in the Commercial Register and the Register of Non-profit Legal Entities on 31.12.2024. The number of members of the Management Board was changed from 7 (seven) to 6 (six).

• By decision of the Supervisory Board of UBB AD under Minutes No. 4 of 10.02.2025 Mr. Frank Jansen was appointed as new member of the Management Board and Executive Director of UBB AD. The change was officially registered in the Commercial Register and the Register of Non-profit Legal Entities on 20.02.2025. The number of members of the Management Board was changed from 6 (six) to 7 (seven).

• In January 2025, a Fit and Proper procedure was started for the approval by BNB and ECB of a new Chairperson of the MB and Chief Executive Officer (CEO) of UBB AD – Mr. Christof De Mil. The procedure was completed on 27 March 2025 and he was registered with the Commercial Register as the new CEO of the bank on 17.04.2025.

Committees to the Management Board

Pursuant to Art. 43, Para. 3 of UBB AD's Articles of Association in view of the bank's specific activity, the Management Board may establish specialized units and bodies. The following specialized bodies are established to the Management Board:

- **Credit committees:** UBB AD's credit committees are standing bodies performing management and monitoring of UBB's credit activity with regard to corporate and SME clients, as well as of specifically defined cases of clients – natural persons - within their delegated levels of competences and limits.
- **Local Risk Management Committee:** This committee is a collective body of UBB, supporting the Management Board in the decision-making regarding the risk management strategy, the risk appetite and the overall risk framework; determining the present and targeted risk profile and the capital adequacy, based on the risk appetite and the allocation of the capital; as well as all issues, relating to changes in UBB's risk profile.
- **New and Active Products and Processes Committee (NAPPC):** It aims at ensuring the compliance of the products and processes at the bank with its approved strategy and risk appetite as well as ensuring the prerequisites for their successful implementation and distribution through all available channels (digital, mobile, traditional ones).
- **Corporate Sustainability and Responsibility Steering Committee Bulgaria:** A committee functioning on country level (reviewing matters common for all companies within KBC Group in Bulgaria). It assists the Country Team with the implementation and proper functioning of the approved KBC Group's corporate social responsibility (CSR) framework in Bulgaria in the five main strategic ESG pillars and approves the annual Report to Society of KBC Bulgaria.
- **Sustainable Finance Committee ("GREEN-COM"):** A committee functioning on country level (reviewing matters common for all companies within KBC Group in Bulgaria) as a sub-committee to the Corporate Sustainability and Responsibility Steering Committee Bulgaria. It supports the efforts of the entities of the Group in Bulgaria (UBB, DZI and UBB Interlease EAD, mainly) to manage their asset portfolio composition in a way minimizing the risks associated with environmental changes and their impact, while benefitting from the opportunities arising as a result from the shift towards sustainable finance. This committee also steers the support provided to the customers in their adaptation to climate change.
- **Local Provisioning Committee:** The Committee is established by and has received its authority by the Management Board. It is a collective body of UBB that makes decisions and recommendations on all topics related to impairments of financial assets of the Bank.
- **Local Investment Committee:** Empowered to adopt decisions and has the right to approve the acquisition, investment and sale of real estate, in connection with collateral for loans from Recovery Directorate and acquired assets, with a value equal to at least EUR 250,000 but less than EUR 1,000,000.
- **Investment Committee:** Empowered to adopt decisions and has the right to approve the acquisition, investment and sale of real estate, in connection with collateral for loans from the portfolio of the Recovery Directorate and acquired assets with a value higher than EUR 1,000,000.

- **The Portfolio Steering Committee (PfSC):** is strategic decision-making body which gives vision, direction and targets of the bank's strategy execution via Change of the Bank portfolio. The body is authorized to approve strategic portfolio roadmap creation /change, overall prioritization / re-prioritization, examines the viability of the project portfolio, reviews and monitors the project portfolio's progress, takes decisions on starting new projects and agile teams, Stage Gating Decisions: Initiation/Set-up, Go or No Go decision, Closure, termination of projects and teams, allocation and re-allocation of budgets and resources in order to execute bank strategy in smartest way.

Communication with shareholders

UBB AD strictly follows the principle of impartial attitude towards all its shareholders, including minority and foreign ones, by guaranteeing them equal treatment upon access to information. The shareholders are being provided with full accounting information for the year in order to keep them up-to-date of UBB AD's performance and development. The annual General Meeting provides the shareholders with an opportunity to ask questions to the UBB AD's management and controlling bodies.

The Bank believes that the thorough disclosure and transparency of its operations is in the interest not only of its good governance, but also to the benefit of a sound and stable banking sector.

Shareholding structure

As of 31.12.2024 the share capital was allocated into 194 008 837 ordinary registered shares with nominal value of BGN 1 (one Bulgarian lev) each. Each share entitles to one vote at the General Meeting of Shareholders, right to dividend and a proportionate share upon liquidation of UBB AD's property. UBB AD has neither issued securities with special controlling rights, nor are there envisaged restrictions in line with exercising the rights materialized in the shares issued by UBB AD.

Main shareholder of UBB AD is KBC Bank N.V., a company duly incorporated and existing under the laws of Belgium (registration No BE 0462.920.226) with seat and registered address: No.2 Havenlaan Str. 1080 Brussels Belgium with share participation in UBB AD's capital equalling to 99.96 %.

The Supervisory Board and the Management Board members have not been vested with any special rights for acquiring UBB AD's shares.

Supervisory Board (SB)

Supervisory Board Members

Name	Year of Birth	Education/Qualifications	First election in	Mandate's validity
Peter Andronov SB Chairperson	1969	Master's Degree in Finance	2021	2025
Christine Van Rijsseghem SB Member	1962	Master's Degree in Law and Business Administration (MBA) – Financial sciences	2017	2028
Franky Depickere SB Member	1959	Master's degree in commercial and financial sciences	2018	2026
Barak Chizi SB Member	1974	Master's degree in Industrial Engineering, Data Mining; PhD degree in Industrial Engineering, Machine learning and AI	2020	2028
Svetoslav Gavriiski Independent SB Member	1948	Master's degree in Economics of the external trade	2020	2028
Victor Yotzov Independent SB Member	1961	Master's degree in Economics; PhD degree in Economics	2020	2028

Election and mandate

UBB's Supervisory Board comprises from 3 (three) up to 7 (seven) persons elected by the General Meeting of Shareholders for a mandate of 4 (four) years and may be re-elected without limitation. Members of the SB may also be legal entities, which appoint their own representatives. The Supervisory Board elects a Chairperson and may elect a Deputy Chairperson among its members. It adopts its Operational Rules.

To date the Supervisory Board comprises of 6 (six) persons:

- 1 (one) of them has been elected SB member by virtue of a resolution of the General Meeting of Shareholders dated 14.06.2017 for a period of 3 (three) years, in accordance with the requirement of Art. 233, Para. 2 of the Commerce Act and with resolutions of the General Meeting of Shareholders dated 15.04.2020 and 04.12.2023 she was re-elected for new 4-year mandates - Christine Van Rijsseghem;
- 1 (one) has been elected SB member with a resolution of the General Meeting of Shareholders dated 04.12.2018 for a period of 4 (four) years and with a resolution of the General Meeting of Shareholders dated 03.06.2022 he was re-elected for a new 4-year mandate - Franky Depickere;
- 1 (one) has been elected SB member with a resolution of the General Meeting of Shareholders dated 17.12.2019 for a period of 4 (four) years and with a resolution of the General Meeting of Shareholders dated 04.12.2023 he was re-elected for a new 4-year mandate - Barak Chizi;
- 2 (two) have been elected independent SB members with a resolution of the General Meeting of Shareholders dated 15.04.2020 for a period of 4 (four) years; and with a resolution of the General Meeting of Shareholders dated 04.12.2023 they were re-elected for a new 4-year mandate - Svetoslav Gavriiski and Victor Yotzov;
- 1 (one) has been elected SB member with a resolution of the General Meeting of Shareholders dated 14.09.2021 for a period of 4 (four) years - Peter Andronov.

SB Responsibilities pursuant to UBB Articles of Association

The Supervisory Board holds its meetings at least once per quarter. The meetings are being convened by either the Chairperson or in his/her absence - by the Deputy Chairperson through the latter's own initiative. A meeting of the Supervisory Board may be convened upon a written request by members of either the Supervisory or the Management Boards.

A meeting of the Supervisory Board shall be deemed compliant with the law if more than half of its members are either personally present or are represented by another member of the Board under a written power of attorney. A member of the Supervisory Board may not represent more than one absent member.

The Supervisory Board shall make decisions with the majority vote of its members, involved in the voting. Each Board member shall be entitled to one vote.

The Supervisory Board meetings are being documented with minutes, entered into a special book, which minutes are being signed by all present or represented SB members. The Supervisory Board may also make decisions without holding of meetings, which decisions shall also be entered in the book of minutes under the condition that the proposed decisions have been provided to each and every member in writing and all Supervisory Board members have stated in writing their consent to the made decision. The Chief Executive Officer participates in the Supervisory Board meetings with advisory vote entitlement. The other Executive Directors may attend meetings of the Supervisory Board, if invited to do so. Third persons may also attend meetings without the right to vote, if invited to do so by the Supervisory Board.

The Supervisory Board has the following powers:

- it appoints and releases members of the Management Board and concludes contracts for settling the relations with them;
- approves the Operational Rules of the Management Board;
- convenes meetings of the General Meeting of Shareholders and proposes the initiation of appropriate measures when the interests of UBB make it necessary;
- makes proposals to the General Meeting of Shareholders for release of MB members from responsibility;
- through a nominated member of its, it shall represent UBB in disputes with either the Management Board or individual members of its;
- it approves the business plan of UBB, the annual budget, as well as UBB's policy on crediting and provisioning by proposal of the Management Board;
- approves decisions of the Management Board for which this has been explicitly provided in the Articles of Association;
- gives a preliminary approval for granting of internal loans under Art. 45 of the Credit Institutions Act by the Management Board. The Supervisory Board preliminary approves limits within which the Management Board standalone could make decisions for granting of internal loans under Art. 45 of the Credit Institutions Act.
- the Supervisory Board may provide an opinion on any other issue referred to it by the Management Board.

Professional experience and other activities and functions

Mr. Peter Andronov
Supervisory Board Chairman
Chief Executive Officer of International Markets Business Unit in KBC Group N.V.

Year of Birth: 1969

In 2021 Peter Andronov joined the Executive Committee of KBC Group as executive director and CEO Business Unit International Markets, thus assuming responsibility for the Group's business in four of its core markets – Bulgaria, Hungary, Slovakia and Ireland. Within his new assignment Mr. Andronov became also responsible for KBC Asset Management and hence Chairman of its Board of Directors. In 2021 he also took over the Chairmanship of the Supervisory Boards of DZI General Insurance and DZI Life Insurance, and similarly for the entities of the Group in the other three countries.

Peter Andronov's career path involves series of positions in the BNB and in the private banking sector. During 2002 – 2007 he was Chief Director Banking Supervision Department at the Bulgarian National Bank. During his term he led the elaboration of key currently effective legislative acts on banking regulation and supervision, including the Credit Institutions Act, the Act on the Additional Supervision on Financial Conglomerates, the BNB regulatory ordinances, guidelines etc. From 2003 until May 2007 he was Member of the Management Board of the Reserve Guarantee Fund. He was also member of the BNB Investment Committee. Over the period 2005–2007 Peter Andronov was observer and member at the European Banking Committee and at the Committee of European Banking Supervisors of the European Commission. At the same time, he was also an observer and member of the Banking Supervision Committee at the European Central Bank. On behalf of the Bulgarian authorities he led the negotiations in the domain of banking for Bulgaria's accession to the European Union.

Peter Andronov's career at KBC Group started in July 2007 when he was appointed Executive Director/CRO of CIBANK. Later in March 2008 he became CEO of the same bank. As from the acquisition of UBB by the Belgian financial group KBC in June 2017 up until May 2021 Peter Andronov was Chairman of the Management Board and CEO of UBB AD (created out of the merger between CIBANK and former UBB).

From March 2011 till May 2021 Peter Andronov also acted as Country Manager of KBC Group for Bulgaria.

Over the period 2008 - 2021 Peter Andronov was Member of the Management Board of the Association of Banks in Bulgaria, serving two mandates as its Chairman – from 2015 till 2018 and from 2018 until 2021.

From 1995 till 2016 Peter Andronov has been lecturing during different periods at the UNWE, at the High School of Insurance and Finance and at New Bulgarian University/the International Banking Institute. Since 2017 he is member of the Board of Trustees of the University of National and World Economy, and from 2020 of Sofia University St. Kliment Ohridski as well.

Peter Andronov is five-times winner of the Banker of the Year award, as well as of the Manager of the Year and Burov Prize for bank management, Mr. Economy and many others. In 2015 he was decorated an Officer of the Order of the Crown of the Kingdom of Belgium.

Ms. Christine Van Rijsseghem
Supervisory Board Member
Chief Risk Officer at KBC Group NV

Year of Birth: 1962

Christine Van Rijsseghem holds a Master's Degree in Law from Ghent University, Belgium. Moreover, she also holds a Master's Degree in Business Administration (MBA) – Financial Sciences from Vlerick Business School.

Christine Van Rijsseghem started her professional career in University Graduates Team, Kredietbank in 1987. From 1988 until 1991 she worked for Central Department Foreign Entities at Kredietbank (risk management and controlling). In 1992 she became Head of Central Department of Foreign Entities (incl. International acquisition strategy). Over the period from 1994 until 1996 she held the position Head of Credit Department at Irish Intercontinental Bank (KBC subsidiary). Christine Van Rijsseghem became Chief Executive Officer of KBC France (KBC branch) in 1996 and in 1999 – Chief Executive Officer of KBC London (KBC branch). From 2000 until 2003 she held the position Senior General Manager of Securities and Derivatives Processing Directorate, while during the period 2003 – 04.2014 she took the position of Senior General Manager Group Finance at KBC Group. In effect since May 2014 Christine Van Rijsseghem has been elected CRO of KBC Group and Member of the Executive Committee of KBC Group.

Mr. Franky Depickere
Chief Executive Officer at CERA and KBC Ancora

Year of Birth: 1959

Franky Depickere holds a Master's Degree in Commercial and Financial Sciences from the University of Antwerp (HHS-UFSIA – Belgium). He joins CERA Group in 1982 and held several Executive Positions there for more than 17 years.

In 1999 Franky Depickere became managing Director and Chairman of the Executive Committee of F. van Lanschot Bankiers Belgie NV, as well as group director of F. van Lanchot Bankers in the Netherlands. Since 2005 onwards Depickere was also a member of the Strategic Committee of F. van Lanchot Bankiers (the Netherlands).

As of September 2006, he is Managing Director of Cera and KBC Ancora. Franky Depickere participates in managing bodies of several non-profit legal entities – Chairman of BRS vzur (Leuven, Belgium). He is a Chairman of the 'International Raiffeisen Union' (I.R.U. – Bonn, Germany), Member of the Executive Committee of EACB (European Association of Cooperative Banks in Brussels Belgium. Depickere is also Chairman of the Board of Directors of Flanders Business School (Antwerp Campus KU Leuven, Belgium), as well as a member of the Senate KU Leuven (Catholic University Leuven Belgium) and a member of the Board of Directors of KU Leuven Kulak (Kortrijk, Belgium). Currently, he is Chief Executive Officer at CERA and KBC Ancora.

Mr. Barak Chizi
Supervisory Board Member
General Manager Big Data, Data Analytics and AI at KBC Group N.V.

Year of Birth: 1974

Mr. Barak Chizi graduated in 1996 as an industrial and management engineer in the Technion – Israel Institute of Technology.

He further specialized in AI and machine learning (MSc and PhD in Tel – Aviv University), and since then teaches this subject at Tel – Aviv University and In Ben – Gurion University. In 2003 he became a data specialist for the Israeli government. In parallel, he started his own consulting firm, providing unique knowledge to global companies. In 2011 he was appointed as senior R&D director and Senior Researcher at Deutsche Telekom. In May 2015, he joined KBC and from August that year he started his role as general manger big data, data analytics and AI.

Mr. Svetoslav Gavriiski
Independent Supervisory Board Member

Year of Birth: 1948

Svetoslav Gavriiski is independent member of the Supervisory Board of UBB as of May 2020. He graduated with major in Foreign Trade Economics from Karl Marx Higher Institute of Economics (presently re-named to University of National and World Economy, or UNWE) in 1972. His professional path started at the Ministry of Finance in 1972, where up to 1997 he held the following positions – specialist, chief specialist, expert, head of department, and head of main department.

In the period 1992 – 1997 Mr. Svetoslav Gavriiski was first Deputy Minister of Finance and from February until May 1997 he was Minister of Finance in the caretaker government. Over the period 1991 – 1994 he led the negotiations with the creditors from the Paris Club, and after that was part of the negotiations team with the London Club of private creditor banks for rescheduling and renegotiating Bulgaria's foreign debt.

Over the period 1991 – 1997 Mr. Gavriiski was member of the Management Board of Bulbank. Over the period June 1997 – October 2003 he was elected BNB Governor by the 38th National Assembly. He led the executing of the monetary reform and the introducing and maintaining of the Currency Board in Bulgaria. Mr. Svetoslav Gavriiski was representative for Bulgaria in the International Monetary Fund from 1992 until 2003, and as of 2004 – 2005 he was an advisor. From 2006 until 2016 Mr. Svetoslav Gavriiski was a member of the Management Board (from 2011 until 2016 its chairperson) and Chief Executive Officer of Allianz Bank Bulgaria AD, and from 2016 until 2018 he was Chairperson of the Management Board of Allianz Bank Bulgaria AD.

Mr. Victor Yotzov
Independent Supervisory Board Member

Year of Birth: 1961

Assoc. prof. Victor Yotzov is independent member of the Supervisory Board of UBB as of May 2020. He graduated in 1985 from the University of National and World Economy as a Master of Economics with major in Management and Planning of the National Economy (Socio-economic planning). In 2001 he acquires educational and scientific degree 'doctor' of Economics.

Assoc. prof. Victor Yotzov's career path and research activity started in 1986 when, after a special competition procedure, he was appointed as a research fellow in Analytic and Forecasting Activity Section of the Economic Institute with the Bulgarian Academy of Sciences. From 1992 until 1994 he was part-time lecturer in Macroeconomics at the International Management, Trade and Marketing (MT&M) College. In the period 1998 – 2001 he is part-time lecturer in Theory of Money and Credit in Finance Department with the University of National and World Economy.

In 1995 Victor Yotzov started working at the Bulgarian National Bank as an expert in Balance of Payments and Foreign Debt Department, while in 1997 he became head of the Economic Research Department at the BNB. In 2001 Assoc. prof. Victor Yotzov was appointed as Head of Economic Research and Forecasts Directorate and acting as Chief Economist of the BNB. Over the period 2003 – 2010 he worked as a representative for Bulgaria at the International Monetary Fund and counsel to the Executive Director. In 2014 upon obtaining an academic rank Victor Yotzov became Associate Professor in Finance Department of the University of National and World Economy and at the same time was appointed at the Macroeconomics Section at the Institute of Economic Research with the Bulgarian Academy of Sciences. He is author of many publications in the field of finance. His scientific interests are in the domains of monetary theory, banking, public finance and foreign trade. In the period 2016 – 2018 he is a Director of the Economics and Policies Institute with the University of National and World Economy. In June 2015 Assoc. prof. Victor Yotzov was nominated for holding a BNB Governor position.

Internal organizational structure

Allocation of responsibilities among the Supervisory Board members

SB Member	Supervisory Board	Risk and Compliance Committee	Remuneration Committee	Nomination Committee
Peter Andronov	(Chairman)		(Chairman)	(Chairman)
Christine Van Rijsseghem		(Chairperson)		
Franky Depickere	•			
Barak Chizi	•			
Svetoslav Gavriiski	•	•	•	•
Victor Yotzov	•	•	•	•

Annual Report of the Supervisory Board

In 2024 the Supervisory Board of United Bulgarian Bank held 41 meetings, of which 4 *in praesentia* and 37 *in absentia* ones, pursuant to Art. 39, Para. 4 of the UBB's Articles of Association, namely: The proposed decisions were provided to every member in writing and all SB members have stated their consent to those in writing.

The requirement of Art. 38, Para. 1 of the Bank's Articles of Association has been observed, according to which the Supervisory Board is to hold its meetings at least once per quarter, as in 2024 regular *in praesentia* meetings were held every quarter – March, June, September and December 2024.

The average duration of the Supervisory Board meetings was 2 hours, which is deemed sufficient and optimal for detailed discussions on the agenda items, in view of the approval practices.

In brief, the main reviewed, discussed and approved topics by the SB in 2024 may be summarized, as follows:

- The first group of topics reviewed by the Supervisory Board during 2024 are related to changes in the internal banking regulation (for the documents, which according to the Articles of Association of the bank need to be ratified by the Supervisory Board).
- Changes in the composition of the Management Board, re-election of a member of the Management Board of UBB AD for a new four-year mandate, as well as changes related to the allocation of the functions among the UBB's representatives in terms of the subordination of the main structural units at UBB – directorates and standalone departments. Designating of an existing MB Member for a person responsible for compliance of the bank with the relevant Anti-money Laundering/Combating the Financing of Terrorism (AML/CFT) requirements.
- By virtue of Art. 37, Para. 2, Item 7 in relation to Art. 48, Para. 1, Item 3, letters "d" and „h"of the UBB's Articles of Association were approved changes in the organizational structure, including the appointment of general managers and directors of directorates directly reporting to executive officers.
- The agenda of the in praesentia meetings of the SB during 2024 included review of the financial performance from UBB's activity as at the end of each quarter, reports on the activity of the Chief Executive Officer of UBB for the respective quarter were discussed, reports regarding the progress of the integration of UBB AD and KBC Bank Bulgaria EAD (terminated without liquidation after its merger with UBB AD), as well as other issues which were of the SB competence, pursuant to UBB AD's Articles of Association, the Operational Rules of the Supervisory Board and the UBB's internal rules and regulations.
- Giving preliminary approval by the Supervisory Board for forming of internal exposures of the bank, pursuant to Art. 45 of the Credit Institutions Act and Ordinance 37 of BNB for the Internal exposures of the banks in all cases except when the amount of the exposure is within the limit pre-approved by the Supervisory Board and within which the Management Board could standalone form these exposures or the limit determined by law.

Other SB decisions adopted in 2024 – approval of the report of the MB for the activity of UBB AD for 2023 and the certified by the auditor's annual financial report for 2023, annual review of all equity participations of UBB AD in other entities, approval of the selection of first and second auditing companies for verification and certification of UBB's annual financial statements for 2024 by virtue of Art. 76, Para. 1 and 4 of the Credit Institutions Act; approval of the decisions made by the committees to the SB at the meetings held by them; convening of the General Meeting of Shareholders, when this was necessary; approval of the split per month and per segments of APC budget of UBB AD for 2024, on consolidated basis, as well as the KPIs of UBB AD for 2024, on consolidated basis.

The activity of the Supervisory Board over 2024 aimed at ensuring effective control on the compliance of UBB's operations with the applicable laws the Articles of Association and the resolutions of the General Meeting of Shareholders in the interest of UBB's clients and its shareholders while guaranteeing the implementation of the long-term strategy and the set immediate objectives before UBB AD for the accomplishment of which UBB's Management Board is accountable.

Management Board

Peter Roebben ***Chairman***
Year of birth: 1966
Position: Chief Executive Officer
Education/Qualification: Master's Degree in Law and Business Administration

Teodor Marinov ***Member***
Year of birth: 1971
Position: Chief Finance Officer
Education/Qualification: Master's Degree in Systems & Management and Business Administration

Svetla Georgieva ***Member***
Year of birth: 1967
Position: Chief Risk Officer
Education/Qualification: Master's Degree in International Business Management and Business Administration qualification in Industrial Electronics

Tatyana Ivanova ***Member***
Year of birth: 1975
Position: Executive Director Digitalization, Data and Operations
Education/Qualification: Master's Degree in Finance and Management Business Administration

Dobromir Dobrev ***Member***
Year of birth: 1979
Position: Executive Director Corporate Banking and Markets
Education/Qualification: Master's Degree in Finance and Banking

Nedyalko Mihaylov ***Member***
Year of birth: 1977
Position: Chief Information Officer
Education/Qualification: Master's Degree in Accounting and Control

Anna Atanasova-Dimitrova ***Member***
Year of birth: 1978
Position: Executive Director Retail Banking
Education/Qualification: Master's Degree in Finance (Banking)

Election and mandate

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.

To date the Management Board comprises of 7 (seven) persons who have been elected MB members by virtue of decisions of the Supervisory Board for a period of 4 (four) years in accordance with the requirement of Art. 41, Para. 1 of the UBB's Articles of Association.

MB Responsibilities pursuant to UBB's Articles of Association

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.

In view of the UBB's specific activity the Management Board holds regular meetings at least once per month. The meetings are being convened by the Management Board Chairman upon his initiative by request of a Board member or by request of the Supervisory Board Chairperson. The Management Board may make decisions if more than half of the Board members are present at the meeting - either in person or represented by another Board member empowered with a written power of attorney.

The Management Board decisions are made with the majority vote of the present Board members, unless the law or the Articles of Association require another majority type. When a decision is being made as regards election, dismissal or defining the scope of an executive director's responsibilities, the latter shall not be involved in the voting. The Management Board may adopt decisions in writing also without holding meetings in case that the proposed decisions are provided to each Board member in writing and all MB members have stated in writing their consent to the decisions made.

The Management Board has the following powers:

- Defines the general trends of the UBB's activity in its credit interest rate and accounting policy;
- Organizes and steers the implementation of the resolutions of the General Meeting of Shareholders;
- Upon the SB's approval makes decisions on closing or transferring UBB's enterprise or essential parts thereof; opening and closing of branches; material change in UBB's activity; essential internal and organizational changes; establishment and closing of directorates and standalone departments as well as appointment of heads of such structural units; long-term cooperation of essential importance for UBB or termination of such cooperation; acquisition of 25 % or more of the voting rights or of a legal entity's registered capital as well as in any case when the value of such acquisition exceeds 10% of UBB's equity; empowering at least two of its members - Executive Directors - to represent UBB and to carry out its operational management, as well as election of a MB Chairperson and Chief Executive Officer; allocation of the functions between the persons managing and representing UBB in terms of the subordination of main structural units at UBB – directorates and standalone departments; empowerment of commercial representatives and procurator/s of UBB and conclusion of a procurator's contract; disposal of a substantial part of UBB's property including rights on intellectual property which value exceeds 5% of the Bank's equity in accordance with the recent monthly accounting statements;
- Adopts the internal rules on UBB's activity and its Operational Rules which are approved by the Supervisory Board;
- Makes decisions on granting of large exposures as per Art. 44 of the Credit Institutions Act and of internal loans pursuant to Art. 45 of the same act for restructuring early collection, as well as initiation of enforcement actions with respect to risk exposures exceeding in amount the figures as determined in the internal rules of UBB upon a reasoned proposal by the respective specialized body of UBB;
- Prepares and submits for approval to the Supervisory Board the annual financial statements, the report on the company's activity and the profit allocation proposal.
- Makes decisions on the organizational structure of the specialized internal audit unit, its staff number, and the requirements for professional qualification, experience and the other requirements to the internal audit inspectors in view of the reasonable needs of control while complying with the budget, as determined by the General Meeting of Shareholders.
- Also performs other functions assigned to it by the General Meeting of Shareholders, the SB, the Articles of Association and the law.

Professional experience and other activities and functions

Mr. Peter Roebben
Chairman of the Management Board and Chief Executive Officer

Year of Birth: 1966

Peter Roebben is Country Manager of KBC Group in Bulgaria, Chairman of the Management Board and Chief Executive Officer of UBB. Until his appointment at these positions, he was the Chief Executive Officer of KBC Bank in Ireland.

Peter Roebben started his career in 1992 as an account officer Corporate Banking for Kredietbank (now KBC) in London. From 1994 until 1998 he was Director of the Iberia Representative Office in Madrid. After one year in Brussels as account manager for the group's Multinationals Division, he became General Manager Corporate Banking in the Paris branch in 1999. From 2005 until 2010 he was Executive Director Corporate Banking at CSOB Bank in the Czech Republic.

Between 2010 and 2017 he served as Senior Managing Director and member of the Executive Committee of K&H Bank & Insurance Hungary. Later in 2017 he becomes Senior General Manager Group Credit Risk at KBC Group's Head Office in Brussels. In 2019, Peter Roebben was appointed Chief Executive Officer of KBC Bank in Ireland, which he held until his current appointment as Country Manager of KBC Group in Bulgaria, Chairman of the Management Board and Chief Executive Officer of UBB.

Peter Roebben has graduated from the University of Leuven, Belgium with a master's degree in law. Later he has obtained an MBA from Vlerick Business School, Belgium.

Mr. Teodor Marinov
Member of the MB and Chief Finance Officer

Year of Birth: 1971

Teodor Marinov has been part of United Bulgarian Bank's management since June 2010, when he was elected member of the Board of Directors, while holding the position of Executive Manager Corporate Banking of the Bank since September the same year.

After the acquisition of United Bulgarian Bank by the Belgian finance group KBC Group in June 2017, Teodor Marinov has become member of the KBC Country Team in Bulgaria, member of the Management board and Executive Director Legacy of UBB. In July 2022 he has become Executive Director Finance. During the period 2001-2010, he was Executive Director of Interlease EAD and since 2006 has been also involved in the management bodies of the leasing companies of the group of the National Bank of Greece in Romania and Serbia.

His professional development began in 1994 as a Financial Analyst at the Sofia Stock Exchange. In 1995-1997 he worked as a Customer Relationship Manager and Credit Analysis Unit Manager at the Bulgarian Investment Bank AD. From 1997 until 2000 he was Investments Manager in the Balkan Regional Division of the National Bank of Greece.

Teodor Marinov holds Master's degrees in Business Administration from London Business School and in Systems Control from the Technical University, Sofia. He has been a holder of CFA (Certified Financial Analyst) professional designation since 2001. Marinov also completed the INSEAD Inter-Alpha Banking Programme in 2002.

Ms. Svetla Georgieva
Management Board Member and Executive Director Risk

Year of Birth: 1967

Svetla Georgieva is member of the Management board and Executive Director Risk in United Bulgarian Bank after its acquisition by Belgian finance group KBC Group in June 2017.

Her professional career includes different management positions at Citibank N.A. and ING Bank N.V. She joined the CIBANK team in 2008, and consequently held positions as head of Retail Credit Risk Department and deputy director of the Credit Management Directorate. In January 2014 she became KBC Group's Chief Risk Officer (CRO) for Bulgaria, a member of the MB and an Executive Director of CIBANK.

Svetla Georgieva graduated under the INSEAD Inter-Alpha Banking Programme (2013) from City University, Seattle, DCL (2004-2006) and has an MBA degree in Finance.

She also has a Master's degree in industrial electronics from the Moscow Power Engineering Institute (1985-1991), a postgraduate qualification in International Economic Relations and International Law from the University of National and World Economy (1992 - 1993) and the University of Delaware / FLAG Consortium in Sofia (2001 -2002).

Mrs. Tatyana Ivanova
Member of the Management Board and Executive Officer Digitalization, Data and Operations

Year of Birth: 1975

Tatyana Ivanova started her career 20 years ago in Société Generale and built since then a broad and international career in various subsidiaries of the Group. She was, amongst others, Retail Director in the Republic of Macedonia, worked several years as Head of Sales promotion in Russia, as Marketing manager in the HQs Paris, as well as Head of Marketing and Digital banking in Société Generale, Bulgaria.

As of the beginning of November 2018 until taking the position of a Management Board Member and Executive Officer Marketing and Distribution – Retail banking, she is Director of Retail Marketing and Digital Sales Directorate in UBB. Tatyana Ivanova was elected in the position Digital Channels, Data and Operations of UBB in November 2022.

Tatyana holds EMBA from HEC-Paris.

Mr. Dobromir Dobrev
Member of the Management Board and Executive Officer Corporate Banking and Markets

Year of Birth: 1979

Dobromir Dobrev was elected in the position Executive Director Corporate Banking at UBB in November 2022. He has been part of the team of KBC Bank Bulgaria (former name Raiffeisenbank (Bulgaria) EAD) since 2003, as in 2005 he was appointed head of Corporate Banking – Middle Market. Since 2006 onwards he manages KBC Leasing Bulgaria.

In 2013 he became a member of MB for the Corporate Banking domain, while in 2016 he was chosen to be Executive Director Corporate Banking and Capital Markets of KBC Bank Bulgaria.

Dobromir Dobrev holds a Master's degree in Finance and Banking from the Faculty of Economics, Sofia University St. Kliment Ohridski.

Mr. Nedyalko Mihaylov
Member of the Management Board and Chief Information Officer

Year of Birth: 1977

Nedyalko Mihaylov has been elected in the position Executive Director Information Technologies of UBB since November 2022. His career at KBC Bank Bulgaria (formerly Raiffeisenbank (Bulgaria) EAD) started in 2002, while in 2005 he assumed one of his many managerial positions at the Bank - Bank Office Manager in Varna. He was consecutively responsible for Large Corporate Clients domain over the period from 2006 until 2009, for the Risk Management domain over the period from 2009 until 2011, for the Problem Loans domain from 2011 until 2015 and for the Finance domain from 2015 until 2016.

Since January 2017 he is Executive Director Operations and Information Technologies at KBC Bank Bulgaria

Nedyalko Mihaylov graduated from the High School of Mathematics in Varna and holds a degree in Accountancy and Control, and Economic Informatics from the University of Economics, Varna.

Mrs. Anna Atanasova-Dimitrova
Member of the Management Board and Executive Officer Retail Banking

Year of Birth: 1978

As of December 2024, Anna Atanasova - Dimitrova has been elected to the position Executive Director Retail Banking of UBB.

She started her career in the banking sector in 2001 as an SME Lending Expert with UnionBank.

In 2005 she was employed at CIBANK, then in 2016 she became Deputy Director of the Branch Network and Distribution Channels Directorate, while later in that same year she was appointed as Marketing Director.

Upon the merger of CIBANK and UBB Anna became in charge of the Retail Banking and Digital Sales segment. Since 2018 she has been managing the Branch Network Directorate, while since 2023 she is General Manager Branch Network at UBB.

Anna Atanasova - Dimitrova holds a Master's Degree in Banking from the University of Veliko Tarnovo and a Bachelor's Degree in Macroeconomics from the University of National and World Economy.

Annual report of the Management Board

In 2024 the Management Board of United Bulgarian Bank held 66 meetings of which 56 *in praesentia* and 10 *in absentia* ones, pursuant to Art. 46, Para. 1 of the bank's Articles of Association, namely: the proposed decisions were provided to every member in writing and all MB members stated their consent to those decisions in writing. The requirement of Art. 44, Para. 1 of UBB's Articles of Association, according to which the Management Board shall hold regular meetings at least once per month has been complied with. The average duration of the Management Board meetings was 3 hours, which is deemed sufficient and optimal for detailed discussions on the agenda items, in view of the approval practices.

In brief, the main reviewed, discussed and approved topics by the MB in 2024 may be summarized, as follows:

- Issues within the competence of the Management Board pursuant to Art. 48 of the UBB's Articles of Association and Art. 21 of the Operational Rules of UBB AD's Management Board, which have been described in detail in Item 1 of the present Statement.
- All issues not explicitly stated as competences of UBB AD's Management Board in the Articles of Association, the Operational Rules of the MB and UBB's internal rules and regulations but which had to be discussed by UBB's managing body pursuant to Art. 48, Para. 1, Item 8 (also performs other functions assigned to it by the General Meeting of Shareholders, the Supervisory Board, the Articles of Association and the law) and while abiding by the provisions of Art. 43, Para 2 (...all issues which are not of the exclusive competence of the General Meeting of Shareholders or of the Supervisory Board ...) of UBB AD's Articles of Association.

The activity of the Management Board over 2024 aimed at ensuring flexible, however sustainable development and budget fulfilment, defining the long-term strategy thus strengthening UBB's management and control while guaranteeing the implementation of the long-term strategy and the set immediate objectives before UBB AD for the accomplishment of which UBB's Management Board is accountable.

Committees to the Supervisory Board

Risk and Compliance Committee

Risk and Compliance Committee Members

- **Ms. Christine Van Rijsseghem**
  UBB Risk and Compliance Committee Chairperson
  UBB Supervisory Board Member

- **Mr. Svetoslav Gavriiski**
  UBB Risk and Compliance Committee Member
  Independent member of the UBB Supervisory Board

- **Assoc. prof. Victor Yotzov**
  UBB Risk and Compliance Committee Member
  Independent member of the UBB Supervisory Board

Pursuant to Ordinance 7 of BNB for the organization and risk management of banks, the Risk and Compliance Committee should have at least three members and the majority of them should be independent according to Art. 10a, Para. 2 of the Credit Institutions Act.

Risk and Compliance Committee Report

The Risk and Compliance Committee advises the Supervisory Board on the present and future risk appetite and the risk management strategy as well as the present and future compliance rules. This Committee supports the Supervisory Board in the monitoring and management of the process for implementing these elements and rules by the executive management. Besides, it controls as to whether the value of the assets and liabilities and the off-balance sheet product categories offered to clients comply with the business model and the risk management strategy and controls whether the risk tolerance and the strategic framework have been integrated in UBB's Remuneration Policy.

The Risk and Compliance Committee holds its meetings at least four times a year as the external auditors are invited to and should participate in at least two meetings within a year. The Risk and Compliance Committee has a standing secretary appointed by the Chairperson.

In 2024 UBB's Risk and Compliance Committee held four meetings attended by all its members.

In brief, the main topics were review of the regular Integrated Risk Report; Risk Frameworks, Risk scan, Risk appetite; review of the regular Compliance Report; information about pending legal claims exceeding EUR 50k; information about risk-based pricing; internal control statements, risk assessment of the remuneration policy and practice, Oversight of the remuneration of the Internal Audit and the other control functions, SREP 2024 results.

The members of the Risk and Compliance Committee discussed and accepted the Annual Compliance Report, Annual MIFID Report, the Annual Anti-Money Laundering Report and the Annual Data Protection Officer Report. The Committee also acknowledged and approved the priorities of Risk Management Directorate and Compliance Directorate for 2024.

The Committee reviewed and proposed to the SB for ratification the following documents: Risk Appetite Framework of UBB for the period 2024-2027, ICAAP/ILAAP Reports, ICAAP Policy and Risk Governance Charter of UBB, UBB Risk Scan.

Remuneration Committee

Remuneration Committee Members

- **Mr. Peter Andronov**
  UBB Remuneration Committee Chairman
  UBB Supervisory Board Chairman

- **Mr. Svetoslav Gavriiski**
  UBB Remuneration Committee Member – external and independent
  UBB Supervisory Board Member

- **Mr. Victor Yotzov**
  UBB Remuneration Committee Member– external and independent
  UBB Supervisory Board Member

Pursuant to Ordinance 4 of BNB for the requirements for remunerations in banks, the Remuneration Committee should have at least three members and the majority of them should be independent according to Art. 10a, Para. 2 of the Credit Institutions Act.

Remuneration Committee Report

UBB Remuneration Committee performs its activities in conformity with the objectives, principles and scope of UBB Remuneration Policy.

It is a consulting structure subordinate to the Supervisory Board and consists of chairperson and independent members of this Board. The Committee elects Chairman and Secretary and operates effectively according to its work rules, approved by the Supervisory Board. 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, while considering the implications for the risk and risk management at the bank, the long-term interests of shareholders, investors and other stakeholders in the bank.

In 2024 the Committee held two meetings. The main topics on the agenda and the decisions taken at the first committee meeting related to ratification of the new KBC Group Remuneration Policy and the updated UBB Remuneration Policy for 2024, in order to comply with the Group standard, acknowledgement of the submitted Risk Gateway parameters for 2023 of KBC Group and UBB and approval of the amended risk gateway parameters for 2024 in the UBB Remuneration Policy, approval of variable remuneration for the previous 2023 year and payment of the deferred amounts for past years, changes in fixed remuneration and approval of the new KPIs for the Board members. Another topic on the agenda was an amendment in the List of KIS Appendix 3 to the Remuneration Policy and the approval of KPIs to the members of the Management Board.

All proposals of the Committee were approved by the Supervisory Board.

Nomination Committee

Nomination Committee Members

- **Mr. Peter Andronov**
  UBB Nomination Committee Chairman
  UBB Supervisory Board Chairman

- **Mr. Svetoslav Gavriiski**
  UBB Nomination Committee Member – external and independent
  UBB Supervisory Board Member

- **Mr. Victor Yotzov**
  UBB Nomination Committee Member– external and independent
  UBB Supervisory Board Member

Pursuant to the Ordinance 20 of BNB for Issuance of Approvals to Members of the Management Board (Board of Directors) and Supervisory Board of a Credit Institution and Performance Requirements for Their Duties, the Nomination Committee should have at least three members and the majority of them should be independent according to Art. 10a, Para. 2 of the Credit Institutions Act.

Nomination Committee Report

The Nomination Committee identifies and recommends for selection by the General Meeting of Shareholders candidate members of the Supervisory Board, or by the Supervisory Board – candidate members of the Management Board, considering the balance of professional knowledge and skills, the various qualifications and experience of the members of the Board necessary for the management of the bank. In addition, the Committee prepares a description of the functions and the requirements for candidates and determines the time that the selected members are expected to spend in the work of the Management Board and of the Supervisory Board.

The Committee determines a target level in relation to the participation of the under-represented gender in the composition of the Management Board and of the Supervisory Board and develops a policy to increase the number of representatives of the under-represented gender in the composition of the boards to achieve this level. The Nomination Committee performs analysis periodically but not less than once a year of the structure, composition, number of members and the results of the work of the Management Board and of the Supervisory Board and provides recommendations for possible changes. It analyses periodically but not less than once a year the knowledge, skills and experience of the members of the Management Board and of the Supervisory Board, as a whole and individually of each member, and reports to each of them. Reviews periodically the Management Board policy for selection and appointment of members of the senior management staff and provides recommendation to it. While performing its functions, the Nomination Committee analyses periodically the necessity to guarantee that the process of decision making by the Management Board and by the Supervisory Board is not controlled by a separate person or a small group of people in a way which could harm the interests of the bank. The Committee reports to the Supervisory Board on the activities, conclusions, and recommendations for improvement after each meeting. Minutes of the meetings held by the Nomination Committee are kept by a permanently appointed secretary, an employee at the Human Resources Management Directorate, which Minutes should be presented to the Committee members and the Supervisory Board for approval.

In 2024 the Committee held seven meetings. The main topics on the agenda and the decisions were related to the annual assessment of the structure, composition and performance of the Supervisory Board and the Management Board of UBB, change in the management, UBB Suitability Policy update.

All proposals of the Committee were ratified by the Supervisory Board.

Audit Committee

Audit Committee Members and professional experience

In compliance with the requirements in the Independent Financial Audit Act, the Audit Committee of UBB AD is comprised of two members external to and independent from the bank (majority) and one member who is at the same time a Supervisory Board member – Mr. Peter Andronov. One of the external and independent members of the Audit Committee – Stefan Ivanov, is also Chairperson of the Committee, pursuant to the requirements of the Independent Financial Audit Act (Art. 107, para. 6).

The Audit Committee is established as a separate and independent body from the Supervisory Board and the other bodies within the bank, which reports directly to the General Meeting of Shareholders.

Mr. Stefan Ivanov
Chairman of the Audit Committee

Year of birth: 1972

Mr. Ivanov is a Co-founder and Managing Partner of Challenger Capital Management - an advisory boutique focused on M&A and financing transactions in Bulgaria. During the period 2007 - 2011 he was the CEO of Citibank in Bulgaria - a leading Corporate & Investment Bank in the country. Between 2000 and 2006 he acted as International Cash Management Head for Citibank in Brazil and subsequently as Head of Strategic Development for Citibank in Brazil.

During the period 1998 - 1999 he held diverse roles with Citibank in London, Brazil, South Korea and Tunisia. Prior to that he was trading derivatives with Banque Paribas in New York and on the floor of the American Stock Exchange. During the period 2007 - 2011, Mr. Ivanov was Board Member and Vice President of the American Chamber of Commerce in Bulgaria as well as Board Member of the Confederation of Employers and Industrialists in Bulgaria. Mr. Ivanov is an alum of Harvard Business School from the Program for Leadership Development (2007). He has an MBA degree in Financial Engineering from Cornell University (1997) and a Bachelor of Arts degree in Business Administration from the American University in Bulgaria (1995).

Ms. Snezhana Kaloyanova
Audit Committee Member

Year of birth: 1966

Ms. Kaloyanova holds a Master's Degree in Accountancy and Control from the University of National and World Economy (former Karl Marx Higher Institute of Economics). She started her professional career in 1985 as an accountant at the Agrarian and Industrial Complex in Dragovishtitsa town. Over the period January 1988 – October 1989 she held the position of an accountant at the Machines and Tractors Facility in Shishkovtsi village. Over the period December 1991 – May 1995 Ms. Kaloyanova was Chief Accountant at Manov&Co enterprise. Ms. Kaloyanova was manager and senior manager at Audit and Business Consultancy Services and partner in the specialized auditing company PricewaterhouseCoopers Audit OOD for the period from May 1995 until September 2006. Over the period September 2006 - May 2007 she was co-founder and partner in the specialized auditing company Moore Stephens Bulmar Financial Audit OOD.

Since May 2007 to date she has been managing partner in NS CONSULTING OOD auditing company. Ms. Kaloyanova is a certified public accountant and a registered auditor, Member of the Institute of Chartered Certified Public Accountants since 1994 to date. She has been in charge of engagements for expressing assurance (audits and reviews) on individual and consolidated annual and interim financial statements prepared in accordance with the National Financial Reporting Standards for Small and Medium-sized Enterprises (NFRSSMSE) or with the International Financial Reporting Standards (IFRS) (including also their first-time application), on group reporting forms prepared in accordance with the IFRS, the Generally Accepted Accounting Principles of the USA, Great Britain and Italy of more than 200 different enterprises including: banks insurance companies; she has been involved in and managed projects for due diligence engagements for performance of agreed procedures on financial and other type of information including also the implementation of agreements for provision of gratuitous financial aid under PHARE Programme and the EU Operational Programmes projects for compiling of financial information, consultations on financial reporting and business restructuring projects for elaboration of business plans, she has been expert witness in litigation proceedings.

Ms. Kaloyanova has been Deputy Chairperson of the Professional Ethics Committee (PEC) of the Institute of Certified Public Accountants and Chairperson of the Committee for Oversight of the Quality of Audit Services (COQAS) of that same Institute.

Mr. Peter Andronov
Audit Committee Member

Chief Executive Officer of International Markets business unit in KBC Group N.V.

Year of birth: 1969

Autobiography – please, see it above in section Professional experience and other activities and functions of the current statement.

Audit Committee Report

The main topics, discussed during the 2024 meetings of the UBB AD Audit Committee were related to the reporting in the area of Finance and Risk, monitoring on the Internal Audit activity and the implementation of the Audit Plan and review of documents, addressing material risks to the Bank including also reports by internal and external auditors and regulatory institutions. Furthermore, the Audit Committee prepared and provided its annual report to the Commission for public oversight of statutory auditors.

Committees to the Management Board

Credit Committees

UBB AD credit committees are standing bodies for effecting the management and monitoring on UBB's lending activity with regard to corporate and SME clients, as well as specifically defined cases of clients – natural persons within the framework of their delegation levels and competence limits. Within their competences the credit committees comply with UBB's risk appetite in the field of corporate lending, as determined by the Management Board and the Local Risk Management Committee and strictly apply UBB's approved policy on corporate lending, as well as all other instructions, procedures and methodologies, applicable to this activity.

The credit committees have the following functions to:

- Review and analyze proposals for concluding new credit deals with separate clients and with economically related parties, make decisions on those in compliance with their delegated limits of competence.
- Assess the creditworthiness and the credit risk, related to requests for conclusion of credit deals beyond their competence limits, while observing the subordination hierarchy and provide opinions to the authorized bodies with a higher level of competence - MB or the KBC Headquarters (GCRD), for consideration and final decision-making.
- Analyze the submitted proposals by the business units or by the Recovery Directorate concerning UBB's problematic exposures in the cases when this is within their delegated limits of competence, as well as make decisions on their renegotiation, restructuring action plan for their monitoring, which should either continue in the business units or be taken up by Recovery Directorate, announcement of early collection; proposals for provisions' allocation /write-back; proposals for participation into public auction sales, determining the sale price of assets (collaterals) and others, which nature resembles amendment of terms and conditions under existing credit contracts proposals for PD ratings' change/validation; other proposals (presented as reports or memos) of lending nature.
- Review and approve the annual/planned reviews of all credit exposures within their approved competence limits and powers.
- Assess proposals for validating/changing credit ratings, as per the internal credit rating model.
- Review proposals for appeal of decisions on credit deals, which have been considered at lower approval levels and are within their delegated limits of competence and authorities.
- Review also of retail credit deals.

Types of credit committees at UBB AD:

- Regular Loans Credit Committee – as regards all proposals, pertaining to existing clients with regular exposures, as well as loans to new clients.
- Problem Loans Credit Committee
- Credit Committees levels I – III – for approval of new/standard credit deals and for problem loans of various levels of competence.
- Business Credit Committees - for approval of credit facilities by the Business Units.

Local Risk Management Committee

The Local Risk Management Committee is a collective body of UBB, supporting the Management Board in making decisions on:

- The strategy for management of risk, risk appetite and the overall risk framework;
- Determining the present and target Risk profile and capital adequacy, as compared to the risk appetite and the allocation of capital;
- The capital allocation to individual business units in line with their business plans and within the limits set by the group;
- Review of the results from the activity relating to an assumed risk, observance of the compliance with the limitations of the risk framework;
- Specific roles and responsibilities related to asset and liabilities' management;
- All issues relating to changes in UBB's risk profile.

The Committee comprises of the MB members, the procurators and/or the commercial representatives of UBB, the Director of Risk Management Directorate; the Director of Credit Management - Retail Banking Directorate;

the Director of Credit Management – SME & Corporate Segment the Director of Treasury Directorate, the Director of Finance Directorate and the Director of Markets and Investment Banking Directorate. The Head of "Internal Audit" Directorate and Head of "Compliance" Directorate shall take part in the Local Risk ManCo meetings as an observer.

LRMC convenes meetings at least once per month. The Committee may adopt decisions in case at least five of its members are present in person, as at least four of those should be MB members, commercial representatives or procurators.

New and Active Products and Processes Committee /NAPPC/

NAPP is among the Management Board committees, established by the MB of UBB AD, with responsibilities, explicitly assigned by the latter.

'New and Active Products Process' (NAPP) ensures that all products and services offered to the customers of UBB and all client-facing processes have first gone through an in-depth risk assessment. More specifically, the NAPP aims to:

- **Ensure a fair treatment of the client**. This requires a careful balancing between the return which the product offers for the client and for KBC and the risks linked to the product. NAPP is put in place to avoid that products and services are being launched which are not in the client's interest and thereby protects KBC against conduct risk.
- **Guard the strategic fit of products/services.** In a rapidly changing environment, NAPP plays a key role in ensuring that new and existing products/services support the digital transformation and fit into the current UBB strategy.
- **Pro-actively identify and mitigate risks.** The NAPP is the most important process to ensure early identification and mitigation of all risks related to products, services and changes to client facing processes, which might negatively impact the customer and/or UBB. During NAPP, all financial, legal, compliance, operational and other risk aspects of products/services are considered and addressed.
- **Comply with regulation.** The NAPP safeguards that all products and services are in line with regulations.
- **Support innovation and smart copy.** The NAPP strives to support business during transformation & digitization. On the one hand, it ensures new risks entailing from transformation & digitization are detected and mitigated. On the other hand, the process itself needs to be fast and frictionless to support a fast-time-to-market.

NAPP, being product or distribution committee, holds at least one regular monthly meeting. Prior to creating/buying/changing/reviewing/selling a product a NAPP decision should be made, while observing the appropriate format – regular proposal for new products, changes, reviews, decommissioning, immaterial change, experiment track, crisis track.

The Committee comprises of members from the business and all relevant risk-related advisory functions, whereas the Chairperson is Executive officer from the business, and the committee is jointly conducted with the CRO, Risk management unit head. Minutes of the NAPP meetings are prepared, containing the decisions made by the Committee.

Local Provisioning Committee

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

The mission of the Local Provisioning Committee is to assist the Management Board in the approval (changes to) the UBB'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 UBB 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.

The Local Provisioning Committee holds meetings on a monthly basis or ad hoc if needed. It takes decisions provided more than half of its permanent members are present in person. Each member is entitled to one vote. Decisions of the Local Provisioning Committee shall be made with total majority (unanimously) of the attending members. If no consensus is reached a final decision will be taken by the Management Board.

The Local Provisioning Committee Minutes are submitted for information to the Management Board not later than 5 days after the Committee meeting.

Local Investment Committee and Investment Committee of UBB AD

The Local Investment Committee (LIC) takes decisions and is empowered to approve acquisitions, investments and sales of real estates in relation to collaterals on loans of Recovery Directorate portfolios and acquired assets, at the amount of at least EUR 250 000, but less than EUR 1 000 000. Decisions relating to investments are being made on the basis of separate proposals for each particular investment. The representatives at the Committee are being determined according to the Internal rules of Recovery Directorate.

The proposals to the Local Investment Committee are being provided for approval in principle and for review of impairments by the Credit Committee for Problem Loans, while the final decisions on acquisitions of and investments in real estates in line with Recovery Directorate loans shall be made by UBB's Management Board. Decisions on acquisition, investments and sale of assets acquired from the portfolio of Recovery Directorate, at the amount up tp EUR 250 000, are taken standalone by the Management Board of the bank.

The Investment Committee of UBB AD is empowered to approve acquisitions, investments and sale of real estates in line with Recovery Directorate loans and acquired assets of value exceeding EUR 1 000 000. The final decisions on acquisitions, investments and sale of real estates in line with Recovery Directorate loans and acquired assets are being made by UBB's Management Board.

Portfolio Steering Committee (PfSC) of UBB AD

The Portfolio Steering Committee (PfSC) is strategic decision-making body which gives vision, direction and targets of the bank's strategy execution via Change of the Bank portfolio. The body is authorized to approve strategic portfolio roadmap creation/change, overall prioritization/re-prioritization, examines the viability of the project portfolio, reviews and monitors the project portfolio's progress, takes decisions on: starting new Projects and Agile Trains and teams, Projects and/or Agile Trains Stage Gating Decisions: Initiation/Set-up, Go or No Go decision, Closure, termination of projects and Trains/teams, review the overall performance of the existing projects and Agile teams with aim of fast and efficient decision making and actions, comprehensive Portfolio reporting based on set KPIs, allocation/re-allocation, management and utilization of budgets and resources, delivery (Way of Work) frameworks, methodologies and practices implementation/changes in order to execute bank strategy in smartest way.

Committee consist of following members: Chairman-CEO, Overall Management Board (voting members), General Manager IT Delivery, Director Finance, Director Project, Portfolio Management and Agile Transformation (Organizer and Meeting Minutes keeper) and ad-hoc participants in case of request.

Voting Mechanism – consensus, in case of equal votes Chairman is deciding, minimum quorum of 4 voting members or their official delegates for decision.

Corporate Sustainability and Responsibility Steering Committee and Sustainable Finance Committee

Corporate Sustainability and Responsibility Steering Committee Bulgaria is chaired by the Country Manager of KBC Group in Bulgaria – Mr. Peter Roebben. Until the appointment of a new Country manager of KBC Group Bulgaria in 2025 the Committee will be chaired by Teodor Marinov – Mamer of the Management Board and Executive Director of UBB. The Committee assists the Country Team with the implementation and proper functioning of the approved KBC Group's corporate social responsibility (CSR) framework in Bulgaria. It has overall responsibility locally for the CSR-related policies of the Group. The Corporate Sustainability and Responsibility Steering Committee Bulgaria provides strategic guidance and approves the CSR projects and follows up on their progress within the country.

The purpose of the **Sustainable Finance Committee ("GREEN-COM")** chaired by Desislava Simeonova, MB Member and Executive Director of UBB until the middle of 2024 and after this by Teodor Marinov, MB Member and Executive Director of UBB, is to oversee climate-related risks within the entities of KBC in Bulgaria (UBB, DZI and UBB Interlease EAD) and support the customers in their adaptation to climate change. The main tool in this respect is the elaboration of policies (White Papers) - documents assessing the current impact of KBC Bulgaria activities, primarily **the carbon footprints of our portfolios and the green assets financed**. Gather the data needed to do such assessment, address the reporting requirements needed to quantify the impact. Sets and follows up targets for the impact of KBC Bulgaria's activities by 2030, as well as interim targets in the annual APC process. Take actions to achieve the set targets – create **green products, amend policies** with regards to eligibility for lending, equity investments, and insurance. **Join forces with the customers** and work together towards the achievement of the common goals and the usage of the opportunities. **Promotes and engages** the internal and external stakeholders to boost awareness and increase strategic impact of the KBC group in Bulgaria on sustainability.

Remuneration of the Members of the Supervisory and Management Boards

The amount of the remuneration of the members of the management and supervisory bodies of UBB for the financial year 2024 is BGN 4 046 thousand on individual and consolidated base (2023: BGN 3 055 thousand on individual and BGN 3 276 thousand on consolidated base).

General Meeting of the Shareholders and the Shareholders Rights

The General Meeting of Shareholders (GMS) is the superior management body of UBB. The GMS defines the major trends of UBB's activities and involves all shareholders, who either personally or through their authorized representatives participate in its sessions.

The members of the Management and Supervisory Boards may participate in the sessions of the General Meeting of Shareholders, if invited, but are not entitled to vote.

Competences

The General Meeting of the Shareholders:

- amends and complements UBB's Articles of Association;
- adopts resolutions on capital increase or decrease;
- adopts resolutions as regards UBB's reorganization and termination upon a preliminary approval from the Central Bank;
- elects and releases the Supervisory Board members;
- determines the management commitment fee and the remuneration of the Supervisory Board as well as the period for which these are payable;
- elects and releases the members of the Audit Committee and the management of the specialized internal audit unit;
- after preliminary coordination with the Central Bank, elects and releases auditing companies by the Audit Committee's recommendation which are registered auditors pursuant to the Independent Financial Audit Act, have all rights and obligations as per the Independent Financial Audit Act including to perform verification and certification of UBB's annual financial statements in accordance with the applicable financial reporting standards;
- approves the annual financial statements after certification by the auditing companies; makes decisions on profit allocation for replenishing the Reserve Fund and for payment of dividends;
- makes decisions on the issuance of bonds;
- upon the Central Bank's preliminary approval makes decisions on liquidation and appoints liquidators for voluntary liquidation of UBB;
- determines the amount of management commitment fee to be provided by the members of the Management and Supervisory Boards;
- releases from responsibility the members of the Supervisory and Management Boards;
- makes decisions on transferring UBB's commercial enterprise;
- decides on disposal of assets which total value during the current year exceeds half of the value of UBB's assets in accordance with the latest certified annual financial statements;
- decides on the undertaking of commitments or providing of collateral to one person/entity or related parties which commitments' amount during the current year exceeds half of the value of UBB's assets in accordance with the latest certified annual financial statements;
- decides also on any other issues within its competence as stipulated by the law and UBB's Articles of Association.

Convening of the General Meeting of Shareholders

The General Meeting of Shareholders has to be convened at least once every year, but no later than 6 months after the end of the reporting year.

The General Meeting of Shareholders may be convened by the Management Board or by the Supervisory Board, as well as upon the request of shareholders, who have been holding shares for at least three months, which represent at least 5% of the capital. The General Meeting has the needed quorum if more than half of the shares are represented.

The General Meeting of Shareholders is convened with an invitation, announced in the Commercial Register. The period of time from the announcement in the Commercial Register until the opening of the General Meeting of Shareholders may not be less than 30 days. The Management Board and the Supervisory Board may also convene the General Meeting of Shareholders with written invitations sent to all shareholders of UBB, containing the agenda with the items proposed for discussion. Notwithstanding the content of the invitation, any issues not included on the agenda may be discussed and resolved at the meeting only under the condition that all shareholders of UBB are present at the meeting. Each shareholder is entitled to receive on request the written materials, concerning the General Meeting's agenda, which are made available to the shareholders by the date of announcing the notice in the Commercial Register, at the latest, or by the date of mailing of the invitations for the General Meeting's convening.

Quorum

The General Meeting has the needed quorum if more than half of the shares are represented.

A simple majority vote of the capital represented at the General Meeting is required except for decisions under letters "a" "b" "n" and "o" of Item 8.1 above - where a qualified majority of 2/3 of the capital is needed and under letters "c" and "m" - where the required qualified majority of capital is 3/4.

In case of absence of quorum, a new General Meeting may be convened not earlier than after a fourteen-day period has elapsed and is deemed legitimate regardless of the capital, represented at it. The invitation for the first meeting may also indicate the date of the new meeting.

Each shareholder has the right to authorize in writing a person to represent him/her at the General Meeting. The power of attorney shall have to be drawn up for the particular meeting shall have to be explicit in written form with attestation of the signature by a notary public and of the minimum statutory content. A shareholder shall not be represented by a Management Board or a Supervisory Board member.

There are Minutes kept of the General Meeting, which are signed by the Chairperson, the Secretary of the Meeting and the Vote-tellers.

General Meeting of the Shareholders in 2024

The Regular Annual General Meeting of Shareholders of UBB AD (GMS) for 2024 took place on 24.06.2024. At the GMS are taken decisions in relation to the approval of the report on the activity of UBB AD and a consolidated activity report for 2023, as well as a corporate governance statement of UBB AD for 2023 and a non-financial declaration of UBB AD for 2023, the report of the auditing companies on the annual financial report as well as on the consolidated annual financial report of UBB AD for 2023, certified by the auditors annual financial report, as well as of the certified by the auditors consolidated annual financial report of UBB AD for 2023.

The proposal of the Management Board confirmed also by the Supervisory Board of the bank was approved the full year profits of UBB AD for 2023 (BGN 471 797k), not to be allocated as dividend to the shareholders of the bank, due to expected increase of risk-weighted assets in 2024 and in the beginning of 2025 as a result of: 1) expected growth of loan volumes and 2) increased risk weights in 2024 for bonds, issued by governments in the European Union that are denominated in currencies of other member states.

The profit of UBB AD for 2023 will be allocated to Retained earnings, due to the fact that the amount in the Reserve Fund has reached 1/10 of the bank's capital, pursuant to Art. 246, para. 2, item 1 of the Commercial Act, and it is not necessary amounts to be allocated in it from the profit for 2023.

On 24.06.2024 the General Meeting of Shareholders of UBB AD also made a decision regarding relief of liability of the members of the Supervisory Board and of the Management Board of UBB AD concerning their activity during 2023 and accepting the reports of the Audit Committee of UBB AD for 2023, as well as of Internal Audit Directorate of UBB AD for 2023.

In 2024 two extraordinary General Meetings of the Shareholders of the bank were held, taking the following decisions:

1. On 15.01.2024:

- Increasing of the registered capital of UBB AD from BGN 177 168 448 to BGN 194 008 837 through issuing 16 840 389 new ordinary, registered, dematerialized voting shares with a nominal value of BGN 1 (one) each and issue value of BGN 18.35 per share.
- Approval of conditions and deadlines for underwriting, subscription and payment of the shares from the new issue.
- Adopting amendments in the Articles of Association of UBB AD related to the capital increase of the bank.

2. On 09.12.2024:

- Appointing of auditing companies for examination and certification of the annual financial report of UBB for 2024;
- Appointment of an auditing company for examination and certification of the annual financial reports of UBB AD for 2025-2027, provided that approval is obtained from BNB for each separate year.

Other Regulatory Disclosure

Information under Article 187e of the Commercial Act (CA) regarding held acquired or transferred treasury shares

At the end of 2024 the participation of the members of the Supervisory and Management Boards in commercial companies as unlimited responsible partners, the ownership of more than 25 per cent of the capital of another company, as well as their participation in the management of other companies or co-operatives, such as procurators or board members is, as follows:

- **Peter Andronov –** *Chairman of the Supervisory Board*
  - He does not participate in commercial companies as a general partner;
  - There are no legal entities wherein he holds directly or indirectly at least 25% of the votes in the general meeting or over which he has control;
  - Legal entities, besides UBB AD, in whose management or control bodies he participates:

KBC Group NV, Belgium	Member of the Executive Committee
KBC Bank NV, Belgium	Member of the Board of Directors; Executive director
KBC Insurance NV, Belgium	Member of the Board of Directors; Executive director
KBC Asset Management NV, Belgium	Chairman of the Board of Directors; Non-executive director
KBC Global Services NV, Belgium	Member of the Management Board
K&H Bank Zrt., Hungary	Chairman of the Board of Directors; Non-executive director
K&H Insurance Zrt., Hungary	Chairman of the Supervisory Board; Non-executive director
DZI Life Insurance Jsc, Bulgaria	Chairman of the Supervisory Board; Non-executive director
DZI - GENERAL INSURANCE JSC, Bulgaria	Chairman of the Supervisory Board; Non-executive director
CSOB Banka Slovakia	Chairman of the Supervisory Board
KBC Insurance NV Irish Branch, Ireland	Chairman of the Supervisory Body
KBC Global Services NV – Branch Bulgaria	Member of the Management Board

- **Christine Van Rijsseghem –** *Member of The Supervisory Board*
  - She does not participate in commercial companies as a general partner;
  - There are no legal entities wherein she holds directly or indirectly at least 25% of the votes in the general meeting or over which she has control;
  - Legal entities besides UBB AD in whose management or control bodies she participates:

KBC Group NV, Belgium	Member of the Board of Directors and Executive Director
KBC Bank NV, Belgium	Member of the Board of Directors and Executive Director
KBC Verzekeringen NV, Belgium	Member of the Board of Directors and Executive Director
K&H Bank Zrt., Hungary	Non-executive member of the Board of Directors
Československá Obchodná Banka a.s., Republic of Slovakia	Member of the Supervisory Board, non-executie funtions
Československá Obchodní Banka a.s., Chez Republic	Member of the Supervisory Board, non-executie funtions
Women in Finance Belgium - WIF	Non-executive member of the Board of Directors
KBC Global Services NV	Member of the Management Board and Executive Director, non-executie funtions
De Warande	Non-executive member of the Board of Directors

- **Franky Depickere** – *Member of The Supervisory Board*
  - He does not participate in commercial companies as a general partner;
  - There are no legal entities wherein he holds directly or indirectly at least 25% of the votes in the general meeting or over which he has control;
  - Legal entities besides UBB AD in whose management or control bodies he participates:

CERA CV	Member of the Board of Directors and Executive Director
CBC BANQUE SA	Member of the Board of Directors, Non-executive director
KBC ANCORA NV	Member of the Board of Directors and Executive Director
KBC GLOBAL SERVICES NV	Member of the Supervisory, Non-executive director
Almancora Beheersmaatschappij NV	Member of the Board of Directors and Executive Director
Cera Beheersmaatschappij NV	Member of the Board of Directors and Executive Director
Československá Obchodní Banka a.s.	Member of the Supervisory Board, Non-executive director
KBC Bank NV	Member of the Board of Directors, Non-executive director
KBC Group NV	Member of the Board of Directors, Non-executive director
KBC Verzekeringen NV	Member of the Board of Directors, Non-executive director
Euro Pool System International BV	Chairman of the Board of Directors, Non-executive director
International Raiffeisen Union e.V.	Member of the Board of Directors, Non-executive director
TRIaz	Chairman of the Board of Directors, Non-executive director
Cera Ancora vzw	Member of the Board of Directors, Non-executive director
Almancora vzw	Member of the Board of Directors, Non-executive director

- **Barak Chiz** – *Member of The Supervisory Board*
  - He does not participate in commercial companies as a general partner;
  - He holds directly or indirectly at least 25% of the votes in the general meeting of the following legal entities:

Chizi Technologic Consulting Ltd., Israel	Holds 60 % of the equity of the company

  - Legal entities besides UBB AD in whose management or control bodies he participates:

DISCAI NV	Member of the Board of Directors, Non-executive director

- **Svetoslav Gavriiski** – *Independent member of the Supervisory Board*
  - He does not participate in commercial companies as a general partner;
  - There are no legal entities wherein he holds directly or indirectly at least 25% of the votes in the general meeting or over which he has control;
  - Legal entities besides UBB AD in whose management or control bodies he participates:

Pension Insurance Company Allianz Bulgaria AD	Member of the Supervisory Board

- **Victor Yotzov** – *Independent member of the Supervisory Board*
  - He does not participate in commercial companies as a general partner;
  - There are no legal entities wherein he holds directly or indirectly at least 25% of the votes in the general meeting or over which he has control;
  - Legal entities besides UBB AD in whose management or control bodies he participates:

Fund for Sustainable Urban Development EOOD	Chairperson of the Management Board and executive director

Management board:

- **Peter Roebben –** *Chairman of the the Management Board and CEO*
  - He does not participate in commercial companies as a general partner;
  - There are no legal entities wherein he holds directly or indirectly at least 25% of the votes in the general meeting or over which he has control;
  - Legal entities besides UBB AD in whose management or control bodies he participates:

Borica AD	Member of the Board of Directors

Mr. Peter Roebben is a Member of the Association of Banks in Bulgaria which is a non-profit association.

- **Teodor Marinov –** *Member of the Management Board and Executive Director*
  - He does not participate in commercial companies as a general partner;
  - There are no legal entities wherein he holds directly or indirectly at least 25% of the votes in the general meeting or over which he has control;
  - There are no legal entities besides UBB AD in whose management or control bodies he participates.

Mr. Teodor Marinov is a member of the Management Board of the association 'United for charity' which is a non-profit legal entity.

- **Svetla Georgieva –** *Member of the Management Board and Executive Director*
  - She does not participate in commercial companies as a general partner;
  - There are no legal entities wherein she holds directly or indirectly at least 25% of the votes in the general meeting or over which she has control;
  - There are no legal entities besides UBB AD in whose management or control bodies she participates.

- **Tatyana Ivanova –** *Member of the Management Board and Executive Director*
  - She does not participate in commercial companies as a general partner;
  - There are no legal entities wherein she holds directly or indirectly at least 25% of the votes in the general meeting or over which she has control;
  - Other legal entities besides UBB AD in whose management or control bodies she participates:

Cash Services Company AD	Member of the Board of Directors

- **Dobromir Dobrev –** *Member of the Management Board and Executive Director*
  - He does not participate in commercial companies as a general partner;
  - There are no legal entities wherein he holds directly or indirectly at least 25% of the votes in the general meeting or over which he has control;
  - Other legal entities besides UBB AD in whose management or control bodies he participates:

UBB Interlease EAD	Chairperson of the Board of Directors

Mr. Dobromir Dobrev is a member of the Management Board of the Foundation Atanas Burov which is a non-profit legal entity.

- **Nedyalko Mihaylov –** *Member of the Management Board and Executive Director*
  - He does not participate in commercial companies as a general partner;
  - There are no legal entities wherein he holds directly or indirectly at least 25% of the votes in the general meeting or over which he has control;
  - Other legal entities besides UBB AD in whose management or control bodies he participates:

Association TMA Bulgaria - a non-profit legal entity, which does not exercise activity	Member of the Management Board

- **Anna Atanasova-Dimitrova –** *Member of the Management Board and Executive Director*
  - She does not participate in commercial companies as a general partner;
  - There are no legal entities wherein she holds directly or indirectly at least 25% of the votes in the general meeting or over which she has control;
  - Other legal entities besides UBB AD in whose management or control bodies she participates:

Pension Insurance Company UBB	Member of the Supervisory Board

Contracts under Article 240b of Commercial Act concluded in 2024

In 2024 the members of the Supervisory and of the Management Boards of the Group had not concluded contracts with the Group beyond its ordinary activity or such which although concluded as part of the ordinary activity of the Group deviate materially from market conditions.

Information about shares and bonds of UBB acquired held or transferred by board members during the year

Although the Articles of Association of the Bank does not limit the rights of the members of the Management and Supervisory Boards of UBB AD to acquire shares and bonds of the credit institution in 2024 the members neither acquired, nor held or transferred shares and bonds of UBB.

Information about subsequent events after the date of preparation of the financial statements

There are no events after the date of preparation of financial statements that might have impact on the presentation of the financial information for the year ended 31 December2024 except for:

- On 11 February 2025 Bulgarian National Bank approved repayment of the Additional Tier 1 Capital instrument, issued on 07 January 2022, with the nominal amount of EUR 58 000 thousand (BGN 113 438 thousand).

Information about financial instruments

For more extensive information regarding financial instruments and risk associated with them please refer to the notes to the Separate and Consolidated Financial Statements.

Responsibility of management

The Bulgarian legislaton requires each financial year the Management to prepare financial statements that give a true and fair view of the financial position of the Bank as at the year end and its financial results. The management has prepared the enclosed separate and consolidated financial statements in accordance with IFRS adopted by the European Union.

The Management confirms that relevant accounting policies have been used.

The Management also confirms that the legislation applicable for banks in Bulgaria has been followed and that the financial statements have been prepared on a going concern basis.

The Management is responsible for keeping proper accounting records, for safeguarding the assets and for taking reasonable steps for the prevention and detection of potential fraud and other irregularities.

Diversity policy of UBB

Diversity and, at the same time, equal treatment are enshrined as fundamental principles in the Code of Conduct for all employees of KBC Group in Bulgaria. The Diversity Policy is intended to complement and extend these principles.

A general commitment on Diversity & Inclusion is requested from all managers throughout KBC Group entities in Bulgaria based on the following principles:

- respect as a basis
- equal opportunities are provided to employees, at all levels, in all roles, at all stages of their careers, in all HR processes, looking at performance and future potential as criterium
- being aware of and avoid conscious and unconscious biases

In addition to this respect for diversity, all discrimination and unequal treatment is prohibited, regardless of whether it is:

- direct or indirect;
- based on race, gender, marital status, sexual orientation, age, family status, disability or religion.

A zero tolerance is applied in case of flagrant disrespectful behavior towards a colleague, such as:

- Abusing a position in dealings with colleagues,
- Making insulting remarks about others,
- Acting in a way that undermines the integrity or dignity of colleagues,
- Bullying, harassing or discriminating colleagues.

Diversity of the Management

While the diversity of the Management is not a criterion for the assessment of the members' individual suitability and institutions are primarily responsible for ensuring that members of the management bodies fulfil the suitability criteria ("fit and proper"), 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 pool 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.

A diverse composition of the Management could be achieved by taking into account such aspects as educational and professional background, age, gender and geographical provenance. In this respect a gender balance composition of the management body is of particular importance and the present policy explicitly promotes.

The Nomination committees, the management body in its supervisory function, or the responsible HR management function – as the case may be – has a key role in assessing the suitability, diversity and composition of the management body. In all decisions on hiring, promotion and development, candidates from all genders, age groups or education (where it is possible) need to be considered.

For the significant CRD institutions Gender diversity balance is to be achieved by setting a quantitative target at the level of the management bodies and supervisory bodies – collectively, as well as appropriate timeframes within which the target should be met (if it is not) and how it should be met. Defining the target ratio should also consider available benchmark as published by EBA. Within the KBC Group in Bulgaria UBB specifically should define a target and consider it during the review of the composition of the management bodies and - should also include a reference to the compliance with the diversity objectives and targets set. In the event that any diversity objective or targets have not been met, the reasons, the measures to be taken and the relevant timeframe should be documented.

With regard to Gender Diversity, the long term ambition is to work towards a distribution of leadership at all levels which is in line with the general workforce proportion. The KBC Group entities in Bulgaria, as one of KBC Group core countries, need to elaborate the approach they deem necessary, adapted to the local culture and situation. As an absolute minimum all legal obligations on the matter need to be implemented to the extent applicable.

The balanced diversity structure of the Management body of KBC Bulgaria Group target for gender diversity 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, which for credit institutions with two-tier management system require at least 28.57% female members of management bodies and above 30.00% female members of supervisory bodies in credit institutions, as per Statistics for 2019 available at EBA Benchmarking of diversity 2019 (europa.eu).

Our general principals apply to all types or diversity and to inclusion of every employee in general, and we define two group wide focus domains: gender and people with physical disabilities. These 2 types get a specific attention in this policy and also specific actions/initiatives are set up.

Body	Male	Female	Ratio (m:f)
MB	4	3	57% : 43%
SB	5	1	83% : 17%

Generation mix:

- UBB MB: 13% Baby Boomers, 87% GenX
- UBB SB: 67% Baby Boomers, 33% GenX

With regards to all the above, an action plan, including ambition levels and initiatives has been developed.

This action plan is subject to regular (annual) review, update and adapting when necessary.

Teodor Marinov
Executive Director

UNITED BULGARIAN BANK AD
UBB
SOFIA

Svetla Georgieva
Executive Director

Date: 29.04.2025

Sustainability statement

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

https://www.kbc.com/en/investor-relations/reports/annual-reports.html

Annual financial statements – separate and consolidated

Independent Auditors' Report

To the Shareholders of United Bulgarian Bank AD

Report on the audit of the separate and consolidated financial statements

Our opinion

We have audited the separate and consolidated financial statements of United Bulgarian Bank AD (the "Bank") and its subsidiaries (together - the "Group") which comprise the separate and consolidated statements of financial position as at 31 December 2024, and the separate and consolidated statements of profit or loss, the separate and consolidated statements of comprehensive income, the separate and consolidated statements of changes in equity and the separate and consolidated statements of cash flows for the year then ended, and the notes to the separate and consolidated financial statements, comprising material accounting policy information and other explanatory information.

In our opinion, the separate and consolidated financial statements present fairly, in all material respects, the separate and consolidated financial position of the Bank and the Group as at 31 December 2024, and the Bank's separate and the Group's consolidated financial performance and separate and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the separate and consolidated financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Bank and the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and the ethical requirements of the Independent Financial Audit and Assurance of Sustainability Reporting Act that are relevant to our audit of the separate and consolidated financial statements in Bulgaria. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the ethical requirements of the Independent Financial Audit and Assurance of Sustainability Reporting Act.

Our audit approach

Overview

- Overall Bank and Group materiality: BGN 28,941 thousand, which represents approximately 5% of the separate and consolidated profit before tax.
- We performed audit procedures addressing the most material component of the Group – United Bulgarian Bank AD which represents approximately 100% of the Group's total assets and absolute value of profit before tax.
- Estimation uncertainty with respect to the credit loss allowance for loans and advances to customers

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the separate and consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. We also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the separate and consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the separate and consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the separate and consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, if any, both individually and in aggregate on the separate and consolidated financial statements as a whole.

Overall Bank and Group materiality	BGN 28,941 thousand
How we determined it	Approximately 5% of the separate and consolidated profit before tax
Rationale for the materiality benchmark applied	We applied profit before tax as a benchmark because, in our view, it is the benchmark against which the performance of the Bank and the Group is commonly measured by the users of the separate and consolidated financial statements and it is a generally accepted benchmark. We chose approximately 5% which is consistent with quantitative materiality thresholds used for public interest entities.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate and consolidated financial statements of the current period. These matters were addressed in the context of our audit of the separate and consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Estimation uncertainty with respect to the credit loss allowance for loans and advances to customers (Note 3.3 "Loans and advances to customers by product and type of customer", Note 3.4: Financial assets subject to impairment, Note 3.5: Movement of allowances for impairment for loans to customers, Note 3.6: Movement of gross carrying amount by stages of ECL and Note 6.1 "Notes to the credit risk") Loans and advances to customers represent a significant part of the total assets of the Bank and the Group as at 31 December 2024 with the aggregate gross carrying value of BGN 20,789 million on a separate and consolidated basis and the accumulated loss allowance of BGN 320 million on a separate and consolidated basis. The Bank and the Group apply a credit loss allowance model based on expected credit losses ("ECL") in accordance with requirements of IFRS 9 "Financial instruments". The appropriateness of the credit loss allowance for loans and advances to customers requires significant judgement by management. Measuring credit loss allowance for loans and advances to customers under IFRS 9 requires an assessment of the 12-month or lifetime expected credit losses and assessment of significant increase in credit risk or whether loans and advances to customers are in default. The assessment of significant increase in credit risk and default, and the measurement of 12-month or life-time expected credit losses are part of the Bank's and the Group's estimation process and are, amongst others, based on macroeconomic scenarios, credit risk models, triggers indicating significant increase in credit risk, default triggers, the financial condition of the counterparty, the expected future cash flows or the value of collateral. As the loans and advances represent a significant part of the Bank's and the Group's total assets and given the estimation uncertainty related to credit loss charges, we consider this as a key audit matter.	**In this area our audit procedures included, among others:** • We have assessed the overall governance of the lending and expected credit loss processes and reviewed the related policies of the Bank and the Group, including 12-month and lifetime expected loss modelling process. • We have assessed the adequacy and consistency of the application of the methodology and models used by the Bank and the Group and the appropriateness of the changes in the expected credit loss models of the Bank and the Group and their compliance with IFRS 9. • We have assessed and tested the design and operating effectiveness of the key internal controls within the lending and expected credit loss processes. We have also involved our internal IT specialists to assess and test the IT general controls over these processes. • For the credit loss allowance determined on an individual basis, we have performed, for a sample of corporate and SME credit exposures, a detailed examination of loans granted by the Bank and the Group. We inspected the risk category (stage), default and significant increase in credit risk identification triggers and quantification of expected future cash-flows (recoverable amounts) determined based on valuation of underlying collateral and estimates of recovery on default. • For the 12-month and lifetime expected credit loss assessed on a collective basis, we inspected the default and significant increase in credit risk triggers and the macroeconomic scenarios and tested the underlying models on a sample basis. • We performed an assessment of the adequacy of the Bank's and the Group's key assumptions and judgements related to the expected credit losses calculation. • Supported by our credit risk modeling experts, we have performed an independent recalculation of the expected credit loss for a sample of loans. • We assessed the completeness and accuracy of the disclosures in the area of credit loss allowance for loans and advances to customers and whether the disclosures are in compliance with the International Financial Reporting Standards as adopted by the European Union.

How we tailored our Group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

We performed audit procedures addressing the most material component of the Group which represents approximately 100% of the Group's total assets and absolute value of profit before tax..

These together with additional procedures performed at the Group level, including testing of consolidation journals and intercompany eliminations, gave us the evidence we needed for our opinion on the Group consolidated financial statements as a whole.

Information other than the separate and consolidated financial statements and auditors' report thereon

Management is responsible for the other information. The other information comprises Report of the management (on individual and consolidated level) and the Corporate Governance Statement, prepared by the management in accordance with Chapter Seven of the Accountancy Act, but does not include the separate and consolidated financial statements and our auditors' report thereon.

Our opinion on the separate and consolidated financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the separate and consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the separate and consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Additional matters to be reported under the Accountancy Act

In addition to our responsibilities and reporting in accordance with ISAs, in relation to the Report of the management (on individual and consolidated level) and the Corporate Governance Statement, we have also performed the procedures added to those required under ISAs in accordance with the "Guidelines regarding the new and enhanced auditor reporting and communication by the auditor" of the professional organisation of certified public accountants and registered auditors in Bulgaria, i.e. the Institute of Certified Public Accountants (ICPA). These procedures refer to testing the existence, form and content of this other information to assist us in forming an opinion on whether the other information includes the disclosures and reporting provided for in Chapter Seven of the Accountancy Act and where applicable art. 100(m) paragraph 8 of Public Offering of Securities Act, applicable in Bulgaria.

Opinion in connection with art. 37, paragraph 6 of the Accountancy Act

Based on the procedures performed, in our opinion:

a) the information included in the Report of the management (on individual and consolidated level) for the financial year for which the separate and consolidated financial statements are prepared is consistent with those separate and consolidated financial statements.
b) the Report of the management (on individual and consolidated level) has been prepared in accordance with the requirements of Chapter Seven of the Accountancy Act.
c) the Corporate Governance Statement for the financial year, for which the separate and consolidated financial statements are prepared, presents the information required by Chapter Seven of the Accountancy Act and where applicable Art. 100(m), paragraph 8 of the Public Offering of Securities Act.

Responsibilities of management and those charged with governance for the separate and consolidated financial statements

Management is responsible for the preparation and fair presentation of the separate and consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of separate and consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate and consolidated financial statements, management is responsible for assessing the Bank's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank and/or the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's separate and the Group's consolidated financial reporting process.

Auditors' responsibilities for the audit of the separate and consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the separate and consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate and consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the separate and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's and the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's and/or the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the separate and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank and/or the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate and consolidated financial statements, including the disclosures, and whether the separate and consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purpose of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate and consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

We are jointly and severally responsible for the performance of our audit and for the audit opinion expressed by us in accordance with the requirements of the Independent Financial Audit and Assurance of Sustainability Reporting Act, applicable in Bulgaria. In accepting and performing the engagement for the joint audit, in connection to which we report, we have also been guided by the Guidelines for the implementation of joint audit, issued on 13 June 2017 by the Institute of Certified Public Accountants, Bulgaria and the Commission for Public Oversight of Statutory Auditors in Bulgaria.

Report on other legal and regulatory requirements

Additional reporting in relation to Ordinance 58/2018 issued by the Financial Supervision Commission ("FSC")

Statement in relation to Art. 11 of Ordinance 58/2018 issued by FSC in relation to the requirements for protection of the clients' financial instruments and cash, for product management, and for the providing or receiving of remuneration, commissions and other monitory or non-monetary benefits.

Based on the audit procedures performed and the understanding of the Bank's activity, in the course and context of our audit of the separate financial statements as a whole, we identified that the established organization implemented for safeguarding of customers' accounts is in accordance with the requirements of Art. 3-10 of Ordinance 58 of the FSC and Art 92-95 of Markets in Financial Instruments Act in relation to the activities of the Bank in its capacity as an investment intermediary.

Additional reporting on the audit of the separate and consolidated financial statements in connection with art. 10 of Regulation (EU) 537/2014 in connection with the requirements of art. 59 of the Independent Financial Audit and Assurance of Sustainability Reporting Act

In accordance with the requirements of the Independent Financial Audit and Assurance of Sustainability Reporting Act in connection with Art.10 of Regulation (EU) 537/2014, we hereby additionally report the information stated below:

- PricewaterhouseCoopers Audit OOD was appointed as a statutory auditor of the separate and consolidated financial statements of the Bank and the Group for the year ended 31 December 2024 by the general meeting of shareholders held on 9 December 2024 for a period of one year. PricewaterhouseCoopers Audit OOD was first appointed as auditors of the Bank and the Group on 14 June 2017.

- Forvis Mazars OOD was first appointed as a statutory auditor of the separate and consolidated financial statements of the Bank and the Group by the general meeting of shareholders held on 9 December 2024 for a period of one year.
- The audit of the separate and consolidated financial statements of the Bank and the Group for the year ended 31 December 2024 represents eighth of total uninterrupted statutory audit engagements for that entity carried out by PricewaterhouseCoopers Audit OOD.
- The audit of the separate and consolidated financial statements of the Bank and the Group for the year ended 31 December 2024 represents the first statutory audit engagements for that entity carried out by Forvis Mazars OOD.
- We hereby confirm that the audit opinion expressed by us is consistent with the additional report dated 5 May 2025 provided to the Bank's and the Group's audit committee in compliance with the requirements of Art. 60 of the Independent Financial Audit and Assurance of Sustainability Reporting Act.
- We hereby confirm that we have not provided the prohibited non-audit services referred to in Art.64 of Independent Financial Audit and Assurance of Sustainability Reporting Act.
- We hereby confirm that in conducting the audit we have remained independent of the Bank and the Group.
- For the period to which our statutory audit refers, PricewaterhouseCoopers Audit OOD has provided other services to the Group and its controlled undertakings, in addition to the audit, which have been disclosed in Note 2.5 of the separate and consolidated financial statements.

For PricewaterhouseCoopers Audit OOD,
Registered audit entity №085:

Boryana Dimova

Managing Director

Pavel Pirinski

Registered Auditor responsible for the audit

9-11, Maria Luiza blvd.

1000 Sofia, Bulgaria

5 May 2025

For Forvis Mazars OOD,
Registered audit entity №169

Athanasios Petropoulos

Procurist

Iva Slavkova

Registered Auditor responsible for the audit

Moskovska St 3, 1000, Sofia, Bulgaria

1000 Sofia, Bulgaria

5 May 2025

SEPARATE AND CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

31 December 2024

All amounts are in thousand bulgarian levs, unless otherwise stated

	Note	Year ended 31.12.2024 SEPARATE	Year ended 31.12.2023 SEPARATE	Year ended 31.12.2024 CONSOLIDATED	Year ended 31.12.2023 CONSOLIDATED
Interest income calculated using the effective interest rate method		968,120	759,809	964,161	757,193
Other interest income		15,854	14,656	30,546	29,590
Interest expenses calculated using the effective interest rate method		(166,171)	(106,566)	(167,035)	(109,419)
Other interest expense		(2,164)	(2,560)	(2,164)	(2,560)
Net interest income	2.1	**815,639**	**665,339**	**825,508**	**674,804**
Fee and commission income		387,556	325,785	388,846	333,874
Fee and commission expenses		(98,664)	(78,590)	(99,243)	(79,516)
Net fee and commission income	2.2	**288,892**	**247,195**	**289,603**	**254,358**
Dividend income		16,207	8,106	1,044	2,477
Net result from financial instruments at fair value through profit or loss	2.3	2,732	2,878	2,730	2,874
Net result from hedging derivatives		14	84	14	84
Net result from derecognition of investments in subsidiaries		(8,394)	-	(6,238)	(880)
Net other income	2.4	11,943	625	14,664	2,938
Total net income		**1,127,033**	**924,227**	**1,127,325**	**936,655**
Operating expenses	2.5	**(518,207)**	**(441,661)**	**(520,283)**	**(445,882)**
Staff expenses		(221,341)	(190,060)	(222,517)	(192,928)
General administrative expenses		(244,113)	(202,120)	(244,493)	(203,007)
Depreciation and amortisation expenses		(52,753)	(49,481)	(53,273)	(49,947)
Impairment expenses	2.6	**(29,998)**	**(20,310)**	**(29,813)**	**(19,158)**
On financial assets at amortised cost and at fair value through OCI		(28,540)	(23,170)	(28,026)	(22,017)
On off-balance sheet commitment		(73)	5,014	45	5,013
On non-financial assets		(1,385)	(2,154)	(1,832)	(2,154)
Share in results of associated companies		-	-	725	476
PROFIT BEFORE TAX		**578,828**	**462,256**	**577,954**	**472,091**
Income tax expense	2.7	(82,538)	(44,802)	(84,144)	(46,640)
PROFIT FOR THE YEAR		**496,290**	**417,454**	**493,810**	**425,451**
UBB equity shareholders		496,290	417,454	493,810	425,451

The accompanying notes from page 80 to page 167 are an integral part of these separate and consolidated financial statements.

These separate and consolidated financial statements have been approved for issue by the Management Board on 29.04.2025 and signed by:

Teodor Marinov
Executive Director

Svetla Georgieva
Executive Director

UNITED BULGARIAN BANK AD SOFIA UBB

In reference to the auditors' report:
For PricewaterhouseCoopers Audit OOD
Registered audit entity №085
Boryana Dimova
Managing Director

For Forvis Mazars OOD
Registered audit entity №169
Athanasios Petropoulos
Procurist

Pavel Pirinski
Registered auditor responsible for the audit

Iva Slavkova
Registered auditor responsible for the audit

Date: 05-05-2025

05-05-2025

SEPARATE AND CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

31 December 2024

All amounts are in thousand bulgarian levs, unless otherwise stated

	Year ended 31.12.2024 SEPARATE	Year ended 31.12.2023 SEPARATE	Year ended 31.12.2024 CONSOLIDATED	Year ended 31.12.2023 CONSOLIDATED
PROFIT FOR THE YEAR	**496,290**	**417,454**	**493,810**	**425,451**
Other comprehensive income that may be recycled to profit or loss				
Changes in the fair value of debt instruments at fair value through OCI	23,301	5,791	23,301	5,791
Gains/ losses reclassified through PL	-	-	-	-
Other comprehensive (loss)/ income that may be recycled to profit or loss	**23,301**	**5,791**	**23,301**	**5,791**
Other comprehensive income that will not be recycled to profit or loss				
Changes in the fair value of equity instruments at fair value through OCI, net of tax	2,350	4,482	2,350	4,482
Actuarial gains/(losses), net of tax	584	1,871	604	1,871
Other comprehensive income that will not be reclassified subsequently to profit or loss	**2,934**	**6,353**	**2,954**	**6,353**
Other comprehensive income/(loss), net of taxes	**26,235**	**12,144**	**26,255**	**12,144**
Total comprehensive income for the year	**522,525**	**429,598**	**520,065**	**437,595**
Attributable to UBB equity shareholders	522,525	429,598	520,065	437,595

The accompanying notes from page 80 to page 167 are an integral part of these separate and consolidated financial statements.

These separate and consolidated financial statements have been approved for issue by the Management Board on 29.04.2025 and signed by:

Teodor Marinov
Executive Director

Svetla Georgieva
Executive Director

UNITED BULGARIAN BANK AD SOFIA UBB

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Pavel Pirinski
Registered auditor responsible for the audit

Iva Slavkova
Registered auditor responsible for the audit

Date: 05-05-2025

05-05-2025

SEPARATE AND CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

31 December 2024

All amounts are in thousand bulgarian levs, unless otherwise stated

	Note	Year ended 31.12.2024 SEPARATE	Year ended 31.12.2023 SEPARATE	Year ended 31.12.2024 CONSOLIDATED	Year ended 31.12.2023 CONSOLIDATED
ASSETS					
Cash and cash balances with the Central Bank	3.1	6,599,635	8,438,440	6,599,635	8,438,445
Due from banks	3.1	1,414,750	1,350,722	1,414,750	1,351,131
Reverse repos with banks		977,994		977,994	
Derivative financial instruments	3.7	15,098	22,014	15,098	22,014
Financial assets at fair value through profit or loss	3.1	12,184	9,215	12,184	9,215
Financial assets at fair value through other comprehensive income	3.1	1,378,583	599,871	1,378,583	599,871
Securities at amortized cost	3.1	6,147,216	5,302,762	6,147,216	5,302,762
Loans and advances to customers	3.1	20,610,585	17,932,633	20,610,640	18,056,825
Investments in subsidiaries and associated companies	4.1	8,772	65,296	4,876	4,225
Intangible assets	4.2	35,785	36,804	35,794	36,953
Property and equipment	4.2	132,661	118,928	132,681	124,394
Investment properties	4.3	60,015	95,380	63,787	101,373
Right-of-use assets	4.4	46,756	44,009	46,756	44,475
Deferred tax assets	2.7	6,276	6,048	6,409	6,058
Other assets	4.6	16,329	19,462	16,330	25,701
TOTAL ASSETS		**37,462,639**	**34,041,584**	**37,462,733**	**34,123,442**
LIABILITIES					
Deposits from banks	3.2	4,153,290	2,760,645	4,153,290	2,760,645
Derivative financial instruments	3.7	12,385	28,578	12,385	28,578
Deposits from customers and other financial liabilities	3.2	27,428,622	26,256,822	27,426,663	26,255,585
Other borrowed funds	3.2	1,441,660	1,444,723	1,441,660	1,515,395
Current income tax liabilities		32,881	2,729	32,881	2,952
Provisions	4.5	24,196	24,767	24,196	24,913
Lease liabilities	4.4	47,261	44,699	47,261	44,699
Other liabilities	4.6	118,582	102,854	118,787	106,772
TOTAL LIABILITIES		**33,258,877**	**30,665,817**	**33,257,123**	**30,739,539**
SHAREHOLDERS' EQUITY					
Share capital		194,009	177,168	194,009	177,168
Share premium and Statutory reserves		1,211,691	919,510	1,211,691	919,510
Retained earnings		2,660,795	2,164,499	2,662,643	2,172,655
Revaluation and other reserves		23,829	1,152	23,829	1,132
Additional Tier-1 instrument included in equity		113,438	113,438	113,438	113,438
TOTAL EQUITY		**4,203,762**	**3,375,767**	**4,205,610**	**3,383,903**
TOTAL EQUITY AND LIABILITIES		**37,462,639**	**34,041,584**	**37,462,733**	**34,123,442**

The accompanying notes from page 80 to page 167 are an integral part of these separate and consolidated financial statements.

These separate and consolidated financial statements have been approved for issue by the Management Board on 29.04.2025 and signed by:

Teodor Marinov
Executive Director

Svetla Georgieva
Executive Director

UNITED BULGARIAN BANK AD SOFIA UBB

In reference to the auditors' report:
For PricewaterhouseCoopers Audit OOD
Registered audit entity №085
Boryana Dimova
Managing Director

For Forvis Mazars OOD
Registered audit entity №169
Athanasios Petropoulos
Procurist

Pavel Pirinski
Registered auditor responsible for the audit

Iva Slavkova
Registered auditor responsible for the audit

Date:

0 5 -05- 2025

0 5 -05- 2025

All amounts are in thousand bulgarian levs, unless otherwise stated

SEPARATE	Share Capital	Share Premium	Statutory Reserves	Retained Earnings	Reserve related to actuarial losses	Revaluation reserve	Additional tier-1 instruments included in equity	Total
Balance as of 1 January 2023	**93,838**	**210,058**	**102,891**	**1,167,347**	**1,133**	**(1,757)**	**-**	**1,573,510**
Business combination under common control	83,330	520,118	86,443	586,826	(77)	(10,261)	113,438	1,379,817
Profit for the year	-	-	-	417,454	-	-	-	**417,454**
Other comprehensive income for the year, net of tax	-	-	-	-	1,871	10,273	-	**12,144**
Total comprehensive income	**-**	**-**	**-**	**417,454**	**1,871**	**10,273**	**-**	**429,598**
Transfer from revaluation reserves to retained earnings upon realisation	-	-	-	30	-	**(30)**	-	-
Coupon on additional Tier-1 instruments	-	-	-	(7,158)	-	-	-	**(7,158)**
Balance as of 31 December 2023	**177,168**	**730,176**	**189,334**	**2,164,499**	**2,927**	**(1,775)**	**113,438**	**3,375,767**
Balance as of 1 January 2024	**177,168**	**730,176**	**189,334**	**2,164,499**	**2,927**	**(1,775)**	**113,438**	**3,375,767**
Business combination under common control	-	-	-	3,606	-	-	-	**3,606**
Profit for the year	-	-	-	496,290	-	-	-	**496,290**
Other comprehensive income for the year, net of tax	-	-	-	-	584	25,651	-	**26,235**
Total comprehensive income	**-**	**-**	**-**	**496,290**	**584**	**25,651**	**-**	**522,525**
Transfer from revaluation reserves to retained earnings upon realisation	-	-	-	3,558	-	(3,558)	-	-
Issue of share capital	16,841	292,181	-	-	-	-	-	**309,022**
Coupon on additional Tier-1 instruments	-	-	-	(7,158)	-	-	-	**(7,158)**
Balance as of 31 December 2024	**194,009**	**1,022,357**	**189,334**	**2,660,795**	**3,511**	**20,318**	**113,438**	**4,203,762**

SEPARATE AND CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

31 December 2024

All amounts are in thousand bulgarian levs, unless otherwise stated

CONSOLIDATED	Share Capital	Share Premium	Statutory Reserves	Retained Earnings	Reserve related to actuarial losses	Revaluation reserve	Additional tier-1 instrument included in equity	Total
Balance as of 1 January 2023	**93,838**	**210,058**	**102,891**	**1,168,136**	**1,133**	**(1,757)**	**-**	**1,574,299**
Business combination under common control	**83,330**	**520,118**	**86,443**	**586,226**	**(97)**	**(10,261)**	**113,438**	**1,379,197**
Profit for the year	-	-	-	425,451	-	-	-	425,451
Other comprehensive income for the year, net of tax	-	-	-	-	1,871	10,273	-	12,144
Total comprehensive income	-	-	-	425,451	1,871	10,273	-	437,595
Transfer from revaluation reserves to retained earnings upon realisation	-	-	-	30	-	(30)	-	-
Coupon on additional tier-1 instruments	-	-	-	(7,158)	-	-	-	(7,158)
Other	-	-	-	(30)	-	-	-	(30)
Balance as of 31 December 2023	**177,168**	**730,176**	**189,334**	**2,172,655**	**2,907**	**(1,775)**	**113,438**	**3,383,903**
Balance as of 1 January 2024	**177,168**	**730,176**	**189,334**	**2,172,655**	**2,907**	**(1,775)**	**113,438**	**3,383,903**
Business combination under common control	-	-	-	(203)	-	-	-	(203)
Profit for the year	-	-	-	493,810	-	-	-	493,810
Other comprehensive income for the year, net of tax	-	-	-	-	604	25,651	-	26,255
Total comprehensive income	-	-	-	493,810	604	25,651	-	520,065
Transfer from revaluation reserves to retained earnings upon realisation	-	-	-	3,558	-	(3,558)	-	-
Issue of share capital	16,841	292,181	-	-	-	-	-	309,022
Coupon on additional Tier-1 instruments	-	-	-	(7,158)	-	-	-	(7,158)
Other	-	-	-	(19)	-	-	-	(19)
Balance as of 31 December 2024	**194,009**	**1,022,357**	**189,334**	**2,662,643**	**3,511**	**20,318**	**113,438**	**4,205,610**

The accompanying notes from page 80 to page 167 are an integral part of these separate and consolidated financial statements.

These separate and consolidated financial statements have been approved for issue by the Management Board on 29.04.2025 and signed by:

Teodor Marinov
Executive Director

Svetla Georgieva
Executive Director

UNITED BULGARIAN BANK AD SOFIA UBB

In reference to the auditors' report:
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Registered audit entity №085
Boryana Dimova
Managing Director

For Forvis Mazars OOD
Registered audit entity №169
Athanasios Petropoulos
Procurist

Pavel Pirinski
Registered auditor responsible for the audit

Iva Slavkova
Registered auditor responsible for the audit

Date: 05-05-2025

05-05-2025

All amounts are in thousand bulgarian levs, unless otherwise stated

	Note	Year ended 31.12.2024 SEPARATE	Year ended 31.12.2023 SEPARATE	Year ended 31.12.2024 CONSOLIDATED	Year ended 31.12.2023 CONSOLIDATED
CASH FLOWS FROM OPERATING ACTIVITY:					
Profit before tax		**578,828**	**462,256**	**577,954**	**472,091**
Adjustments for non- cash items:					
Impairment/ (reversal of impairment) of loans and advances to customers	2.6	43,016	40,039	42,502	38,886
Impairment/ (reversal of impairment) on off-balance sheet commitments	2.6	73	(5,014)	(45)	(5,013)
Impairments on non-financial assets	2.6	1,385	2,154	1,832	2,154
Provisions/ (release of provisions) for legal cases		176	278	176	278
Depreciation related to fixed assets, right-of-use assets and investment property	2.4, 2.5	39,219	36,783	41,390	38,648
Amortization related to intangible assets	2.5	15,911	15,249	15,970	15,326
Other provisions	2.5	4,880	28,473	4,880	28,473
Dividend income from associates, companies and subsidiaries		(16,207)	(8,106)	(1,044)	(2,477)
Net Result of investments in subsidiaries and associates		8,394	-	5,587	-
Unrealised result on foreign exchange		4,565	1,328	4,565	1,328
Cash flow from operating profit before tax and before changes in operating assets and liabilities		**680,240**	**573,440**	**693,767**	**589,694**
Movements in operating assets and liabilities					
Increase in receivables from banks		(1,200,643)	(2,056,101)	(1,200,234)	(2,056,379)
Increase in loans and advances to clients		(2,720,512)	(1,851,477)	(2,595,851)	(1,811,781)
Increase in trading securities		(2,969)	(3,982)	(2,969)	(3,982)
(Increase)/ decrease in derivative financial instruments		(9,277)	21,167	(9,277)	21,167
Decrease in other assets		2,922	47,675	9,150	58,043
Increase in deposits from banks including payables under repo deals		1,392,645	724,938	1,392,645	724,938
Increase in deposits from customers		1,171,800	2,545,236	1,171,078	2,555,954
Increase/ (decrease) in other liabilities		10,677	(186,102)	6,956	(190,690)
Total cash flow from movements in operating assets and liabilities		**(1,355,357)**	**(758,646)**	**(1,228,502)**	**(702,730)**
Income tax paid		**(55,529)**	(45,695)	**(57,481)**	(47,760)
NET CASH FLOW FROM/ (USED IN) OPERATING ACTIVITY		**(730,646)**	**(230,901)**	**(592,216)**	**(160,796)**
CASH FLOWS FROM INVESTING ACTIVITY:					
Purchases of fixed assets		(2,836)	(25,203)	1,829	(23,786)
Purchase of intangible assets		(14,959)	(9,580)	(14,878)	(9,534)
Proceeds from derecognition of investments in subsidiaries		47,280	4,220	41,880	(386)
Redemption of AC debt securities		485,694	-	485,694	-
Redemption of FVOCI debt securities		151,274	159,994	151,274	159,992
Purchase of AC debt securities		(1,330,176)	(958,805)	(1,330,176)	(958,805)
Purchase of FVOCI securities		(901,614)	-	(901,614)	-
Dividend received		16,207	8,106	1,044	2,448
Cash inflow from business combinations under common control		3,606	3,108,151	(48,340)	3,107,693
NET CASH FLOW USED IN INVESTING ACTIVITY		**(1,545,524)**	**2,286,883**	**(1,613,287)**	**2,277,622**
CASH FLOWS FROM FINANCING ACTIVITIES:					
Proceeds from issue of share capital		309,022	-	309,022	-
Coupons on Additional Tier1 Instrument		(7,158)	(7,158)	(7,158)	(7,158)
Proceeds from long-term financing		-	407,803	-	346,964
Repayments to long-term financing		(3,063)	-	(73,735)	-
Repayments of lease liabilities		(15,404)	(14,482)	(15,404)	(14,482)
NET CASH FLOW USED IN FINANCING ACTIVITY		**283,397**	**386,163**	**212,725**	**325,324**

SEPARATE AND CONSOLIDATED STATEMENTS OF CASH FLOWS

31 December 2024

All amounts are in thousand bulgarian levs, unless otherwise stated

		Year ended 31.12.2024 SEPARATE	Year ended 31.12.2023 SEPARATE	Year ended 31.12.2024 CONSOLIDATED	Year ended 31.12.2023 CONSOLIDATED
CHANGE IN CASH AND CASH EQUIVALENT					
Net (decrease)/increase in cash and cash equivalents		(1,992,773)	2,442,146	(1,992,778)	2,442,150
Cash and cash equivalents on 1 January		**6,132,892**	**3,689,418**	**6,132,897**	**3,689,418**
Effect of the change in exchange rate of cash flows and cash equivalents		(4,565)	1,328	(4,565)	1,328
Cash and cash equivalents on 31 December		**4,135,554**	**6,132,892**	**4,135,554**	**6,132,897**
ADDITIONAL INFORMATION ABOUT CASH AND CASH EQUIVALENTS					
Cash and cash balances with the Central Bank		6,599,635	8,438,440	6,599,635	8,438,445
Mandatory reserve with the Central Bank		(3,592,175)	(2,659,966)	(3,592,175)	(2,659,966)
Placements with banks with original maturity of up to 3 months	3.1	150,100	354,418	150,100	354,418
Repo deals with banks up to 3 months	3.1	977,994	-	977,994	-
TOTAL CASH AND CASH EQUIVALENTS		**4,135,554**	**6,132,892**	**4,135,554**	**6,132,897**
Operating cash flows related to interests and fees:					
Paid interests		(167,148)	(102,767)	(168,012)	(105,620)
Received interests		904,061	742,107	914,794	754,425
Paid commissions		(98,664)	(78,590)	(99,243)	(79,516)
Received commissions		387,556	325,785	388,846	333,874

The accompanying notes from page 80 to page 167 are an integral part of these separate and consolidated financial statements.

These separate and consolidated financial statements have been approved for issue by the Management Board on 29.04.2025 and signed by:

Teodor Marinov
Executive Director

Svetla Georgieva
Executive Director

In reference to the auditors' report:
For PricewaterhouseCoopers Audit OOD
Registered audit entity №085
Boryana Dimova
Managing Director

For Forvis Mazars OOD
Registered audit entity №169
Athanasios Petropoulos
Procurist

Pavel Pirinski
Registered auditor responsible for the audit

Iva Slavkova
Registered auditor responsible for the audit

Date: 05-05-2025

05-05-2025

REPORTING ENTITY

United Bulgarian Bank AD Company Identification Number: 000694959 (“UBB” or the “Bank”) is a joint stock company registered in Sofia Bulgaria 89B Vitosha Blvd. It was established in September 1992 through the consolidation of 22 commercial banks.

In June 2017 KBC Bank N.V. (“KBC”) acquired UBB from National Bank of Greece, followed by a merger in Feb 2018 of the former Cibank EAD (fully owned by KBC Bank N.V) with UBB.

In July 2022 KBC Bank N.V. (“KBC”) acquired Raiffeisenbank Bulgaria EAD from Raiffeisen SEE Region Holding GmbH, followed by a merger in April 2023 of the former Raiffeisenbank Bulgaria EAD (fully owned by KBC Bank N.V) with UBB. After the merger KBC Bank N.V. holds 99.96 % of the shares in the capital of the bank (177,097,816 shares out of totally 177,168,448 shares in the capital of United Bulgarian Bank AD).

In the first quarter of 2024 the capital of UBB AD was increased from BGN 177,168,448 to BGN 194 008 837. The percentage of ownership of KBC Bank N.V. in the capital of UBB Ad remains at 99,96 %.

KBC Bank N.V. is fully owned by KBC Group N.V., a holding company, with the following main shareholder structure:

- Roughly 41% of KBC shares are owned by a syndicate of core shareholders
- 53.7% are free-float held mainly by a large variety of international institutional investors

The consolidated financial statements present the financial position of United Bulgarian Bank AD (the Bank) and its subsidiaries as one reporting unit (“UBB or the Group”).

The Bank offers a wide range of bank services within the license for conducting banking activities granted by the Bulgarian National Bank (the “Central Bank” or “BNB”) to take deposits in local and foreign currency trade and invest in treasury bonds and other securities and perform other banking operations. The Bank is allowed to maintain its activities both locally and internationally. The international activities of the Bank are mainly related to nostro accounts transactions placements with foreign contracting banks, dealing securities portfolio and foreign exchange contracts.

As at the end of 2024 the Bank’s operations were conducted through a Headquarters Office in Sofia and 176 branches, 18 business centres (2023: 257 branches and 18 business centres). The number of full-time employees of the Bank as of 31 December 2024 was 3,914 (2023: 4,275). The number of full-time employees of UBB Group as of 31 December 2024 was 3,934 (2023: 4,307).

These separate and consolidated financial statements have been approved for issue by the management Board on 29.04.2025.

All amounts are in thousand bulgarian levs, unless otherwise stated

1 MATERIAL ACCOUNTING POLICY INFORMATION

The material principal accounting policies adopted in the preparation of these financial statements are set out below. The policy has been applied consistently for all years of presentation unless otherwise stated.

1.1. Basis of preparation

The financial statements of the Bank and the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). IFRSs as adopted by the EU is the commonly accepted name of the general purpose framework – the basis of accounting equivalent to the framework definition introduced by § 1, p. 8 of the Additional Provisions of the Accountancy Act "International Accounting Standards" (IASs).

Historical cost convention: The financial statements have been prepared on a historical cost basis, except for financial instruments measured at fair value.

The financial statements were prepared on a going concern basis. The preparation of financial statements in conformity with IFRS requires the use of certain critical and accounting estimates. It also requires management of the Bank to execute its judgment and assumptions. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 1.2.

The consolidated subsidiaries and associates in the UBB Group consolidated financial statements are as follows:

As of 31.12.2024:

Entity name	Ownership (%)	Method of consolidation	Activity
East Golf Properties EAD	100%	Fully consolidated	Real estate
UBB Centre Management EOOD	100%	Fully consolidated	Real estate
Druzhestvo za Kasovi Uslugi AD	25%	Equity method of consolidation	Cash management services

As of 31.12.2023:

Entity name	Ownership (%)	Method of consolidation	Activity
UBB Factoring EOOD	100%	Fully consolidated	Factoring services
East Golf Properties EAD	100%	Fully consolidated	Real estate
UBB Centre Management EOOD	100%	Fully consolidated	Real estate
KBC Leasing EOOD	100%	Fully consolidated	Leasing
Druzhestvo za Kasovi Uslugi AD	25%	Equity method of consolidation	Cash management services

Investments in subsidiaries and equity method investments in separate financial statements

In the Bank's financial statements subsidiaries and associates are measured at cost less impairment.
In 2024 following changes took place in the Bank's subsidiaries:

- UBB Factoring EOOD was merged into the Bank in May 2024
- KBC Leasing EOOD was sold in Dec 2024 to UBB Interlease EAD, member of the KBC Group in Bulgaria

Impairment assessment of investments in subsidiaries associates and joint ventures in separate financial statements

At each reporting date the Bank assesses whether there is any indication that an investment in a subsidiary or equity method investments may be impaired. If any such indication exists, the Bank estimates the recoverable amount of the investment. Where the carrying amount of an investment is greater than its estimated recoverable amount it is written down immediately to its recoverable amount.
As at 31.12.2024 there were impairment indication for East Golf Properties EAD. The impairment was assessed at BGN 850 thousand and was booked to decrease the carrying amount of the subsidiary.

Legal merger of KBC Bank Bulgaria EAD in UBB AD

The legal merger of KBC Bank Bulgaria EAD in UBB AD was done in April 2023 applying the book-value method (additional information is disclosed in Note 10 with the following impact on the financial statements of the Bank and the Group:

Statement of profit or loss

Income and expense for the year ended 31 December 2023 of the merged operations are included in the Statement of profit or loss of the Bank and the Group prospectively after the date of the legal merger (10 April 2023).

Statement of financial position

As at 31 December 2023 the Statement of financial position of the Bank and the Group incorporates the merged volumes and represents the statement of financial position of the United Bank.

Statement of cash flow

The Statement of cash flow of the Bank and of the Group for the year ended 31 December 2023 incorporates the changes in cash flow since 31 December 2022 for UBB AD adding the changes in cash flow from the merged operations since the legal merger (10 April 2023). The balances of the cash and cash equivalents of the merged Bank are presented as "Cash flow from business combination under common control".

Statement of changes in equity

The equity of the merged Bank as at the date of the legal merger, is present as "Business combination under common control", impacting the closing balance of the equity of the United Bank.

Merger of UBB Factoring EOOD in UBB AD

The merger of UBB Factoring EOOD in UBB AD was done in May 2024 applying the book-value method (additional information is disclosed in Note 10).

Statement of profit or loss

Income and expense for the year ended 31 December 2024 of the merged operations are included in the Statement of profit or loss of the Bank prospectively after the date of the merger (08 May 2024).

Statement of financial position

As at 31 December 2024 the Statement of financial position of the Bank incorporates the merged volumes.

Statement of cash flow

The Statement of cash flow of the Bank for the year ended 31 December 2024 incorporates the changes in cash flow from the merged operations since the merger (08 May 2024).

Statement of changes in equity

The retained earnings of the merged entity as at the date of the legal merger, is present as "Business combination under common control", impacting the closing balance of the retained earnings of the Bank.

a) **New and amended standards**

The following amendments became effective for the first time for annual reporting period commencing on 1 January 2024:

Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback (issued on 22 September 2022 and effective for annual periods beginning on or after 1 January 2024)

Amendments to IAS 1 Presentation of Financial Statements:
- **Non-current Liabilities with Covenants** (issued on 31 October 2022 and ultimately effective for annual periods beginning on or after 1 January 2024)

Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements (issued on 25 May 2023 and effective for annual periods beginning on or after 1 January 2024**)**

These amendments have no impact on the Bank and the Group during the current reporting period.

b) New standards and interpretations not yet adopted by the Bank and the Group

Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability (issued on 15 August 2023 and effective for annual periods beginning on or after 1 January 2025**)**
The standard is not expected to have impact on the Bank during current or future reporting period.

There are no other standards that are not yet adopted, and which are expected to have a significant impact on the Bank during the current or future reporting period as well as in the foreseeable future transactions.

c) New standards, interpretations and amendments not yet adopted by the EU

Amendments to the Classification and Measurement of Financial Instruments- Amendments to IFRS 9 and IFRS 7 (issued on 30 May 2024 and effective for annual periods beginning on or after 1 January 2026).

Annual Improvements to IFRS Accounting Standards, Amendments to IFRS 1, IFRS 7, IFRS 10, IFRS 16 and IAS 7 (Issued in July 2024 and effective from 1 January 2026).

Contracts Referencing Nature-dependent Electricity Amendments to IFRS 9 and IFRS 7 (Issued on 18 December 2024 and effective from 1 January 2026).

IFRS 18 Presentation and Disclosure in Financial Statements (Issued on 9 April 2024 and effective for annual periods beginning on or after 1 January 2027).

IFRS 19 Subsidiaries without Public Accountability: Disclosures (Issued on 9 May 2024 and effective for annual periods beginning on or after 1 January 2027).

UBB is currently assessing the potential impact of the amended/new standards.

1.2. Critical accounting estimates and judgments

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The authenticity of accounting estimates and judgments is monitored regularly.

The Bank makes estimates and judgments for the purposes of the accounting and disclosure. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

a) Extension and termination options and critical judgments in determining the lease term

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

For leases of office buildings, the following factors are normally the most relevant:

- If there are significant penalties to terminate (or not extend), the Bank is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the Bank is typically reasonably certain to extend (or not terminate).
- Otherwise, the Bank considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

b) Fair value of financial instruments

Where the fair values of financial assets and liabilities on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken from observable markets where possible but where this is not feasible a degree of judgement is required by management in establishing fair values. The judgement includes liquidity assumptions and model inputs such as correlation and sensitivity of longer dated derivative financial instruments. On the fair value measurement techniques is elaborated further in note 2.8.

c) Allowance for impairment losses and un-collectability

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.

It uses a measurement approach under which the loan loss allowance for the financial instruments in scope will be measured at either:

- 12-month expected credit losses; or
- lifetime expected credit losses

The measurement basis will depend on whether there has been a significant increase in credit risk since initial recognition.

There are two types of impairment calculations:

Impairment Type	Description
Model Based (i.e. Collective)	Expected future cash flows are based on statistical assumptions. ECL is calculated as the product of the probability of default (PD) the estimated exposure at default (EAD) and the loss given default (LGD).
Individual	Applicable for significant non-performing exposures /PD 10-12/

Calculating ECL requires significant judgement of various aspects including the borrowers' financial position and repayment capabilities the value and recoverability of collateral projections and macroeconomic information. UBB applies a neutral bias-free approach when dealing with uncertainties and making decisions based on significant judgements.

d) Valuation of Investment properties

Investment property acquired in a public sale in the process foreclosure procedures of non-performing loans management (repossessed collateral) is measured initially at acquisition cost, including all directly attributable expenditure, e.g. state fees for private enforcement agents, property transfer taxes and other transaction costs.

Subsequently, UBB measure investment property using the cost model. Annually, UBB performs an impairment test for investment property in which the book value of the property is compared to the fair value less costs to sell based on an independent market valuation. Impairment is booked in case that fair value less costs to sell is lower than the book value of the asset.

The fair value of investment property is determined by independent real-estate valuation experts by using generally accepted valuation methods.

Such methods include the revenue method and the cash flows discount method. In some cases, fair values are assessed on the basis of recent transactions with similar property in the same location and condition to that of UBB's assets (market analogues method) or based on the received offers for purchase of the property.

The determination of the fair value of investment property requires the use of estimates such as future cash flows from the assets and discount rates applicable to these assets. These estimates reflect the local market conditions at the date of acquisition and the date of the statement of financial position.

The fair value of investment property is disclosed under note 4.2.

1.3. Functional and presentation currency

The Bank's and its subsidiaries' functional and presentation currency is BGN.

Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated in the functional currency at the closing rate of exchange set by the Bulgarian National Bank at the end of each day. All exchange rate differences are recognized in the statement of profit or loss under fee and commission income. Non-monetary assets and liabilities in foreign currency measured at historical cost are translated into the functional currency using the exchange rate at the date of the initial transaction (acquisition).
Non-monetary assets and liabilities in foreign currency measured at fair value are reported at the spot rate that existed when the fair value was determined. Since 1 January 1999 the Bulgarian lev has been pegged to Euro at an exchange rate of BGN 1.95583: EUR 1.

1.4. Financial instruments

1.4.1. Recognition

Financial assets and liabilities are recognized in the statement of financial positions when UBB becomes a party to the contractual provisions of the instruments. Regular purchases or sales of financial assets are recognized on the settlement date. Regular purchases or sales are purchases or sales of financial assets that require the delivery within the time frame established by regulation or market convention.

1.4.2. Classification and measurement

Under IFRS 9 the classification of financial assets is different for debt and equity instruments. Therefore, before applying the classification requirements UBB need to define whether the financial assets is an investment in an equity instrument, or it is a debt instrument, both as provided by IAS 32. An equity instrument is defined as any contract that evidences a residual interest in another entity's net assets (that is all assets after deducting all of its liabilities). While the main characteristics of debt instrument is that it provides a contractual right to the holder of receiving cash (in the form of interest/coupon principal repayment) and the issuer cannot exercise discretion in avoiding the settlement.

The determination is based on the substance of the instrument and not merely on its name. Following the categorization of the instrument as debt or equity instrument the appropriate classification model should be selected. The classification of the financial liabilities depends on the intention of UBB when the financial liability is issued and on the product characteristics of the financial instruments.

The category will determine how the financial instrument is measured. Under IFRS 9 the category and the valuation method are linked and the standard allows reclassification between the different categories only in very exceptional cases.

1.4.2.1. Financial assets at amortised cost (AC)

Reverse Repos

A reverse repo is a transaction in which UBB purchases a financial asset and simultaneously enters into an agreement to sell the asset (or a similar asset) at a fixed price on a future date; this agreement is accounted for as a Reverse repo, and the underlying asset is not recognized in the financial statements.

Debt instruments at amortised cost (AC)

The classification of the financial assets – debt instruments is based on the business model for managing the financial assets ("*Business Model assessment*") and the contractual term of the cash flows of the financial assets ("*SPPI test*").

In line with IFRS 9 a financial asset debt instrument is measured at **amortized cost** if both of the following conditions are met:

- *The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows;*
- *The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.*

Business model assessment

The assessment of the actual business model has to be made by each legal entity within the Group separately. The analysis is the responsibility of the finance team on which the CFO has to give its final approval because this may require making professional judgement and it should be done on the basis how the financial assets are managed in the business and not at the level of an individual asset. IFRS 9 states the business model is not a choice and does not depend on the intention of management for an individual instrument. It is a matter of fact that is observable through the way how financial assets are managed and how information is provided to the key management personnel.

All debt instruments at amortized cost are held in business model whose objective is to hold the assets in order to collect contractual cash flows. It does not mean that debt instruments measured at amortized cost cannot be sold. In assessing the impact of sales activity on the business model determination, UBB have to consider the frequency and value of sales in prior periods and expected sales activity going forward but it should be clear that sales activity in the AC business model is only rare. Here below are the hold to collect business models in UBB:

- *Retail and Corporate & SME business models – the models relate to Loans and advances to clients;*
- *Products managed by Treasury directorate as part of Assets liability management (ALM) such as Bank placements, Government bonds.*

<u>SPPI test</u>

All debt instruments acquired in the above business models have to be assessed against the second criteria whether the cash flows under the contractual terms are solely payments of principal and interest on the principal amount outstanding. Only those instruments will pass the test which have basic lending arrangements attribute.
Only debt instruments meeting the SPPI condition can be measured at amortized cost. The following are some of the indicators of non-basic lending arrangement features:

- *Mismatch between the reference interest rate and the rate re-set date of floating rate loans;*
- *FX mismatch in pricing vs. repayment currency of the loan*
- *Embedded floor options which are in-the-money at inception of the loan contract;*
- *Non-recourse or partial recourse debt instruments;*
- *Assessment of embedded prepayment options in loan contracts;*
- *Debt instruments where contractual cash flows (principal or interest) is linked to the business risk (e.g.: bonds cash flows dependent on the utilization of the toll road);*
- *Multi-currency options;*
- *Embedded floor or cap options resulting in leveraged interest rate;*
- *Deeply sub-ordinated debt instruments.*

UBB uses the KBC Group NAPP (new active product procedure) tailored to its local business need in order to identify debt instruments which fail SPPI test. Debt instruments failing the SPPI test have to be classified as debt instruments at fair value through profit or loss (FVPL) – SPPI failure.

1.4.2.2. Financial assets at fair value through other comprehensive income (FVOCI)

Under IFRS 9 a financial asset debt instrument is measured at **fair value through other comprehensive income** if both of the following conditions are met:

- *The asset is held within a business model in which assets are managed to achieve a particular objective by both collecting contractual cash flows and selling financial assets;*
- *The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.*

<u>**Business model assessment**</u>

Similarly, to the AC category, the business model is determined by UBB's Finance team and approved by CFO for the FVOCI category. Again, this business model is observable through the way how financial assets are managed and how information is reported. Unlike for hold-to-collect business model, in the hold-to-collect and sell the objective of the business model is achieved through the collection of the contractual cash flows and the sale of the financial instruments. Due to that, this business model involves in general greater frequency and value of sales because selling financial assets is integral to achieving the business model's objective instead of being only incidental to it. However, there is no threshold for the frequency or

value of sales that must occur in this business model because both collecting contractual cash flows and selling financial assets are integral to achieving its objective.
Within UBB there are examples of business models whose objective is both to collect contractual cash flows and sell:
• *Products part of Treasury activity such as government Bonds*

SPPI test

Nonetheless the debt instruments classified in this category shall also meet the second classification criteria of SPPI test. This means that similar to the AC category only relatively simple debt instruments will qualify for measurement at FVOCI. Therefore, the same features as highlighted above should be analyzed in order to classify an instrument at FVOCI.

1.4.2.3. Financial assets at fair value through profit or loss held for trading

Next to the AC and FVOCI category IFRS 9 also defines for financial instruments fair value through profit or loss categories, but the reason of fair value categorization can be different and the Bank identifies these separately.

A financial instrument is classified as held for trading if it is:
• *Acquired or incurred principally for the purpose of selling it in the near term; or*
• *Part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking;*

These financial assets have to be measured at fair value and fair value changes have to be reported in profit or loss. Held-for-trading is mainly used for instruments that are held with a trading intent. These are instruments that are acquired or incurred principally for the purpose of selling (in case of asset) or repurchasing (in case of liability) in the near term. They are instruments that are used with the objective of generating a profit from short-term fluctuations in price or dealer's margin. These positions may include for example positions arising from client servicing (e.g. matched principal broking) and market making. In this category are classified mainly debt instruments issued by public bodies.

1.4.2.4. Financial assets at fair value through profit or loss – SPPI failure (FVSP)

Financial instruments have to be classified in this category when they are measured at fair value through profit or loss because of failing SPPI test. Instruments failing SPPI test are those that have characteristics non-consistent with basic lending arrangements. This category has to be used regardless of the actual business model used and can include financial instruments held in hold-to-collect (AC) or hold-to-collect and sell (FVOCI) business model. Financial instruments in this category have to be measured at fair value through profit or loss.

1.4.2.5. Equity instruments at fair value through other comprehensive income

An instrument can be classified as equity instrument only if it meets the definition of equity from the issuer's perspective. The basic measurement category of equity instruments under IFRS 9 is fair value through profit or loss however equity instruments can also be designated as fair value through other comprehensive income.

Under IFRS 9 equity instruments are normally measured at fair value through profit or loss but on initial recognition UBB may make an irrevocable election (on an instrument-by-instrument basis) to present in other comprehensive income the subsequent changes in the fair value of an investment in an equity instrument within the scope of IFRS 9. This option only applies to instruments that are neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies. Designating an equity instrument under the fair value through other comprehensive income category will result that all fair value changes will be recognized in other comprehensive income. The only exception relates to the dividend received which can be recognized in profit or loss.

The irrevocable election as fair value through other comprehensive income means also that even when the instrument is derecognized the accumulated fair value gains and losses in other comprehensive income cannot be recycled to profit or loss.

Within the fair value through other comprehensive income category additional distinction is made between quoted and unquoted equity instruments:

- For quoted equity instruments the fair value information will be mostly available so they have to be measured in all circumstances at fair value.
- For unquoted equity instruments the determination of the fair value requires using valuation techniques. It is expected that for most unquoted instruments fair value can be estimated.

1.4.2.6. Derivative financial instruments

Derivative financial instruments are instruments:

(a) whose value changes in response to changes in a specific interest rate financial instrument price exchange rate price or interest rate index credit rating or credit index or another variable.

(b) which do not require an initial net investment or require a small initial net investment compared to other types of contracts that respond in a similar manner to changes in market conditions.

(c) which are payable at a future date.

Derivative financial instruments include foreign exchange swaps, interest rate swaps, currency forwards, options and futures. Except options and futures, derivative financial instruments are usually not initially recognized in the statement of financial position because they are not related to costs and their net fair value is closed to zero. Options and futures are initially recognized at the premium paid for entering the contract. After initial recognition derivatives are measured at fair value. Fair value is determined based on quoted market prices, discounted cash flow models or other valuation models.

IFRS 9 distinguishes between two main categories of derivative instruments based on whether the derivative is specifically designated in a hedge accounting relationship or not. UBB does not define separately categories for assets and liabilities because the classification criteria are equally valid for both positions.

- **Trading derivative**

A derivative is always measured at fair value however entities rarely enter derivative transactions for speculative reasons and all derivative instruments will have to be categorized in this category that are not included in an effective hedge accounting relationship.

- **Hedging derivatives**

Hedging derivatives are derivatives which are specifically designated in a hedge relationship. For hedge accounting purposes only, instruments that involve a party external to UBB (i.e., external to the group or individual entity that is being reported on) can be designated as hedging instruments.

Although UBB applied IFRS 9 as from 1 January 2018, the hedge accounting requirements are based on the requirements of IAS 39 (EU carve out version). This is because IFRS 9 provides an accounting policy choice for entities either to continue applying the hedge accounting requirements of IAS 39, pending the macro hedge accounting project being finalized, or they can apply the new IFRS 9 requirements with the scope exception only for fair value portfolio hedges of interest rate risk. The accounting policy choice must be applied to all hedge accounting and accordingly UBB decided to continue applying the IAS 39 requirements.

IAS 39 distinguishes between three types of hedging relationships i.e. fair value hedges, cash flow hedges and hedges of a net investment in a foreign operation. A hedging relationship only qualifies for hedge accounting if several conditions are met (see IAS 39.88). All derivative instruments must be measured at fair value. The accounting treatment of fair value changes depends on the type of hedge.

- **Fair value hedges**

Hedge accounting

Hedge accounting applies to derivative financial instruments used to hedge the fair value of an asset (fair value hedges) if certain conditions have been met. Usually, UBB hedges fixed interest rate financial assets with interest rate swaps, to convert the fixed interest rate to floating, aiming at aligning the hedged financial instrument to actual market conditions. When hedge occurs UBB documents the relationship between the hedged item and hedging instrument, its goals in view of risk management, as also its hedging strategy. Any changes in the fair value of derivatives that are designated and classified as fair value hedges are included in the statement of profit or loss together with the changes in the fair value of the hedged assets attributable to the hedged risk.

Changes in the fair value of interest rate swaps and hedged items related thereto are reported as „ Net result from hedging derivatives”. The effects of the market adjustments relating to the risk of counterparty non-performance (CVA) and the possibility of non-performance by UBB (DVA) are taken to this item as well.

When a hedge no longer meets the criteria for hedge accounting the change in the carrying amount of the hedged item calculated using the adjusted effective interest rate is amortized through profits or losses for the period up to the item’s maturity. Interest income and interest expense from hedging derivatives and hedged assets are recognized as „Interest income” and „Interest expenses” in the statement of profit or loss. The ineffective portion of hedging transactions is stated as „Net result from held-for-trading financial instruments”.

Hedging relationships

Since 2015, the Bank has three hedging relationships in its banking portfolio. All of these items relate to fixed rate bonds classified as Financial assets held to collect and sell denominated in euro and three interest rate swaps denominated in euro, respectively. The hedging relationships are structured in such a way that 100% of the position in debt securities is hedged, hedging only that part of the assets that is subject to interest rate risk. In 2024 two of the hedged items matured, thus hedge accounting as at 31.12.2024 relates only to one remaining hedged item.

The bonds and the swaps in the respective hedging relationships have the same notional and principal amounts, term, repricing dates, dates of interest and principal receipts and payments. The effectiveness of the described above hedging relationships is measured at the end of each quarter and, since their origination, it is in the range of 80%-125%.

Hedge effectiveness

Hedge effectiveness is determined at the inception of the hedge relationship, as well as through periodic prospective and retrospective assessments to ensure that a relevant relationship between the hedged item and the hedging instrument exists and remains valid.

Effectiveness testing

For interest rates, several prospective and retrospective tests are performed to ensure the relationship between the hedged item and the hedging instrument qualifies for the hedge accounting strategy.

Prospective tests are mostly based either on a sensitivity analysis (verifying if the basis point value of the hedged portfolio relative to the hedging instruments stays within the 80%- 125% interval) or volume tests (if the principal amount of hedge-eligible items exceeds the notional volume of hedging instruments expected to be repriced or repaid in each specified time bucket).

The retrospective effectiveness test of the hedge relationship is periodically carried out by comparing the change in fair value of the portfolio of hedging instruments relative to the change in the fair value of the hedged eligible items imputable to the hedged risk over a given period (the ratio of fair value changes remains within the 80%- 125% interval).

Sources of hedge ineffectiveness

Ineffectiveness for interest rate swaps may occur due to:

- Differences in relevant terms between the hedged item and the hedging instrument (it can include discrepancies in interest curves and in periodicity);
- A reduction in volume of the hedged item that would fall under the volume of hedging instruments for any time bucket.
- The credit value adjustment on the interest rate swap not being matched by the loan. However, hedging swaps are fully collateralized or traded through clearing houses and the credit value adjustment is limited.

Discontinuation of hedge accounting

Hedge accounting strategies failing the effectiveness tests are discontinued. A de-designated hedging instrument can be re-designated in a new hedge relationship. Effective hedge accounting strategies may also be discontinued for technical or strategic reasons. Any impact on profit and loss arising from hedge ineffectiveness and discontinuation is reported to the Local risk management committee.

1.4.2.7. Financial liabilities

IFRS 9 distinguishes between three categories of financial liabilities:

- **Financial liabilities held for trading (HFT)**

A financial liability is classified as held for trading if it is incurred principally for the purpose of repurchasing in the near term; or part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking; or a derivative. These financial liabilities must be measured at fair value. Fair value changes must be reported in profit or loss.

- **Financial liabilities measured at amortised cost (AC)**

This category consists of all other non-derivative financial liabilities that are not classified as held for trading and not designated by the entity as at fair value through profit or loss. All these liabilities must be measured at amortized cost. Financial liabilities measured at amortized cost within UBB include:

- *Deposits from banks and other financial institutions*
- *Deposits from clients*
- *Repos*
- *Wholesale funding*
- *Other*

Deposits from banks, other financial institutions and customers

Deposits from banks and other financial institutions and clients include funds attracted by UBB in the form of current and escrow accounts, term deposit, saving and other accounts. They are recognized at initial recognition at the fair value of deposit received. Financial liabilities are subsequently measured at amortized cost and those denominated in foreign currency are revalued daily at the central exchange rate of the BNB for the respective currency. Deposits are stated together with the contractual interest accrued thereon at the date of the financial statements.

Wholesale funding

Wholesale funding is recognized initially at the fair value of cash flows received at the origination of the liability less the transactions costs. Subsequently, it is measured at amortized cost with any premium/discount recognized in statement of profit or loss using the effective interest rate method.

Repo
In a repo transaction, UBB sells a security and simultaneously agrees to repurchase it (or a substantially similar asset) at a fixed price on a future date. UBB continues to recognize the securities in their entirety because it retains substantially all the risks and rewards of ownership. The cash consideration received is recognized as a financial asset and the financial liability is recognized for the obligation to pay the repurchase.

- **Financial liabilities – Undrawn loan commitments, Financial guarantees, performance guarantees and Letters of credit**

Financial guarantee contract is one that requires UBB to make specified payments to reimburse holders for losses they incur because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. Financial guarantees are initially recognized at their fair value, which is normally evidenced by the amount of fees received. This amount is amortized on a straight-line basis over the life of the guarantee. As financial guarantees fall in the scope of IFRS 9, at the end of each reporting period, the guarantees are measured at the higher of (i) the amount of the loss allowance for the guaranteed exposure determined based on the expected loss model and (ii) the remaining unamortized balance of the amount at initial recognition. In addition, an ECL loss allowance is recognized for fees receivable that are recognized in the statement of financial position as an asset.
The Bank issues commitments to provide loans. These commitments are irrevocable or revocable only in response to a material adverse change. Such commitments are initially recognized at their fair value, which is normally evidenced by the amount of fees received. This amount is amortized on a straight-line basis over the life of the commitment, except for commitments to originate loans if it is probable that the Bank will enter a specific lending arrangement and does not expect to sell the resulting loan shortly after origination; such loan commitment fees are deferred and included in the carrying value of the loan on initial recognition. At the end of each reporting period, the commitments are measured at (i) the remaining unamortized balance of the amount at initial recognition, plus (ii) the amount of the loss allowance determined based on the expected credit loss model, unless the commitment is to provide a loan at a below market interest rate, in which case the measurement is at the higher of these two amounts. The carrying amount of the loan commitments represents a liability.

For contracts that include both a loan and an undrawn commitment and where the Bank cannot separately distinguish the ECL on the undrawn loan component from the loan component, the ECL on the undrawn commitment is recognized together with the loss allowance for the loan. To the extent that the combined ECLs exceed the gross carrying amount of the loan, they are recognized as a liability.
The letter of credit is an irrevocable commitment of the Bank to pay the seller in a commercial transaction in strict conformity to the terms and conditions set in the letter of credit upon its opening. Such financial guarantees and letters of credit are provided to banks, financial institutions and other clients as a financial protection related to specified payments that the holder may be required to settle.

The Bank issues performance guarantees that provide compensation to beneficiary in case the Bank's Customer fails to perform a contractual obligation. The performance guarantee contracts include indemnification clause that gives the Bank the right to claim back from the applicant any amounts paid to the beneficiary.
IFRS 17 defines an insurance contract as a contract under which one party (the issuer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. IFRS 17 para. B26(f) mentions performance guarantees as an example of contracts that are insurance contracts if significant insurance risk is transferred.

However, an entity may not apply IFRS 17 to the financial guarantees issued, if it chooses to account for this type of guarantees according to IFRS 9 Financial instruments (IFRS 17)
The Bank issues performance guarantees under approved and granted credit limit, after the credit risk of the Bank's Customer is assessed. The credit limit is covered by collateral provided by the Bank's customer – pledge of tangible assets, inventories, receivables, etc. Moreover, in the performance guarantee contract an indemnification clause is included that gives the Bank the right to claim back any amounts paid to the

beneficiary. In case of payment to the beneficiary, the Bank immediately recognizes a receivable against the applicant.

Considering the Bank's right to recourse in case of non-performing (i.e. the indemnification clause), the real risk for the Bank is rather credit risk (i.e., the applicant failing to repay the mounts paid to the policyholder) than insurance risk (i.e., the uncertain event occurring).
This is also confirmed by how this product is managed by the business where the product is part of general credit risk management. This is an indication that the performance guarantee and the indemnity clause are one unit of account that, in total, does not give rise to insurance risk but to credit risk.
Therefore, accounting for these guarantees is in accordance with IFRS 9 Financial instruments. Upon issuance of the guarantee an off-balance sheet commitment is booked and expected credit loss for this exposure is recognized on the balance sheet. In case the guarantee is called a receivable is recognized on the balance sheet that is subject to impairment for credit losses.

1.4.3. Impairement of financial assets

Background

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 ECL

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

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 leading to "unlikeliness to pay" – a deterioration in financial standing where the company is unable to generate enough sustainable proceeds for debt service – the net present value of expected future cash flows is insufficient to cover the obligations to the creditors;;
- the asset is flagged as non-accrual;
- the asset is flagged as a forborne asset in line with the internal policies for forbearance and a second forbearance measure is granted or the client reached DPD of 30 days.;
- UBB has filed for the borrower's bankruptcy;
- the counterparty or another creditor has filed for bankruptcy or sought similar protection measures;

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• 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.

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:

• Internal lifetime credit rating at the reporting date defers with 200% or more versus the one at initial recognition
• Forbearance flag
• Days past due
• Internal credit rating corresponds to PD 9 at reporting date
• 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).

Tier	Staging	Transfer & return logic
Tier 1 Internal credit rating	From stage 1 to stage 2	LTPD at reporting ≥ 200% * remaining LTPD at origination
	From stage 2 to stage 1	LTPD at reporting < 200% * remaining LTPD at origination
	To stage 3 From stage 3	Default ratings PD10-PD12 Cured from default ratings PD10-PD12
Tier 2 Forbearance	From stage 1 to stage 2	Forbearance flag
	From stage 2 to stage 1	No longer a forbearance flag
Tier 3 Days past due	From stage 1 to stage 2	More than 30 days past due
	From stage 2 to stage 1	No longer more than 30 days past due
Tier 4 Watch list	From stage 1 to stage 2	Facility in watch list
	From stage 2 to stage 1	Facility no longer in watch list
Tier 5 Collective assessment	Changes in staging from/to stage 2 and from/to stage 3	Based on expert credit judgment (manual decision)

1.4.4. Derecognition

1.4.4.1. Financial assets

A financial asset (or where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the contractual rights to receive cash flows from the asset have expired;
- the contractual rights to receive cash flows from the asset have been retained but a contractual obligation has been assumed for their payment in full without material delay to a third party under a 'pass through' arrangement; or
- the contractual rights to receive cash flows from the financial asset have been transferred and either (a) UBB has transferred substantially all the risks and rewards of the financial asset or (b) UBB has neither transferred nor retained substantially all the risks and rewards of the financial asset but has transferred the control of the asset.

When UBB has transferred its contractual rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset the asset is recognized to the extent of UBB's continuing involvement in the asset.

The Bank also derecognizes a financial asset or part of it, where there is no reasonable expectation of recovering the contractual cash flows of the financial asset in whole or in part. In certain circumstances, renegotiating or modifying the contractual cash flows of a financial asset may result in the derecognition of the existing financial asset. Accordingly, the modification date is the date of initial recognition of the financial asset when the impairment requirements apply to the modified financial asset. If the contractual cash flows of a financial asset are renegotiated or otherwise modified but the financial asset is not derecognized, that financial asset cannot automatically be considered to have a lower credit risk. The Bank assesses whether there has been a significant increase in credit risk since the modification, based on reasonable and reasoned information available without undue expense or effort.

1.4.4.2. Financial liabilities

Financial liability is derecognized from the statement of financial position when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms or the terms of an existing liability are substantially modified such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability and the difference in the respective carrying amounts is recognized in the statement of profit or loss.

1.5. Fair value measurement

- **Fair value definition**

UBB measures at Fair value its financial instruments such as derivatives and HFT / FVOCI debt and equity instruments at the reporting date. The Bank also disclosed the fair values of financial instruments measured at amortized cost and investment properties measured at cost less accumulated depreciation and accumulated impairment losses. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

An orderly transaction is a transaction that assumes exposure to the market for a period before the measurement date to allow for marketing activities that are usual and customary for transactions involving such assets or liabilities; it is not a forced transaction (e.g. a distress sale or forced liquidation). Market participants are buyers and sellers in the principal (or most advantageous) market for the asset or liability that have all of the following characteristics:

- They are independent of each other (if they are not related parties);
- They are knowledgeable having a reasonable understanding about the asset or liability and the transaction using all available information including information that might be obtained through due diligence efforts that are usual and customary;
- They are able to enter into a transaction for the asset or liability;
- They are willing to enter into a transaction for the asset or liability i.e. they are motivated but not forced or otherwise compelled to do so.

The principal or the most advantageous market must be accessible to UBB.
The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability assuming that market participants act in their economic best interest.

If there are no quotations available techniques are used to measure reliably the fair value of the financial instrument through: matching it with the current market value of another similar financial instrument or determining the discounted cash flows that are expected from the financial instrument by applying discount rates equal to the prevailing rate of return fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its most effective and best use or by selling it to another market participant that would use the asset in its most effective and best use.
UBB uses valuation techniques such as DCF models' market equivalent models Real value method that are appropriate in the circumstances and for which sufficient data is available to measure fair value maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

- **Fair Value Hierarchy**

The IASB set forth a fair value hierarchy in order to increase consistency and comparability in fair value measurements and the related disclosures.

To increase consistency and comparability in fair value measurements and related disclosures IFRS 13 establishes a fair value hierarchy that categorizes into three levels the inputs to valuation techniques used to measure fair value. The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1 inputs) and the lowest priority to unobservable inputs (Level 3 inputs). The three levels of the fair value hierarchy are defined as follows:

- **Level 1** inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A quoted price in an active market provides the most reliable evidence of fair value and shall be used without adjustment to measure fair value whenever available except in very specific circumstances defined by IFRS 13. Level 1 fair value measurements are also referred to as mark to valuations.
- **Level 2** inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly or indirectly. If the asset or liability has a specified (contractual) term a Level 2 input must be observable for substantially the full term of the asset or liability. Level 2 fair value measurements are often based on a valuation technique (mark to model valuation) using observable inputs.
- **Level 3** inputs are unobservable inputs for the asset or liability. Unobservable inputs shall be used to measure fair value to the extent that relevant observable inputs are not available thereby allowing for situations in which there is little if any market activity for the asset or liability at the measurement date. However, the fair value measurement objective remains the same i.e. an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability. Therefore, unobservable inputs shall reflect the assumptions that market participants would use when pricing the asset or liability including assumptions about risk. Level 3 fair value measurements are often based on a valuation technique (mark to model valuation) using at least one unobservable input that is significant to the entire fair value measurement or using a valuation technique for which the aggregate effect of unobservable inputs is significant to the entire fair value measurement.

The fair value hierarchy gives the highest priority to the level 1 since mark to market valuation is considered to be the most reliable way of determining a fair value.

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In case that an active market exists, published price quotations have to be used to measure the financial asset or financial liability. In case that no published price quotations are currently available a valuation technique has to be applied. Hereby the use of observable parameters needs to be maximized whereas the use of unobservable parameters needs to be minimized. For assets and liabilities that are recognized at fair value in the financial statements on a recurring basis UBB determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

UBB's management determines the policies and procedures for both recurring fair value measurement such as FVOCI financial assets and for non-recurring measurement such as land and buildings.

At each reporting date the management analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the UBB's accounting policies. For this analysis the management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents. The management in conjunction with the valuation experts also compares the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

- **Market value adjustments**

The accounting standards require the use of bid prices for long positions and ask prices for short positions applied to net open positions and impose adjustments in case of mid or stale prices illiquid markets or the use of model prices instead of market quotes. IFRS does not allow for adjustments solely to reflect the impact on market price of 'dumping' large holdings in the market (the so-called block discounts).

Market Value Adjustments are applicable for all trading and banking book positions that are measured at Fair Value with value changes reported either through profit or loss or Other Comprehensive Income. This encompasses positions classified as Fair Value Through P&L (FVPL) including financial instruments subject to the Fair Value option and Fair Value Through Other Comprehensive Income (FVOCI). Market Value Adjustments cover close-out costs, funding costs, model linked valuation adjustments and counterparty exposures as well as transaction specific adjustments.

1.6. Property, plant and equipment

Items of property plant and equipment are measured at cost less any accumulated depreciation and impairment. Depreciation is calculated on a straight-line basis over the useful life of the assets. Land is not depreciated as it has undefined useful life.

The annual depreciation rates per category of PPE are as follows:

	Annual depreciation rates (Useful life)
Buildings	3% (33.3 years)
Leasehold improvements	The lease term
Hardware and notebooks	30% (3.4 years)
Office equipment and furniture	15% (6.7 years)
Copy machines	33.3% (3 years)
Cars	25% (4 years)
Equipment for building installations	4% (20 years)
Office machinery, servers, ATMs and POS	20% (5 years)
Safe/ Strong box	10% (10 years)

1.7. Intangible assets

Intangible assets including computer software are items which do not have physical substance and UBB expect future economic benefits to be generated for more than 1 year. They are measured at cost less any accumulated amortization and impairment.

The applicable annual amortization rates are as follows:

	Annual depreciation rates (Useful life)
Software	20% (5 years)
Patents, licenses, trademarks and trade rights	20% (5 years)

1.8. Investment property

Investment property is recognized when UBB holds the property with the intention either to earn rental income or for capital appreciation or for both but not for sale in the ordinary course of business or use for administrative purposes. Upon their initial acquisition investment properties are measured at acquisition cost. Subsequently investment properties are measured using the „cost model" i.e. the price of acquisition less any accumulated depreciation and accumulated impairment losses. If there are indications for impairment of a specific investment property, UBB determines its recoverable amount being the highest of: the value in use and the fair value less by costs of sale of the investment property. The carrying amount of the property is decreased to its recoverable amount with the difference recognized as impairment in the Statement of profit or loss.

Impairment loss recognized in the previous years is recovered through the Statement of profit or loss in case there are subsequent changes in the forecasts for defining the recoverable value. Subsequent costs are capitalized only when the existence of future economic benefits is presumable, and the expenses can be reliably estimated. All other repairs and maintenance costs for the investment properties are expensed when they occur. The investment properties are depreciated over their useful life which for buildings is set at 33.3 years, for the equipment at 5 years and land is not depreciated.

UBB transfer a property to, or from, investment property when, and only when, there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. Examples of a change in use include:

(a) commencement of owner-occupation, or of development with a view to owner-occupation, for a transfer from investment property to owner-occupied property;

(b) commencement of development with a view to sale, for a transfer from investment property to inventories;

(c) end of owner-occupation, for a transfer from owner-occupied property to investment property; and (d) inception of an operating lease to another party, for a transfer from inventories to investment property.

Valuation of investment property

Investment property (being a repossessed collateral or Investment property acquired in the normal bank operation) is measured initially at acquisition cost representing their fair value at the acquisition date. The fair value of investment property is determined by independent real-estate valuation experts by using generally accepted valuation methods. Such methods include the revenue method and the cash flows discount method. In some cases, fair values are assessed on the basis of recent transactions with similar property in the same location and condition to that of the UBB's assets (market analogues method).

The determination of the fair value of investment property requires the use of estimates such as future cash flows from the assets and discount rates applicable to these assets. These estimates reflect the local market conditions at the date of acquisition and the statement of financial position date. UBB tests for impairment its investment property annually by comparing the book value of the property with its fair value less costs to sell based on an independent market valuation.

The fair value of investment property is disclosed under note 4.2.

1.9. Impairment of non-financial assets

When UBB prepares financial statements, it ensures that the carrying value of the non-financial asset does not exceed the amount that could be obtained from either using or selling it ('recoverable amount'). UBB assesses at each reporting date whether there are indications that an asset may be impaired. Indications that an impairment loss is required may stem from either an internal source (e.g. the condition of the asset) or an external source (e.g. new technology or a significant decline in the asset's market value). If any such indications exist or when annual impairment testing for an asset is required UBB makes an estimate of the asset's recoverable amount.

The recoverable amount is defined as the higher of the value in use and the fair value less cost to sell. Value in use is defined as the discounted future cash flows expected to be derived from an asset or a cash-generating unit.

The recoverable amount is determined for an individual asset unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell an appropriate valuation model is used. These calculations are corroborated by valuation models, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

1.10. Impairment of other receivables

Receivables other than the Loan related (e.g. on rental contracts, receivables on service contracts, which are predominantly short term) are tested for impairments applying a simplified approach (due to low materiality) on annual basis in case of indications for deterioration of the financial status of the client (e.g. triggers are days past due, other information indicating non-performing status). In the assessment UBB considers the provided collateral and the received Guarantees. All receivables with days past due above 90 are in Stage 3 and are impaired with 50% and those with DPD >180 are 100% impaired. Receivables below 90 days past due are in Stage 2 (not impaired) and are subject to ECL: of 2.3% for trade receivables; 2.7% for operating leases and 0.2% for Cash collateral deposited on derivative transactions or rental contracts. The Expected credit losses (ECL) are reported as impairment charge on Other receivables and the latter are reported net of the ECL in the Statement of financial position.

1.11. Tax

Taxes reported in the financial statements are in line with Bulgarian tax legislation. Income tax benefits or expenses in the statement of profit or loss comprise the sum of current taxes for the reporting period and any changes in deferred taxes.

Current tax for the reporting period is the amount of income taxes in respect of the taxable profit for a period calculated at the tax rate in effect at the date of the financial statements. Income tax expense calculated based on the applied tax legislation is recognized as expense in the period in which the profit has occurred. Tax expenses other than corporate income taxes are included in "Other expenses" in the Statement of profit or loss.

Deferred income tax is calculated using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts in the annual financial statements. Deferred tax is calculated at the tax rates that are expected to apply in the period when the receivable is realized or the liability settled based on the effective or adopted official tax rates on the date of the financial statements. Temporary differences may occur from a tax and accounting depreciation of fixed assets, litigation provisions, impairment of fixed tangible assets and receivables other than loans, provisions for unused leaves and retirement benefits etc.

UBB recognizes deferred tax assets to the extent that it is probable that a sufficient taxable income will be generated against which the temporary differences could be utilized. Current and deferred taxes are recognized as income or expense in the statement of profit or loss except when the tax occurs because of transactions or events reported in the statement of comprehensive income for the current or a different period. Current and deferred taxes are accrued or taken directly to equity when the tax relates to items which have been accrued or taken directly to equity in the same or a different period.

Deferred tax assets and liabilities are offset by UBB only when there is a legally enforceable right to offset current tax assets against current tax liabilities and where they relate to income taxes levied by the same taxation authority.

OECD Pillar Two model rules

In December 2023 the Pillar Two global minimum tax was adopted in the National legislation with effective date of application as of 01.01.2024. Under these rules, UBB and its subsidiaries are required to pay top-up tax on the profits, which are taxed at an effective tax rate of less than 15%.
According to Pillar Two requirements, UBB is defined as constituent entity and the effective tax rate is calculated based on the profits of all KBC Group entities in Bulgaria (Juridical level BG).
Based on the 2024 results, the additional top-up tax for all KBC Group entities on Juridical level BG is 4.90%.
For UBB and its consolidated subsidiaries, the covered taxes include the corporate income tax expense as per the 2024 financial statements. Deferred taxes are not adjusted, because none of the entities has recognized deferred tax asset on previous tax losses.
UBB has applied the IASB amendment to IAS 12, Income Taxes, which provides a mandatory temporary exception from recognizing or disclosing deferred taxes related to Pillar Two.

1.12. Provisions and contingent liabilities

Provisions are recognized on the reporting date if and only if the following criteria are met:

- there is a present obligation (legal or constructive) due to a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the expenditure required to settle the obligation on the date of the statement of financial position. When the effect of time is material, the amount recognized as a provision is the net present value of the best estimate.

Due to its inherent nature a provision requires management judgement regarding the amount and timing of probable future economic outflows. Provisions for future operating losses are not recognized.

1.13. Retirement benefit provisions

Retirement benefit provisions represent the present value of UBB's obligation to pay benefits to its employees upon retirement. Pursuant to the provisions of the Labor Code every employee is entitled to compensation amounting to two or six gross salaries upon retirement depending on the length of service.

Provisions are recognized when there is a legal or constructive obligation because of past events and a reliable estimate can be made on the amount of the obligation. Provisions are recognized annually based on a valuation of an independent licensed actuary using personnel statistic data.

1.14. Interest income and interest expense

The interest income/expense is recognized through profit or loss on an accrual basis the following interest-bearing financial instruments.

- interest on financial instruments measured at amortized cost;
- interest on financial instruments measured at fair value through other comprehensive income.
- interest on financial instruments measured at fair value through profit or loss

Loan related fees which are incremental to the loans granted are presented as interest income.

1.15. Fee and commission income

UBB / the Group earns fee and commission from a diverse range of financial services it provides to its customers. Fee and commission income are recognised at an amount that reflects the consideration to which the Group expects to be entitled in exchange for providing the services. The performance obligations, as well as the timing of their satisfaction, are identified, and determined, at the inception of the contract. The revenue contracts do not include multiple performance obligations. UBB / the Group has generally concluded that it is the principal in its revenue arrangements because it typically controls the services before transferring them to the customer.

Fee and commission income from services where performance obligations are satisfied over time

Performance obligations satisfied over time are related to accounts maintenance, custody services, as well as the documentary letters of credit and the guarantees issued by the Bank, where the customer simultaneously receives and consumes the benefits provided by the Bank's / Group's performance as the Bank / Group performs. These services are charged to the customer's account on a regular basis (e.g. yearly, monthly).

Fee and commission income from providing services where performance obligations are satisfied at a point in time

Services provided where UBB's / the Group's performance obligations are satisfied at a point in time are recognised once control of the services is transferred to the customer. This is typically on completion of the underlying transaction or service or, for fees or components of fees that are linked to a certain performance, after fulfilling the corresponding performance criteria. These include transaction-based fees for opening of accounts, cash transactions, execution of payment orders, bank card transactions, loan processing fees and are charged to the customer's account when the transaction takes place.

Services where performance obligations are satisfied at a point in time are also negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement/participation or negotiation of the acquisition of shares or other securities, or the purchase or sale of businesses, brokerage and underwriting fees. The Bank has a single performance obligation with respect to these services, which is to successfully complete the transaction specified in the contract.

Fees related to confirmation of documentary letters of credit and availing of bank guarantees are fees charged to the customer's account when the transaction takes place and are recognized following the principles of IFRS 15. These are separately disclosed in the notes as part of total fee and commission income, but so that they can be distinguished from total revenue from contracts with customers recognized on the services above.

Fees and commissions that are an integral part of the effective interest rate on a financial asset or liability are presented as interest income or expense.

1.16. Rental income

Rental income on properties leased out under operating leases is recognized in accordance with IFRS 16. Revenue is recognized to the extent that it is probable that the economic benefits will flow to UBB and the revenue can be reliably measured. The Bank recognizes rental income on straight line basis.

1.17. Leases

General provisions

The recognition, measurement, presentation and disclosure of leases shall be made in accordance with the requirements of IFRS 16 Leasing, considering the terms and conditions of the contracts and all relevant facts and circumstances. Upon initial recognition, the Bank determines whether a contract is a lease or contains a lease component.

A lease is defined as "a contract or part of a contract that confers the right to use an asset (the underlying asset) for a specified period of time in exchange for remuneration." To apply this definition, the Bank makes three main judgments:
• Whether the contract contains an identified asset that is either explicitly stated in the contract or is specified by default at the time the asset is made available for use.
• The Bank has the right to receive essentially all economic benefits from the use of the asset during the entire period of use, within the defined scope of its right to use the asset under the contract.
• The Bank has the right to control the use of the identified asset throughout the period of use.

The Bank reassesses whether a contract is or contains a lease only if the terms and conditions of the contract are changed.

Measurement and recognition of leases – Bank as a lessee

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Bank. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the lease term on a straight-line basis taking into consideration the extension options.

The right-of-use asset is presented separately on the statement of financial position.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. Otherwise, incremental borrowing rate is used for discounting of the lease payments.

The lease term is a non-cancellable period of a lease; periods covered by options to extend and terminate the lease are only included in the lease term if it is reasonably certain that the lease will be extended or not terminated.
Right-of-use assets are measured initially at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Subsequently, the right-of-use assets, are measured at cost less accumulated depreciation and any accumulated impairment losses, and adjusted for remeasurement of the lease liability due to reassessment or lease modifications.

The right-of-use assets are depreciated over the lease term on a straight-line basis. The amortization periods for the right-of-use assets is based on contract tenor:

- right of use for the office building: 1- 10 years
- right of use for the cars: 1-5 years

Expenses on contracts which are out-of-scope of IFRS 16 are reported in the statement of profit or loss as rental expenses. The advanced payments under operating lease contracts for which the benefits are expected to be generated in subsequent periods are deferred and recognized in the period in which the benefits are realized.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. The Bank applies the exemption for low-value assets on a lease-by-lease basis i.e. for the leases where the asset is sub-leased, a right-of-use asset is recognized with corresponding lease liability; for all other leases of low value asset, the lease payments associated with those leases will be recognized as an expense on a straight-line basis over the lease term.

Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise ATM rentals, parking plots and transformers.

Extension and termination options

Extension and termination options are included in a number of property leases across the Bank. These are used to maximize operational flexibility in terms of managing the assets used in the Bank's operations. For critical judgements in determining the lease term, please refer to Note 1.2

Measurement and recognition of leases – Bank as a lessor

Finance lease

The Group presents a finance lease, as a lessor, as a receivable equal to the net investment in a finance lease, which includes the lease payments due under the lease, together with the unguaranteed residual value, discounted at the interest rate inherent to the lease. The lease is accounted for as a finance lease when the lessor transfers to the lessee all significant risks and rewards of the asset's ownership.

Typical indicators that UBB / the Group considers in order to determine whether all significant risks and rewards have been transferred include: the present value of the lease payments compared to the fair value of the leased asset at the beginning of the lease; the term of the leasing contract in comparison with the economic life of the leased asset; as well as whether the lessee will acquire the right of ownership over the leased asset at the end of the financial lease agreement. All other leases that do not transfer substantially all the risks and rewards of the asset's ownership are classified as operating leases.

Lease payments

Payments made by a lessee to UBB / the Group relating to the right to use an underlying asset during the lease term, comprising the following:

(a) fixed payments (including in-substance fixed payments), less any lease incentives;

(b) variable lease payments that depend on an index or a rate;

(c) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and

(d) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

For the lessee, lease payments also include amounts expected to be payable by the lessee under residual value guarantees. Lease payments do not include payments allocated to non-lease components of a contract, unless the lessee elects to combine non-lease components with a lease component and to account for them as a single lease component.

For UBB / the Group, lease payments also include any residual value guarantees provided to UBB / the Group by the lessee, a party related to the lessee or a third party unrelated to UBB / the Group that is financially capable of discharging the obligations under the guarantee. Lease payments do not include payments allocated to non-lease components.

Start of the lease and beginning of the lease term

A distinction is made between the beginning of the leasing contract (inception date) and the beginning of the term under the leasing contract (commencement date). The beginning of the lease contract is the earlier of the two dates – of the lease contract or of the commitment of the parties to the main terms of the lease contract. As of this date:

- the lease is classified as a finance or operating lease; and

- in the case of a finance lease, the amounts to be recognized at the beginning of the lease term are determined.

The beginning of the lease term is the date from which the lessee can exercise its right to use the leased asset. This is also the date on which the Group initially recognizes the lease receivable.

Initial and subsequent measurement

UBB / the Group recognizes a finance lease receivable at the commencement date, at a value equal to the net investment in the lease. The initial direct costs are included in the calculation of the finance lease receivable. During the term of the lease, UBB / the Group accrues financial income (interest income on finance lease) on the net investment. The net investment in finance leases is presented in financial assets at amortized cost, within loans and receivables from customers, after impairment, according to the policy for impairment of financial assets at amortized cost.

Operating lease

Leases where UBB does not transfer substantially all of the risk and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as the rental income from that asset. The rental income from operating lease' contracts is recognized on a straight-line basis over the lease term.

1.18. Share capital

The share capital of UBB is stated at the nominal value of shares issued and subscribed by UBB. Any other additional proceeds from the sale of shares over their nominal value are reported in share premium.
In the first quarter of 2024 the capital of UBB AD is increased from BGN 177,168,448 to BGN 194,008,837.

All amounts are in thousand bulgarian levs, unless otherwise stated

2 NOTES TO THE INCOME STATEMENT

It should be noted that Income and expense for the year ended 31 December 2023 of the former KBC Bank Bulgaria EAD are included in the Income statement after the date of the legal merger (10 April 2023).

Note 2.1: Net Interest Income

NET INTEREST INCOME	Year ended 31.12.2024 SEPARATE	Year ended 31.12.2023 SEPARATE	Year ended 31.12.2024 CONSOLIDATED	Year ended 31.12.2023 CONSOLIDATED
Interest income on financial instruments calculated using the effective interest rate method	**968,120**	**759,809**	**964,161**	**757,193**
Deposits placed with banks	113,049	129,717	113,049	129,717
Loans and advances to customers	693,316	543,281	689,358	540,665
Financial assets at fair value through other comprehensive income	36,783	12,989	36,783	12,989
Financial assets at amortized cost	124,972	73,558	124,971	73,558
Other assets	-	264	-	264
Interest income on other financial instruments	**15,854**	**14,656**	**30,546**	**29,590**
Interest income on finance lease receivables	-	-	14,689	14,904
Trading Derivatives	12,104	10,136	12,104	10,136
Hedge Derivatives	3,337	4,306	3,337	4,306
Financial assets at fair value through profit or loss	330	210	330	210
Interest income on liabilities	83	4	86	34
Interest expense on financial instruments calculated using the effective interest rate method	**(166,171)**	**(106,567)**	**(167,035)**	**(109,420)**
Deposits from banks	(61,396)	(45,473)	(61,396)	(45,473)
Deposits from customers	(44,785)	(27,891)	(44,785)	(27,891)
Other borrowed funds	(59,990)	(33,203)	(60,854)	(36,056)
Interest expense on other financial instruments	**(2,164)**	**(2,559)**	**(2,164)**	**(2,559)**
Financial liabilities held for trading	(665)	(557)	(665)	(557)
Hedge derivatives	(671)	(903)	(671)	(903)
Lease liabilities	(631)	(521)	(631)	(521)
Interest expense on assets	(197)	(578)	(197)	(578)
Total net interest income	**815,639**	**665,339**	**825,508**	**674,804**

All amounts are in thousand bulgarian levs, unless otherwise stated

Note 2.2: Net Fee and Commission Income

`	Year ended 31.12.2024 SEPARATE	Year ended 31.12.2023 SEPARATE	Year ended 31.12.2024 CONSOLIDATED	Year ended 31.12.2023 CONSOLIDATED
A. Fee and commission incomes				
Card-related services fees	117,385	92,849	117,385	92,849
Service fees of customer accounts	73,171	62,108	73,170	62,107
Transfer of funds and cash transactions	65,083	60,464	65,082	60,462
Fees FX transactions	54,806	50,041	54,797	50,042
Bank insurance fees	24,153	19,745	24,153	24,877
Loans and advances to customers	19,743	14,104	20,652	17,087
Asset management fees	15,455	11,232	15,455	11,232
Guarantees and letters of credit	8,617	6,965	8,617	6,965
Fiduciary/custodian activities	4,728	3,326	4,728	3,326
Fees safety vault	1,083	599	1,083	599
Other fees and commissions	3,332	4,352	3,724	4,328
	387,556	**325,785**	**388,846**	**333,874**
B. Fee and commission expenses				
Card-related services fees	(79,666)	(61,003)	(79,666)	(61,003)
Loans and advances to customers	-	-	-	-
Guarantees and letters of credit	(2,588)	(2,630)	(2,588)	(2,630)
Fiduciary/custodian activities	(1,993)	(1,549)	(1,993)	(1,549)
Transfer of funds and cash transactions	(6,554)	(5,737)	(6,554)	(5,737)
Fees from sales of SMS packages / e-mails	(5,562)	(4,605)	(5,562)	(4,605)
Insurance expenses	(1,488)	(974)	(1,869)	(1,596)
Other fees and commissions	(813)	(2,092)	(1,011)	(2,396)
	(98,664)	**(78,590)**	**(99,243)**	**(79,516)**
TOTAL Net fee and commissions income	**288,892**	**247,195**	**289,603**	**254,358**

Note 2.3: Net Result from Financial Instruments at Fair Value Through Profit or Loss

	Year ended 31.12.2024 SEPARATE	Year ended 31.12.2023 SEPARATE	Year ended 31.12.2024 CONSOLIDATED	Year ended 31.12.2023 CONSOLIDATED
Net result from financial instruments Held for Trading				
Gains / (losses) on foreign exchange				
Net gains from FX derivatives	1,225	1,528	1,223	1,524
Gains/ losses on Held for trading financial assets and liabilities- Interest rate instruments	574	(87)	574	(87)
	1,799	**1,441**	**1,797**	**1,437**
Government and Corporate securities	933	1,437	933	1,437
	933	**1,437**	**933**	**1,437**
TOTAL	**2,732**	**2,878**	**2,730**	**2,874**

All amounts are in thousand bulgarian levs, unless otherwise stated

Note 2.4: Net Other Income

	Year ended 31.12.2024 SEPARATE	Year ended 31.12.2023 SEPARATE	Year ended 31.12.2024 CONSOLIDATED	Year ended 31.12.2023 CONSOLIDATED
Gains/ Loss on disposal of fixed assets	15,850	1,467	16,072	1,850
Income from rental and lease contracts	4,076	3,995	5,673	5,410
Other operating income	845	767	3,998	3,350
Expense on provisions	(746)	(1,276)	(746)	(1,276)
Depreciation of investment property and assets subject to lease contracts	(2,377)	(2,550)	(4,087)	(4,027)
Other	(5,705)	(1,778)	(6,246)	(2,369)
TOTAL	**11,943**	**625**	**14,664**	**2,938**

The Gains/Loss on disposal of fixed assets in 2024 includes:

- BGN 11 mln from the sale of own property that UBB will not further occupy
- BGN 4,7 mln from the sale of investment property

Note 2.5: Operating Expenses

Staff expenses	Year ended 31.12.2024 SEPARATE	Year ended 31.12.2023 SEPARATE	Year ended 31.12.2024 CONSOLIDATED	Year ended 31.12.2023 CONSOLIDATED
Wages and Salaries	(160,336)	(141,769)	(161,230)	(144,054)
Social security costs	(27,185)	(23,275)	(27,339)	(23,634)
Bonuses and other compensation expenses	(25,712)	(17,785)	(25,825)	(18,034)
Other staff costs	(7,234)	(6,009)	(7,249)	(6,074)
Provision for staff related restructuring charge/reversal	225	-	225	-
Pension costs- defined contribution plans	(1,099)	(1,222)	(1,099)	(1,132)
TOTAL	**(221,341)**	**(190,060)**	**(222,517)**	**(192,928)**

General administrative expenses	Year ended 31.12.2024 SEPARATE	Year ended 31.12.2023 SEPARATE	Year ended 31.12.2024 CONSOLIDATED	Year ended 31.12.2023 CONSOLIDATED
ICT expenses	(111,910)	(106,585)	(112,220)	(106,891)
Deposit guarantee fund	(40,926)	(17,903)	(40,926)	(17,903)
Repair, maintenance and other facilities expenses	(47,356)	(40,327)	(47,604)	(40,503)
Rental expenses	(3,866)	(2,589)	(3,551)	(2,593)
Advertising, marketing and communication	(8,044)	(8,003)	(8,062)	(8,046)
Professional fees	(10,428)	(7,540)	(10,508)	(7,690)
Costs charged by other KBC Group entities	(6,738)	(4,052)	(6,738)	(4,052)
Training expenses	(1,553)	(1,079)	(1,557)	(1,083)
Other expenses	(13,292)	(14,042)	(13,327)	(14,246)
TOTAL	**(244,113)**	**(202,120)**	**(244,493)**	**(203,007)**

All amounts are in thousand bulgarian levs, unless otherwise stated

Depreciation and amortisation expenses	Year ended 31.12.2024 SEPARATE	Year ended 31.12.2023 SEPARATE	Year ended 31.12.2024 CONSOLIDATED	Year ended 31.12.2023 CONSOLIDATED
Depreciation of fixed assets	(21,612)	(19,918)	(22,073)	(19,955)
Depreciation of right-of-use assets	(15,230)	(14,314)	(15,230)	(14,666)
Amortisation of intangible assets	(15,911)	(15,249)	(15,970)	(15,326)
TOTAL	**(52,753)**	**(49,481)**	**(53,273)**	**(49,947)**

	Year ended 31.12.2024 SEPARATE	Year ended 31.12.2023 SEPARATE	Year ended 31.12.2024 CONSOLIDATED	Year ended 31.12.2023 CONSOLIDATED
Audit expenses	(903)	(904)	(903)	(958)

In 2023 the expense for the provided non-audit services by the auditor amounted to BGN 12 thousand both on individual and consolidated basis. In 2024 the expense for the provided non-audit services by the auditor amounted to BGN 4 thousand both on individual and consolidated basis.

Note 2.6: Impairment Expenses

	Year ended 31.12.2024 SEPARATE	Year ended 31.12.2023 SEPARATE	Year ended 31.12.2024 CONSOLIDATED	Year ended 31.12.2023 CONSOLIDATED
Impairment on financial assets at AC and at FVOCI	**(28,540)**	**(23,170)**	**(28,026)**	**(22,017)**
Loans and advances to customers	(27,653)	(36,157)	(27,129)	(34,958)
Collection expenses	(629)	(738)	(629)	(787)
Due from banks receivables	(88)	13	(88)	13
Bonds at FVOCI	(129)	19	(129)	19
Bonds at AC	170	13,807	170	13,807
Other receivables	(211)	(114)	(221)	(111)
Other Impairments	**(1,458)**	**2,860**	**(1,787)**	**2,859**
Fixed and intangible assets	(307)	(609)	(307)	(609)
Investment Property	(228)	(1,545)	(1,525)	(1,545)
Other impairment	(850)	-	-	-
(Impairment)/Reversal of impairment on off-balance sheet commitment	(73)	5,014	45	5,013
TOTAL	**(29,998)**	**(20,310)**	**(29,813)**	**(19,158)**

Impairments of Loans and advances to customers include income from written-off loans at the amount of BGN 14,476 thousand on individual and consolidated base for the year ended 31 December 2024 (31 December 2023: 16,869 thousand both on individual and consolidated base).

All amounts are in thousand bulgarian levs, unless otherwise stated

Note 2.7: Income Tax Expense

	Year ended 31.12.2024 SEPARATE	Year ended 31.12.2023 SEPARATE	Year ended 31.12.2024 CONSOLIDATED	Year ended 31.12.2023 CONSOLIDATED
Current tax (expense)/income	(56,373)	(48,004)	(56,373)	(48,004)
Deferred tax (expense)/income related to origination and reversal of temporary differences	293	3,202	293	3,202
Pillar two income tax expense	(26,458)	-	(26,493)	-
Tax expense	**(82,538)**	**(44,802)**	**(82,573)**	**(44,802)**
Share of tax in subsidiaries and equity method investments	-	-	(1,571)	(1,838)
TOTAL	**(82,538)**	**(44,802)**	**(84,144)**	**(46,640)**

Pillar Two income taxes

The OECD has published GloBE Model Rules, which include a minimum 15% tax rate by jurisdiction ("Pillar Two"). Bulgaria has enacted tax legislation to comply with Pillar Two rules effectively from January 1, 2024 onward. Being part of a large multinational group, UBB falls within the Pillar Two regulation, affecting its 2024 financial results. A minimum top-up-tax is introduced to reach the required taxation level of 15% on Pillar Two qualifying profits earned by companies. The top-up-tax for KBC Group companies operating in Bulgaria was calculated for 2024 at an effective tax rate of 4,9%, resulting for UBB in an amount of BGN 26,458 thsd.
For the period ended 31 December 2024, UBB has applied the IASB amendment to IAS 12, Income Taxes, which provides a mandatory temporary exception from recognizing or disclosing deferred taxes related to Pillar Two.

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

	Year ended 31.12.2024 SEPARATE	Year ended 31.12.2023 SEPARATE	Year ended 31.12.2024 CONSOLIDATED	Year ended 31.12.2023 CONSOLIDATED
Profit before taxation	578,828	462,256	577,954	472,091
Prima facie tax calculated at an applicable tax rate (10% for 2024 and 2023)	(57,883)	(46,226)	(57,795)	(47,209)
Tax effect of (expenses) that are not deductible in determining the taxable profit	(537)	(419)	(537)	(419)
Tax effect of income that are not recognized in determining the taxable profit	2,340	1,843	2,252	2,826
Pillar two income tax expense	(26,458)	-	(26,493)	-
Tax expense	**(82,538)**	**(44,802)**	**(82,573)**	**(44,802)**
Share of tax in associates, subsidiaries and equity method investments	-	-	(1,571)	(1,838)
TOTAL	**(82,538)**	**(44,802)**	**(84,144)**	**(46,640)**
Effective income tax rate	14.26%	9.69%	14.56%	9.88%

Current income tax expense represents the amount of tax to be paid under Bulgarian law at statutory tax rates. Deferred tax income or expense result from the change of carrying amounts of deferred tax assets and deferred tax liabilities. Deferred tax assets and liabilities as of 31 December 2024 and as of 31 December 2023 are calculated using the tax rate of 10% enacted as of that date to be effective for 2024 and 2023.

The amounts of deferred tax assets and liabilities in the consolidated statement of financial position in respect of each type of temporary differences are as follows:

All amounts are in thousand bulgarian levs, unless otherwise stated

DEFERRED TAX	As of 31.12.2024 SEPARATE	As of 31.12.2023 SEPARATE	As of 31.12.2024 CONSOLIDATED	As of 31.12.2023 CONSOLIDATED
Deferred tax assets:				
Retirement benefit obligations	449	495	449	495
Provisions for legal cases	323	184	323	184
Other employee benefits	3,478	3,350	3,478	3,350
Other temporary differences	5,321	5,103	5,454	5,113
IFRS 16	60	80	60	80
Total Deferred tax assets	**9,631**	**9,212**	**9,764**	**9,222**
Deferred tax liabilities:				
Fixed assets and investment properties	(2,739)	(2,548)	(2,739)	(2,548)
Financial assets – FVOCI	(616)	(616)	(616)	(616)
Total Deferred tax liabilities	**(3,355)**	**(3,164)**	**(3,355)**	**(3,164)**
Recognised in the statement of financial position:				
Deferred tax assets:	**6,276**	**6,048**	**6,409**	**6,058**
Deferred tax liabilities:	**-**	-	**-**	**-**

Separate

MOVEMENT IN DEFERRED TAXES

DEFERRED TAX	Balance as of 31.12.2023	Recognised during the period in profit or loss	Recognised during the period in other comprehensive income	Balance as of 31.12.2024
Deferred tax assets:				
Retirement benefit obligations	495	19	(65)	**449**
Provisions for legal cases	184	139	-	**323**
Other employee benefits	3,350	128	-	**3,478**
Other temporary differences	5,103	218	-	**5,321**
IFRS 16	80	(20)	-	**60**
Total Deferred tax assets	**9,212**	**484**	**(65)**	**9,631**
Deferred tax liabilities:				
Fixed assets and investment properties	(2,548)	(191)	-	**(2,739)**
Securities – available for sale	(616)	-	-	**(616)**
IFRS 16	-	-	-	-
Total Deferred tax liabilities	**(3,164)**	**(191)**	**-**	**(3,355)**
	6,048	**293**	**(65)**	**6,276**

All amounts are in thousand bulgarian levs, unless otherwise stated

Consolidated

MOVEMENT IN DEFERRED TAXES	Balance as of 31.12.2023	Recognised during the period in profit or loss	Recognised during the period in other comprehensive income	Balance as of 31.12.2024
Deferred tax assets:				
Retirement benefit obligations	495	19	(65)	**449**
Provisions for legal cases	184	139	-	**323**
Other employee benefits	3,350	128	-	**3,478**
Other temporary differences	5,113	341	-	**5,454**
IFRS 16	80	(20)	-	**60**
Total Deferred tax assets	**9,222**	**607**	**(65)**	**9,764**
Deferred tax liabilities:				
Fixed assets and investment properties	(2,548)	(191)	-	**(2,739)**
Securities – available for sale	(616)	-	-	**(616)**
IFRS 16	-	-	-	-
Total Deferred tax liabilities	**(3,164)**	**(191)**	**-**	**(3,355)**
	6,058	**416**	**(65)**	**6,409**

All amounts are in thousand bulgarian levs, unless otherwise stated

3 NOTES TO THE FINANCIAL ASSETS AND LIABILITIES

Note 3.1: Financial assets, breakdown by class and measurement category

SEPARATE FINANCIAL ASSETS, 31.12.2024	Measured at amortised cost (AC)	Measured at fair value through other comprehensive income (FVOCI)	Held for trading (HFT)	Hedging derivatives	Total
Cash and cash balances with the Central Bank	6,599,635	-	-	-	6,599,635
Cash in hand	552,887	-	-	-	552,887
Current account with the Central Bank	6,046,748	-	-	-	6,046,748
Due from banks	1,414,750	-	-	-	1,414,750
Nostro accounts	122,768	-	-	-	122,768
Interbank placements	18,872	-	-	-	18,872
Other loans and advances to banks	1,273,110	-	-	-	1,273,110
Reverse Repo	977,994	-	-	-	977,994
Loans and advances to customers	20,610,585	-	-	-	20,610,585
Loans to households	9,802,916	-	-	-	9,802,916
Loans to companies and institutions	10,666,993	-	-	-	10,666,993
Other receivables, net	140,676				140,676
Equity instruments	-	22,327	-	-	22,327
Debt Securities	6,147,216	1,356,256	12,184	-	7,515,656
General governments	6,037,286	1,356,256	12,184	-	7,405,726
Credit Institutions	27,067	-	-	-	27,067
Companies	82,863	-	-	-	82,863
Derivative financial instruments	-	-	14,761	337	15,098
Total financial assets	**34,772,186**	**1,378,583**	**26,945**	**337**	**36,178,051**

CONSOLIDATED FINANCIAL ASSETS, 31.12.2024	Measured at amortised cost (AC)	Measured at fair value through other comprehensive income (FVOCI)	Held for trading (HFT)	Hedging derivatives	Total
Cash and cash balances with the Central Bank	6,599,635	-	-	-	6,599,635
Cash in hand	552,887	-	-	-	552,887
Current account with the Central Bank	6,046,748	-	-	-	6,046,748
Due from banks	1,414,750	-	-	-	1,414,750
Nostro accounts	122,768	-	-	-	122,768
Interbank placements	18,872	-	-	-	18,872
Other loans and advances to banks	1,273,110	-	-	-	1,273,110
Reverse Repo	977,994	-	-	-	977,994
Loans and advances to customers	20,610,640	-	-	-	20,610,640
Loans to households	9,802,916	-	-	-	9,802,916
Loans to companies and institutions	10,666,993	-	-	-	10,666,993
Other receivables, net	140,731	-	-	-	140,731
Equity instruments	-	22,327	-	-	22,327
Debt Securities	6,147,216	1,356,256	12,184	-	7,515,656
General governments	6,037,286	1,356,256	12,184	-	7,405,726
Credit Institutions	27,067	-	-	-	27,067
Companies	82,863	-	-	-	82,863
Derivative financial instruments	-	-	14,761	337	15,098
Total financial assets	**34,772,241**	**1,378,583**	**26,945**	**337**	**36,178,106**

All amounts are in thousand bulgarian levs, unless otherwise stated

SEPARATE FINANCIAL ASSETS, 31.12.2023	Measured at amortised cost (AC)	Measured at fair value through other comprehensive income (FVOCI)	Held for trading (HFT)	Hedging derivatives	Total
Cash and cash balances with the Central Bank	8,438,440	-	-	-	8,438,440
Cash in hand	609,597	-	-	-	609,597
Current account with the Central Bank	7,828,843	-	-	-	7,828,843
Due from banks	1,350,722	-	-	-	1,350,722
Nostro accounts	237,239	-	-	-	237,239
Interbank placements	112,702	-	-	-	112,702
Other loans and advances to banks	1,000,781	-	-	-	1,000,781
Reverse Repo	-	-	-	-	-
Loans and advances to customers	17,932,633	-	-	-	17,932,633
Loans to households	8,037,513	-	-	-	8,037,513
Loans to companies and institutions	9,818,430	-	-	-	9,818,430
Other receivables, net	76,690	-	-	-	76,690
Equity instruments	-	27,373	-	-	27,373
Debt Securities	5,302,762	572,498	9,215	-	5,884,475
General governments	5,115,721	572,498	9,215	-	5,697,434
Credit Institutions	102,969	-	-	-	102,969
Companies	84,072	-	-	-	84,072
Derivative financial instruments	-	-	19,335	2,679	22,014
Total financial assets	**33,024,557**	**599,871**	**28,550**	**2,679**	**33,655,657**

CONSOLIDATED FINANCIAL ASSETS, 31.12.2023	Measured at amortised cost (AC)	Measured at fair value through other comprehensive income (FVOCI)	Held for trading (HFT)	Hedging derivatives	Total
Cash and cash balances with the Central Bank	8,438,445	-	-	-	8,438,445
Cash in hand	609,602	-	-	-	609,602
Current account with the Central Bank	7,828,843	-	-	-	7,828,843
Due from banks	1,351,131	-	-	-	1,351,131
Nostro accounts	237,648	-	-	-	237,648
Interbank placements	112,702	-	-	-	112,702
Other loans and advances to banks	1,000,781	-	-	-	1,000,781
Reverse Repo	-	-	-	-	-
Loans and advances to customers	18,056,825	-	-	-	18,056,825
Loans to households	8,093,275	-	-	-	8,093,275
Loans to companies and institutions	9,886,859	-	-	-	9,886,859
Other receivables, net	76,691				76,691
Equity instruments	-	27,373	-	-	27,373
Debt Securities	5,302,762	572,498	9,215	-	5,884,475
General governments	5,115,721	572,498	9,215	-	5,697,434
Credit Institutions	102,969	-	-	-	102,969
Companies	84,072	-	-	-	84,072
Derivative financial instruments	-	-	19,335	2,679	22,014
Total financial assets	**33,149,163**	**599,871**	**28,550**	**2,679**	**33,780,263**

- A major part of equity securities represents participations in companies providing services to the financial sector.
- Part of the owned Bulgarian Government securities measured at fair value through OCI are pledged for budget attracted funds at the amount of BGN 62,945 thousand as of 31 December 2023. None of the debt securities measured at fair value through OCI are pledged as of 31 December 2024.
- Part of the owned Bulgarian Government securities measured at amortised cost are pledged for budget attracted funds at the amount of BGN 366,468 thousand as of 31 December 2024 (31 December 2023: BGN 382,172 thousand).
- Included in Due from banks are nostro accounts, and other receivables from banks with an original maturity up to 3 months amounting BGN 150,100 thousand (BGN 354,418 thousand for 2023) presented in the Cash flow statement as Cash and cash equivalents
- Reverse repo deals as of 2024 are with original maturity up to 3 months and is presented in the Cash flow statement as Cash and cash equivalents

All amounts are in thousand bulgarian levs, unless otherwise stated

Note 3.2 Financial liabilities

SEPARATE FINANCIAL LIABILITIES, 31.12.2024	Measured at amortised cost (AC)	Held for trading (HFT)	Hedging derivatives	Total
Deposits from banks	4,153,290	-	-	4,153,290
Sight deposits	14,610	-	-	14,610
Time deposits	4,134,224	-	-	4,134,224
Other due to banks	4,456	-	-	4,456
Deposits from customers and other financial liabilities	27,428,622	-	-	27,428,622
Households	17,216,092	-	-	17,216,092
Other financial institutions	1,013,931	-	-	1,013,931
Companies	8,664,285	-	-	8,664,285
General governments	350,262	-	-	350,262
Other Financial liabilities	184,052	-	-	184,052
Other borrowed funds	1,441,660	-	-	1,441,660
Credit lines from international institutions	4,053	-	-	4,053
Other credit lines	1,258,203	-	-	1,258,203
Subordinated term debt	179,404	-	-	179,404
Derivative financial instruments	-	12,385	-	12,385
Total financial liabilities	**33,023,572**	**12,385**	**-**	**33,035,957**

CONSOLIDATED FINANCIAL LIABILITIES, 31.12.2024	Measured at amortised cost (AC)	Held for trading (HFT)	Hedging derivatives	Total
Deposits from banks	4,153,290	-	-	4,153,290
Sight deposits	14,610	-	-	14,610
Time deposits	4,134,224	-	-	4,134,224
Other due to banks	4,456	-	-	4,456
Deposits from customers and other financial liabilities	27,426,663	-	-	27,426,663
Households	17,216,092	-	-	17,216,092
Other financial institutions	1,013,930	-	-	1,013,930
Companies	8,662,327	-	-	8,662,327
General governments	350,262	-	-	350,262
Other Financial liabilities	184,052	-	-	184,052
Other borrowed funds	1,441,660	-	-	1,441,660
Credit lines from international institutions	4,053	-	-	4,053
Other credit lines	1,258,203	-	-	1,258,203
Subordinated term debt	179,404	-	-	179,404
Derivative financial instruments	-	12,385	-	12,385
Total financial liabilities	**33,021,613**	**12,385**	**-**	**33,033,998**

All amounts are in thousand bulgarian levs, unless otherwise stated

SEPARATE FINANCIAL LIABILITIES, 31.12.2023	Measured at amortised cost (AC)	Held for trading (HFT)	Hedging derivatives	Total
Deposits from banks	2,760,645	-	-	2,760,645
Sight deposits	8,030	-	-	8,030
Time deposits	2,752,615	-	-	2,752,615
Other due to banks	-	-	-	-
Deposits from customers and other financial liabilities	26,256,822	-	-	26,256,822
Households	15,598,392	-	-	15,598,392
Other financial institutions	948,369	-	-	948,369
Companies	9,155,327	-	-	9,155,327
General governments	401,240	-	-	401,240
Other Financial liabilities	153,494	-	-	153,494
Other borrowed funds	1,444,723	-	-	1,444,723
Credit lines from international institutions	6,553	-	-	6,553
Other credit lines	1,258,493	-	-	1,258,493
Subordinated term debt	179,677	-	-	179,677
Derivative financial instruments	-	28,578	-	28,578
Total financial liabilities	**30,462,190**	**28,578**	**-**	**30,490,768**

CONSOLIDATED FINANCIAL LIABILITIES, 31.12.2023	Measured at amortised cost (AC)	Held for trading (HFT)	Hedging derivatives	Total
Deposits from banks	2,760,645	-	-	2,760,645
Sight deposits	8,030	-	-	8,030
Time deposits	2,752,615	-	-	2,752,615
Other due to banks	-	-	-	-
Deposits from customers and other financial liabilities	26,255,585	-	-	26,255,585
Households	15,598,391	-	-	15,598,391
Other financial institutions	934,749	-	-	934,749
Companies	9,152,025	-	-	9,152,025
General governments	401,240	-	-	401,240
Other Financial liabilities	169,180	-	-	169,180
Other borrowed funds	1,515,395	-	-	1,515,395
Credit lines from international institutions	10,578	-	-	10,578
Other credit lines	1,325,140	-	-	1,325,140
Subordinated term debt	179,677	-	-	179,677
Derivative financial instruments	-	28,578	-	28,578
Total financial liabilities	**30,531,625**	**28,578**	**-**	**30,560,203**

All amounts are in thousand bulgarian levs, unless otherwise stated

Note 3.3.: Loans and advances to customers by product and type of customer

	Year ended 31.12.2024 SEPARATE	Year ended 31.12.2023 SEPARATE	Year ended 31.12.2024 CONSOLIDATED	Year ended 31.12.2023 CONSOLIDATED
Households	**10,005,859**	**8,247,159**	**10,005,859**	**8,304,717**
Overdrafts	42,547	36,001	42,547	36,001
Credit cards	140,513	146,367	140,513	146,367
Mortgages	6,251,010	4,915,042	6,251,010	4,915,042
Consumer loans	3,446,938	3,049,926	3,446,938	3,049,926
Other loans	124,851	99,823	124,851	99,823
Lease contracts	-	-	-	57,558
Companies and institutions	10,783,634	9,926,898	10,783,634	10,003,888
hereof: Lease contracts	-	-	-	335,561
hereof: Factoring receivables	419,296	98,269	419,296	292,226
Other financial institutions	500,841	846,957	500,841	515,168
Companies	10,080,686	8,928,160	10,080,686	9,336,834
General governments	202,107	151,781	202,107	151,886
Loans to customers, gross	**20,789,493**	**18,174,057**	**20,789,493**	**18,308,605**
Less: allowance for impairment	**(319,584)**	**(318,114)**	**(319,584)**	**(328,471)**
Loans to customers, net	**20,469,909**	**17,855,943**	**20,469,909**	**17,980,134**
Other receivables, net	**140,676**	**76,690**	**140,731**	**76,691**
Loans and advances to customers, net of provision	**20,610,585**	**17,932,633**	**20,610,640**	**18,056,825**

The 2023 consolidated financial statements include the fully owned KBC Leasing EOOD. In December 2024 the Leasing subsidiary was sold to UBB Interlease EAD, member of the KBC Group in Bulgaria.

The increase in factoring receivables is due to the merger of UBB Factoring EOOD into UBB in May 2024.

All amounts are in thousand bulgarian levs, unless otherwise stated

Note 3.4: Financial assets subject to impairment

SEPARATE 31.12.2024	Carrying value before impairment	Impairment	Carrying value after impairment
Financial assets at amortised cost	**28,352,602**	**(320,727)**	**28,031,875**
Due from banks and reverse repos with banks	1,415,012	(262)	1,414,750
Stage 1	1,415,012	(262)	1,414,750
Stage 2	-	-	-
Stage 3	-	-	-
Loans to households	10,005,860	(202,944)	9,802,916
Stage 1	9,521,752	(15,572)	9,506,180
Stage 2	268,065	(36,421)	231,644
Stage 3	216,043	(150,951)	65,092
Loans to companies and institutions	10,783,633	(116,640)	10,666,993
Stage 1	9,451,709	(21,126)	9,430,583
Stage 2	1,117,319	(21,601)	1,095,718
Stage 3	214,605	(73,913)	140,692
Debt securities	6,148,097	(881)	6,147,216
Stage 1	6,148,097	(881)	6,147,216
Stage 2	-	-	-
Stage 3	-	-	-
Financial assets at fair value through OCI:	**1,356,490**	**(234)**	**1,356,256**
Debt securities	1,356,490	(234)	1,356,256
Stage 1	1,356,490	(234)	1,356,256
Stage 2	-	-	-
Stage 3	-	-	-

CONSOLIDATED 31.12.2024	Carrying value before impairment	Impairment	Carrying value after impairment
Financial assets at amortised cost	**28,352,602**	**(320,727)**	**28,031,875**
Due from banks and reverse repos with banks	1,415,012	(262)	1,414,750
Stage 1	1,415,012	(262)	1,414,750
Stage 2	-	-	-
Stage 3	-	-	-
Loans to households	10,005,860	(202,944)	9,802,916
Stage 1	9,521,752	(15,572)	9,506,180
Stage 2	268,065	(36,421)	231,644
Stage 3	216,043	(150,951)	65,092
Loans to companies and institutions	10,783,633	(116,640)	10,666,993
Stage 1	9,451,709	(21,126)	9,430,583
Stage 2	1,117,319	(21,601)	1,095,718
Stage 3	214,605	(73,913)	140,692
Debt securities	6,148,097	(881)	6,147,216
Stage 1	6,148,097	(881)	6,147,216
Stage 2	-	-	-
Stage 3	-	-	-
Financial assets at fair value through OCI:	**1,356,490**	**(234)**	**1,356,256**
Debt securities	1,356,490	(234)	1,356,256
Stage 1	1,356,490	(234)	1,356,256
Stage 2	-	-	-
Stage 3	-	-	-

All amounts are in thousand bulgarian levs, unless otherwise stated

SEPARATE 31.12.2023	Carrying value before impairment	Impairment	Carrying value after impairment
Financial assets at amortised cost	**24,828,770**	**(319,343)**	**24,509,427**
Due from banks and reverse repos with banks	1,350,899	(177)	1,350,722
Stage 1	1,350,899	(177)	1,350,722
Stage 2	-	-	-
Stage 3	-	-	-
Loans to households	8,247,159	(209,646)	8,037,513
Stage 1	7,286,598	(16,969)	7,269,629
Stage 2	748,331	(50,006)	698,325
Stage 3	212,230	(142,671)	69,559
Loans to companies and institutions	9,926,898	(108,468)	9,818,430
Stage 1	8,268,324	(18,172)	8,250,152
Stage 2	1,436,830	(25,000)	1,411,830
Stage 3	221,744	(65,296)	156,448
Debt securities	5,303,814	(1,052)	5,302,762
Stage 1	5,303,814	(1,052)	5,302,762
Stage 2	-	-	-
Stage 3	-	-	-
Financial assets at fair value through OCI:	**572,603**	**(105)**	**572,498**
Debt securities	572,603	(105)	572,498
Stage 1	572,603	(105)	572,498
Stage 2	-	-	-
Stage 3	-	-	-

CONSOLIDATED 31.12.2023	Carrying value before impairment	Impairment	Carrying value after impairment
Financial assets at amortised cost	**24,963,727**	**(329,700)**	**24,634,027**
Due from banks and reverse repos with banks	1,351,308	(177)	1,351,131
Stage 1	1,351,308	(177)	1,351,131
Stage 2	-	-	-
Stage 3	-	-	-
Loans to households	8,304,717	(211,442)	8,093,275
Stage 1	7,340,593	(17,320)	7,323,273
Stage 2	749,537	(50,026)	699,511
Stage 3	214,587	(144,096)	70,491
Loans to non-retail customers	10,003,888	(117,029)	9,886,859
Stage 1	8,092,407	(19,539)	8,072,868
Stage 2	1,682,470	(27,733)	1,654,737
Stage 3	229,011	(69,757)	159,254
Debt securities	5,303,814	(1,052)	5,302,762
Stage 1	5,303,814	(1,052)	5,302,762
Stage 2	-	-	-
Stage 3	-	-	-
Financial assets at fair value through OCI:	**572,603**	**(105)**	**572,498**
Debt securities	572,603	(105)	572,498
Stage 1	572,603	(105)	572,498
Stage 2	-	-	-
Stage 3	-	-	-

All amounts are in thousand bulgarian levs, unless otherwise stated

Note 3.5: Movement of allowances for impairment for loans to customers

SEPARATE	Stage 1		Stage 2		Stage 3		
	Households	Companies and institutions	Households	Companies and institutions	Households	Companies and institutions	Total
At 1 January 2024	(16,969)	(18,172)	(50,006)	(25,000)	(142,671)	(65,296)	(318,114)
Business combination under common control	-	-	-	(1,691)	-	(128)	**(1,819)**
Increases due to origination	(7,844)	(7,219)	(547)	(3,189)	-	-	**(18,799)**
Decrease due to derecognition /full repayment/	2,836	4,739	5,419	5,528	2,087	3,266	**23,875**
Decrease in allowance account due to write-offs	-	-	-	-	22,472	14,886	**37,358**
Other adjustments	-	27	-	32	1,064	3,995	**5,118**
Changes due to changes in model/methodology	7,650	4,884	2,898	7,209	507	2,150	**25,298**
Changes due to change in credit risk (net)	(1,245)	(5,385)	5,815	(4,490)	(34,410)	(32,786)	**(72,501)**
At 31 December 2024	(15,572)	(21,126)	(36,421)	(21,601)	(150,951)	(73,913)	(319,584)

CONSOLIDATED	Stage 1		Stage 2		Stage 3		
	Households	Companies and institutions	Households	Companies and institutions	Households	Companies and institutions	Total
At 1 January 2024	(17,320)	(19,539)	(50,026)	(27,733)	(144,096)	(69,757)	(328,471)
Business combination under common control	228	572	25	1,003	451	3570	**5,849**
Increases due to origination	(7,844)	(7,219)	(547)	(3,189)	-	-	**(18,799)**
Decrease due to derecognition /full repayment/	2,836	4,739	5,419	5,528	2,087	3,266	**23,875**
Decrease in allowance account due to write-offs	-	-	-	-	22,469	17,032	**39,501**
Other adjustments	-	27	-	36	1,064	4,014	**5,141**
Changes due to changes in model/methodology	7,650	4,884	2,898	7,209	507	2,150	**25,298**
Changes due to change in credit risk (net)	(1,122)	(4,590)	5,810	(4,455)	(33,433)	(34,188)	**(71,978)**
At 31 December 2024	(15,572)	(21,126)	(36,421)	(21,601)	(150,951)	(73,913)	(319,584)

All amounts are in thousand bulgarian levs, unless otherwise stated

SEPARATE	Stage 1		Stage 2		Stage 3		
	Households	Companies and institutions	Households	Companies and institutions	Households	Companies and institutions	Total
At 1 January 2023	(8,703)	(6,311)	(29,573)	(12,869)	(55,931)	(65,721)	(179,108)
Business combination under common control	(14,191)	(8,703)	(22,430)	(13,923)	(86,166)	(37,694)	**(183,107)**
Increases due to origination	(16,372)	(12,708)	(1,536)	(527)	-	-	**(31,143)**
Decrease due to derecognition /full repayment/	8,401	9,196	6,436	3,746	5,723	5,702	**39,204**
Decrease in allowance account due to write-offs	-	-	-	-	30,658	62,526	**93,184**
Other adjustments	-	-	-	7	1,266	2,638	**3,911**
Changes due to changes in model/methodology	-	-	-	-	-	-	**-**
Changes due to change in credit risk (net)	13,896	354	(2,903)	(1,434)	(38,221)	(32,747)	**(61,055)**
At 31 December 2023	(16,969)	(18,172)	(50,006)	(25,000)	(142,671)	(65,296)	(318,114)

CONSOLIDATED	Stage 1		Stage 2		Stage 3		
	Households	Companies and institutions	Households	Companies and institutions	Households	Companies and institutions	Total
At 1 January 2023	(8,703)	(6,290)	(29,573)	(13,774)	(55,931)	(68,360)	(182,631)
Business combination under common control	(15,115)	(9,463)	(22,744)	(16,556)	(87,283)	(39,925)	**(191,086)**
Increases due to origination	(16,386)	(12,844)	(1,537)	(1,133)	-	-	**(31,900)**
Decrease due to derecognition /full repayment/	8,453	9,231	6,464	3,831	5,888	6,037	**39,904**
Decrease in allowance account due to write-offs	-	-	-	-	30,658	62,526	**93,184**
Other adjustments	-	-	1	8	1,265	2,632	**3,906**
Changes due to changes in model/methodology	-	-	-	-	-	-	-
Changes due to change in credit risk (net)	14,431	(173)	(2,637)	(109)	(38,693)	(32,667)	**(59,848)**
At 31 December 2023	(17,320)	(19,539)	(50,026)	(27,733)	(144,096)	(69,757)	(328,471)

As of 01.01.2024 the multi-tier approach for IFRS 9 staging was changed. The trigger for movement between Stage 1 and Stage 2 is based on the Lifetime probability of default (LTPD) instead of one year PD (1YPD). According to the LTPD for staging, a classification to stage 2 is triggered when the LTPD at reporting date exceeds the LTPD at origination by 200% or more. In addition, the Forbearance flag (trigger for movement to higher stage) is applied on client level instead on facility level for staging (under the rules till end of 2023).

The outstanding balance of Expected credit losses (ECL) includes also expected losses related to the geopolitical and macroeconomic uncertainties amounting to BGN 11,395 thousand at the end of 2024 (2023: BGN 10,232 thousand). The main impact of BGN 11,058 thousand is coming from macro-economic variables reflecting forward-looking macroeconomic forecast (2023: BGN 7,476 thousand) and BGN 336 thousand (2023: BGN 2,756 thousand) is the impact from the internally built Group model reflecting the current macroeconomic environment (Automated sector stress analyzer). The model considers sectors deemed to have incurred an increase in credit risk because they are exposed to macroeconomic risks (e.g. high(er) inflation, high(er) interest rates, high(er) energy prices, etc.).

Sensitivity of Expected credit losses (ECL) under IFRS 9 to forward looking macroeconomic assumptions

UBB considers three forward-looking macroeconomic scenarios with different weightings in ECL calculation:

- A base case scenario, which is weighted at 60% (2023: 60%).
- An up case scenario, weighted at 20% (2023: 10%).
- A down case scenario, weighted at 20% (2023: 30%).

The following macroeconomic variables (MEVs) provided by the KBC Chief Economist are included in the ECL calculation:

- GDP growth rate – for Corporate/ SME and Consumer portfolios;
- Unemployment rate – for mortgage and micro portfolios;
- House Pricing Index – for Commercial real estate portfolio.

A change in the weight assigned to base forward looking macro-economic set of assumptions by 50% towards the immediate downside level assumptions (base 30%- up 20%- down 50%) would result in an increase in ECL by BGN 4.3 million at 31 December 2024 (2023: BGN 4.5 million with scenario base 30%- up 10%- down 60%). A corresponding change towards the upside assumptions (base 30%- up 50%- down 20%) would result in a decrease in ECL by BGN 3.5 million at 31 December 2024 (2023: BGN 2.5 million with scenario base 30%- up 40%- down 30%).

All amounts are in thousand bulgarian levs, unless otherwise stated

Note 3.6: Movement of gross carrying amount by stages of ECL

	Year ended 31.12.2024 SEPARATE		Year ended 31.12.2024 CONSOLIDATED		Year ended 31.12.2023 SEPARATE		Year ended 31.12.2023 CONSOLIDATED	
	Households	Companies and institutions	Households	Companies and institutions	Households	Companies and institutions	Households	Companies and institutions
Transfers between stage 1 and stage 2								
from stage 1 to stage 2	124,746	624,438	124,746	624,438	281,916	249,668	282,813	268,415
from stage 2 to stage 1	475,337	839,357	475,337	839,357	235,869	340,134	241,566	390,361
Transfers between stage 2 and stage 3								
from stage 2 to stage 3	34,341	35,546	34,341	35,546	34,241	51,717	34,628	51,982
from stage 3 to stage 2	8,781	8,229	8,781	8,229	10,088	28,717	10,101	29,453
Transfers between stage 1 and stage 3								
from stage 1 to stage 3	26,632	34,040	26,632	34,040	31,897	50,436	32,935	51,413
from stage 3 to stage 1	5,586	1,991	5,586	1,991	3,164	3,319	3,189	3,379

Note 3.7: Derivative financial instruments

DERIVATIVE FINANCIAL INSTRUMENTS

	SEPARATE AND CONSOLIDATED 31.12.2024			SEPARATE AND CONSOLIDATED 31.12.2023		
	Notional amount	Fair value Assets	Fair value Liabilities	Notional amount	Fair value Assets	Fair value Liabilities
Derivatives held for trading	**4,266,857**	**14,761**	**12,385**	**4,107,655**	**19,335**	**28,578**
Of which Currency forwards	822,236	4,554	4,734	1,008,152	10,586	10,363
Of which Currency swaps	3,048,175	5,444	1,933	2,654,426	2,174	10,624
Of which Open forwards	79,911	470	419	48,190	414	392
Of which Interest rate swaps	316,535	4,293	5,299	396,887	6,161	7,199
Hedging derivatives	**19,558**	**337**	**-**	**117,350**	**2,679**	**-**
Of which Interest rate swaps	19,558	337	-	117,350	2,679	-
Total derivative financial instruments	**4,286,415**	**15,098**	**12,385**	**4,225,005**	**22,014**	**28,578**

Note 3.8: Hedging derivatives

Fair value hedge	SEPARATE AND CONSOLIDATED									
	Hedging instrument					Hedged item			Impact of profit or loss	
	Notional amounts		Carrying value		Change in fair value of hedging items used as basis for recognising hedge ineffectiveness for the period	Type	Carrying value	Change in fair value of hedged items used as basis for recognising hedge ineffectiveness for the period	Ineffective portion recognised in profit or loss	Effective portion recognised in profit or loss
As of 31.12.2024	Purchased	Sold	Assets	Liabilities						
Interest rate swaps	19,558	19,558	337	-	(358)	Debt securities held at FVOCI	19,861	369	11	(369)
Total	**19,558**	**19,558**	**337**	**-**	**(358)**	**Total**	**19,861**	**369**	**11**	**(369)**

All amounts are in thousand bulgarian levs, unless otherwise stated

Fair value hedge	SEPARATE AND CONSOLIDATED									
	Hedging instrument					Hedged item			Impact of profit or loss	
	Notional amounts		Carrying value							
As of 31.12.2023	Purchased	Sold	Assets	Liabilities	Change in fair value of hedging items used as basis for recognising hedge ineffectiveness for the period	Type	Carrying value	Change in fair value of hedged items used as basis for recognising hedge ineffectiveness for the period	Ineffective portion recognised in profit or loss	Effective portion recognised in profit or loss
Interest rate swaps	117,350	117,350	2,679	-	(2,934)	Debt securities held at FVOCI	117,667	2,883	(51)	(2,883)
Total	**117,350**	**117,350**	**2,679**	**-**	**(2,934)**	**Total**	**117,667**	**2,883**	**(51)**	**(2,883)**

Note 3.9: Net receivables under finance lease

Net receivables under finance leases represent the difference between gross receivables under finance leases, less unrealized finance income and the accrued impairment.

	Year ended 31.12.2023 CONSOLIDATED
With maturity up to 1 year	145,653
With maturity from 1 to 5 years	256,057
With maturity over 5 years	8,220
Gross receivables from financial leasing contracts	**409,930**
Unrealized financial income	(30,587)
Lease payments	**379,343**
Impairment	(6,413)
Net receivables under finance leases	**372,930**

All amounts are in thousand bulgarian levs, unless otherwise stated

4 NOTES TO OTHER BALANCE SHEET POSITIONS

Note 4.1: Investments in subsidiaries and associates

As of 31.12.2024
SEPARATE

Company name	Country of incorporation	% of ownership	Number of shares	Currency of transaction	Acquisition cost	Carrying value
East Golf Properties EOOD	Bulgaria	100%	5,146,365	BGN	6,646	5,796
UBB Centre Management EOOD	Bulgaria	100%	6,992	BGN	-	-
Drujestvo za Kasovi Uslugi AD	Bulgaria	25%	3,125	BGN	2,976	2,976
Total investments in subsidiaries and associated companies					9,622	8,772

As of 31.12.2024
CONSOLIDATED

Company name	Type of investment	% of ownership	Number of shares	Currency of transaction	Acquisition cost	Carrying value
Drujestvo za Kasovi Uslugi AD	Associate	25%	3,125	BGN	2,976	4,876
Total investments in associated companies					2,976	4,876

As of 31.12.2023
SEPARATE

Company name	Country of incorporation	% of ownership	Number of shares	Currency of transaction	Acquisition cost	Carrying value
UBB Factoring EOOD	Bulgaria	100%	30,000	BGN	3,000	3,000
East Golf Properties EOOD	Bulgaria	100%	7,546,365	BGN	9,046	9,046
UBB Centre Management EOOD	Bulgaria	100%	6,992	BGN	-	-
Drujestvo za Kasovi Uslugi AD	Bulgaria	25%	3,125	BGN	2,976	2,976
KBC Leasing Bulgaria EOOD	Bulgaria	100%	359,930	BGN	50,274	50,274
Total investments in subsidiaries and associated companies					**65,296**	**65,296**

As of 31.12.2023
CONSOLIDATED

Company name	Type of investment	% of ownership	Number of shares	Currency of transaction	Acquisition cost	Carrying value
Drujestvo za Kasovi Uslugi AD	Associate	25%	3,125	BGN	2,976	4,225
Total investments in associated companies					2,976	4,225

All amounts are in thousand bulgarian levs, unless otherwise stated

Movement in investment in associates considered in the consolidated report

	As of 31. December
BALANCE AS OF 1 JANUARY 2023	3,839
Additions – increase of shareholding	
Payments of dividends	-
Income from equity method investments	415
Sold investments	-
Other	(29)
BALANCE AS OF 31 DECEMBER 2023	4,225
Additions	-
Payments of dividends	-
Income from equity method investments	651
Sold investments	-
Other	-
BALANCE AS OF 31 DECEMBER 2024	**4,876**

	As of 31.12.2024 Druzhestvo za Kasovi Uslugi	As of 31.12.2023 Druzhestvo za Kasovi Uslugi
Carrying amount	4,876	4,225
Revenue	24,683	17,414
Depreciation and amortisation	2,258	1,512
Gross profit from continuing operation	2,900	1,905
Net profit for the year	2,605	1,660
Other comprehensive income	(3)	(118)
Total comprehensive income	2,602	1,542
Group's share of profits of associates	651	415
% Holding	25%	25%
Statement of financial position:	26,835	21,561
Current assets	6,492	6,904
incl. cash and cash equivalents	2,526	3,171
Non-current assets	20,343	14,657
Current liabilities	2,946	1,922
Current liabilities (excl. trade and other payables and provisions)	72	24
Non-current liabilities	3,791	2,143
Non-current liabilities (excl. trade and other payables and provisions)	37	121

All amounts are in thousand bulgarian levs, unless otherwise stated

Note 4.2: Intangible assets, property and equipment

INTANGIBLE ASSETS, PROPERTY AND EQUIPMENT

SEPARATE

COST	Land and buildings	Equipment and other assets	Total property and equipment	Intangible assets (Software)	Total
As of 1 January 2024	**125,296**	**215,341**	**340,637**	**184,802**	**525,439**
Additions	2,487	22,997	**25,484**	**14,958**	**40,442**
Reclassified	14,636	-	**14,636**	**-**	**14,636**
Disposals	(4,033)	(46,405)	**(50,438)**	**(27,232)**	**(77,670)**
As of 31 December 2024	**138,386**	**191,933**	**330,319**	**172,528**	**502,847**
DEPRECIATION/ AMORTIZATION					
As of 1 January 2024	**(60,022)**	**(161,687)**	**(221,709)**	**(147,998)**	**(369,707)**
Charge for 2024	(2,949)	(18,663)	**(21,612)**	**(15,911)**	**(37,523)**
Impairments for 2024	-	(240)	**(240)**	**(67)**	**(307)**
Depreciation/Amortization charged on disposals	344	45,538	**45,882**	**25,513**	**71,395**
Impairments charged on disposals	-	21	**21**	**1,720**	**1,741**
As of 31 December 2024	**(62,627)**	**(135,031)**	**(197,658)**	**(136,743)**	**(334,401)**
NET BOOK VALUE	**75,759**	**56,902**	**132,661**	**35,785**	**168,446**

CONSOLIDATED

COST	Land and buildings	Equipment and other assets	Total property and equipment	Intangible assets (Software)	Total
As of 1 January 2024	**125,734**	**225,523**	**351,257**	**186,625**	**537,822**
Impact of business combination under common control	(438)	(7,398)	**(7,836)**	**(1,424)**	**(9,260)**
Additions	2,487	23,000	**25,487**	**14,958**	**40,445**
Reclassified	14,636	-	**14,636**	**-**	**14,636**
Disposals	(4,033)	(49,474)	**(53,507)**	**(27,621)**	**(81,128)**
As of 31 December 2024	**138,386**	**191,651**	**330,037**	**172,538**	**502,575**
DEPRECIATION/ AMORTIZATION					
As of 1 January 2024	**(60,022)**	**(166,841)**	**(226,863)**	**(149,672)**	**(376,535)**
Impact of business combination under common control	-	3,965	**3,965**	**1,355**	**5,320**
Charge for 2024	(2,949)	(19,124)	**(22,073)**	**(15,970)**	**(38,043)**
Impairments for 2024	-	(240)	**(240)**	**(67)**	**(307)**
Depreciation/Amortization charged on disposals	344	45,580	**45,924**	**25,810**	**71,734**
Impairments charged on disposals	-	1,931	**1,931**	**1,800**	**3,731**
As of 31 December 2024	**(62,627)**	**(134,729)**	**(197,356)**	**(136,744)**	**(334,100)**
NET BOOK VALUE	**75,759**	**56,922**	**132,681**	**35,794**	**168,475**

All amounts are in thousand bulgarian levs, unless otherwise stated

SEPARATE

COST	Land and buildings	Equipment and other assets	Total property and equipment	Intangible assets (Software)	Total
As of 1 January 2023	**121,408**	**103,625**	**225,033**	**51,087**	**276,120**
Impact of business combination under common control	376	114,457	**114,833**	135,868	**250,701**
Additions	4,001	18,137	**22,138**	10,805	**32,943**
Disposals	(489)	(20,878)	**(21,367)**	(12,958)	**(34,325)**
As of 31 December 2023	**125,296**	**215,341**	**340,637**	**184,802**	**525,439**
DEPRECIATION/ AMORTIZATION					
As of 1 January 2023	**(57,221)**	**(73,748)**	**(130,969)**	**(30,425)**	**(161,394)**
Impact of business combination under common control	(235)	(93,374)	**(93,609)**	(114,613)	**(208,222)**
Charge for 2023	(2,896)	(17,022)	**(19,918)**	(15,249)	**(35,167)**
Impairments for 2023	-	-	**-**	(609)	**(609)**
Depreciation/Amortization charged on disposals	330	22,447	**22,778**	12,628	**35,405**
Impairments charged on disposals	-	10	**10**	270	**280**
As of 31 December 2023	**(60,022)**	**(161,687)**	**(221,709)**	**(147,998)**	**(369,707)**
NET BOOK VALUE	**65,274**	**53,654**	**118,928**	**36,804**	**155,732**

CONSOLIDATED

COST	Land and buildings	Equipment and other assets	Total property and equipment	Intangible assets (Software)	Total
As of 1 January 2023	**121,408**	**103,996**	**225,404**	**51,549**	**276,953**
Impact of business combination under common control	814	124,898	**125,712**	137,513	**263,225**
Additions	4,001	19,790	**23,791**	10,814	**34,605**
Disposals	(489)	(23,161)	**(23,650)**	(13,251)	**(36,901)**
As of 31 December 2023	**125,734**	**225,523**	**351,257**	**186,625**	**537,882**
DEPRECIATION/ AMORTIZATION					
As of 1 January 2023	**(57,221)**	**(74,079)**	**(131,300)**	**(30,869)**	**(162,169)**
Impact of business combination under common control	(235)	(98,597)	**(98,832)**	(115,999)	**(214,831)**
Charge for 2023	(2,896)	(17,059)	**(19,955)**	(15,326)	**(35,281)**
Impairments for 2023	-	-	**-**	(609)	**(609)**
Depreciation/Amortization charged on disposals	330	22,884	**23,214**	12,861	**36,075**
Impairments charged on disposals	-	10	**10**	270	**280**
As of 31 December 2023	**(60,022)**	**(166,841)**	**(226,863)**	**(149,672)**	**(376,535)**
NET BOOK VALUE	**65,712**	**58,682**	**124,394**	**36,953**	**161,347**

All amounts are in thousand bulgarian levs, unless otherwise stated

Note 4.3: Investment properties

	SEPARATE	CONSOLIDATED
	Investment properties	Investment properties
As of 1 January 2024	**116,879**	**125,005**
Reclassified	(14,636)	(14,636)
Additions	126	126
Disposals	(24,572)	(25,940)
As of 31 December 2024	**77,797**	**84,555**
DEPRECIATION		
As of 1 January 2024	**(21,499)**	**(23,632)**
Reclassified	2,883	2,883
Charge for 2024	(2,377)	(2,594)
Depreciation charged on disposals	3,439	4,100
Impairment for the period	(228)	(1,525)
As of 31 December 2024	**(17,782)**	**(20,768)**
NET BOOK VALUE	**60,015**	**63,787**

	SEPARATE	CONSOLIDATED
	Investment properties	Investment properties
As of 1 January 2023	**107,028**	**116,493**
Impact of business combination under common control	2,214	2,214
Reclassified	19,489	19,489
Additions	277	277
Disposals	(12,129)	(13,468)
As of 31 December 2023	**116,879**	**125,005**
DEPRECIATION		
As of 1 January 2023	**(8,648)**	**(10,823)**
Impact of business combination under common control	(1,046)	(1,046)
Reclassified	(11,947)	(11,947)
Charge for 2023	(2,550)	(2,830)
Depreciation charged on disposals	4,221	4,543
Impairment for the period	(1,529)	(1,529)
As of 31 December 2023	**(21,499)**	**(23,632)**

In 2024 Investment property for the value of BGN 14,6 mln was reclassified to own used property.

In 2023 Assets acquired through foreclosure proceedings were reclassified from Other assets category to Investment property.

	SEPARATE		CONSOLIDATED	
Type of property	2024 in BGN thousands	2023 in BGN thousands	2024 in BGN thousands	2023 in BGN thousands
Residential	975	1,903	975	1,903
Vacation	15,196	13,745	18,968	19,739
Industrial	243	2,672	243	2,672
Plots (land)	1,508	15,163	1,508	15,163
Commercial	34,163	35,243	34,163	35,243
Millennium center (investment office building)	35,110	48,430	35,110	48,430
Fair value of investment property (Level 3)	**87,195**	**117,156**	**90,967**	**123,150**

Type of investment property	Valuation technique	Significant unobservable Inputs	Range (weighted average) 2023	Range (weighted average) 2024
Residential	RVM	Standard construction prices per sq.m.	€ 500- € 650	€ 525- € 700
		Annual growth of standard and construction prices	3%	5%
	MVM	Offer (deal) price per sq.m.	€ 385- € 1,100	€ 450- € 1,500
		Annual growth of market comparatives (real deals)	10.00%	11%
Vacation properties	RVM	Standard construction prices per sq.m.	€ 500- € 650	€ 525- € 700
		Annual growth of standard and construction prices	3%	5%
	MVM	Offer (deal) price per sq.m.	450 €- 900 €	480 €- 1,000 €
		Annual growth of market comparatives (real deals)	8%	8%
Industrial properties	RVM	Standard construction prices per sq.m.	€ 350- € 650	€ 350- € 650
		Annual growth of standard and construction prices	-	-
	MVM	Offer (deal) price per sq.m.	€ 250- € 500	€ 250- € 500
		Annual growth of market comparatives (real deals)	5%	5%
	MCFCF	Estimated monthly rent per	€ 1- € 4.6	€ 1- € 4.6
		Annual growth of rent rates	3%	-
		Long-term vacancy	1%	1%
		Rate of return	6%- 7.5%	6%- 7.5%
Plots (land)	MVM	Offer (deal) price per sq.m.	€ 10- € 1,000	€ 10- € 1,000
		Annual growth of market comparatives (real deals)	5%	-
Commercial properties	MVM	Offer (deal) price per sq.m.	€ 250- € 1,200	€ 250- € 1,500
		Annual growth of market comparatives (real deals)	8%	10%
	MCFCF	Estimated monthly rent per sq.m.	€ 10- € 35	€ 10- € 35
		Annual growth of rent rates	5%- 10%	-
		Long-term vacancy	5%- 10%	5%- 10%
		Rate of return	6%- 7%	6%- 7%

The valuation techniques used for valuation of investment properties are recovery value method ("RVM"), market value method ("MVM") and cash flow method ("MCFCF").

All amounts are in thousand bulgarian levs, unless otherwise stated

Note 4.4: Right-of-use assets and liabilities

Right-of-use assets	As of 31.12.2024 SEPARATE	As of 31.12.2023 SEPARATE	As of 31.12.2024 CONSOLIDATED	As of 31.12.2023 CONSOLIDATED
Buildings	42,358	43,985	42,358	44,451
Vehicles	4,398	24	4,398	24
	46,756	**44,009**	**46,756**	**44,475**

Lease liabilities	As of 31.12.2024 SEPARATE	As of 31.12.2023 SEPARATE	As of 31.12.2024 CONSOLIDATED	As of 31.12.2023 CONSOLIDATED
Current	13,810	29,818	13,810	29,818
Non-current	33,451	14,881	33,451	14,881
	47,261	**44,699**	**47,261**	**44,699**

Lease liabilities	As of 31.12.2024 SEPARATE	As of 31.12.2023 SEPARATE	As of 31.12.2024 CONSOLIDATED	As of 31.12.2023 CONSOLIDATED
Balance at 1 January	**44,699**	**16,915**	**44,699**	**16,915**
Changes through business combination under common control	-	32,039	-	32,039
Accrued interest on lease liability	631	521	631	521
Interest paid on lease liability	(631)	(521)	(631)	(521)
Cash flows on principal repayment	(15,404)	(14,553)	(15,404)	(14,553)
Adjustment for new/terminated contracts	17,966	10,298	17,966	10,298
Balance at 31 December	**47,261**	**44,699**	**47,261**	**44,699**

	SEPARATE			CONSOLIDATED		
Right-of use asset	Buildings	Vehicles	**Total**	Buildings	Vehicles	**Total**
Cost						
As at 1 January 2024	**88,224**	**66**	**88,290**	**89,194**	**93**	**89,287**
Changes through business combination under common control	-	-	**-**	(466)	-	**(466)**
Additions – new lease contracts	19,921	5,221	**25,142**	19,921	5,221	**25,142**
Termination of lease contracts	(38,769)	(575)	**(39,344)**	(38,769)	(575)	**(39,344)**
As at 31 December 2024	**69,376**	**4,712**	**74,088**	**69,880**	**4,739**	**74,619**
Accumulated depreciation:						
As at 1 January 2024	(44,239)	(42)	**(44,281)**	(44,743)	(69)	**(44,812)**
Changes through business combinations under common control	-	-	**-**	-	-	**-**
Charge for 2024	(14,910)	(320)	**(15,230)**	(14,910)	(320)	**(15,230)**
Depreciation charged on disposals	32,131	48	**32,179**	32,131	48	**32,179**
As at 31 December 2024	**(27,018)**	**(314)**	**(27,332)**	**(27,522)**	**(341)**	**(27,863)**
Net Book Value as at 1 January 2024	**43,985**	**24**	**44,009**	**44,451**	**24**	**44,475**
Net Book Value as at 31 December 2024	**42,358**	**4,398**	**46,756**	**42,358**	**4,398**	**46,756**

All amounts are in thousand bulgarian levs, unless otherwise stated

	SEPARATE			CONSOLIDATED		
Right-of use asset	Buildings	Vehicles	Total	Buildings	Vehicles	Total
Cost						
As at 1 January 2023	36,217	735	**36,952**	36,377	762	**37,139**
Changes through business combination under common control	58,691	2,272	**60,963**	59,501	2,272	**61,773**
Additions – new lease contracts	15,187	815	**16,002**	15,187	815	**16,002**
Termination of lease contracts	(21,871)	(3,756)	**(25,627)**	(21,871)	(3,756)	**(25,627)**
As at 31 December 2023	**88,224**	**66**	**88,290**	**89,194**	**93**	**89,287**
Accumulated depreciation:						
As at 1 January 2023	(19,577)	(399)	**(19,976)**	(19,717)	(426)	**(20,143)**
Changes through business combination under common control	(28,396)	(1,372)	**(29,768)**	(28,396)	(1,372)	**(29,768)**
Charge for 2023	(13,928)	(386)	**(14,314)**	(14,271)	(386)	**(14,657)**
Depreciation/Amortization charged on disposals	17,662	2,115	**19,777**	17,641	2,115	**19,756**
As at 31 December 2023	**(44,239)**	**(42)**	**(44,281)**	**(44,743)**	**(69)**	**(44,812)**
Net Book Value as at 1 January 2023	**16,640**	**336**	**16,976**	**16,660**	**336**	**16,996**
Net Book Value as at 31 December 2023	**43,985**	**24**	**44,009**	**44,451**	**24**	**44,475**

	As of 31.12.2024 SEPARATE	As of 31.12.2023 SEPARATE	As of 31.12.2024 CONSOLIDATED	As of 31.12.2023 CONSOLIDATED
Expense related to short-term leases	(1,508)	(901)	(1,508)	(901)
Expense related to leases of low-value assets	(956)	(814)	(956)	(814)
Expense related to variable lease payments	(719)	(781)	(719)	(781)

All amounts are in thousand bulgarian levs, unless otherwise stated

Note 4.5: Provisions

Provisions for risks and charges	As of 31.12.2024 SEPARATE	As of 31.12.2023 SEPARATE	As of 31.12.2024 CONSOLIDATED	As of 31.12.2023 CONSOLIDATED
Provisions for restructuring	2,145	3,081	2,145	3,081
Provisions for legal cases	2,011	1,836	2,011	1,836
Provisions for off- balance sheet commitment	10,570	10,489	10,570	10,607
Other provisions	4,981	4,410	4,981	4,410
TOTAL PROVISIONS FOR RISK AND CHARGES	**19,707**	**19,816**	**19,707**	**19,934**

SEPARATE

Provisions for Off- balance sheet commitment movement	Opening balance as of 01.01.2024	Increases due to origination	Decrease due to derecognition	Other changes	Changes due to change in credit risk (net)	Ending balance as of 31.12.2024
Undrawn Credit commitments and Financial Guarantees (Stage 1)	5,405	4,199	(664)	1,924	(3,301)	7,563
Undrawn Credit commitments and Financial Guarantees (Stage 2)	2,435	1,279	(107)	740	(1,340)	3,007
Undrawn Credit commitments and Financial Guarantees (Stage 3)	2,649	-	-	(1,779)	(870)	-
TOTAL PROVISIONS FOR OFF-BALANCE SHEET COMMITMENT	**10,489**	**5,478**	**(771)**	**885**	**(5,511)**	**10,570**

Retirement benefit obligations	As of 31.12.2024 SEPARATE	As of 31.12.2023 SEPARATE	As of 31.12.2024 CONSOLIDATED	As of 31.12.2023 CONSOLIDATED
Present value of unfunded obligations	4,489	4,951	4,489	4,979
	4,489	**4,951**	**4,489**	**4,979**

Amount recognized in Profit or Loss	As of 31.12.2024 SEPARATE	As of 31.12.2023 SEPARATE	As of 31.12.2024 CONSOLIDATED	As of 31.12.2023 CONSOLIDATED
Current service cost	904	963	904	963
Net interest on the net defined benefit liability	195	259	195	259
Total recognised in Profit or Loss	**1,099**	**1,222**	**1,099**	**1,222**

Reconciliation of Retirement benefit obligations	As of 31.12.2024 SEPARATE	As of 31.12.2023 SEPARATE	As of 31.12.2024 CONSOLIDATED	As of 31.12.2023 CONSOLIDATED
Retirement benefit obligations at the beginning of the period	4,951	3,748	4,979	3,748
Business combination under common control	-	2,683	-	2,783
Current service cost	904	963	854	891
Net interest on the net defined benefit liability	195	259	195	259
Benefits paid directly by the Bank/ Group	(912)	(623)	(912)	(623)
Actuarial loss/(gain)	(649)	(2,079)	(627)	(2,079)
Retirement benefit obligations at the end of the period	**4,489**	**4,951**	**4,489**	**4,979**

All amounts are in thousand bulgarian levs, unless otherwise stated

	As of 31.12.2024 SEPARATE	As of 31.12.2023 SEPARATE	As of 31.12.2024 CONSOLIDATED	As of 31.12.2023 CONSOLIDATED
Cumulative amount recognized in the OCI	3,511	2,927	3,511	2,907

	As of 31.12.2024 SEPARATE	As of 31.12.2023 SEPARATE	As of 31.12.2024 CONSOLIDATED	As of 31.12.2023 CONSOLIDATED
Re-measurements				
Liability loss/(gain) due to changes in assumptions	(649)	(2,079)	(627)	(2,079)
Total amount recognized in OCI over the period	**(649)**	**(2,079)**	**(627)**	**(2,079)**

	As of 31.12.2024 SEPARATE	As of 31.12.2023 SEPARATE	As of 31.12.2024 CONSOLIDATED	As of 31.12.2023 CONSOLIDATED
Net Liability in statement of financial position at the beginning of the period	4,951	3,748	4,979	3,748
Business combination under common control	-	2,683	-	2,783
Benefits paid directly	(912)	(623)	(912)	(695)
Total expense recognized in the statement of profit or loss	1,099	1,222	1,049	1,222
Total amount recognized in the OCI	(649)	(2,079)	(627)	(2,079)
Net Liability in statement of financial position	**4,489**	**4,951**	**4,489**	**4,979**

	As of 31.12.2024 SEPARATE	As of 31.12.2023 SEPARATE	As of 31.12.2024 CONSOLIDATED	As of 31.12.2023 CONSOLIDATED
Assumptions				
Discount rate	3.93%	4.03%	3.93%	4.03%
Rate of compensation increase	3.00%	3.35%	3.00%	3.35%

The defined benefit obligations above are linked only to obligation of UBB to provide one-off lump sum payment at retirement determined as a certain number of gross salaries based on criteria for the duration of the employment contract of respective employees as per local legislation.

Sensitivity analysis of actuarial assumptions

Effect of the change in wage increases	+0.25% (+25 bp)	-0.25% (-0.25 bp)
Effect of the change in the provision allocated as of 31.12.2024 for the retirement benefit obligation	-6.0%	6.0%
expressed in values	(256,143)	277,532
Effect of change in wage growth	1.0%	-1.0%
Effect of the change in the provision allocated as of 31.12.2024 for the retirement benefit obligation	1.0%	-1.0%
expressed in values	46,580	(46,580)
Effect of change in the stages of the dropouts	1.0%	-1.0%
Effect of the change in the provision allocated as of 31.12.2024 for the retirement benefit obligation	-1.0%	1.0%
expressed in values	(46,128)	46,128
Effect of change in stages of the mortality	+0.25% (+25 bp)	-0.25% (-0.25 bp)
Effect of the change in the provision allocated as of 31.12.2024 for the retirement benefit obligation	-1.0%	1.0%
expressed in values	(45,114)	45,114

All amounts are in thousand bulgarian levs, unless otherwise stated

Note 4.6: Other assets and other liabilities

Other assets	31.12.2024 SEPARATE	31.12.2023 SEPARATE	31.12.2024 CONSOLIDATED	31.12.2023 CONSOLIDATED
Prepaid expenses	10,970	13,211	10,970	13,339
Accrued Income from clients	2,967	2,707	2,967	2,727
Other	2,392	3,544	2,393	9,635
Total other assets	**16,329**	**19,462**	**16,330**	**25,701**

Other Liabilities	31.12.2024 SEPARATE	31.12.2023 SEPARATE	31.12.2024 CONSOLIDATED	31.12.2023 CONSOLIDATED
Payroll related accruals	38,542	36,003	38,642	36,127
Deferred income	21,836	12,633	21,880	13,195
Taxes payable - other than income taxes	4,760	3,779	4,760	4,756
Other	53,444	50,439	53,505	52,694
TOTAL OTHER LIABILITIES	**118,582**	**102,854**	**118,787**	**106,772**

All amounts are in thousand bulgarian levs, unless otherwise stated

5 CONTINGENT LIABILITIES AND COMMITMENTS

The following table represents the contractual amounts of UBB's off-balance financial instruments that commit it to extend credit to customers:

CONTINGENT LIABILITIES AND COMMITMENTS	31.12.2024 SEPARATE	31.12.2023 SEPARATE	31.12.2024 CONSOLIDATED	31.12.2023 CONSOLIDATED
Credit commitments				
Undrawn Credit commitments	**4,725,381**	**4,565,211**	**4,725,381**	**4,540,377**
Of which government entities	71,066	68,279	71,066	68,279
Of which credit institutions	16,498	11,306	16,498	11,306
Of which companies	3,797,669	3,768,315	3,797,669	3,743,221
Of which households	556,316	530,734	556,316	530,994
Of which other financial institutions	283,832	186,577	283,832	186,577
Guarantees, documentary and commercial letters of credit	**1,213,664**	**943,103**	**1,213,664**	**943,103**
Of which government entities	-	-	-	-
Of which credit institutions	41,796	39,762	41,796	39,762
Of which companies	1,156,444	885,224	1,156,444	885,224
Of which households	11,355	12,427	11,355	12,427
Of which other financial institutions	4,069	5,690	4,069	5,690
TOTAL CONTINGENT LIABILITIES AND COMMITMENTS	**5,939,045**	**5,508,314**	**5,939,045**	**5,483,480**

The following table represents commitments and contingent liabilities per stage:

	31.12.2024 SEPARATE	31.12.2023 SEPARATE	31.12.2024 CONSOLIDATED	31.12.2023 CONSOLIDATED
Credit commitments				
Undrawn Credit commitments	**4,725,381**	**4,565,211**	**4,725,381**	**4,540,377**
Of which Stage 1	4,456,832	4,173,884	4,456,832	4,184,630
Of which Stage 2	264,324	386,457	264,324	350,877
Of which Stage 3	4,225	4,870	4,225	4,870
Guarantees, documentary and commercial letters of credit	**1,213,664**	**943,103**	**1,213,664**	**943,103**
Of which Stage 1	1,024,715	776,758	1,024,715	776,758
Of which Stage 2	188,304	161,007	188,304	161,007
Of which Stage 3	645	5,338	645	5,338
TOTAL	**5,939,045**	**5,508,314**	**5,939,045**	**5,483,480**

6 FINANCIAL RISK MANAGEMENT

UBB is exposed to risk arising out of its lending activity. Credit risk could arise for UBB as a result of the debtor's failure to make the necessary payments on a transaction. The credit risk management is carried out through regular analyses of the contractors' creditworthiness. In order to further mitigate the credit risk UBB accepts collateral and guarantees on its credit transactions.

The main credit risk to which UBB is exposed arises out of the loans granted to clients. The amount of credit exposure in this case is determined by the carrying amount of the assets. At the same time UBB is exposed to off-balance sheet credit risk as a result of commitments for granting loans and issuing Letter of Guarantees and Letter of Credits.

Regulatory lending limits

UBB strictly complies with the requirements of the Regulations (EU) 575/2013. The Regulation (EU) 575/2013 provides the limit to large exposures whereby a large exposure is defined as the sum of all exposures of a bank to a single counterparty that are equal to or above 10% of its own funds (regulatory capital). The limit is set at 25% of own funds (regulatory capital).

UBB strictly complies with the requirements of the Credit Institution Act and BNB Ordinance 37 related to exposures to related parties. The Act provides the limits for the maximum amount of credit exposure to a related party as following:

- The total exposure of UBB to a person/entity who/which is not a credit institution, or an investment intermediary shall not exceed 10% of UBB's own finds (regulatory capital) and
- The total amount of all exposures of UBB to related parties shall not exceed 20% of UBB's own funds (regulatory capital).

In September 2024 BNB issued prudential requirements and reporting in relation to mortgage lending, where effective from October 1st, 2024 banks are required to observe LTV-O up to 85%, DSTI up to 50% and tenor up to 30 years with allowed exceptions of up to 5% of the prior quarter new production. This has been implemented in the Credit policy for Private persons and Risk appetite limits.

Credit risk

Credit risk management decisions are made in compliance with the approved risk management principles and risk appetite credit risk management framework, risk appetite and respective credit policies which are regularly reviewed.

Moreover, UBB possesses and applies numerous detailed procedures relevant to the lending activity regulated to the acceptance and management of collaterals, credit analysis, credit administration etc. In order to provide support for the assessment of the credit risk of the borrower, UBB rates retail and non-retail obligors by using an internal rating model system which provides probabilities of default according to a 12-level rating scale.

UBB uses the output generated by these models to split the non-defaulted loan portfolio into internal (main) rating classes ranging from 1 (lowest risk) to 9 (highest risk) for the PD and expresses the chance that a customer will default on his obligations towards the bank within the next year. The Bank assign internal ratings ranging (from PD 10 to PD 12) to a defaulted obligor. PD class 12 is assigned when either one of the obligor's credit facilities is called by the bank, or when a court order is passed instructing repossession of the collateral.
PD class 11 groups obligors that are more than 90 days past due (in arrears or overdrawn by applying above the materiality thresholds rules, according to regulatory requirements), but that do not meet PD 12 criteria.
PD class 10 is assigned to obligors for which full repayment on maturity is uncertain and/or there is reason to believe that they are unlikely to pay (on time), but that do not meet the criteria for classification as PD 11 or PD 12.

For the decision making in the corporate (non-retail) lending activity there are levels of approving bodies (credit committees) at different levels, depending on the size and the status (performing, non-performing) of the loans under consideration.

In compliance with its risk strategy, UBB targets maintaining a low level of credit risk concentration at obligor level and by industries. UBB regularly monitors and reports the large exposures at obligor level and by industries. The largest sectors for 2024 in industrial portfolio are Distribution (Wholesale and Retail), Building & Construction, Agriculture & Farming, Metals and Food Producers.

For all segments, additional monitoring activities are performed in order to identify risk exposure arising in the loan portfolio and to take measures for internal classification and provisioning of loans in compliance with the requirements of the IFRS on a monthly basis.

In prior years UBB reduced significantly the amount of default exposures and in 2024 has maintained medium NPL level with annual NPL Self-assessment that is in line with group and EBA guidelines and aims at maintain medium to low level of NPL.

Credit risk exposures towards bank counterparties are approved as limits at group ALCO level. As a general rule UBB investments in securities are also aligned within KBC group depending on investment strategy and group exposures to specific countries in order to prevent undue concentrations.

Liquidity risk

UBB manages its assets and liabilities in a manner guaranteeing that the bank is able to fulfill its day-to-day obligations regularly and without delay both in going concern and stressed environment. The bank invests mainly in liquid assets according to its Treasury strategy which is reviewed on an annual basis.

The average level of the regulatory liquidity risk ratios for the bank are almost without significant change in comparison to the previous year and as follows:

263% Liquidity Coverage Ratio (LCR) for 2024 (2023: 275%) and
168% Net Stable Funding Ratio (NSFR) for 2024 (2023: 165%).
Both LCR and NSFR were well above the regulatory requirements of 100% during 2024.

In addition, UBB has a stable funding structure. The bank aims at maintaining diversified deposit base and access to alternative funding sources thus limiting the potential funding costs in case unexpected events occur.

UBB applies regular stress-tests in order to evaluate the liquidity risk for the bank under unfavourable economic and market scenarios. The stress-tests are based on assumptions with different parameters of shock and on their impact on the inflow and outflow of funds. Those stress-tests are regularly presented to the management at Local Risk Management Committee (LRMC).

Market risk

The market risk is related to possible unfavourable impact to the profit and capital of UBB from adverse movements in bond equity currency and derivative prices. It includes equity risk, interest rate risk and foreign exchange risk.

UBB's total exposure to market risk in the trading book is very low where the main business is clients' driven without significant open risk positions for proprietary purposes hence considered immaterial. The largest market risk exposure in the trading book is related to interest rate risk resulting from positions in bonds. UBB manages the market risk in the trading book by using notional limits, Stop Loss Limit for bond positions and FX open position limits.

FX risk

This is the risk for the profit and capital of UBB arising from adverse movements in foreign currency exchange rates in the Banking and Trading books. UBB statement of financial position structure includes assets and liabilities denominated in different currencies but the significant are BGN and EUR. Taking into consideration the existence of Currency Board in Bulgaria (pegged EUR/BGN rate) the currency risk undertaken by UBB mainly evolves from changes in the EUR/USD exchange rate and to a very limited extent from the exchange rates of other currencies to the Euro. UBB manages the risk of the other than EUR open FX positions aiming at minimizing the possibility of loss in case of unfavourable exchange rates' fluctuations and thus maintains the FX risk exposure under the approved FX limits.

Interest rate risk and credit spread risk in the banking book (IRRBB and CSRBB)

The interest rate risk in the banking book is related to possible unfavourable impact to the profit and capital of UBB from adverse movements in interest rates affecting UBB's non-trading book positions. UBB activity is subject to interest rate fluctuations as much as interest-bearing assets and liabilities mature or undergo changes in interest rate levels in different time and degree. Interest rate risk management policy aims at optimizing the net interest income (NII) and achieve market interest rate levels in compliance with its Treasury strategy.

The prevailing part of UBB`s assets are with floating interest rate while the liabilities are mainly short-term which interest rate changes according to instrument term. Thus, the net balance is slightly sensitive to changes in ongoing interest rate levels. The Bank aims at limiting the interest rate risk in acceptable levels by maintaining adequate structure of its interest sensitive assets and liabilities and minimizing their mismatch. UBB realizes the importance of interest rate risk in the banking book and manages it through effective management of assets and liabilities, capital and incomes.

The techniques for managing interest rate risk in the banking book are the following: change in the administered interest rates on loans and deposits, change in the maturity of the offered credit and deposit products, change in the amount of fees and commissions, interest rate derivatives etc. UBB measures the sensitivity of net interest incomes (NII) and economic value of equity (EVE) to unfavourable changes in interest rates for its significant currencies according to CDR (EU) 2024/856. .

CSRBB is the risk driven by changes of the market price for credit risk, for liquidity and for potentially other characteristics of credit-risky instruments, which is not captured by another existing prudential framework such as IRRBB or by expected credit/(jump-to-) default risk. CSRBB captures the risk of an instrument's changing spread while assuming the same level of creditworthiness, i.e. how the credit spread is moving within a certain rating/PD range.

Operational risk

This is the risk of a loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk but excludes compliance risk.
In UBB the KBC Operational Risk Management Framework (ORMF) is implemented. The ORFM 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. From processes we gradually move 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.
PRIOR aims to:

- Anticipate operational events rather than a post reaction
- Prevent operational and reputational losses
- Enhance the trust in the organization from all key stakeholders

To support the new approach, a new tool '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.

Business Continuity Management

Business Continuity Management (BCM) is performed in accordance with the relevant 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.

All amounts are in thousand bulgarian levs, unless otherwise stated

Note 6.1: Notes to the credit risk

Credit risk is summarized as follows:

Maximum exposure to credit risk before collateral and other credit enhancements

CREDIT RISK	As at 31.12.2024 Gross maximum exposure SEPARATE	As at 31.12.2024 Net maximum exposure SEPARATE	As at 31.12.2024 Gross maximum exposure CONSOLIDATED	As at 31.12.2024 Net maximum exposure CONSOLIDATED
Exposure				
Current account with the Central Bank	6,046,748	6,046,748	6,046,748	6,046,748
Loans and advances to banks	1,415,012	1,414,750	1,415,012	1,414,750
Loans to customers	20,789,493	20,469,909	20,789,493	20,469,909
Other financial receivables	140,676	140,676	140,731	140,731
Derivative financial instruments	15,098	15,098	15,098	15,098
Financial assets at fair value through P/L	12,184	12,184	12,184	12,184
Financial assets at FVOCI	1,378,688	1,378,583	1,378,688	1,378,583
Securities at AC	6,148,097	6,147,216	6,148,268	6,147,216
Total balance sheet items	**35,945,996**	**35,625,164**	**35,946,222**	**35,625,219**
Commitments	4,725,381	4,725,381	4,725,381	4,725,381
Total off-balance sheet positions	**4,725,381**	**4,725,381**	**4,725,381**	**4,725,381**

CREDIT RISK	As at 31.12.2023 Gross maximum exposure SEPARATE	As at 31.12.2023 Net maximum exposure SEPARATE	As at 31.12.2023 Gross maximum exposure CONSOLIDATED	As at 31.12.2023 Net maximum exposure CONSOLIDATED
Exposure				
Current account with the Central Bank	7,828,843	7,828,843	7,828,843	7,828,843
Loans and advances to banks	1,350,899	1,350,722	1,351,308	1,351,131
Loans to customers	18,174,057	17,855,943	18,308,605	17,980,134
Other financial receivables	76,690	76,690	76,691	76,691
Derivative financial instruments	22,014	22,014	22,014	22,014
Financial assets at fair value through P/L	9,215	9,215	9,215	9,215
Financial assets at FVOCI	599,976	599,871	599,976	599,871
Securities at amortized cost	5,303,814	5,302,762	5,303,814	5,302,762
Total balance sheet items	**33,365,508**	**33,046,060**	**33,500,466**	**33,170,661**
Commitments	4,565,211	4,565,211	4,540,377	4,540,377
Total off-balance sheet positions	**4,565,211**	**4,565,211**	**4,540,377**	**4,540,377**

All amounts are in thousand bulgarian levs, unless otherwise stated

Disclosure of Carrying amount of loans to customers by collateral

The table below represents the collateralised part of the exposure split by type of collateral. In case the collateral value covers the exposure partially the uncovered part is presented under Unsecured loans.

As of 31.12.2024

SEPARATE	Households	Companies and institutions	Total
Unsecured loans	3,481,200	3,010,669	**6,491,869**
Loans secured with:			
Residential Real Estate	6,104,663	241,178	**6,345,841**
Commercial Real Estate	120,133	3,985,495	**4,105,628**
Cash	1,058	29,297	**30,355**
Other collaterals	95,862	3,400,354	**3,496,216**
Total loans to customers	**9,802,916**	**10,666,993**	**20,469,909**

As of 31.12.2024

CONSOLIDATED	Households	Companies and institutions	Total
Unsecured loans	3,481,200	3,010,669	**6,491,869**
Loans secured with:			
Residential Real Estate	6,104,663	241,178	**6,345,841**
Commercial Real Estate	120,133	3,985,495	**4,105,628**
Cash	1,058	29,297	**30,355**
Other collaterals	95,862	3,400,354	**3,496,216**
Total loans to customers	**9,802,916**	**10,666,993**	**20,469,909**

As of 31.12.2023

SEPARATE	Households	Companies and Institutions	Total
Unsecured loans	2,896,774	2,521,493	**5,418,267**
Loans secured with:			
Residential Real Estate	4,737,757	311,991	**5,049,748**
Commercial Real Estate	100,526	3,497,262	**3,597,788**
Cash	2,322	56,600	**58,922**
Other collaterals	300,134	3,431,084	**3,731,218**
Total consumer loans	**8,037,513**	**9,818,430**	**17,855,943**

As of 31..12..2023

CONSOLIDATED	Households	Companies and Institutions	Total
Unsecured loans	2,920,114	2,428,210	**5,348,324**
Loans secured with:			
Residential Real Estate	4,737,757	311,991	**5,049,748**
Commercial Real Estate	100,526	3,508,904	**3,609,430**
Cash	2,322	56,600	**58,922**
Other collaterals	332,556	3,581,154	**3,913,710**
Total consumer loans	**8,093,275**	**9,886,859**	**17,980,134**

All amounts are in thousand bulgarian levs, unless otherwise stated

The table below provides information about UBB's exposure to credit risk as of 31 December 2024, except for loans and advances to customers, by classifying assets according to the credit rating of counterparties.

SEPARATE AND CONSOLIDATED

As of 31.12.2024	AAA to A-	BBB+ to B-	Total
General Government Bonds	1,630,563	4,406,723	**6,037,286**
Credit institutions Bonds	7,435	19,632	**27,067**
Corporate Bonds	-	82,863	**82,863**
Current account with the Central Bank and balances due from banks	2,392,744	6,046,748	**8,439,492**
Total	**4,030,742**	**10,555,966**	**14,586,708**

SEPARATE AND CONSOLIDATED

As of 31.12.2023	AAA to A-	BBB+ to B-	Total
General Government Bonds	991,800	4,123,921	**5,115,721**
Credit institutions Bonds	83,310	19,659	**102,969**
Corporate Bonds	-	84,072	**84,072**
Current account with the Central Bank and balances due from banks	1,350,722	7,828,843	**9,179,565**
Total	**2,425,832**	**12,056,495**	**14,482,327**

The table below presents the loan portfolio breakdown by risk class:

SEPARATE

31.12.2024	Households	Companies and institutions	Total
Unimpaired	9,789,817	10,569,028	**20,358,845**
PD 1 (lowest risk, default probability ranging from 0.00% up to, but not including, 0.10%)	2,829,755	61,264	**2,891,019**
PD 2 (0.10% – 0.20%)	1,767,111	504,980	**2,272,091**
PD 3 (0.20% – 0.40%)	2,086,284	203,958	**2,290,242**
PD 4 (0.40% – 0.80%)	1,204,305	1,557,335	**2,761,640**
PD 5 (0.80% – 1.60%)	804,519	3,415,074	**4,219,593**
PD 6 (1.60% – 3.20%)	553,456	2,770,043	**3,323,499**
PD 7 (3.20% – 6.40%)	252,535	1,693,728	**1,946,263**
PD 8 (6.40% – 12.80%)	119,570	275,203	**394,773**
PD 9 (highest risk, ≥ 12.80%)	158,475	82,965	**241,440**
Unrated	13,807	4,478	**18,285**
Impaired	216,043	214,605	**430,648**
PD 10	63,589	119,413	**183,002**
PD 11	100,165	50,410	**150,575**
PD 12	52,289	44,782	**97,071**
Total	**10,005,860**	**10,783,633**	**20,789,493**

All amounts are in thousand bulgarian levs, unless otherwise stated

SEPARATE

31.12.2023	Households	Companies and Institutions	Total
Unimpaired	8,034,929	9,705,154	**17,740,083**
PD 1 (lowest risk, default probability ranging from 0.00% up to, but not including, 0.10%)	2,111,131	72,902	**2,184,033**
PD 2 (0.10% – 0.20%)	928,803	602,340	**1,531,143**
PD 3 (0.20% – 0.40%)	1,755,018	861,423	**2,616,441**
PD 4 (0.40% – 0.80%)	1,370,561	1,753,773	**3,124,334**
PD 5 (0.80% – 1.60%)	664,977	2,951,390	**3,616,367**
PD 6 (1.60% – 3.20%)	525,292	1,992,919	**2,518,211**
PD 7 (3.20% – 6.40%)	308,799	1,061,615	**1,370,414**
PD 8 (6.40% – 12.80%)	141,823	286,279	**428,102**
PD 9 (highest risk, ≥ 12.80%)	195,805	112,994	**308,799**
Unrated	32,720	9,519	**42,239**
Impaired	212,230	221,744	**433,974**
PD 10	62,298	154,455	**216,753**
PD 11	123,138	27,362	**150,500**
PD 12	26,794	39,927	**66,721**
Total	**8,247,159**	**9,926,898**	**18,174,057**

Note: Unrated exposures are specific products for which not sufficient information for development of a rating model is available such as student loans, etc. In order to determine their expected credit loss PD 7 class is assumed.

Gross Carrying amount of forborne Loans by product line:

Forborne Loans	As at 31.12.2024 **SEPARATE**	As at 31.12.2023 **SEPARATE**	As at 31.12.2024 **CONSOLIDATED**	As at 31.12.2023 **CONSOLIDATED**
Consumer	26,447	35,118	26,447	35,250
Mortgage	19,497	29,502	19,497	29,370
SME Loans	171,781	189,686	171,781	203,252
Corporate Loans	79,342	53,186	79,342	53,186
Total	**297,067**	**307,492**	**297,067**	**321,058**

All amounts are in thousand bulgarian levs, unless otherwise stated

Industry Concentration risk

Analysis by industries net of impairments	Year ended 31.12.2024 SEPARATE	Year ended 31.12.2023 SEPARATE	Year ended 31.12.2024 CONSOLIDATED	Year ended 31.12.2023 CONSOLIDATED
Individuals and households	9,802,916	8,037,513	9,802,916	8,093,275
Industry	3,051,255	2,367,061	3,051,255	2,510,945
Trade and services	3,245,458	2,942,392	3,245,458	3,074,317
Agriculture	848,837	800,289	848,837	845,170
Electricity and heat	796,081	688,969	796,081	690,114
Transportation	428,570	410,634	428,570	499,271
Construction	555,729	382,804	555,729	396,176
Financial and Insurance companies	512,058	937,636	512,058	485,336
Other	387,429	388,983	387,429	433,195
Real estate	233,442	328,640	233,442	344,787
Public sector	201,231	151,138	201,231	151,377
IT and communications	162,134	139,650	162,134	144,349
Water supply	84,824	99,071	84,824	126,650
Hotel management	132,485	151,724	132,485	154,443
Mining	27,460	29,439	27,460	30,729
Total	**20,469,909**	**17,855,943**	**20,469,909**	**17,980,134**

Counterparty concentration risk

The next table presents the information of the concentration analysis of UBB as for 31 December 2024 and 2023:

SEPARATE	As of 31.12.2024		As of 31.12.2023	
	Amount	% of CET 1	Amount	% of CET 1
The largest total exposure	293,775	8.28%	293,574	10.65%
Total amount of five largest exposures	**1,135,218**	**31.99%**	**905,182**	**32.84%**

CONSOLIDATED	As of 31.12.2024		As of 31.12.2023	
	Amount	% of CET 1	Amount	% of CET 1
The largest total exposure	293,775	8.27%	293,574	10.65%
Total amount of five largest exposures	**1,135,218**	**31.95%**	**905,182**	**32.84%**

All amounts are in thousand bulgarian levs, unless otherwise stated

Note 6.2: Notes to the Capital and Capital Base

UBB determines its risk-bearing capacity on the basis of the capital resources available for covering losses generated by UBB's risk profile. During the management of its capital-at-risk UBB observes the regulatory instructions as well as its own objectives.

The minimum requirements as of December 2024 applicable to UBB AD following the implementation of the requirements of Directive 2013/36/EU and Regulation (EU) No 575/2013 include maintaining of total capital adequacy of not less than 19.5% on individual basis and consolidated basis and tier-one capital adequacy of not less than 17.13% on individual basis and on consolidated basis.

These levels included for Pillar I respectively: 8% total capital adequacy and 6% tier-one capital adequacy as well as 2.5% Capital Conservation Buffer, 3% Systemic Risk Buffer, 1% Buffer for O-SIIs and 2% Countercyclical buffer. On individual and consolidated basis 1.5% Pillar II requirement and 1.5% Pillar II Guidance are required additionally.
UBB has complied with the regulatory requirements of minimum capital adequacy for 2024 and for 2023.
In accordance with the regulatory framework UBB allocates capital for covering the capital requirements for credit risk, market risk and operational risk, applying the Standardized Approach.
The capital base (own funds) includes tier-one and tier-two capital in accordance with the applicable regulatory requirements.

CAPITAL AND CAPITAL BASE	As of 31.12.2024 SEPARATE	As of 31.12.2023 SEPARATE	As of 31.12.2024 CONSOLIDATED	As of 31.12.2023 CONSOLIDATED
Paid up Capital Instruments	194,009	177,168	194,009	177,168
Reserves incl. retained earnings	3,376,196	2,612,211	3,380,524	2,609,609
Other comprehensive income	23,829	1,151	23,829	1,130
Common Equity Tier I deductions	(45,658)	(31,302)	(45,535)	(31,339)
Common Equity Tier I Capital	3,548,376	2,759,228	3,552,827	2,756,568
Additional Tier I Capital	-	113,438	-	113,438
Tier II Capital	179,404	177,981	179,404	177,981
Total Regulatory Capital (own funds)	**3,727,780**	**3,050,647**	**3,732,231**	**3,047,987**
Common Equity Tier 1 Capital ratio	20.35%	17.59%	20.34%	17.55%
Tier 1 Capital ratio	20.35%	18.31%	20.34%	18.28%
Total capital ratio	**21.38%**	**19.44%**	**21.37%**	**19.41%**
Surplus(+)/Deficit(-) of total capital	**2,332,828**	**1,795,481**	**2,335,183**	**1,791,682**

Risk Weighted Assets

The changes in the RWA structure and amounts are related to the respective changes in UBB's assets structure.

All amounts are in thousand bulgarian levs, unless otherwise stated

Capital requirements

As of 31 December 2024, and 31 December 2023, the capital requirements for credit market and operational risks are as follows:

Risk Weighted Assets	As of 31.12.2024 **SEPARATE**	As of 31.12.2023 **SEPARATE**	As of 31.12.2024 **CONSOLIDATED**	As of 31.12.2023 **CONSOLIDATED**
Credit Risk including exposures to:	15,966,430	14,440,611	15,969,562	14,420,490
Central governments or central banks	44,134	329,437	44,134	329,437
Regional governments or local authorities	41,000	44,504	41,000	44,600
Public sector entities	1,518	2,648	1,517	2,648
Institutions	767,443	666,695	767,442	666,712
Corporates	7,453,657	6,786,929	7,453,655	6,729,236
Retail	4,226,603	3,662,417	4,226,602	3,735,266
Secured by mortgages on immovable property	2,723,616	2,109,708	2,723,616	2,113,295
Exposures in default	221,142	224,778	221,142	228,905
Items associated with particular high risk	26,349	120,531	26,349	120,531
Covered bonds	744	6,373	744	6,373
Equity	35,562	101,633	34,521	37,936
Other items	424,662	384,958	428,840	405,551
Operational Risk	1,464,813	1,245,500	1,487,875	1,279,863
Market Risk	5,663	3,275	5,663	3,275
Risk for credit valuation adjustment	-	188	-	188
TOTAL RISK EXPOSURE AMOUNT	**17,436,906**	**15,689,574**	**17,463,100**	**15,703,816**

Note 6.3: Notes to the market risk

The tables below summarize the exposure to foreign currency exchange rate risk as of 31 December 2024 and 2023. Included in the table are UBB's assets and liabilities at carrying amounts in thousands BGN categorized by currency.

SEPARATE Currency analysis 31.12.2024	EUR	USD	BGN	Other	Total
ASSETS					
Cash and balances with Central Bank	241,648	12,793	6,333,675	11,519	**6,599,635**
Due from banks	486,907	69,520	807,510	50,813	**1,414,750**
Reverse repos with banks	977,994	-	-	-	**977,994**
Loans and advances to customers, net	3,625,412	97,565	16,887,528	80	**20,610,585**
Financial Assets through PL	8,024	-	4,160	-	**12,184**
Derivative financial instruments	4,719	-	10,379	-	**15,098**
Financial Assets at FVOCI	1,162,754	23,531	192,298	-	**1,378,583**
Securities at AC	3,638,381	535,614	1,973,221	-	**6,147,216**
Investments in subsidiaries and associates	-	-	8,772	-	**8,772**
Intangible assets	-	-	35,785	-	**35,785**
Fixed assets and Right-of-use Assets	-	-	179,417	-	**179,417**
Investment property	-	-	60,015	-	**60,015**
Deferred tax assets and corporate income tax receivables	-	-	6,276	-	**6,276**
Other assets	6,188	22	10,118	1	**16,329**
TOTAL ASSETS	**10,152,027**	**739,045**	**26,509,154**	**62,413**	**37,462,639**
LIABILITIES	**EUR**	**USD**	**BGN**	**Other**	**Total**
Due to banks	4,132,707	8	18,449	2,126	**4,153,290**
Due to customers	7,044,617	1,227,592	18,979,481	176,932	**27,428,622**
Derivative financial instruments	5,259	-	7,126	-	**12,385**
Other borrowed funds	1,441,660	-	-	-	**1,441,660**
Current income tax liabilities	-	-	32,881	-	**32,881**
Provisions	3,545	150	20,500	1	**24,196**
Lease liabilities	32,851	-	14,410	-	**47,261**
Deferred tax liabilities	-	-	-	-	**-**
Other liabilities	24,472	721	91,920	1,469	**118,582**
TOTAL LIABILITIES	**12,685,111**	**1,228,471**	**19,164,767**	**180,528**	**33,258,877**
TOTAL EQUITY	-	-	4,203,762	-	**4,203,762**
NET BALANCE SHEET POSITION	**(2,533,084)**	**(489,426)**	**7,344,387**	**(118,115)**	**4,203,762**
NET OFF-BALANCE SHEET POSITION	**2,666,279**	**491,795**	**(3,270,769)**	**116,757**	**4,062**

All amounts are in thousand bulgarian levs, unless otherwise stated

CONSOLIDATED

Currency analysis

31.12.2024	EUR	USD	BGN	Other	Total
ASSETS					
Cash and balances with Central Bank	241,648	12,793	6,333,675	11,519	**6,599,635**
Due from banks	486,907	69,520	807,510	50,813	**1,414,750**
Reverse repos with banks	977,994	-	-	-	**977,994**
Loans and advances to customers, net	3,625,412	97,565	16,887,583	80	**20,610,640**
Financial Assets through PL	8,024	-	4,160	-	**12,184**
Derivative financial instruments	4,719	-	10,379	-	**15,098**
Financial Assets at FVOCI	1,162,754	23,531	192,298	-	**1,378,583**
Securities at AC	3,638,381	535,614	1,973,221	-	**6,147,216**
Investments in associates	-	-	4,876	-	**4,876**
Intangible assets	-	-	35,794	-	**35,794**
Fixed assets and Right-of-use Assets	-	-	179,437	-	**179,437**
Investment property	-	-	63,787	-	**63,787**
Deferred tax assets	-	-	6,409	-	**6,409**
Other assets	6,188	22	10,119	1	**16,330**
Non-current assets held for sale	-	-	-	-	**-**
TOTAL ASSETS	**10,152,027**	**739,045**	**26,509,248**	**62,413**	**37,462,733**
LIABILITIES	**EUR**	**USD**	**BGN**	**Other**	**Total**
Due to banks	4,132,707	8	18,449	2,126	**4,153,290**
Due to customers	7,044,227	1,227,591	18,977,913	176,932	**27,426,663**
Payables under repo agreements	-	-	-	-	**-**
Derivative financial instruments	5,259	-	7,126	-	**12,385**
Other borrowed funds	1,441,660	-	-	-	**1,441,660**
Current income tax liabilities	-	-	32,881	-	**32,881**
Provisions	3,545	150	20,500	1	**24,196**
Lease liabilities	32,851	-	14,410	-	**47,261**
Deferred tax liabilities	-	-	-	-	**-**
Other liabilities	24,472	721	92,125	1,469	**118,787**
TOTAL LIABILITIES	**12,684,721**	**1,228,470**	**19,163,404**	**180,528**	**33,257,123**
TOTAL EQUITY	-	-	4,205,610	-	**4,205,610**
NET BALANCE SHEET POSITION	**(2,532,694)**	**(489,425)**	**7,345,844**	**(118,115)**	**4,205,610**
NET OFF-BALANCE SHEET POSITION	**2,666,279**	**491,795**	**(3,270,769)**	**116,757**	**4,062**

All amounts are in thousand bulgarian levs, unless otherwise stated

SEPARATE

Currency analysis

31.12.2023	EUR	USD	BGN	Other	Total
ASSETS					
Cash and balances with Central Bank	55,054	19,009	8,349,270	15,107	**8,438,440**
Due from banks	829,070	155,779	315,259	50,614	**1,350,722**
Loans and advances to customers, net	3,896,805	63,861	13,970,453	1,514	**17,932,633**
Financial Assets through PL	5,921	-	3,294	-	**9,215**
Derivative financial instruments	8,834	-	13,180	-	**22,014**
Financial Assets at FVOCI	375,025	46,126	178,720	-	**599,871**
Securities at AC	3,107,094	422,307	1,773,361	-	**5,302,762**
Investments in subsidiaries and associates	-	-	65,296	-	**65,296**
Intangible assets	-	-	36,804	-	**36,804**
Fixed assets and Right-of-use Assets	-	-	162,937	-	**162,937**
Investment property	-	-	95,380	-	**95,380**
Deferred tax assets and corporate income tax receivables	-	-	6,048	-	**6,048**
Other assets	5,648	33	13,780	1	**19,462**
TOTAL ASSETS	**8,283,451**	**707,115**	**24,983,782**	**67,236**	**34,041,584**

LIABILITIES	EUR	USD	BGN	Other	Total
Due to banks	2,744,820	6,494	7,518	1,813	**2,760,645**
Due to customers	6,857,534	1,465,178	17,743,974	190,136	**26,256,822**
Derivative financial instruments	7,198	-	21,380	-	**28,578**
Other borrowed funds	1,444,723	-	-	-	**1,444,723**
Current income tax liabilities	-	-	2,729	-	**2,729**
Provisions	2,843	168	21,755	1	**24,767**
Lease liabilities	24,460	-	20,239	-	**44,699**
Other liabilities	25,347	1,126	72,458	3,923	**102,854**
TOTAL LIABILITIES	**11,106,925**	**1,472,966**	**17,890,053**	**195,873**	**30,665,817**
TOTAL EQUITY	**-**	**-**	**3,375,767**	**-**	**3,375,767**
NET BALANCE SHEET POSITION	**(2,823,474)**	**(765,851)**	**7,093,729**	**(128,637)**	**3,375,767**
NET OFF-BALANCE SHEET POSITION	**2,879,714**	**772,476**	**(3,786,037)**	**125,908**	**(7,939)**

All amounts are in thousand bulgarian levs, unless otherwise stated

CONSOLIDATED

Currency analysis

31.12.2023	EUR	USD	BGN	Other	Total
ASSETS					
Cash and balances with Central Banks	55,054	19,009	8,349,275	15,107	**8,438,445**
Due from banks	829,070	155,779	315,668	50,614	**1,351,131**
Loans and advances to customers, net	4,053,672	63,601	13,938,042	1,510	**18,056,825**
Financial Assets through PL	5,921	-	3,294	-	**9,215**
Derivative financial instruments	8,833	-	13,181	-	**22,014**
Financial Assets at FVOCI	375,025	46,126	178,720	-	**599,871**
Securities at AC	3,107,093	422,307	1,773,362	-	**5,302,762**
Investments in associates	-	-	4,225	-	**4,225**
Intangible assets	-	-	36,953	-	**36,953**
Fixed assets and Right-of-use Assets	-	-	168,869	-	**168,869**
Investment property	-	-	101,373	-	**101,373**
Deferred tax assets	-	-	6,058	-	**6,058**
Other assets	5,648	34	20,018	1	**25,701**
TOTAL ASSETS	**8,440,316**	**706,856**	**24,909,038**	**67,232**	**34,123,442**

LIABILITIES	EUR	USD	BGN	Other	Total
Due to banks	2,744,820	6,494	7,518	1,813	**2,760,645**
Due to customers	6,853,848	1,465,178	17,746,423	190,136	**26,255,585**
Derivative financial instruments	7,198	-	21,380	-	**28,578**
Long term borrowings	1,515,395	-	-	-	**1,515,395**
Current income tax liabilities	-	-	2,952	-	**2,952**
Provisions	2,843	168	21,901	1	**24,913**
Lease liabilities	24,460	-	20,239	-	**44,699**
Other liabilities	25,347	1,126	76,376	3,923	**106,772**
TOTAL LIABILITIES	**11,173,911**	**1,472,966**	**17,896,789**	**195,873**	**30,739,539**
TOTAL EQUITY	**-**	**-**	**3,383,903**	**-**	**3,383,903**
NET BALANCE SHEET POSITION	**(2,733,595)**	**(766,110)**	**7,012,249**	**(128,641)**	**3,383,903**
NET OFF-BALANCE SHEET POSITION	**2,879,714**	**772,476**	**(3,786,037)**	**125,908**	**(7,939)**

All amounts are in thousand bulgarian levs, unless otherwise stated

FX Value-at-Risk (VaR) is calculated for UBB and considers the diversification between different FX rates. This measures the 99.90% worst case market value loss induced by FX sensitivity over the horizon and confidence interval in line with pillar II group model.

On 31.12.2024 the FX Shock remained almost unchanged and amounted to EUR-1.07m compared to 31.12.2023 (EUR-1.1m) within the internally approved limit and risk profile of the bank. The values are considered very low and almost immaterial for this type of risk.

It is reported and monitored regularly at Local Risk Management Committee (LRMC) level.

Interest rate risk

UBB measures the net interest incomes (NII) and economic value of equity (EVE) vulnerability to unfavourable changes in interest rates separately for its significant currencies. The negative sign of the mismatch means that the interest rate sensitive liabilities are larger than the interest rate sensitive assets in the concrete time band. The techniques for managing interest rate risk generated by the positions in the banking book are the following: change in the administered interest rates on loans and deposits, change in the maturity of the offered credit and deposit products, change in the amount of fees and commissions interest rate derivatives etc.

UBB interest rate risk relating to financial instruments based on next re-pricing date is summarized as follows:

SEPARATE

31.12.2024	With fixed interest rate	With floating interest rate	Interest free	Total
Assets				
Cash and cash balances with the Central Bank	-	-	6,599,635	**6,599,635**
Due from banks	1,414,750	-	-	**1,414,750**
Reverse repos with banks	-	977,994	-	**977,994**
Financial assets at fair value through profit or loss	12,184	-	-	**12,184**
Derivative financial instruments	-	15,098	-	**15,098**
Financial assets at fair value through OCI	1,356,257	-	22,326	**1,378,583**
Securities at amortized cost	6,147,216	-	-	**6,147,216**
Loans and advances customers	699,643	19,910,942	-	**20,610,585**
Total assets	**9,630,050**	**20,904,034**	**6,621,961**	**37,156,045**
Liabilities				
Deposits from banks and Other borrowed funds	5,176,745	418,205	-	**5,594,950**
Deposits from customers	27,428,622	-	-	**27,428,622**
Derivative financial instruments	-	12,385	-	**12,385**
Total liabilities	**32,605,367**	**430,590**	**-**	**33,035,957**
Interest Rate Mismatch	**(22,975,317)**	**20,473,444**	**6,621,961**	**4,120,088**

All amounts are in thousand bulgarian levs, unless otherwise stated

CONSOLIDATED

31.12.2024	With fixed interest rate	With floating interest rate	Interest free	Total
Assets				
Cash and cash balances with the Central Bank	-	-	6,599,635	**6,599,635**
Due from banks	1,414,750	-	-	**1,414,750**
Reverse repos with banks	-	977,994	-	**977,994**
Financial assets at fair value through profit or loss	12,184	-	-	**12,184**
Derivative financial instruments	-	15,098	-	**15,098**
Financial assets at fair value through OCI	1,356,257	-	22,326	**1,378,583**
Securities at amortized cost	6,147,216	-	-	**6,147,216**
Loans and advances customers	699,643	19,910,997	-	**20,610,640**
Total assets	**9,630,050**	**20,904,089**	**6,621,961**	**37,156,100**
Liabilities				
Deposits from banks and Other borrowed funds	5,176,745	418,205	-	**5,594,950**
Deposits from customers	27,426,663	-	-	**27,426,663**
Derivative financial instruments	-	12,385	-	**12,385**
Total liabilities	**32,603,408**	**430,590**	**-**	**33,033,998**
Interest Rate Mismatch	**(22,973,358)**	**20,473,499**	**6,621,961**	**4,122,102**

SEPARATE

31.12.2023	With fixed interest rate	With floating interest rate	Interest free	Total
Assets				
Cash and cash balances with the Central Bank	-	-	8,438,440	**8,438,440**
Deposits placed with banks	1,012,089	338,633	-	**1,350,722**
Financial assets at fair value through profit or loss	9,215	-	-	**9,215**
Derivatives	-	22,014	-	**22,014**
Financial assets at FVOCI	572,498	-	27,373	**599,871**
Securities at AC	5,302,762	-	-	**5,302,762**
Loans and advances customers	465,522	17,467,111	-	**17,932,633**
Total assets	**7,362,086**	**17,827,758**	**8,465,813**	**33,655,657**
Liabilities				
Deposits from banks and Other borrowed funds	3,794,644	410,724	-	**4,205,368**
Deposits from customers	26,256,822	-	-	**26,256,822**
Derivatives	-	28,578	-	**28,578**
Total liabilities	**30,051,466**	**439,302**	**-**	**30,490,768**
Interest Rate Mismatch	**(22,689,380)**	**17,388,456**	**8,465,813**	**3,164,889**

CONSOLIDATED 31.12.2023	With fixed interest rate	With floating interest rate	Interest free	Total
Assets				
Cash and cash balances with the Central Bank	-	-	8,438,445	**8,438,445**
Deposits placed with banks	1,012,498	338,633	-	**1,351,131**
Financial assets at fair value through profit or loss	9,215	-	-	**9,215**
Derivatives	-	22,014	-	**22,014**
Financial assets trading and at FVOCI	572,499	-	27,373	**599,871**
Securities at AC	5,302,762	-	-	**5,302,762**
Loans and advances customers	465,522	17,591,303	-	**18,056,825**
Total assets	**7,362,496**	**17,951,950**	**8,465,817**	**33,780,264**
Liabilities				
Deposits from banks	3,860,874	415,166	-	**4,276,040**
Deposits from customers	26,255,585	-	-	**26,255,585**
Derivative financial instruments	-	28,578	-	**28,578**
Total liabilities	**30,116,459**	**443,744**	**-**	**30,560,203**
Interest Rate Mismatch	**(22,753,963)**	**17,508,206**	**8,465,817**	**3,220,061**

Please note that Deposits from Customers are largely represented by funds without contractual maturity date or in other words, Non-maturity deposits (NMD). As such they can be withdrawn by the client without any prior notice period or breakup fee. The two main NMD types are current accounts (CA) and saving accounts (SA). In the table above they are presented as FIXED rate products but are managed according to internal KBC group model approach which is reviewed at least once per year. These deposits can be invested into longer-dated assets based on an optimal investment profile, i.e. the benchmark profile. All those stable funds are split into significant currencies and business segment and steered by local Treasury.

It is the BPV (10 b.p.) which serves as an indicator of the UBB Interest rate risk sensitivity. In the course of 2024, the BPV remained positive similar to previous years due to the introduction of new shortened benchmark profiles of the NMDs paired with volume increase of the attracted funds.

in `000 BGN	31 December 2024	31 December 2023
BPV (10 b.p.)	6,490	3,130

The table below provides information on the net interest income sensitivity as of 31.12.2024 and 31.12.2023 assuming reasonably change in interest rates, ceteris paribus:

31 December 2024	in `000 BGN
Supervisory shock	**Sensitivity of net interest income/equity**
Parallel Shock Up	616,391
Parallel Shock Down	(154,664)

31 December 2023	in `000 BGN
Supervisory shock	**Sensitivity of net interest income/equity**
Parallel Shock Up	(72,217)
Parallel Shock Down	11,153

The Net Interest Income Sensitivity for December 2024 and December 2023 is calculated with compliance to the reporting criteria of EBA Guidelines for "Interest Rate Risk in the Banking Book". However, it should be noted that with the introduction of the new regulatory reporting for interest rate risk, UBB is improving its methodology to be fully compliant with Commission Delegated Regulation (EU) 2024/856.

All amounts are in thousand bulgarian levs, unless otherwise stated

Liquidity risk

UBB manages its assets and liabilities in a manner guaranteeing that the bank is able to fulfil its day-to-day obligations regularly and without delay both in going concern and stressed environment. The Bank invests mainly in liquid assets.

The average level of the regulatory liquidity risk ratios are as follows:

263% Liquidity Coverage Ratio (LCR) for 2024 (2023: 275%) and
168% Net Stable Funding Ratio (NSFR) for 2024 (2023: 165%).

Both LCR and NSFR were above the regulatory requirements of 100% during 2024.

In addition, UBB has a stable and balanced funding structure with Retail and SME Deposits representing approx. 60% of UBB's total liabilities plus equity. The bank aims at maintaining diversified deposit base and access to alternative funding sources thus limiting the potential funding costs in case unexpected events occur.

Funding sources generally have a shorter maturity than the funded assets, resulting in a negative net liquidity gap in the shorter time buckets and a positive net liquidity gap in the longer-term buckets. This may create liquidity risk if UBB would be unable to renew its maturing short-term funding. The funding strategy applied by the bank ensures that the liquidity risk remains within the risk appetite and is well steered by local Treasury.

The table below represents the undiscounted cash flows on financial liabilities by contractual term:

31.12.2024		Undiscounted cash flows					
SEPARATE	Carrying amount/ Nominal amount	Total	on demand and with maturity up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years
LIABILITIES							
Deposits from banks	4,153,290	4,159,134	2,974,493	1,184,641	-	-	-
Deposits from customers and other financial liabilities	27,428,622	27,434,379	24,899,451	645,261	1,860,344	29,323	-
Other borrowed funds	1,441,660	1,686,728	-	2,112	60,226	1,406,277	218,113
Lease liabilities (IFRS 16)	47,261	49,867	1,192	2,535	10,881	29,385	5,874
TOTAL	**33,070,833**	**33,330,108**	**27,875,136**	**1,834,549**	**1,931,451**	**1,464,985**	**223,987**
Undrawn Credit commitments	**4,725,381**	**4,725,381**	**4,725,381**	**-**	**-**	**-**	**-**

31.12. 2023		Undiscounted cash flows					
SEPARATE	Carrying amount/ Nominal amount	Total	on demand and with maturity up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years
LIABILITIES							
Deposits from banks	2,760,645	2,769,149	1,778,611	792,291	198,247	-	-
Deposits from customers and other financial liabilities	26,256,822	26,262,567	23,792,651	694,493	1,721,882	53,541	-
Other borrowed funds	1,444,723	1,771,382	-	2,519	59,409	1,195,472	513,982
Lease liabilities (IFRS 16)	44,699	46,263	1,211	2,675	11,374	26,123	4,880
TOTAL	**30,506,889**	**30,849,361**	**25,572,473**	**1,491,978**	**1,990,912**	**1,275,136**	**518,862**
Undrawn Credit commitments	**4,565,211**	**4,565,211**	**4,565,211**	**-**	**-**	**-**	**-**

All amounts are in thousand bulgarian levs, unless otherwise stated

Assets pledged as collateral are presented in the tables below:

SEPARATE AND CONSOLIDATED	31.12.2024	
Pledged assets	Carrying amount of pledged assets	Secured liabilities
Other demand deposits	51,040	Participation in a guarantee mechanism for local cards settlement
Debt securities	366,468	Collateral for budget funds
Other loans and advances	1,246	Margin account for derivative deals
Total Pledged assets	**418,754**	

SEPARATE AND CONSOLIDATED	31.12.2023	
Pledged assets	Carrying amount of pledged assets	Secured liabilities
Other demand deposits	55,771	Participation in a guarantee mechanism for local cards settlement
Debt securities	445,117	Collateral for budget funds
Other loans and advances	11,147	Margin account for derivative deals
Total Pledged assets	**512 035**	

All amounts are in thousand bulgarian levs, unless otherwise stated

7 FAIR VALUE MEASUREMENT

Note 7.1: Fair value of financial instruments not measured at fair value

The table below summarises the carrying amounts and fair value of those financial assets and liabilities not presented on UBB's statement of financial position at fair value.

31.12.2024

SEPARATE	Carrying Value	Fair Value	Level 1	Level 2	Level 3
FINANCIAL ASSETS AT AMORTISED COST					
Due from banks	1,414,750	1,414,750	-	1,414,750	-
Reverse repos with banks	977,994	977,994	-	977,994	-
Loans and advances to customers	20,610,585	20,761,810	-	-	20,761,810
Debt securities	6,147,216	5,999,907	4,671,705	1,328,202	-
TOTAL	**29,150,545**	**29,154,461**	**4,671,705**	**3,720,946**	**20,761,810**
FINANCIAL LIABILITIES AT AMORTISED COST					
Deposits from banks	4,153,290	4,153,290	-	4,153,290	-
Deposits from customers other financial liabilities	27,428,622	27,428,622	-	27,428,622	-
Other borrowed funds	1,441,660	1,441,660	-	1,441,660	-
TOTAL	**33,023,572**	**33,023,572**	**-**	**33,023,572**	**-**

31.12.2024

CONSOLIDATED	Carrying Value	Fair Value	Level 1	Level 2	Level 3
FINANCIAL ASSETS AT AMORTISED COST					
Due from banks	1,414,750	1,414,750	-	1,414,750	-
Reverse repos with banks	977,994	977,994	-	977,994	-
Loans and advances to customers	20,610,640	20,761,865	-	-	20,761,865
Debt securities	6,147,216	5,999,907	4,671,705	1,328,202	-
TOTAL	**29,150,600**	**29,154,516**	**4,671,705**	**3,720,946**	**20,761,865**
FINANCIAL LIABILITIES AT AMORTISED COST					
Deposits from banks	4,153,290	4,153,290	-	4,153,290	-
Deposits from customers other financial liabilities	27,426,663	27,426,663	-	27,426,663	-
Other borrowed funds	1,441,660	1,441,660	-	1,441,660	-
TOTAL	**33,021,613**	**33,021,613**	**-**	**33,021,613**	**-**

All amounts are in thousand bulgarian levs, unless otherwise stated

31.12.2023

SEPARATE

	Carrying Value	Fair Value	Level 1	Level 2	Level 3
FINANCIAL ASSETS AT AMORTISED COST					
Due from banks	1,350,722	1,350,722	-	1,350,722	-
Loans and advances to customers	17,932,633	17,952,430	-	-	17,952,430
Debt securities	5,302,762	4,993,288	4,361,109	632,179	-
TOTAL	**24,586,117**	**24,296,440**	**4,361,109**	**1,982,901**	**17,952,430**
FINANCIAL LIABILITIES AT AMORTISED COST					
Deposits from banks	2,760,645	2,760,645	-	2,760,645	-
Deposits from customers	26,256,822	26,256,822	-	26,256,822	-
Other borrowed funds	1,444,723	1,444,723	-	1,444,723	-
TOTAL	**30,462,190**	**30,462,190**	**-**	**30,462,190**	**-**

31.12.2023

CONSOLIDATED

	Carrying Value	Fair Value	Level 1	Level 2	Level 3
FINANCIAL ASSETS AT AMORTISED COST					
Due from banks	1,351,131	1,351,131	-	1,351,131	-
Loans and advances to customers	18,056,825	18,097,559	-	-	18,097,559
Debt securities	5,302,762	4,993,288	4,361,109	632,179	-
TOTAL	**24,710,718**	**24,441,978**	**4,361,109**	**1,983,310**	**18,097,559**
FINANCIAL LIABILITIES AT AMORTISED COST					
Deposits from banks	2,760,645	2,760,645	-	2,760,645	-
Deposits from customers and other financial liabilities	26,255,585	26,255,585	-	26,255,585	-
Other borrowed funds	1,515,395	1,515,395	-	1,515,395	-
TOTAL	**30,531,625**	**30,531,625**	**-**	**30,531,625**	**-**

The following methods and assumptions were used to estimate the fair values of the above financial instruments at 31.12.2024 and 31.12.2023:

- The carrying amount of cash and balances with the Central Bank, due from and due to banks as well as accrued interest equals their fair value.
- The fair value of loans and advances to customers is estimated using discounted cash flow models (the expected loan related cash flows discounted by the market interest rates) and it is categorized in Level 3.
- The fair value for accounts and deposits from customers is determined to be their carrying amount considering that they could be withdrawn at any time (short term liabilities, Interest rate of zero for majority of deposits).
- Fair value of bank borrowings and subordinated liabilities approximates their carrying amount, because these liabilities bear floating interest rates and are repriced to current market rates on a regular basis

All amounts are in thousand bulgarian levs, unless otherwise stated

Note 7.2: Fair value hierarchy of financial instruments measured at fair value

31.12.2024
SEPARATE AND CONSOLIDATED

	Fair Value	Level 1	Level 2	Level 3
FINANCIAL ASSETS AT FAIR VALUE				
Derivative financial instruments	15,098	-	15,098	-
hereof Derivatives held for trading	14,761	-	14,761	-
hereof Hedging derivatives	337	-	337	-
Financial assets at fair value through profit or loss	12,184	8,518	3,666	-
hereof Debt securities	12,184	8,518	3,666	-
Financial assets at fair value through OCI	1,378,583	1,214,221	142,400	21,962
Equity instruments	22,326	364	-	21,962
Debt securities	1,356,257	1,213,857	142,400	-
Total financial assets at fair value	1,405,865	1,222,739	161,164	21,962
FINANCIAL LIABILITIES AT FAIR VALUE				
Derivative financial instruments	12,385	-	12,385	-
hereof Derivatives held for trading	12,385	-	12,385	-
hereof Hedging derivatives	-	-	-	-
Total financial liabilities at fair value	12,385	-	12,385	-

31.12.2023
SEPARATE AND CONSOLIDATED

	Fair Value	Level 1	Level 2	Level 3
FINANCIAL ASSETS AT FAIR VALUE				
Derivative financial instruments	22,014	-	22,014	-
hereof Derivatives held for trading	19,335	-	19,335	-
hereof Hedging derivatives	2,679	-	2,679	-
Financial assets at fair value through profit or loss	9,215	8,804	411	-
hereof Debt securities	9,215	8,804	411	-
Financial assets at fair value through OCI	599,871	422,755	143,940	33,176
hereof Equity instruments	27,373	3,047	-	24,326
hereof Debt securities	572,498	419,708	143,940	8,850
Total financial assets at fair value	631,100	431,559	166,365	33,176
FINANCIAL LIABILITIES AT FAIR VALUE				
Derivative financial instruments	28,578	-	28,578	-
hereof Derivatives held for trading	28,578	-	28,578	-
hereof Hedging derivatives	-	-	-	-
Total financial liabilities at fair value	28,578	-	28,578	-

Fair values of debt securities are determined either by reference to prices for traded instruments in active markets to external quotations or widely accepted financial models which are based on market observable or unobservable information where the former is not available as well as relevant market-based parameters such as interest rates option fluctuations currency rates etc. and may also include a liquidity risk adjustment where UBB considers it appropriate.

UBB may sometimes also utilize third-party pricing information and perform validating procedures on this information or base its fair value on the latest transaction prices available given the absence of an active

All amounts are in thousand bulgarian levs, unless otherwise stated

market or similar transactions. All such instruments are categorized within the lowest level of fair value hierarchy (i.e. Level 3).
The output of a valuation technique is always an estimate or approximation of a fair value that cannot be measured with complete certainty. As a result, valuations are adjusted where appropriate to reflect close-out costs credit exposure model driven valuation uncertainty trading restrictions and other factors when such factors would be considered by market participants in measuring fair value.
Due to UBB's limited exposure to investment securities measured at fair value for which the market valuation adjustments are significant to their fair value a reasonable change in the unobservable inputs would not be significant to UBB.

Note 7.3: Movement of level 3 financial assets measured at fair value

SEPARATE AND CONSOLIDATED	Carrying amount 31.12.2023	Addition	Transferred out of Level 3	Change in Fair value	Disposal	Carrying amount 31.12.2024
Debt securities	**8,850**	-	-	-	(8,850)	**-**
Equity securities	**24,326**	128	-	1,399	(3,891)	**21,962**
	33,176	**128**	**-**	**1,399**	**(12,741)**	**21,962**

SEPARATE AND CONSOLIDATED	Carrying amount 31.12.2022	Effect from business combination under common control	Transferred out of Level 3	Change in Fair value	Disposal	Carrying amount 31.12.2023
Debt securities	**15,108**	8,967	(15,110)	(115)	-	**8,850**
Equity securities	**13,690**	4,645	-	6,041	(50)	**24,326**
	28,798	**13,612**	**(15,110)**	**5,926**	**(50)**	**33,176**

All amounts are in thousand bulgarian levs, unless otherwise stated

8 RELATED PARTY TRANSACTIONS

The ultimate parent bank is KBC Group NV Belgium. UBB is controlled by KBC Bank N.V. which owns 99.96% of the ordinary shares of UBB. Parties are considered to be related if one party has the ability to control or exercise significant influence over the other party in making financial or operational decisions. A number of banking transactions are performed with related parties in the normal course of business. These include mostly loans and deposits. These transactions were carried out on commercial terms and conditions and at market rates.

Business transactions with related parties are carried out in the normal course of business. These transactions were made at market prices and commercial terms as would be done between independent trading partners. The amount of the remuneration of the members of the management and supervisory bodies of UBB for the financial year 2024 is BGN 4,046 thousand on individual and consolidated base (2023: BGN 3,055 thousand on individual and BGN 3,276 thousand on consolidated base).

Amounts owed to and from companies of the KBC Bank Group and the related income and expense are as follows:

As of 31 December 2024 – SEPARATE	KBC Bank NV	KBC Group	Subsidiaries companies	Associate companies
Loans and advances from clients (agreed int rate from 0.00% to 15.90%, weighted average int rate 5.36%)*	1,240,672	408,717	-	-
Deposits placed	18,872	-	-	-
Receivables on repo agreements	977,994	-	-	-
Other demand deposits due to banks	81,830	224	-	-
Derivatives held for trading- assets	8,559	-	-	-
Derivatives held for hedging- assets	337	-	-	-
Other assets	-	2,967	-	-
Right of use assets	-	585	-	-
Total Assets	**2,328,264**	**412,493**	**-**	**-**
Deposits from Banks- Time Deposits (agreed int rate from 2.91% to 3.22%, weighted average int rate 3.06%)*	3,916,717	-	-	-
Deposits from Banks- Sight Deposits	13,731	-	-	-
Payables on repo agreements	-	-	-	-
Funds attracted from clients (agreed int rate from 0.00% to 2.80%, weighted average int rate 0.05%) *	-	126,134	1,959	662
Other borrowed funds (agreed int rate from 0.46% to 4.58%, weighted average int rate 3.62%) *	1,258,203	-	-	-
Derivatives held for trading – liability	8,059	-	-	-
Derivatives held for hedging – liability	-	-	-	-
Subordinated term debt (agreed int rate from 4.56% to 4.96%, weighted average int rate 4.76%)*	179,404	-	-	-
Other liabilities	-	-	-	-
Leasing liabilities	-	585	-	-
Total Liabilities	**5,376,114**	**126,719**	**1,959**	**662**
Additional Tier-1 instrument incl.in equity (agreed int rate 6.3%)	113,438	-	-	-
Interest income	126,432	1,494	6,345	-
Fee and commission income	(46)	35,988	12	-0
Dividend income	-	-	15,163	-
Other income	-	6	22	-
Rental income	-	548	11	-
Net income from interest rate derivatives	1,723	-	-	-
Total income	**128,109**	**38,036**	**21,553**	**-0**
Interest expense	(114,689)	(1,910)	-	-
Fee and commission expenses	(111)	(786)	-	-
Administrative expenses	(10,107)	(31,007)	(1,212)	(3,402)
Other expenses	-	-15	-	-
Interest expenses on lease liabilities	-	8	-	-
Total Expenses	**(124,907)**	**(33,710)**	**(1,212)**	**(3,402)**

All amounts are in thousand bulgarian levs, unless otherwise stated

As of 31 December 2024 – CONSOLIDATED	KBC Bank NV	KBC Group	Associate companies
Loans and advances from clients (agreed int rate from-0.31% to 15.90%, weighted average int rate 7.71%)	1,240,672	408,800	-
Deposits placed	18,872	-	-
Receivables on repo agreements	977,994	-	-
Other demand deposits due to banks	81,830	224	-
Derivatives held for trading- assets	8,559	-	-
Derivatives held for hedging- assets	337	-	-
Other assets	-	2,967	-
Right of use assets	-	585	-
Total Assets	**2,328,264**	**412,576**	**-**
Deposits from Banks- Time Deposits (agreed int rate from 2.91% to 3.22%, weighted average int rate 3.06%)	3,916,717	-	-
Deposits from Banks- Sight Deposits	13,731	-	-
Funds attracted from clients (agreed int rate from 0.00% to 2.80%, weighted average int rate 0.05%)	-	126,134	662
Other borrowed funds (agreed int rate from 0.46% to 4.58%, weighted average int rate 3.62%)	1,258,203	-	-
Derivatives held for trading – liability	8,059	-	-
Derivatives held for hedging – liability	-	-	-
Subordinated term debt (agreed int rate from 4.56% to 4.96%, weighted average int rate 4.76%)	179,404	-	-
Other liabilities	-	7	-
Leasing liabilities	-	585	-
Total Liabilities	**5,376,114**	**126,726**	**662**
Additional Tier-1 instrument incl.in equity (agreed int rate 6.3%)	113,438	-	-
Interest income	126,435	1,494	-
Fee and commission income	(46)	35,988	-
Other income	-	1,103	-
Rental income	-	548	-
Net income from interest rate derivatives	1,723	-	-
Total income	**128,112**	**39,133**	**-**
Interest expense	(115,501)	(1,910)	-
Fee and commission expenses	(111)	(786)	-
Administrative expenses	(10,107)	(31,027)	(3,402)
Other expenses	-	(15)	-
Interest expenses on lease liabilities	-	8	-
Total Expenses	**(125,719)**	**(33,730)**	**(3,402)**

All amounts are in thousand bulgarian levs, unless otherwise stated

As of 31 December 2023– SEPARATE	KBC Bank NV	KBC Group	Subsidiaries companies	Associate companies
Loans and advances from clients (agreed int rate from -0.31% to 15.90%, weighted average int rate 4.61%)	947,986	249,598	452,529	-
Other demand deposits due to banks	229,312	763	-	-
Derivatives held for trading - assets	13,448	-	-	-
Derivatives held for hedging - assets	2,679	-	-	-
Other assets	-	2,573	-	-
Right of use assets	-	684	-	-
Total Assets	**1,193,425**	**253,618**	**452,529**	**-**
Deposits from Banks – Time Deposits (agreed int rate from 4.01% to 4.09%, weighted average int rate 4.05%)	2,744,344	-	-	-
Deposits from Banks – Sight Deposits	2,391	351	-	-
Funds attracted from clients (agreed int rate from 0% to 3.5%, weighted average int rate 0.16%)	-	172,713	17,331	106
Other borrowed funds (agreed int rate from 0.46% to 3.95%, weighted average int rate 2.92%)	1,258,493	-	-	-
Derivatives held for trading – liability	15,044	-	-	-
Subordinated term debt (agreed int rate 3.95%)	179,677	-	-	-
Other liabilities	-	343	-	-
Leasing liabilities	-	685	-	-
Total Liabilities	**4,199,949**	**174,092**	**17,331**	**106**
Additional Tier-1 instrument incl.in equity (agreed int rate 6.3%)	113,438	-	-	-
Total equity	**113,438**	-	-	-
Interest income	142,515	1,044	8,574	-
Fee and commission income	19	29,375	23	1
Dividend income	-	-	6,898	-
Other income	-	151	79	-
Rental income	-	567	98	-
Total income	**142,534**	**31,137**	**15,672**	**1**
Interest expense	(78,796)	(1,023)	-	-
Fee and commission expenses	-	(739)	-	-
Administrative expenses	(13,412)	(23,528)	(1,135)	-
Other expenses	-	(21)	-	-
Interest expenses on lease liabilities	-	(17)	(4)	-
Total Expenses	**(92,208)**	**(25,328)**	**(1,139)**	**-**
Net expense from interest rate derivatives	(6,183)	-	-	-

All amounts are in thousand bulgarian levs, unless otherwise stated

As of 31 December 2023 – CONSOLIDATED	KBC Bank NV	KBC Group	Associate companies
Loans and advances from clients (agreed int rate from -0.31% to 15.90%, weighted average int rate 4.68%)	947,986	249,617	-
Other demand deposits due to banks	229,312	763	-
Derivatives held for trading - assets	13,448	-	-
Derivatives held for hedging - assets	2,679	-	-
Other assets	-	2,573	-
Right of use assets	-	684	-
Total Assets	**1,193,425**	**253,637**	-
Deposits from Banks – Time Deposits (agreed int rate from 4.01% to 4.09%, weighted average int rate 4.05%)	2,744,344	-	-
Deposits from Banks – Sight Deposits	2,391	351	-
Funds attracted from clients (agreed int rate from 0% to 3.5%, weighted average int rate 0.18%)	-	172,713	106
Other borrowed funds (agreed int rate from 0.46% to 4.28%, weighted average int rate 3.25%)	1,325,140	-	-
Derivatives held for trading – liability	15,044	-	-
Subordinated term debt (agreed int rate 3.95%)	179,677	-	-
Other liabilities	-	350	-
Leasing liabilities	-	685	-
Total Liabilities	**4,266,596**	**174,099**	**106**
Additional Tier-1 instrument incl.in equity	113,438	-	-
Total equity	**113,438**	-	-
Interest income	142,545	1,044	-
Fee and commission income	19	29,375	1
Other income	276	557	-
Rental income	-	567	-
Total income	**142,840**	**31,543**	**1**
Interest (expenses)	(81,699)	(1,023)	-
Fee and commission expenses	-	(739)	-
Administrative expenses	(13,412)	(23,536)	-
Other expenses	-	(21)	-
Interest expenses on lease liabilities	-	(5)	-
Total Expenses	**(95,111)**	**(25,324)**	-
Net expense from interest rate derivatives	(6,183)	-	-

Note: Contractual interest rate and weighted average interest rate relate to the interest rate value as at the end of the respective year

All amounts are in thousand bulgarian levs, unless otherwise stated

9 INFORMATION BASED ON THE REQUIREMENT OF ART. 70 § 6 FROM CREDIT INSTITUTIONS ACT

The Bank holds a bank license granted by the Bulgarian National Bank to take deposits in local and foreign currency trade with foreign currencies trade with and invest in treasury bonds and other securities and perform other banking operations. The Bank does not have subsidiaries and branches located outside Bulgaria.

UBB has not received any government grants as of 31 December 2024 and 31 December 2023. The separate and consolidated performance is presented below:

As at 31 December 2024	Geographical location	Size of the turnover	Equivalent number of full-time employees	Financial result before tax	Taxation	Return on assets obtained as the ratio of net profit to total assets
United Bulgarian Bank AD	Bulgaria	1,127,033	3,914	578,828	(82,538)	1.39%
East Golf Properties EOOD	Bulgaria	388	-	(1,162)	130	-13.43%
UBB Centre Management EOOD	Bulgaria	2,852	20	735	(109)	59.68%

As at 31 December 2023	Geographical location	Size of the turnover	Equivalent number of full-time employees	Financial result before tax	Taxation	Return on assets obtained as the ratio of net profit to total assets
United Bulgarian Bank AD	Bulgaria	924,227	4,267	462,256	(44,802)	1.44%
UBB Factoring EOOD	Bulgaria	4,338	13	2,750	(275)	1.30%
East Golf Properties EOOD	Bulgaria	600		247		2.97%
UBB Centre Management EOOD	Bulgaria	2,420	19	672	(67)	68.44%
KBC Leasing Bulgaria EOOD	Bulgaria	13,958	8	13,155	(1,434)	2.53%

10 MERGER OF ENTITIES UNDER COMMON CONTROL

Merger of KBC Bank Bulgaria EAD into UBB AD in 2023

On 07 July 2022 KBC Bank NV finalized the acquisition of Raiffeisenbank Bulgaria EAD (or "acquiree"), renamed after the acquisition to KBC Bank Bulgaria EAD.

KBC Bank NV took a decision to operate its business in Bulgaria by combined / merged Bank, transferring Assets / Liabilities of KBC Bank Bulgaria EAD (Transforming Bank) into UBB (Acquiring Bank) in order to (i) create a solid and stable client base with a view to further strengthen the position of the KBC group as one of the top three banking group on the Bulgarian market; (ii) develop an even more stable and reliable Bulgarian bank which shall further favour the Bulgarian economy; (iii) provide a highly attractive banking and other financial services of high value to the current clients of the Banks by allowing cost and revenue synergies. The legal merger date was on 10 April 2023 when the merger was registered in the Trade registry.

From IFRS point of view the transaction of business combination is accounted for by applying the book-value method. As both banks are under common control, IFRS 3 is not applicable (reference to IFRS 3 paragraphs is included below). The accounting treatment of the merger between UBB and KBC Bank Bulgaria EAD is based on 'predecessor accounting' value' method (or also referred to as 'pooling of interest').: this method is based on accounting continuity for both companies so no purchase price accounting involved is applied and no goodwill is calculated and booked. In case of no relevant IFRS for a merger of entities under common control, from accounting point of view, the carrying amounts of Assets and Liabilities of the Transforming bank as of the Merger date become the carrying amount of assets and liabilities A/L in the Acquiring bank. The alignment of accounting policies is done before the merger date so that the United bank (merged bank) applies one and the same accounting policies.

For practical reasons the book value of assets and liabilities were taken as of the date of 31 March 2023 instead of legal merger's date as there were no material differences in the amount.

As a result of the merger the share capital of the UBB has increased from BGN 93,838,321 to BGN 177,168,448 (with nominal value of BGN 1) applying a share exchange ratio of 0.13809 as determined by external valuator. The difference between the share capital of KBC Bank BG of BGN 603,447,952and the newly issued share capital of BGN 83,330,127 was recognized as Share premium.

In BGN thousand	SEPARATE	CONSOLIDATED
Cash and balances with Central Bank	3,108,151	3,108,153
Other demand deposits with banks	263,340	263,471
Loans to customers after impairment	7,739,985	7,784,386
Investments in Debt securities carried at amortized cost	1,138,185	1,138,185
Investment in Debt securities carried at fair value through OCI	148,775	148,775
Deposits from customers	10,179,370	10,172,590
Total equity	1,379,817	1,379,197
Of which equity instruments other than capital	113,438	113,438

Merger of UBB Factoring EOOD into UBB AD in 2024

In 2024 UBB decided to merge the business of its fully owned UBB Factoring EOOD into the Bank. The transaction was aiming at optimizing the administration of factoring business, as such was already transferred to UBB with the merger of former KBC Bank Bulgaria EAD.

The merger took place in May 2024, whereby a volume of BGN 211 mln factoring receivables was transferred to UBB, leading to a total factoring portfolio held by UBB in the amount of BGN 330 mln.

As a result of the merger, the Bank's retained earnings were increased by BGN 3.6 mln, representing the accumulated retained earnings of UBB Factoring. In addition, UBB took over the external financing received by UBB factoring amounting to BGN 51 mln.

11 EVENTS AFTER THE REPORTING PERIOD

There are no events after the date of preparation of financial statements that might have impact on the presentation of the financial information for the year ended 31 December2024 except for:

On 11 February 2025 Bulgarian National Bank approved repayment of the Additional Tier 1

Capital instrument, issued on 07 January 2022, with the nominal amount of EUR 58,000 thousand (BGN 113,438 thousand).