



DSK Bank AD

**Consolidated Financial Statements
For the year ended 31 December 2024,
report on the management and activity,
declaration of corporate governance
and independent auditors' report**

DSK GROUP
Report on the Activity
of DSK Bank AD and the Companies of the Group for the year ending
31 December 2024

General information about the Group**DSK Bank AD - the parent company**

DSK Bank AD (the "Bank") was registered as a sole joint stock company with 100% state participation in January 1999. On October 29, 2003 OTP RT Bank, registered in the Republic of Hungary, acquired 100% of the capital of DSK Bank EAD.

In 2020 the subsidiaries Expressbank AD and Express Factoring EOOD merged into DSK Bank on the basis of merger transformation agreements entered in the Commercial Register on April 30, 2020 and September 30, 2020, respectively.

On April 30, 2020, DSK Bank issued new shares in favor of the non-controlling shareholders of the transforming Expressbank AD. As a result, the Bank was re-registered from a sole proprietorship (EAD) to a joint stock company (AD).

On 27.05.2024 between DSK Bank AD /as a Purchaser/ and MERKANTIL BANK Zrt., Hungary, /as a Seller/ a Share Purchase Agreement was concluded for the transfer of 1 333 ordinary dematerialized shares, representing 39.982% of the capital of DSK Leasing AD. The transaction is registered at the Central Depository on 05.06.2024. As a result of the transfer DSK Bank AD becomes a Sole Owner of the capital of DSK Leasing EAD.

On 10.09.2024 DSK Bank AD as a Sole Owner of the capital of DSK Leasing EAD and OTP Leasing EOOD made a decision for the merger of DSK Leasing EAD into OTP Leasing EOOD. The merger is entered at the CRRNPLE on 26.09.2024. As a result of the merger, since 26.09.2024 DSK Leasing EAD is terminated without liquidation and OTP Leasing EOOD becomes its universal successor.

As a result of the merger of DSK Leasing EAD into OTP Leasing EOOD registered at the CRRNPLE on 26.09.2024, OTP Leasing EOOD becomes a Sole Owner of the capital of OTP Insurance Broker EOOD. The change of the Sole Owner of the capital of the company is registered at the CRRNPLE on 17.10.2024.

On 18.07.2023 between DSK Bank AD /as a Purchaser/ and OTP Fund Management Limited, Hungary /as a Seller/ a Share Purchase Agreement was concluded for the transfer of 41 000 ordinary dematerialized shares, representing 41% of the capital of DSK Asset Management AD. By decision under Protocol No. 92 of 23.11.2023, the Financial Supervision Commission does not issue a ban on OTP Fund Management Limited, Hungary to acquire a qualified holding in the amount of additional 41,000 ordinary dematerialized shares, representing 41% of the capital of DSK Asset Management AD, as a result of which the company own 75% of the capital of DSK Asset Management AD.

The share transfer is registered at the Central Depository on 19.01.2024. Due to the transaction the DSK Bank's participation in the capital of DSK Asset Management AD is decreased from 66% to 25% therefore, the company is no longer considered a subsidiary of DSK Bank AD.

As of December 31, 2024 the consolidated financial statements of DSK Group include DSK Bank AD and its subsidiaries (commonly referred to as the Group).

Companies in the Group

As at the end of 2024 the Group consists of DSK Bank AD, 5 subsidiaries and two associates.

DSK Bank EAD controls and has significant influence over the financial and operating activity of its subsidiaries. The financial statements of the subsidiaries are included in the consolidated financial statements of DSK Group as follows (the listed information shows the % of share of DSK Bank in the capital of the companies and the book value of the participation):

- PIC DSK Rodina BGN 14.973 million (99.85%);
- OTP Leasing EOOD BGN 67.313 million (100%)
- OTP Leasing EOOD is a sole owner of the capital of OTP Insurance Broker EOOD
- dsk Ventures EAD BGN 7.200 million (100%)
- DSK Dom EAD BGN 0.500 million (100%)
- Regional Urban Development Fund AD BGN 0,208 million (52%).

DSK Bank holds investments in associated companies based on equity method, as follows:

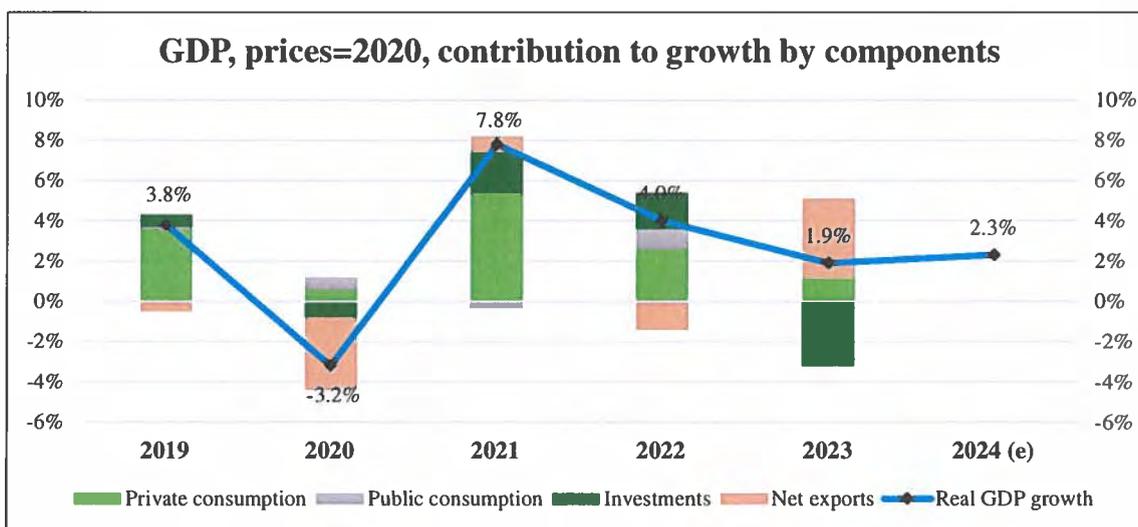
- Cash Services Company BGN 5.024 million (25%).
- DSK Asset Management BGN 0.591 million (25%);

DSK Group

Macroeconomic environment

The global trade is experiencing turmoil driven by political decisions, most notably from the newly elected presidential administration in the United States. While the U.S. economy remains robust, the Euro area is showing signs of slowing down. The traditional economic engine of the EU, Germany, has recorded two consecutive years of recession, albeit shallow. Uncertainty, along with political upheavals, weighs heavily on domestic demand and investment. Nevertheless, expectations for the European economy indicate a gradual recovery, driven by rising incomes, stable domestic demand, and falling lending interest rates. Current global military conflicts highlight the importance of defence spending, which, among other things, can help boost economic growth. In 2024, energy resource prices maintained their stable levels from 2023, with the Brent crude oil benchmark showing a slight decline of 2%, reaching \$81 per barrel. The stabilization of oil prices over the past few years has partially contributed to a global disinflation trend. After Central banks pursued several years of restrictive monetary policy to combat inflation, the trend reversed in 2024 towards monetary easing. Central bankers have shifted their focus towards stimulating economic activity, particularly amid increasing political and economic risk worldwide.

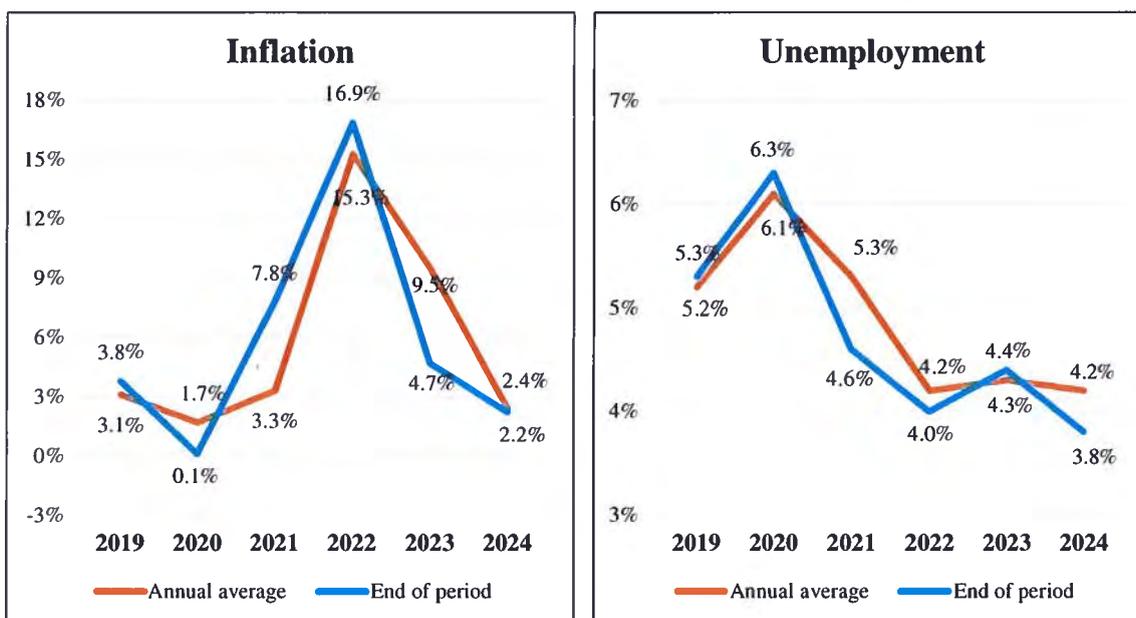
The Bulgarian economy continues to demonstrate resilience and adaptability, with moderately optimistic trends despite external and internal challenges. Bulgaria's GDP shows a growing annual increase, outpacing most Euro area and EU economies, with a growth rate of 3.1% as of the last quarter of the 2024. Following successive early parliamentary elections and lengthy negotiations between political parties, a regular government was formed based on coalition cooperation and common goals. Despite the political instability, one of the main targets was successfully achieved – Bulgaria has been part of the Schengen Area since the beginning of 2025. The next government target is the addition of the euro. After almost meeting the Maastricht inflation criterion, the critical point is the state finances, particularly the state budget. It must be clearly outlined, realistically achievable, and meet the stability criterion (up to -3% deficit of GDP) in the medium term.



Inflation in Europe and Bulgaria has been largely overcome, although it still fluctuates between 2-3%. Many of the factors determining inflation are now significantly more stable and their effects have been fully realized. Oil prices and international trade manage to maintain a short-term balance, although there is a dangerous possibility of deterioration due to military conflicts and anticipated trade wars between leading global economies. The average annual electricity price in Bulgaria for 2024 is BGN

199/kWh, decreasing by nearly 2% year-on-year. Natural gas also saw a decrease in its average annual price by 24% from BGN 84/MWh to BGN 64/MWh. The average annual inflation (CPI, previous 12 months=100) in Bulgaria for 2024 is 2.4%, significantly dropping from 9.5% a year ago. By 2027, inflation is expected to remain at these low levels, ranging between 2-3%, with identified factors that could worsen inflationary pressure in Bulgaria including emergencies in the energy sector, a colder heating season, and unjustified changes in the prices of administratively determined goods and services.

The labor market continues to demonstrate low unemployment rates in Bulgaria and the EU. However, unemployment in Bulgaria is still far from the natural level of unemployment, and the potential for labor market development is limited by unfavorable demographic trends. Businesses continue to face difficulties in hiring staff, leading to an increase in the “import” of labor force from non-EU countries. As the labor market performs above long-term potential, wage pressure remains high. Wages in 2024 show significant annual increases, with nominal wages rising by 15.3% (2023: 14.5%), while real wages increase by 12.9% (2023: 5.0%).



The government debt at the end of 2024 amounts to BGN 47.4 bn (23.8% of GDP), increasing by BGN 6.9 bn year-on-year. The consolidated fiscal program (CFP) closed 2024 with a deficit of BGN 6.1 bn or -3.1% of GDP. Without long-term government strategies, it will become increasingly difficult to balance the fiscal position, even within the -3% framework.

Fiscal indicators	Unit	2019	2020	2021	2022	2023	2024
Government balance (CFP)	BGN bn	-1.1	-3.5	-3.8	-1.3	-5.6	-6.1
Government deb of which internal	BGN bn	22.0	27.5	31.2	36.1	40.5	47.4
of which external	BGN bn	5.5	5.6	8.6	11.0	10.6	11.9
	BGN bn	16.5	21.9	22.6	25.1	29.9	35.5
% of GDP							
Government balance (CFP)	%	-1.0	-2.9	-2.8	-0.8	-3.0	-3.1
Government debt	%	18.4	22.7	22.4	21.5	21.9	23.8
of which internal	%	4.6	4.7	6.2	6.5	5.7	6.0
of which external	%	13.8	18.1	16.2	14.9	16.1	17.8

In Bulgaria, the banking sector reports another strong financial year, with annual profit (after-tax) amounting to BGN 3.7 bn, increasing by 8.1% compared to the previous year. Credit exposures and the deposit base continue to grow in line with the faster-than-expected economic growth in the country. Household credit activity shows a sustainable trend, continuing to operate in relatively stable and low-interest rate conditions. This financial result is due to still high-interest rates, strong sector consolidation, and relatively low impairment costs. As Central banks began to lower their key interest rates, Bulgaria's rates also decreased, with the fastest transmission seen in the corporate segment. Interest income amounts to BGN 5.6 bn, increasing by 14.9% year-on-year, while fee and commission income also rises but at a slower pace (9.9%). Total costs in the banking sector for 2024 are BGN 3.1 bn, with the main cost item, personnel expenses, increasing by 13.5% year-over-year. Lower annual growth rates are reported for operating costs and depreciations (10.5%) and regulatory expenses (7.0%). Balance sheet indicators of the sector also show significant increases, especially in the retail segment. Total customer loans at the end of 2024 amount to BGN 111 bn, mainly driven by household loans (21.6% annual growth). The deposit base (customer deposits) at the end of 2024 amounts to BGN 149 bn, with the main driver for annual growth being household deposits (11.7%). Non-performing loan exposures (over 90 days overdue) decrease during the year and at the end of 2024 are 2.0% of the total customer loan portfolio of banks.

Key indicators	Unit	Banking sector			DSK Bank		
		2023	2024	24/23 (YoY)	2023	2024	24/23 (YoY)
Total assets	BGN bn	172	192	11.4%	33	36	11.3%
Customer loans	BGN bn	97	111	13.6%	21	23	10.8%
Customer deposits	BGN bn	137	149	8.9%	26	29	11.2%
Profit (after-tax)	BGN bn	3.4	3.7	8.1%	1.0	1.0	-3.0%
Return on equity (ROE)	%	18.3	17.1	-1.2pp	24.7	20.9	-3.8pp
Return on assets (ROA)	%	2.1	2.0	-0.1pp	3.3	2.8	-0.4pp
Non-performing customer loans	%	2.3	2.0	-0.3pp	1.4	1.5	0.1pp
Customer loans/Customer deposits (L/D)	%	71.2	74.3	3.1pp	78.3	78.1	-0.2pp
Cost to Income (C/I)	%	39.6	38.7	-0.9pp	31.0	31.4	0.4pp
Liquidity Coverage Ratio (LCR)	%	247	241	-6pp	280	345	66pp
Total capital ratio (CAR)	%	21.6	23.4*	1.8pp	23.4	24.9*	1.5pp
CET1 Capital ratio	%	20.1	21.7*	1.7pp	20.9	22.5*	1.6pp

* The data is as of September 2024

Summary

In the banking sector, DSK Bank is positioned in second place in terms of total assets, which at the end of 2024 amount to BGN 36 461 m and increase annually by BGN 3 687 m. However, the Bank successfully defended its leadership position both in total customer loans and deposits, as well as in several sub-segments in lending and deposits. DSK Bank ranks first in the credit market, having a market share of 20.5%, while in the deposit market it confirmed the second position with a market share of 19.1%, increasing the position by 0.1pp compared to 2023.

For 2024 DSK Group reports a profit after tax to the amount of BGN 1 004.0 million.

The Cost-to-Income as of December 2024 of the Group is 32.1%, which is below the average level of the banking system in the country. This is a result of the continuing work efficiency improvement, good management of the investment policy and control over the current expenses.

During 2024 DSK Bank continues to offer traditional lending and deposit products for the households and retains its leading positions in this segment. The main strategic priority of the Bank is to continue its digital and organizational transformation, which aims to provide even more advanced and high-quality digital products, with a focus on customer experience and efficiency.

DSK Bank continues to rely on its sustainable risk management framework, including regular monitoring and evaluation of risks by the relevant responsible units. The bank strictly adheres to both regulatory requirements and internal risk management policies.

Currently, there are no indications of increased risk in individual segments or products, nor concerning the quality of assets, liquidity, foreign exchange position, trading limits, or capital adequacy. All indicators remain within acceptable limits, which the bank is fully capable of meeting.

DSK Bank uses different types of financial instruments for the management of the liquidity and the market risks on its own account and supporting the customers.

For customers of the bank are offered financial instruments for management of currency and interest rate risk like currency forwards, currency and interest rate swaps and currency options. The positions as result of customer orders are managed according to the policy for management of the market risks and are mostly closed on the interbank market.

The Bank offers investment services on the account of customers complying with Markets in Financial Instruments Act and the respective legal acts on its implementation as:

- Ordinance № 38 from 21.05.2020 on the requirements to the activities of the investment intermediaries.
- Ordinance № 58 from 28.02.2018 of the Financial supervision commission (FSC) on the requirements for protection of the financial instruments and the monetary funds of clients, for management of products and offering or receiving of remunerations, commissions, other pecuniary or non-pecuniary benefits, as well as the approved internal rules related to those regulatory acts.

The Bank keeps the entire documentation related to the concluded customer contracts and the execution of customer orders, including documents, which ensure the identification of the clients according to the requirements of the Law on measures against money laundering. The Bank also maintains reporting and accounts for separate customer accounts for the entrusted client assets so that the letter can be distinguished from the financial instruments owned by the bank and can be individualized.

The performance of the administrative functions is strictly monitored (particularly those related to the interaction with external parties). Procurement is ensured for the entire branch network, whereas most of the supplier contracts are centralized and the orders, supplies and the respective expenses are closely monitored by the Head Office. Reports and other obligations toward external authorities and regulatory bodies are prepared and delivered timely and the compliance with all legislative requirements is monitored by Strategy, finance and data management division, Legal directorate and Compliance directorate. The operational risk is monitored and regular reports are prepared and submitted to the Operational risk management committee measuring the events and the realized losses and the corresponding potential losses, as well as proposing measures for limiting of the operational risk

In 2024, DSK Bank did not have any research and development activities.

General information about the Management and the Structure of the Group

DSK Bank AD is a fully licensed bank authorized to perform all banking operations according to the Bulgarian legislation. It is a universal commercial bank with prevailing activity in retail banking. DSK Bank AD has not acquired and does not own any of the Company's shares.

DSK Bank AD has a two-tier management system. The Governing bodies are: Supervisory Board (SB) and Management Board (MB).

As of December 31, 2024 DSK Bank AD was managed by a Supervisory Board and a Management Board respectively with the following members:

Supervisory Board

László Bencsik - Chairman of SB
 László Wolf - member of the SB
 Violina Marinova - member of the SB
 Edina Berlinger - member of the SB
 Anthony Radev – member of the SB
 Zsuzsanna Bereczki - member of the SB
 Tamas Bernat – member of the SB

Management Board

Tamas Hak-Kovacs - Chairperson of the Management Board and Chief Executive Officer
 Slaveyko Slaveykov – member of the MB and Executive Director

Dorothea Nikolova-Ilcheva - member of the MB and Executive Director
 Boyan Stefov – member of the MB and Executive Director
 Dimitar Dilov – member of the MB and Executive Director
 Mihail Komitsky – member of the MB and Executive Director
 Tsvetoslav Dimov – member of the MB and Executive Director

In the Management Board, the personal changes in 2024 were as follows:

• Mr. Mihail Komitsky has been elected with decision of the Management Board, dated 13.03.2024 and approved with decision of the Supervisory Board on the same date as an Executive Director of DSK Bank AD. The change was entered into the Commercial register and Register of Non-profit Legal entities on 25.03.2024.

Changes as follows on 25.03.2024:

The date of the term expires on 18.05.2026

Members of Management board:

Mihail Komitsky – Executive Director, country BULGARIA
 Dimitar Dilov – Executive Director, country BULGARIA
 Tamas Hak-Kovacs - Chief Executive Officer, country HUNGARY
 Dorothea Nikolova-Ilcheva - Executive Director, country BULGARIA
 Slaveyko Slaveykov – Executive Director, country BULGARIA
 Boyan Stefov – Executive Director, country BULGARIA

- Mr. Tsvetoslav Naydenov Dimov was elected as a member of the Management Board and as an Executive Director of DSK Bank, respectively with decision of the Supervisory Board of DSK Bank and decision of the Management Board of DSK Bank both dated 08.04.2024. With decision dated 09.04.2024 the Supervisory Board of DSK Bank approved the decision of the Management Board of DSK Bank dated 08.04.2024 for the election of Mr. Tsvetoslav Dimov as Executive Director. The changes were entered into the Commercial register and Register of Non-profit Legal entities on 22.04.2024.

Changes as follows on 22.04.2024:

The date of the term expires on 18.05.2026

Boyan Stefov – Executive Director, country BULGARIA
 Tsvetoslav Dimov – Executive Director, country BULGARIA
 Mihail Komitsky – Executive Director, country BULGARIA
 Dimitar Dilov – Executive Director, country BULGARIA
 Tamas Hak-Kovacs - Chief Executive Officer, country HUNGARY
 Dorothea Nikolova-Ilcheva - Executive Director, country BULGARIA
 Slaveyko Slaveykov – Executive Director, country BULGARIA

In the Supervisory Board the personal changes in 2024 were as follows:

- With decision of the General Shareholders' Meeting dated 17.11.2023 Mr. Gabor Kuncze was released and Mr. Tamás Bernáth was elected as a member of the Supervisory Board of DSK Bank. With the decision it was determined that the changes in the composition of the Supervisory Board would come into force upon issuance of an approval by the BNB for Mr. Bernáth to hold the position member of the Supervisory Board and registration of the changes in the Commercial register and register of NPLE. The approval of the Bulgaria National Bank based on Specific Instruction of ECB for Mr. Bernáth to hold the position member of the Supervisory Board was issued on 18.04.2024 and the changes were registered in the Commercial Register and Register of Non-profit Legal entities on 29.04.2024.

Changes as follows on 29.04.2024:

The date of the term expires on 31.03.2026

László Wolf – country HUNGARY

Tamas Bernat – country HUNGARY

Zsuzsanna Bereczki - country HUNGARY

Attila Turkovics - country HUNGARY

Anthony Radev – country HUNGARY

Violina Marinova - country HUNGARY

László Bencsik - country HUNGARY

• With decision of the General Shareholders' Meeting dated 08.08.2024 Mr. Attila Turkovics was released and Mrs. Edina Berlinger was elected as a member of the Supervisory Board of DSK Bank. The changes were registered in the Commercial Register and Register of Non-profit Legal entities on 19.08.2024

Changes as follows on 19.08.2024:

The date of the term expires on 31.03.2026

László Wolf – country HUNGARY

Edina Berlinger– country HUNGARY

Tamas Bernat – country HUNGARY

Zsuzsanna Bereczki - country HUNGARY

Anthony Radev – country HUNGARY

Violina Marinova - country HUNGARY

László Bencsik - country HUNGARY

In 2024, DSK Bank has no contracts under Art. 240b of the Commerce Act.

The total remuneration received by the management of DSK Bank during the year was in accordance with management contracts and amounted to BGN 6.6 million.

The total remuneration received by the management of DSK Group during the year was in accordance with management contracts and amounted to BGN 8.4 million.

Participation of Management and Supervisory Board members of DSK Bank in the share capital as of 31.12.2024

The Members of the Management and Supervisory Board do not participate in the share capital and do not have any rights to acquire shares and bonds of the company.

The participation of the Management Board members of DSK Bank in management and supervisory bodies of other companies by the end of 2024, as representatives of DSK Bank is as follows:

Name	Company	Position
Tamás Hák-Kovács	“BORIKA” AD “dsk Ventures” EAD “PIC DSK-Rodina” AD	Member of the BoD Member and Chairperson of the BoD Member and Chairperson of the SB
Slaveyko Slaveykov	“DSK Dom” EAD	Member and Chairperson of the BoD
Mihail Komitsky	“OTP Leasing” EOOD	Executive officer
Boyan Stefov	“DSK Asset Management” AD	Member of the SB

The participation of the Supervisory board members of DSK Bank in management and supervisory bodies of other companies by the end of 2024:

Name	Company	Position
Antoni Radev	MOL Magyar Olaj-es Gazipari Nyrt Board member of Wizz Air Holdings Plc	Board member Board member
Tamás Bernat	Nova Kreditna Banka Maribor (NKBM), Slovenia	Member of the SB

The address of the Head Office of DSK Bank AD is 19 Moskovska str., 1036 Sofia.

As of the end of 31 December 2024 DSK Bank AD has 7 regional centers, 51 financial centers, 23 business centers and zones, 92 branches, 107 bank offices.

The management bodies of the other companies in the Group as of end of 2024 are as follows:

PIC DSK - Rodina AD

Two-tier management system.

Management Board

Svetoslav Spasov Velinov – member and Chairperson of the MB

Vladimir Evgeniev Nechev – member of the MB and CEO

Mihail Petrov Sotirov – member of the MB and Executive Director

Ivelin Sashev Gekov - member of the MB and Executive Director

Supervisory Board

Tamás Hák-Kovács - member and Chairperson of the SB

Csaba Nagy – member of the SB

Biser Hristov Petkov – independent member of the SB

The company is represented jointly by two Executive Directors.

The following changes occurred in the composition of the company's Management Board in 2024:

- With an entry at the CRRNPLE from 12.02.2024 Ivelin Sashev Gekov was registered as a member of the Management Board and Executive Director of the Company.

No changes have occurred in the composition of the company's Supervisory Board in 2024.

The total remuneration received by the management during the year was in accordance with management contracts and amounted to BGN 0.87 million.

dsk Ventures EAD

One-tier management system

Board of Directors

Tamás Hák-Kovács – member and Chairperson of the BoD

Maya Sashova Angelova – member of the BoD and Executive Director

Péter Endre Nagy – member of the BoD

The company is represented by Maya Sashova Angelova – Executive Director.

The following changes occurred in the composition of the company's Board of Directors in 2024:

- With an entry at the CRRNPLE from 24.04.2024 Péter Benyo was deregistered as a member of the Board of Directors of the Company.

The total remuneration received by the management during the year was in accordance with management contracts and amounted to BGN 0.023 million.

DSK Dom EAD

One-tier management system

Board of Directors

Slaveyko Lyubomirov Slaveykov - member and Chairperson of the BoD

Evgeni Georgiev Evtimov -- member of the BoD and Executive Director

Plamena Plamenova Toteva - member of the BoD

The company is represented by Evgeni Georgiev Evtimov - Executive Director.

The following changes occurred in the composition of the company's Board of Directors in 2024:

- With an entry at the CRRNPLE from 24.10.2024 Evgeni Georgiev Evtimov was registered as a member of the Board of Directors and Executive Director of the Company and Veselin Hristov Petrov was deregistered as a member of the Board of Directors and Executive Director.

The total remuneration received by the management during the year was in accordance with management contracts and amounted to BGN 0.21 million.

OTP Insurance broker EOOD

The company is represented by Vladimir Georgiev Ralchev – Executive officer.

No changes have occurred in the composition of the company's management bodies in 2024.

As a result of the merger of DSK Leasing EAD into OTP Leasing EOOD registered at the CRRNPLE on 26.09.2024, OTP Leasing EOOD becomes a Sole Owner of the capital of OTP Insurance Broker EOOD. The change of the Sole Owner of the capital of the company is registered at the CRRNPLE on 17.10.2024.

OTP Leasing EOOD

The company is represented by Mihail Rumenov Komitsky - Executive officer.

No changes have occurred in the composition of the company's management bodies in 2024.

The total remuneration received by the management during the year was in accordance with management contracts and amounted to BGN 0.61 million.

Regional Urban Development Fund AD

One - tier management system

Board of Directors:

Ivan Velinov Dragomirov – member and Chairperson of the BoD

Momchil Lyubomirov Momchilov – member of the BoD and Executive Director

Alis Kirkor Magardichyan – member of the BoD

Kamen Marinov Kolchev - member of the BoD

Anatoli Vladev Belchev - member of the BoD

The company is represented by Momchil Lyubomirov Momchilov - Executive Director.

No changes have occurred in the composition of the company's Board of Directors in 2024.

The total remuneration received by the management during the year was in accordance with management contracts and amounted to BGN 0.13 million.

Financial result and profitability

Financial indicators of the Group

For the year 2024 DSK Group reports profit before tax to the amount of BGN 1 169.1 million and increased by 3.1% compared to 2023 mainly as a result of higher operating income 261.6 million BGN and 90.5 million increase of operating expenses.

The profit after tax for 2024 was BGN 1 004.0 million.

The net interest income was BGN 1 359.6 million and it is lower by BGN 45 million or 3.2 % compared to 2023, mainly as a result of lower interest income by BGN 10.7 million compared to 2023 as the interest income on loans increased by BGN 160.9 million and the interest income on loans and advances to banks decreased by BGN 251.6 million. The interest expenses increased year-on-year by BGN 34.6 million mainly as a result of higher interest expenses on loans from banks and financial institutions.

The net non-interest income for 2024 amounted to BGN 550.1 million (increase of BGN 301.2 million compared to 2023), which is mainly a result of the higher net trading income. Net fee and commission income amounted to BGN 413.6 million and increased by BGN 38.6 million compared to 2023.

The operational expenses (including staff costs, depreciation, services and utilities) amount to BGN 610.1 million and increased by BGN 85 million or 16.2% on annual basis.

The average headcount of DSK Group by the end of 2024 is 5 622 (as of 31 of December 2023 - 5 600).

The assets per employee ratio increased from BGN 5.90 million as of the end of 2023 to BGN 6.49 million as of the end of 2024. The profit per employee ratio decreased to BGN 0.178 million for 2024 compared to BGN 0.183 million for 2023.

Balance sheet indicators of the Group

The total assets of the DSK Group amounted to BGN 36 615.2 million as of 31 of December 2024 and increased by 3 604.6 million (or 10.9%) compared to end of 2023.

The market share of the Bank as of December 2024 in the total banking assets in the country remained stable at the level of 19.0% (the same for the end of 2023).

The gross loan portfolio (customer loans and advances) of DSK Group as of 2024 end amounted to BGN 21 211.9 million and reported an annual growth of 10.3%.

The loans to individuals at gross book value before impairment amounted to BGN 14 001.3 m as of 31 December 2024 and increased year-over-year by BGN 2 613.1 million.

The market share of the Bank in terms of household loans as of December 2024 was 29.3%, remaining stable the market position compared to a year ago, as in consumer loans (incl. non-residential mortgage loans) and overdrafts was 35.4% (36.2% in 2023), and in housing loans – 25.1% (24.5% in 2023). The market share of non-financial enterprises as of December 2024 was 12.8% compared to 14.2% in 2023.

The wholesale loans (incl. budget loans) at gross book value before impairment amounted to BGN 7 210.6 million and reported year-over-year decrease by 8%.

The impairment of the loan portfolio (customer loans and advances) as of 31.12. 2024 was BGN 691.9 million (as of 31.12.2023: BGN 636.7 million).

Total customer deposits amount to BGN 29 249.1 m by end of 2024 and report an annual growth of 10.9%.

Household deposits as at the end of 2024 were BGN 23 017.1 m which is 13.3% growth compared to 2023.

The market share of the Bank in terms of household deposits as at the end of 2024 was 24.9% and increased compared to 2023 (24.6%).

Company deposits (incl. budget) amounted to BGN 5 906.5 million as at the end of 2024 and increased (by 5.9%) compared to 2023.

Deposits from financial institutions amounted to BGN 325.5 million and decreased by BGN 170.9 million compared to 2023.

Capital adequacy

DSK Group constantly maintains a level of total capital adequacy, sufficient to cover the risks from its activity and to comply with the regulatory requirements. As of 31 December 2024 the total capital adequacy ratio on consolidated basis was 25.68%. In 2024 the Group provided BGN 1 160.5 million free capital above the SREP capital requirement and capital guidance and the combined capital buffer, incl. capital conservation buffer (BGN 470.8 million), systemic risk buffer (BGN 510.4 million), O-SII buffer (BGN 188.3 million) and the specific for the institution countercyclical buffer (BGN 369.1 million).

Credit risk

Credit risk is the risk that a customer or counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group's main income generating activity is lending to customers and therefore credit risk is a principal risk. Credit risk mainly arises from loans and advances to customers and other banks. The group considers all elements of credit risk exposure such as counterparty default risk, geographical risk and sector risk for risk management purposes.

When identifying and measuring credit risk in the conditions of higher uncertainty caused by geopolitical contradictions and the other novel risks, the Group takes into account the specifics of individual customers and their ability to overcome the difficulties caused by novel risks (e.g. their ability to substitute the respective customers or suppliers in areas of military conflict; their resilience during longer periods of high energy prices and high inflation; their adaptability to changes in legislation and customer preferences, etc.). DSK Group monitors monthly whether a significant increase of credit risk has occurred. The assessment is performed either in the process of individual case-by-case monitoring and review of a given loan, or in the presence of indicators of increased credit risk, such as days past due, default on other loans in the retail individuals segment (as long as it does not trigger a cross-default), watchlist status, forbearance (as long as it does not trigger NPL classification it serves as a Stage 2 trigger). A significant increase of credit risk may be determined based on the behavior model which uses up-to-date information on account history, status of other loans of the same customer owed to other financial institutions reporting in the Central Credit Registry.

In May 2024, the Group further improved the way in which the result of the behavioral model affects the assessment of the presence or absence of a significant increase in credit risk compared to the initial recognition, replacing the previously used probability of default for a horizon of 12 months from the date of probability assessment with the probability of default for the entire life of the obligation

In November 2024 the Group further improved its assessment of indications for a significant increase in credit risk by adding to the probability of default measurement other factors reflecting novel risks (inflation, interest rates, geopolitical risk, supply chain disruption risk, climate risk). As of the end of 2024, the gross loan portfolio of the Group comprised loans to households (66%) and company loans (incl. budget) (34%). Within household loans the credit risk is well allocated between consumer loans (45.4%) and mortgage loans (54.6%).

The coverage ratio (ratio of coverage of the total loan portfolio from expected credit loss impairment) as of December 2024 was as follows:

Total loan portfolio – 3.3%

According to the classification of the portfolio quality by stages in compliance with IFRS 9 the coverage with impairment of each group is as follows:

- Stage 1 – 0.5%
- Stage 2 – 10.5%
- Stage 3 – 63.1%

As of the end of 2024 the credit performing exposures including those with increased credit risk (classified in stage 1 or stage 2) were 97.7%.

During the entire year continued the work on taking intensified measures for improvement of the process of monitoring and management of the portfolio quality, including improvement in the procedures for monitoring and analysis of problem loans, improvement of the work of the inspectors for problem loans in the branch network, early identification of problem exposures and

undertaking intensive actions on determination of the reasons and finding solutions in line with the changed circumstances considering at the same time the interest of the Group as well as of the borrowers.

As of 31.12.2024 non-performing exposures before impairment (includes budget loans) are 2.2 %.

Liquidity risk

Liquidity risk occurs as a result of the necessity to provide general funding for the Group's activities and the management of its positions. It includes both the risk of being unable to settle liabilities and the risk of a financial loss caused by forced sale of financial assets in order to provide liquidity.

The goal of liquidity risk management is to ensure that institution will always have sufficient level of liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses from selling liquid assets or expensive financing.

The executive Body, responsible for managing the liquidity is Asset and Liability Committee (ALCO). The liquidity management is based on key information regarding the Group activities, presented regularly to ALCO.

In addition to monitoring the liquidity position, the Group also analyzes the stability of the funds attracted from various sources in order to define the expected cash outflows. The analysis is prepared on a regular basis and the information about the changes of depositors' behavior is reported to the management.

To analyze the liquidity, maturity tables for assets and liabilities are prepared, in which the cash flow from different assets and liabilities are distributed in different time bands, according to their payment date.

In order to monitor and manage its liquidity risk, the Group uses various regulatory, group, internal and market indicators.

As part of the management of liquidity risk, the Group holds liquid assets comprising cash and cash equivalents and debt securities, which can be readily sold to meet liquidity requirements.

Responsible liquidity management requires avoiding concentration of attracted funds from large depositors. Analysis of attracted funds is made periodically and diversification in the general portfolio of liabilities is observed.

Interest rate risk

The interest rate risk is the risk of bearing a loss due to fluctuations in market (reference) interest rates. The Group manages separately the interest rate risk in the banking book and in its trading book.

The Group's activities are subject to the risk of interest rate fluctuations to the extent that interest-earning assets (including investments) and interest-bearing liabilities mature or undergo changes in their interest rates at different times and to a different degree. Interest rate risk management activities are conducted in the context of the bank's sensitivity to interest rate changes.

The Group analyzes the interest rate risk in the banking book by classifying its financial assets and liabilities into time zones according to their sensitivity to changes in interest rates and into different currencies groups. The actual effect will depend on a number of factors, including the degree to which repayments are made earlier or later than the contracted dates as well as variations in the interest rate, caused by the sensitivity to different periods and currencies.

The Group measures its exposure to interest rate risk in the banking book by calculating two main indicators – the change in net interest income (income- based indicator) and the change in the economic value of capital (value- based indicator), based on the interest rate scenarios described in the EBA guidelines. They represent the sensitivity of the Group's income and capital to changes in market interest rates.

The Group manages the interest rate risk in its trading book and limits the risk level through defining limits for interest rate sensitivity- BVP limits.

Exchange rate risk

The Group is exposed to exchange rate risk when conducting transactions with financial instruments denominated in foreign currencies.

As a result of the implementation of Currency Board in Bulgaria, the Bulgarian currency rate to the euro is fixed at 1.95583. The national reporting currency is the Bulgarian lev therefore the Group's financial results are affected by fluctuations in the exchange rates between the Bulgarian lev and currencies outside the Euro-zone.

The risk management policy is aimed at limiting the possible losses from negative fluctuations of foreign currencies rates different from euro. The Group senior management sets limits on maximum open positions - total and per currency, daily and overnight open positions, stop-loss limit and expected loss, as well as VaR (Value at Risk) to manage the Bank Group's exchange rate risk for the trading portfolio. Bank Group's strategy is to minimize the impact from the changes of exchange rates on financial results. The net open currency positions in the trading portfolio and the compliance with the approved limits by currency, as well as the strategic position of Assets and Liabilities Management in EUR are reported to management on a daily basis. The limits for restricting the exchange rate risk are periodically renewed based on analysis of market information and the inner needs of the Group.

The Group applies VaR methodology through a MRP (Market Risk Portal) system for market risk observation to measure the exchange rate risk. Basic characteristics of this model are: historical with 99% level of confidence and 1 day retention. To bring out a correlation matrix, the Group uses historical observations for exchange rate changes for 250 working days.

VaR model has some limitations such as the possibility of losses with greater frequency and with larger amount, than the expected ones. For this purpose, the quality of the VaR model is continuously monitored through back-testing the VaR results. To assess the currency risk in extreme conditions, stress test is used, based on potential changes of the currency rates provided by the Market Risk Department of OTP Bank.

For monetary assets and liabilities denominated in foreign currencies that are not hedged, the Group manages the net exposure by buying and selling foreign currencies at spot rates when considered appropriate, keeping approved limits for open currency position. Exposure to exchange rate risk arising from transactions, to which the Group applies hedge accounting according to IFRS 9, is not significant.

Operational risk

Operational risk means the risk of loss resulting from inadequate or malfunctioning internal processes, persons and systems or from external events, and includes legal risk.

The management of operational risk at the Group is coordinated by Operational Risk Management Committee (ORMC), which is a permanent consultative body subordinated to the Management Board (MB) and involves the heads of the major units of Group's Head Office. Chairman of the ORMC is the Head of the Risk Management Division. The meetings are held quarterly, discussing the level of operational risk and operational decisions are taken that are not assigned to the competence of the Management Board or other bodies and measures for mitigation/elimination of operational risks, are planned. The main focus of ORMC activity is the prevention of operational risks by implementing a comprehensive approach, aiming at limiting preconditions, leading to operational events occurrence. The reports about the level of operational risk reviewed at the ORMC are then forwarded to the MB of the Group with a proposal for decisions to be taken based on these reports that are within its powers.

The responsibility for the development of the Operational risk management system is assigned to Operational Risk Management Section as part of the "Non financial Risk Management" Directorate, which is part of the Risk Management Division, independent from the business units.

DSK Group has implemented a unified system for identification and management of operational risk, built on the model of OTP Bank Group. It is based on the collection of data on operational events that have occurred in the Group, analysis of the potential effect of such occurrences, and periodic information to management on the level of operational risk. The process was developed on the basis of the declaration of information by the heads of independent structural units in the Group, responsible for operational risk management in their units, according to the adopted decentralized approach to operational risk management in OTP Bank Group.

Potential risks shall be reviewed as part of the business processes and for this reason they shall have to be identified in the self-assessment of the Group's units, these risks shall be classified on the basis of the standardized taxonomy of operational risks annually. The methodology for identification of potential risks is based on a decentralized assessment performed by experts in the various sections/ units of the Group, who are supported by the expertise of the Operational Risk Management Section.

As part of this process, the so-called scenario analyses are prepared, aimed to evaluate the potential effects on the financial position of the Group and the Group's processes, at a certain change in the risk factors associated with probable occurrence of an event with catastrophic consequences.

Additionally, the actual level of operational risk is monitored based on a Key Risk Indicator system which covers the main risk factors caused the significant operational risk losses and interruption in the critical business processes.

The Group has a Business Continuity Plan for reaction in the event of unexpected circumstances, which purpose is to guarantee the recovery for the most important business processes to the preliminary defined level based on the Group's needs. The Plan's efficiency is tested annually in order to determine the readiness of the Group to respond in times of crisis and to ensure continuity of the Group's operations. The test results are reported to the MB of the Group.

The developed rules and procedures for monitoring and evaluation of operational risk are in line with the requirements of EU and Bulgarian legislation, the standards of the OTP Group and best banking practice in operational risk management.

In accordance with European standards for the outsourcing of activities, the Group has developed policies and procedures for managing the risks arising from outsourced activities and services provided by third parties, part of which are the activities of due diligence of suppliers and assessment of the risk of assignment of the activity - methodology for initial and subsequent periodic assessment of the risk of outsourcing activities.

Similarly and in accordance with the internal normative rules, the models used in the Group are subject to annual risk assessment.

Reputational risk, which is a result of operational events in the field of IT technologies, is calculated using a methodology developed according to the standard of the OTP Group.

Prior to the implementation of a new process, new system or new activity, the latter shall be analyzed and evaluated from the operational risk's viewpoint. This evaluation shall be prepared by the unit involved in the implementation, and shall be forwarded to the Operational Risk Management Section for further evaluation and analysis. For the preparation of the evaluation, the Risk Self-Assessment Forms shall be used. In cases when IT systems are implemented, the assessment shall be made by the unit(s) which has (have) defined the business requirements of the development.

The National Bank of Hungary and Bulgarian National Bank Joint Decision which approved the Group to apply the Advanced Measurement Approach for the capital calculation purposes on the individual and also on the consolidated basis has been in force since 31 March 2014. On its ground, the required regulatory capital for operational risk is calculated centrally by OTP Banking Group, and its adequacy is verified annually in the process of the Internal Capital Adequacy Analysis. In addition, an internal methodology for performing stress tests has been developed and applied, which assesses the adequacy of the allocated capital for operational risk of the Group.

Annually, the Group performs a product review, focusing on the potential conduct risk and on the most important controls integrated into the sales processes to mitigate this risk.

An insurance policy has been developed and is in force, according to which the Group maintains valid insurance policies covering major risks such as theft and damage to tangible assets, valuables and others. Insurance policies are subject to regular review and update.

Annual internal training on the topic for operational risk is conducted for all employees, aimed at raising awareness of identifying and limiting operational risks. Training is also mandatory for all new employees.

The units responsible for the management of the different types of risk carry out constant ex-post control on a sample basis and at different intervals in order to ensure compliance with the rules and procedures to ensure consistency, security and validity of the transactions. This type of control is mainly aimed at detecting operational human and technical errors, uncommitted actions by responsible officials or intentional inaccuracies.

The operational risk management system is subject to the annual Supervisory Review and Evaluation Process (SREP), regular inspections by the "Bank Supervision" Department of Bulgarian National Bank, "Internal audit" Directorate of DSK Bank and specialized audits initiated and conducted by a program of OTP Bank.

In 2024 in DSK Banking Group, there are no registered operational events that could potentially jeopardize the Group's activities. For all so-called extraordinary operational events that have a significant potential financial or reputational impact, action plans

have been developed and all necessary and sufficient measures have been taken to limit their impact as well as to reduce and eliminate the likelihood of their occurrence in the future.

Risk Management (hedging)

The Group uses derivatives as forward, futures, swap and option deals to manage an exposure to market risk or for trading.

The Group aims to manage risk and the objective of hedge accounting is to represent, in the financial statements, the effect of an Group's risk management activities that use financial instruments to manage exposures arising from particular risks that could affect profit or loss

Detailed information is presented in the annual financial statement.

Non-material resources

The Group relies on its non-material resources to achieve competitive advantages and sustainable growth. Incorporating innovations into its products and services, as well as maintaining a high level of customer service, is possible precisely thanks to the effective use of non-material resources. The company realizes that reputation and trust play a central role in its success and invests in preserving its good name and ethical standards in business

Non-material resources: cannot be physically measured, but they play an important role in modern business and have significant value for financial institutions. At the same time, they create significant value and competitive advantages and include:

- **Brand reputation:** The Group has a long history and an established reputation as a stable and trusted financial partner. A strong brand is an intangible asset that generates trust among customers and gives them security when choosing a banking institution.
- **Customer relationship:** building and maintaining trust with the bank's customers is of utmost importance for its business model and long-term success.
- **Knowledge capital:** includes the knowledge, expertise and experience of the bank's employees. The Group invests in training and development of its employees, which leads to better customer service, innovations in products and services and efficiency in work processes.
- **Technology and innovation:** As an established leader in the market of innovative products and digital services in the banking sector, The Group develops various projects with an approach to comprehensive online service. In order to improve customer experience and provide easy and fast access to financial products and services for customers, the Group is constantly developing the functionalities of its remote banking access platforms DSK Direct and DSK Smart. With the Evrotrust application, customers can apply, receive and use consumer credit completely online without the need to visit the Bank's offices. The process is simplified as much as possible in order to be convenient and accessible for customers.
- **Corporate culture and ethics:** A strong and positive corporate culture leads to higher employee productivity and engagement, which reduces staff turnover and increases efficiency.

Sustainable Development

The Group recognizes its role in shaping innovative business practices that combine economic growth with a positive impact on the environment and society. It strictly complies with environmental and human rights legislation and pursues ambitious goals to achieve carbon neutrality in its own operations by the end of 2025. The Group is also committed to accelerating the transition to a low-carbon economy by providing opportunities for sustainable financing and interacting with clients to support them on the path of transition. The Group manages risks related to environmental, social and governance factors and builds a culture of sustainability in our organization through education, training and various employee engagement initiatives.

OTP Hungary will include in its consolidated sustainability report, within the competence of the parent company, its subsidiary DSK Bank AD and its subsidiaries: DSK DOM EAD, DSK Ventures OTP Insurance Broker EOOD, OTP Leasing EOOD, POK DSK-Rodina AD, "Regional Fund for Urban Development" AD. The Consolidated Sustainability Report has been prepared in compliance with the European Sustainability Reporting Standards (ESRS) and in relation to the obligations following from Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022 as regards corporate sustainability reporting.

In accordance with the Hungarian Accounting Act (Act C of 2000), the consolidated sustainability report and the assurance report as part of the annual report will be published by April 30, 2025 at the following link: <https://www.otpgroup.info/investor-relations/reports/annual>.

Investment program

The investment program takes into consideration the value acquired capitalized and non-capitalized assets, excluding depreciation.

The investments of DSK Group in 2024 amounted to BGN 75 million compared to BGN 62.1 million in the previous year. The investments in information technology were BGN 65.4 million and their share in the total investments of the Bank was 87% (for 2023 IT share was 73%).

PIC DSK Rodina AD

Pension Insurance Company DSK Rodina is licensed for performing activities on supplementary social insurance. It has registered and manages four pension insurance funds – Universal Pension Fund, Occupational Pension Fund, Voluntary Pension Fund and Voluntary Pension Fund under Occupational Schemes and two payment funds – Lifelong pension fund “DSK-Rodina” and Fund for term payments “DSK-Rodina”.

For the year 2024 DSK Rodina reported a profit after tax of BGN 37.5 million (2023: BGN 29.9 million). The revenues from the management funds amounted to BGN 62.7 million, which represented increase of 17% compared to the previous year.

At the end of 2024 the number of the insured individuals reached 1009 thousand, which was an increase of 2% compared to 2023. The net assets managed by the company rose to BGN 5 386.0 million, growing by 15% year-on-year. As of December 2024 DSK Rodina reached a market share in terms of number of insured individuals of 19,81% и 20,15% in terms of net managed assets (2023: respectively 19,73% и 20,24%).

OTP Leasing EOOD

The company was established in 2005. Following the merge of Expressbank into DSK Bank, the Bank became a sole owner of its capital. OTP Leasing is a company specialized in the field of financial and operating leasing, offering its services to all sectors of the economy and industry, except for the time being to the real estate sector. Its main activity is financial leasing of production, construction and transport equipment, and cars.

The company is among the leading companies on the leasing market in Bulgaria, despite the increased competitive environment. The net financial lease portfolio of OTP Leasing at the end of 2024 amounted to BGN 1 744.6 million (2023: BGN 1 553 million). The realized profit for 2024 stood at BGN 30.8 million (2023: BGN 21.3 million). The rise compared to the previous year was mainly driven by higher interest income.

DSK Leasing AD

In 2024 the company was merged into OTP Leasing.

dsk Ventures EAD

In September 2016 DSK Mobile EAD was established in connection with DSK Bank’s long-term strategy of digitalization of banking services and linking them to non-banking services in order to provide higher quality of complex banking products and services.

The company started operating activity in 2020.

DSK Mobile EAD changes its name to dsk Ventures EAD, as of the date of entry of the change in the Commercial Register, namely on 11.11.2022.

In 2024, the company focused its efforts on improving the service and increasing the volumes of transactions under the contract with the Center for Urban Mobility for the purchase of an electronic ticket through a bank card. Thus, the public transport turnover in Sofia achieved over 37% growth YoY compared to 2023. In 2024 the functionality for purchase of an electronic ticket through a bank card in the public transport was launched in Plovdiv. The hard work on the concept for the development of the City by DSK

application continued in 2024 with successfully signed agreement with Center for Urban Mobility, the so-called PoC (Proof of Concept) for a student product, where the bank card is also a card with preferential conditions for urban transport for students in University of National and World Economy. The solution is still in the testing phase and has not been officially released on the market. The company also successfully renewed the agreement with Viber for the provision of the service of sending Viber messages, expanding the network of partners and over 80% growth of sent messages.

The reported profit after tax as of 31.12.2024 amounted to BGN 0.6 million (2023: BGN 8 thousand).

DSK Dom EAD

In August 2018 DSK Bank EAD established its subsidiary DSK Dom EAD with main activity credit intermediation. DSK Dom is a tied credit intermediary, working exclusively with DSK Bank and connecting directly or indirectly with the Bank the clients seeking credit financing.

DSK Dom has a wide network of representatives throughout the country (1 161 as of December 2024) offering its clients a broad range of housing and mortgage loans.

The realized profit after tax of DSK Dom for 2024 was BGN 0.52 million (2023: 0.6 million).

Regional Urban Development Fund AD

The company was established in 2011, with scope of activity financing of projects, through lending or equity, with funds provided for the purposes of the implementation of targeted projects and programmes of the European Union. The financing is through long-term low-interest loans.

Following the merger of Expressbank with DSK Bank on 30.04.2020, DSK Bank became the main shareholder of the Fund (52% share in the capital).

The realized financial result in 2024 was a profit amounting to BGN 0.83 million (2023: BGN 1.02 million).

Associates

Cash Services Company AD

Cash Services Company was registered in 2007 with shareholders DSK Bank EAD, UniCredit Bulbank, Bulgarian National Bank and United Bulgarian Bank. In 2008 Raiffeisenbank has been incorporated as a shareholder. All shareholders have 20% share of the capital. In August 2019 Raiffeisenbank Bulgaria sold its shares to the other shareholders, and respectively their share in the capital of the company increased to 25%.

The company reported a profit after tax for 2024 amounting to BGN 2.61 million (2023: BGN 1.66 million).

DSK Asset Management AD

On 19 January 2024 the Bank sold 41% of the share capital of its subsidiary DSK Asset Management AD at a selling price close to the carrying amount of the investment. As a result the effective share of the Bank in the capital of the company has become 25%.

As of the end of 2024, "DSK Asset Management" AD manages seventeen funds with a total AUM of BGN 370.3 million (2023: BGN 280.7 million).

The products portfolio includes "DSK Conservative Fund" - a portfolio, based of debt instruments, mainly (government securities and corporate bonds) and limited exposure (max. up to 20%) to equity instruments; "DSK Standard" and "DSK Euro Asset" – bond funds, denominated in BGN and EUR, respectively; "DSK Balance" (balanced fund); "DSK Growth" and "DSK Global Companies" – equity funds.

A large product group of funds managed by the Company are those with the possibility of protecting the investment when it is held for a certain period: "DSK Stability - German Equities", "DSK Stability - European Equities", "DSK Stability - European

Equities 2", "DSK Stability - European Equities 3", "DSK Stability - European Equities 4", "DSK Stability - European Equities 5", "DSK Stability - European Equities 6", as well as "DSK Stability – Eurobonds" and "DSK Stability – Eurobonds 2".

The company also manages "DSK Dynamics" - fund, which follows a flexible investment strategy "Absolute Return" and "DSK-OTP Premium Mix" - a fund of funds, with investments mainly in a mix of other funds, managed by "OTP Fund Management".

The reported profit after tax of the company for 2024 amounted to BGN 0.37 million (2023: BGN 0.53 million).

Audit remuneration

The joint and independent financial audit of the annual financial statements of DSK Bank is carried out by the registered auditors "Ernst & Young Audit" OOD and "BDO AFA" OOD.

The accrued amounts (BGN 2.29 million) for 2024 for the services provided by the independent auditors are the following:

- independent financial audit - BGN 1.89 million;
- review of interim financial statements – BGN 0.3 million;
- other services, non-related to audit – BGN 0.08 million.

Events after the reporting period

No significant events after the end of the reporting period have been identified.

Major goals for 2025:

The management of the Bank has defined the following priorities for the business year 2025:

- Dominate our markets through customer obsession and innovation;
- Focus on young professionals and big cities;
- Digital prowess to match our scale and ability in the branch channel.

The major goals of the companies from the Group in 2025 are as follows:

Pension insurance company "DSK-Rodina" plans to increase its market share both in terms of number of clients and assets under management, while focusing on the clients' satisfaction. A new modern corporate website with more functionalities, including digitalization of processes will be presented, together with a loyalty program for the insured persons. More efforts on improving the financial literacy of the clients are planned, by means of easily accessible materials and video content, professional consulting of the new pensioners about the pension products in the payout phase.

OTP Leasing – the company plans to expand its activity and to continue to be among the leaders on the leasing domestic market. The major challenges in front of the management team of OTP Leasing AD in the next year will be the implementation of adequate policy with respect to the challenges of the economic environment, focused mainly on preserving the excellent quality of the leasing portfolio while maintaining optimal profitability.

Regarding to the above stated, the Company's and Group management plans to concentrate its efforts on the strict monitoring of the existing leasing contracts, increasing the risk profile requirements of all potential leasing customers, while at the same time trying to expand the achieved market share.

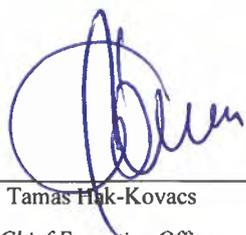
DSK Dom - affirming DSK Dom as the largest credit intermediary in Bulgaria with the most numerous agent network; sustainable growth of mortgage loan sales; maintaining high quality loan portfolio; established structure of representatives with lasting and loyal relations with DSK Dom.

dsk Ventures – in 2025 will continue efforts to improve the quality of the service for purchasing an electronic ticket by bank card, focusing on the collection of unsuccessfully collected amounts due to various reasons. We do not expect any significant growth in terms of number of transactions as the service is already popular enough. The service for purchase of an electronic ticket through a bank card in the public transport is expected to be launched in other cities. It will finalize the tests and launch on

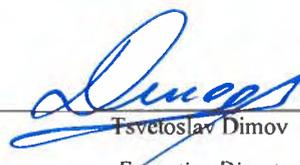
the market an expanded version of the City by DSK application, where the bank card is also a card with preferential conditions for public transport for students in University of National and World Economy.

Regional Urban Development Fund – In 2025 Fund's efforts will be focused on management and monitoring of UDF North and JESSICA loan portfolios and negotiating recycling of UDF North funds. RUUF will look for an opportunity to participate in a new call for selection of Fund managers of financial instruments in the current programming period.

The Report on the Management and the Activity of DSK Bank AD and the Companies of the Group for 2024 is approved by the Management Board with a Protocol № 9/ 14.03.2025



Tamas Hak-Kovacs
Chief Executive Officer



Tsvetoslav Dimov
Executive Director

CORPORATE MANAGEMENT DECLARATION
According to Art.39 of the Accountancy Act and Art. 100n POSA

1. Information as per Art.100n, para.8, item 1, letter “a”

DSK Bank AD follows duly the National code of corporate management published on the website of the Bulgarian Stock Exchange in compliance with Art.100n of the POSA;

2. Information as per Art.100n, para.8, item 3

Description of the main characteristics of the internal control and risk management systems of the issuer in regard to the financial reporting process:

The internal control system of DSK Bank is based on the efficient internal management and internal control framework that includes clear organizational structure and well-functioning independent units for risk management, regulatory compliance, including AML/CFT compliance and internal audit, having the necessary powers, status and resources to fulfil their functions. The risk management units, the regulatory compliance unit and the including AML/CFT compliance unit are subject to review by the internal audit unit.

The heads of the internal control functions can act autonomously and independently, as well as to express their considerations and to warn the managing authority of supervisory function, if necessary, when an unfavourable development of any risk has or may have influence on the Bank.

The established internal control framework of DSK Bank AD ensures:

- a. the performance of efficient and effective operations;
- b. reasonable fulfilment of activity;
- c. appropriate detection, measurement and mitigation of the risks the Bank is exposed to;
- d. reliability of the financial and non-financial information and reporting;
- e. compliance with laws and bylaws, supervision requirements and the internal policies, procedures, rules and decision implemented by the institution.

The process of Bank operating activity includes also the fulfilment of internal financial control – preliminary, current and subsequent. Systems of internal control on the financial reporting are adopted within the Bank activity.

The preliminary control is performed for all types of accounting operations and precedes the fulfilment of the accounting operations, aiming to ensure their lawful realization.

The current control for operations with high level of operating risk is carried out during the process of bank operations realization and aims the current elimination of deviations from the implemented rules and order for performing and documenting the accounting operations, ensuring their lawful fulfilment, timely elimination of mistakes made, etc.

The subsequent control covers all actions and measures, aiming to find out the illegal actions and operations, omissions and errors, misuses, waste and other irregularities that are present despite the measures undertaken during the preliminary and current control.

The internal control environment established in the Bank ensures the reliability of the reporting information. The control functions on the financial reporting cover: organizational and operating independence of the unit responsible for the financial reporting of the business departments; coherence between the organizational structure and the control and management processes for the related risks in way of clear definition of responsibilities; integrated information systems enabling the option for preparation of detailed reports and enquiries; developed framework of procedures and rules related to the financial reporting and information security; definition and adherence to the levels of approval and system of internal control processes.

Part of the structure of DSK Bank AD is the **Risk Management Division**, which main tasks are related to: maintaining an adequate policy for risk taking and risk assessment methodology, in compliance with the risk appetite and the adopted strategy on risk management; organization and provision of adequate system for measuring, reporting and efficient risk management; planning and management of the fulfilment of projects in the field of risk management; provisioning of regulatory and internal reporting related to the management of credit, market and operational risk; assessment and monitoring of environmental, social and governance related risks (ESG risks).

The risk control and management in the Bank is determined depending on the risk appetite and Bank's capabilities to perform monitoring on the risks undertaken by it. For these purposes, DSK Bank AD has clearly defined competency levels according to the type and total amount of the risk to be undertaken in regard to client/ partner and client's group. The risk management units involved with control functions in the credit process, are independent from the business departments.

The Bank uses internal rating system for assessing the creditworthiness of its clients.

Except by means of client's and partner's limits, DSK Bank limits the concentration of its exposures also through sectoral limits for the companies. The sectoral limits are determined according to the methodology approved with the Rules on risk undertaking, and approved by the Credits and Limits Council, and their following is controlled by the Risk Management Department. Review or update of limits could be proposed in case of change of the business plan for the risk exposures to the companies, being clients of the Bank, in case of changes in the macroeconomic framework; risks, which cause or could cause a significant influence on the development of the companies from that sector, respectively, on the financial indicators of the sectors or in case of business expanding beyond the approved annual plan.

For ensuring proper management of the ESG risks, the Bank has implemented ESG Risk Management Policy, considering both physical and transition risk factors. The framework is tailored to meet the specific characteristics of the Bank's various portfolios—corporate, retail, and leasing—ensuring that the approach is both holistic and adaptable to different types of clients. Key enhancements include an enhanced ESG Due Diligence process specifically for corporate clients. In this way the Policy integrates sustainability considerations directly into Loan Origination and Monitoring, with evaluation of both the client and transaction ESG risk. This dual-layered evaluation allows the Bank to classify credit transactions effectively, helping to identify potential ESG risks early and tailor the terms of financing or monitoring requirements accordingly. This proactive approach supports DSK's commitment to sustainable financing while also safeguarding its portfolio against ESG-related vulnerabilities.

Used in the market risk field are the positioning limits, stop-loss limits, VaR limits, etc., which support the appropriate management of these risks. Compliance with the partner's limits is ensured through their integration in the system for treasury transaction, and thus that play the role of a preventive control. Market Risk Management Unit performs the subsequent control for the market limits (VaR, Stop loss, BPV). There are established specialized analytic environments within the Bank Group, which allow for the timely monitoring and management of the risks. There is an escalation system in case of limit violation, and specific terms are defined for undertaking corrective measures in case of violation. The limits themselves are subject to regular review and update depending on the changes in the business plans and the business environment.

The Bank has implemented a reliable system for identification, registration and subsequent update of all events occurring and causing financial damages, as well as for events that could have influence on the image and reputation of the Bank. The information gathered is regularly analysed and presented to the competent bank management authorities, in order to take adequate measures to limit and prevent the occurrence of such events. Response emergency plans are developed for cases of extraordinary circumstances, so as to ensure the Bank working capacity and limit the financial and reputation effects of these events' occurrence.

The Division performs independent internal control and monitoring of the functioning of risk management mechanisms to strengthen and facilitate the implementation of stable risk management framework and to ensure compliance with internal rules, policies and risk strategy, as well as with external regulatory requirements.

Compliance Regulatory Directorate ensures proper risk identification, measurement and management in relation to the regulatory compliance, which DSK bank may suffer as result of incompliance with the applicable laws, supervisory requirements, codes of conduct and standards in the fields of compliance applicable for the banking activity. The **Directorate** exercises the control on the adherence to the existing legal framework, the supervisory requirements and the internal acts of DSK Bank and OTP Group, including the Ethical Code, Rules on conflict of interests, personal data protection, application of sanction programs, etc. The unit performs a compliance assessment for the product proposals in regard to the existing legal framework, and, if appropriate, in regard to all known pending changes in the legislation and the supervisory requirements. Compliance Directorate provides methodical support and exercise control on the activity of DSK Bank in its capacity of an investment mediator, and proposes measures for

eliminating the inconsistencies in this field.

The Anti-Money Laundering and Countering the Financing of Terrorism Department (AMLCFT) is a second level of control and defence that ensures the identification, measurement and management of the money laundering and terrorist financing risk that DSK Bank may incur as a result of non-compliance with applicable laws, regulations, supervisory requirements and guidelines, codes of conduct, international standards and guidelines, as well as applicable group policies and regulations in the field.

The **AMLCFT Department** has been designated as the specialized service unit within the meaning of Art. 106 of the AML Act and is managed by the Head of the “AMLCFT” Department, to whom the management body in its management function has assigned the role of an employee in a senior management position under Art. 106 of the AML Act and the role of a compliance officer responsible in the field of prevention of money laundering and terrorist financing, in the meaning of p. 4.2 of guidelines EBA/GL/2022/05 from 14.06.2022.

The **AMLCFT Department** organizes, coordinates, manages and supervises the activities related to the prevention of money laundering and financing of terrorism in DSK Bank, in accordance with the above-mentioned national, international and group legal framework.

The **AMLCFT Department** provides methodical assistance and controls the activities of DSK Bank's subsidiaries, instructing them on measures to eliminate inconsistencies in the field of prevention of money laundering and terrorist financing.

Internal Audit Directorate is a structural unit for independent internal audit.

The organizational positioning ensures independency in planning and performing the internal audit activity, and the reporting is carried out at highest management level – Management Board, Audit Committee, Supervisory Board, Internal Audit Department of OTP Bank Hungary and General Shareholders’ Meeting.

The purpose, powers and responsibilities of Internal Audit Directorate are regulated by the Internal Audit Charter. The Internal Framework is in compliance with the applicable stipulations of: the Bulgarian National Bank Act, Credit Institutions Act, Regulation № 10 of Bulgarian National Bank dated 24 April 2019 on the organization, management and internal control of banks, Financial Supervision Commission Act, Act on the public offering of securities, Act on the special investment purpose companies, Act on the implementation of measures against market misuse with financial facilities, Financial Facilities Markets Acts.

The activity is process oriented and the focus is determined by the risk assessment of the individual types of activities based on one year and three year periods, of the processes, external vendors management units of DSK Bank and its affiliates; by the expectations of the senior management, by the strategic plan of the Bank and the business continuity plan; by the priorities of bank regulators; by the business plan, the budget and the investment policy of the Bank; by the continuous optimization of management processes and banking operations, centralization of activities and processes, offering of new banking products and the related software, development and implementation of new software products.

3. Information as per Art.100n, para. 8, item 4

Information as per Article 10, paragraph 1, letters “c”, “d”, “e”, “g” and “j” of Regulation 2004/25/EC of the European Parliament and the Council dated 21 April 2004 regarding the merger proposals:

- 3.1. DSK Bank AD has no shareholders possessing shares with special control rights;
- 3.2. DSK Bank AD has no restrictions implemented on the shareholders’ vote rights;
- 3.3. The rules used for regulating the appointment or change of the members of the Management Board and the Supervisory Board and amendments of the Articles of Association are:
 - The Articles of Association of DSK Bank AD;
 - The Governance Rules of DSK Bank AD and Section V. Decision-making Mechanism thereto;
 - P O L I C Y On Suitability Assessment of members of Management Board / Board of Directors, Supervisory Board, executive officers, and key function holders of DSK Bank and Banking group;
 - Rules on the conflict of interests.
- 3.5.1 The powers of the Supervisory Board and the Management Management Board of DSK Bank AD are defined in:
 - The Articles of Association of DSK Bank AD;

- The Governance Rules of DSK Bank AD and Section V Decision-making Mechanism thereto.
- 3.5.2. The Supervisory Board and the Management Board of DSK Bank AD have no right to make decision for shares emission or redemption.

4. Information as per Art.100n, para.8, item 5

Composition and functioning of the administrative, management and Supervisory Boards and the committees thereto:

4.1. The composition and the requirements on the composition of the management and supervisory bodies, the Audit Committee, the Risk Committee, the Nomination Committee, the Remuneration Committee, the Assets and Liabilities Committee, the Investment Committee, the Product development, pricing and sales Committee, the Credits and Limits Council, the Work-out Committee, the Data and Analytics Committee, the Operational Risk Management Committee, the Retail Credit Risk Committee, the Corporate Credit Risk Committee, the Resolution Committee, the ESG Committee and the Ethics Committee are defined in:

- The Articles of Association of DSK Bank AD;
- Governance Rules of DSK Bank AD;
- Rules of operation of the relevant committee and other internal acts of the Bank.

4.1.1. Composition of the Supervisory Board

The Supervisory Board consists of at least 3 and no more than 7 members meeting the requirements of Art.10 and Art.11 of the CIA, regulations of the BNB for their implementation and Guidelines of the European Banking Authority (EBA).

One third of the members of the Supervisory Board are independent as per the meaning of Art. 10a, para. 2 of the CIA and EBA Guidelines .

4.1.2. Composition of the Management Board

The Management Board consists of at least 3 and no more than 9 members meeting the requirements of Art.10 and Art.11 of the CIA, regulations of the BNB for their implementation and EBA Guidelines.

4.1.3. Composition of the Audit Committee

The Committee shall consist of no less than three members, elected and released with a decision of the General Shareholders' Meeting of the Bank on the basis of a proposal by the chairperson of the Bank's Management Board. A proposal for a member of the Audit Committee may also be made by the Chairperson of the Supervisory Board or by a shareholder. The members of the Audit Committee shall meet the requirements of the Independent Financial Audit and Assurance of Sustainability Reporting Act, as the majority of the Committee members, including its chairperson, must be persons external to and independent from the Bank..

4.1.4. Composition of the Risk Committee, the Nomination Committee, the Remuneration Committee

The three committees shall consist of at least three members elected by the Supervisory Board of the Bank among its members, the majority (at least two) of the members of each of the Committees must be independent within the meaning of Art. 10a, para. 2 CIA. The Chairperson of the Risk Committee may not be at the same time the Chairperson of the Nomination Committee, the Remuneration Committee or the Audit Committee, as well as the Chairperson of the Supervisory Board of the Bank.

4.1.5. The members of the committees to the Management Board are determined by positions among DSK Bank's employees in the Governance Rules of the Bank.

4.2. The functioning of the management and supervisory bodies and committees of DSK Bank AD is defined in:

- The Governance Rules of DSK Bank AD;
- The Rules of operation of the Supervisory Board;
- The Rules of operation of the Management Board;
- The Statute of the Audit Committee;
- The Rules of operation of the Risk Committee;
- The Rules of operation of the Nomination Committee;
- The Rules of operation of the Remuneration Committee;
- The Rules of operation of the Assets and Liabilities Committee;
- The Rules of operation of the Investment Committee;
- The Rules of operation of the Product Development, Pricing and Sales Committee;
- The Rules of operation of the Credits and Limits Council;
- The Rules of operation of the Work-out Committee;
- The Rules of operation of the Data and Analytics Committee;
- The Rules of operation of the Operational Risk Management Committee;
- The Rules of operation of Retail Credit Risk Committee;
- The Rules operation of Corporate Credit Risk Committee;
- Rules for Resolution Specific Governance of DSK Bank AD;
- The Rules of operation of ESG Committee;
- Rules of operation of the Ethics Committee.

4.3. The functions of the **Supervisory Board** of the Bank are as follows:

- Performs overall supervision over the legality and expediency of the Bank's activity and the work of its executive bodies;
- Monitors the implementation of decisions of the General Shareholders' Meeting and of the Management Board;
- Oversees and monitors management decision-making and actions;
- Exercises effective oversight of the activity of the Management Board, including monitoring and scrutinising its individual and collective performance and the implementation of the Bank's strategy and objectives;
- Constructively challenges and critically reviews proposals and information provided by members of the Management Board, as well as its decisions;
- Establishes risk, remuneration and nomination committees;
- Ensures and periodically assess the effectiveness of the institution's internal governance framework and takes appropriate steps to address any identified deficiencies;
- Oversees and monitors that the Bank's strategic objectives, organisational structure and risk strategy, its risk appetite and risk management framework, as well as other policies and the disclosure framework are implemented consistently;
- Monitors that the risk culture of the institution is implemented consistently;
- Oversees the implementation and maintenance of corporate culture and values to identify, manage and mitigate actual and potential conflicts of interest;;

- Oversees the integrity of financial information and reporting, and the internal control framework, including an effective and sound risk management framework;
- Reviews and approves the quarterly reports of the Management Board on its activities, including on changes to the organisational and management structure of the Bank and amendments to the Decision-making Mechanism, made during the reporting period, as well as on the execution of the strategy and the business plan; undertaking corrective action in cases of short-fall;
- Ensures that the heads of internal control functions are able to act independently and, regardless the responsibility to report to other internal collective bodies, business lines or units, can raise concerns and warn the Supervisory Board directly, where necessary, when adverse risk developments affect or may affect the Bank;
- Oversees and monitors Internal Audit function with support of Audit Committee;
- The interaction between the Supervisory Board and the internal control functions and its tasks in respect of those functions, apart from the present rules, are regulated on one hand in the rules of procedure of the Supervisory Board, its committees and the Audit Committee, and on the other hand in the internal acts regulating the activity of each of the internal control functions;
- The Supervisory Board performs its functions by exercising the following powers:
 1. At its discretion, requests from the Management Board information or reports on each issue relevant to the activities of the Bank.
 2. Approves:
 - 1) Business strategy, including the strategic and annual business plan and budget of the Bank, capital plan and funding plan;
 - 2) (amended with MB Decision as of 03.06.2024 in force as of 03.06.2024) Risk Strategy, including Risk Appetite Framework;
 - 3) Environmental, Social and Governance (ESG) Strategy;
 - 4) Non-Performing Loans Strategy.
 - 5) Compliance strategy including anti-money laundering and combating the financing of terrorism strategy.
 - 6) other strategic documents, in case of regulatory requirement or necessity;
 - 7) the rules of operation of the Management Board;
 - 8) fundamental internal rules and policies, if provided for in the present Governance rules.
 3. Adopts:
 - 1) policies regulating the individual and collective suitability assessments of the members of the Management Board and Supervisory Board and of the persons holding key positions in the Bank, containing also rules on the composition and continuity of the members of the boards.
 - 2) remuneration policy;
 - 3) diversity policy;
 - 4) rules of operation of the Supervisory Board.
 - 5) internal framework, stipulating the activity of the Internal Audit Function, the strategic and annual plan, the annual budget, the annual and mid-term training and education plan, as well as the annual and mid-term recruitment plan of the Internal Audit Function;
 - 6) other internal acts, in case of regulatory requirement or necessity;
 4. Elects and dismisses the members of the Management Board and determines their remuneration and mandate. The changes in the membership of the Management Board shall not be acted upon without the prior approval of the BNB.
 5. Approves the decisions of the Management Board on:
 - 1) election and dismissal of the Chairperson and any Deputy Chairperson (if elected) of the Management Board, the Chief Executive Officer and the Executive directors.
 - 2) commence or cease activity within the granted banking license;
 - 3) fundamental changes in the organisational and management structure of the Bank, specified in these Governance Rules and opening and closing down branches within the meaning of the Commercial Code;
 - 4) the establishment of other funds in addition to the mandatory ones and for determining the conditions for the use of such funds;
 - 5) granting internal loans if provided by law or internal regulations of the Bank;
 - 6) establishment of companies;
 - 7) acquisition and disposal of shares and stakes of the Bank in banks and other companies, held for investment purposes as specified in the present Governance Rules;
 6. Calls the General Shareholders' Meeting and of the Management Board.

7. Reviews and submits for approval to the General Shareholders' Meeting, the annual financial statements, the report for the activity of the Bank and the proposal of the Management Board for the allocation of profit.
8. Elects among its members, the members of the Nomination Committee, the Risk Committee and the Remuneration Committee (the Committees), supporting the activity of the Supervisory Board, and adopts their rules of procedure, containing among others:
 - role and functions of the committee;
 - way of working and operational rules;
 - contributors to the activity of the committee, collaboration and interaction between: the contributors and the committee, the committee and the other committees, including the Audit Committee, between the committee and the internal control functions and the committee and the Supervisory Board;
 - methods for effective control by the Supervisory Board regarding the activities and decisions of the committee;
 - regular reporting of the committee body to the Supervisory Board.
9. Acknowledges the provided to the Bank elements of the resolution plan as well as other information provided by the Single Resolution Board in relation to the resolution and resolution planning processes.
Acknowledges the working programme for implementation of the working priorities defined by the Single Resolution Board and monitors the implementation status of the working priorities.
10. Monitors the compliance with the minimum requirements for capital adequacy and leverage ratio as well with the minimum requirements for own funds and eligible liabilities (MREL), as well as the internal capital adequacy assessment.
11. Gives prior approval to the appointment and dismissal of the Head of the Internal Audit Function after obtaining recommendation from the Audit Committee, approves his/ her remuneration and bonus and sets objectives for and assesses his/ her performance.
12. Performs other functions as provided for by law, the Articles of Association, the present Governance rules and other internal regulations of the Bank and shall give an opinion on any issue referred to it by the General Shareholders' Meeting.

4.4. The functions of the **Management Board** of the Bank are as follows:

1. Defines and adopts the strategies of the Bank, including but not limited to:
 - 1) Business strategy, including the strategic and annual business plan and budget of the Bank;
 - 2) Risk strategy, including the levels of risk appetite and risk tolerance, risk management framework;
 - 3) Environmental, Social and Governance (ESG) Strategy;
 - 4) Non-Performing Loans Strategy.
 - 5) Compliance strategy including anti-money laundering and combating the financing of terrorism strategy.
 - 6) other strategic documents, in case of regulatory requirement or necessity;
2. Defines, adopts and/or discusses, and/or reviews key policies, rules, methodologies, assessments and procedures of DSK Bank, makes decisions in compliance with the applicable legal and regulatory framework to ensure adequate and effective internal governance and performance of Bank's activities, including but not limited to:
 - 1) for the organizational structure, activity and functioning of the internal control in the Bank, that shall include the independent risk management function, compliance function, including anti-money laundering and combating the financing of terrorism compliance function and internal audit function, as the interaction between the Management Board and the internal control functions and its tasks in respect of those functions, apart from the present rules, are regulated on one hand in the rules of procedure of the Management Board, its committees, and on the other hand in the internal acts regulating the activity of each of the internal control functions;
 - 2) for internal capital and regulatory capital management, for preparation of the Internal capital adequacy assessment process (ICAAP), which presents the adequacy of the regulatory and internal capital to cover the risks related to the Bank's activity, that is subject of adoption by the Management Board;
 - 3) for liquidity management as well for the liquidity management plan in the event of a liquidity crisis, for preparation of Internal liquidity adequacy assessment process (ILAAP), that is subject of adoption by the Management Board;

4) for management of risks, including: credit risk, operational risk, market risk, liquidity risk, interest rate risk in the banking book, credit spread risk in the banking book, business and strategic risks and other risks considered material, as well as the methodologies for determination of risk-taking limits and for evaluation of risk exposures;

5) Reviews information and is accountable for the compliance with the minimum requirements for capital adequacy and leverage ratio as well with the minimum requirements for own funds and eligible liabilities (MREL).

Monitors the internal capital adequacy assessment.

6) for establishment and maintenance of risk culture in the Bank that addresses the risk awareness and risk-taking behaviour;

7) for the establishment of corporate culture and values in DSK Bank, which fosters responsible and ethical behaviour;

8) for avoidance of conflicts of interest;

9) for internal alert submission;

10) for ensuring the integrity of the accounting and financial reporting systems;

11) for ensuring the financial and operational controls and compliance with the law and relevant standards;

12) for planning methodologies and planning process, and of controlling principles;

13) the income policy implementation rules of the Bank and the Banking group.

14) discusses the Internal Framework (internal acts levels 1 and 2), stipulating the activity of the Internal Audit Function, as well as other topics related to the Internal Audit Function if provided in the internal framework of the Bank.

3. Makes decisions in respect of implementation and carrying out the Bank's strategies and policies.

4. Makes decisions for commence or cease activity within the granted banking license.

5. Makes decisions for the election and dismissal of the Chairman and any Deputy Chairman (if elected) of the Management Board, the Chief Executive Officer and Executive directors.

6. Reviews the quarterly financial statements of the Bank and signs off and submits the annual financial statement for approval to the General Shareholders' Meeting through the Supervisory Board.

7. Monitors compliance with the risk appetite limits at Bank/DSK Group level by receiving and analyzing monthly Risk Appetite Statement (RAS) monitoring report; approves mitigation actions/action plans in case of limit breaches according to Risk Appetite Framework.

8. Acknowledges the provided to the Bank elements of the resolution plan as well as other information provided by the Single Resolution Board in relation to the resolution and resolution planning processes.

9. Approves the work programme for implementation of the working priorities defined by the Single Resolution Board and acknowledges information on the implementation status of the working priorities.

10. Proposes through the Supervisory Board to the General Shareholders' Meeting a method for allocation of the annual profit by determining the part payable to the Reserves fund and other funds, as well as the part payable as dividend or to be used for capital increase.

11. Proposes to the General Shareholders' Meeting the selection of two auditing companies, to conduct joint audit of the Bank's annual financial statements and of the supervisory statements, determined by the BNB.

12. Calls the General Shareholders' Meeting.

13. Adopts Rules of procedure of the Management Board.

14. Is responsible for exercising effective control over the senior executives, subordinated direct to the Chief Executive Officer and to the Heads of Divisions.

15. Makes decisions on changes of the organisational and management structure of the Bank, consisting of opening and/or closing of fundamental and/or independent units in the Bank's structure and opening and closing down branches within the meaning of the Commercial Code.
16. Makes decisions on granting internal loans, large loans and other loans if provided by law or internal regulations of the Bank.
17. Makes decisions on obtaining of loans and credit lines by the Bank and placement of collateral, incl. for third parties.
18. Oversees the process of disclosure and communications with external stakeholders and competent authorities.
19. Makes decisions for establishment of companies, for the acquisition and disposal of shares and stakes in companies.
20. Makes decisions to exercise the rights attaching to the Bank's participation in companies, concerning increase and decrease of the capital, transformation, termination of the activity and liquidation of the company.
21. Makes decisions for appointment of a procurator.
22. Makes decisions for establishment of other funds in addition to the mandatory ones and determines the conditions for the use of such funds.
23. Reports on its activity at least once quarterly to the Supervisory Board, including on changes to the organisational and management structure of the Bank and amendments to the Decision-making Mechanism, made during the reporting period, as well as on the execution of the strategy and the business plan; undertake corrective action in cases of short-fall.
24. Reports forthwith to the Chairman of the Supervisory Board all the circumstances that may be reasonably considered to have a significant impact on the Bank or its operations.
25. Adopts decisions for:
 - 1) establishment of collective bodies that shall support the activity of the Management Board;
 - 2) defines their role, composition and functions;
 - 3) adopts rules of procedure of the collective bodies, supporting the activity of the Management Board, containing:
 - way of working and procedural rules;
 - contributors to the activity of the collective body, collaboration and interaction between: the contributors and the collective body, the collective body and the other collective bodies, if applicable, between the collective body and the internal control functions and the collective body and the Management Board;
 - methods for effective control by the Management Board regarding the activities and decisions of the collective body;
 - regular reporting of the collective body to the Management Board.
27. Makes any other decisions to the Bank's activity as provided for by law, the Articles of Association, the present Governance Rules or any other internal regulations of the Bank or if it considers for necessary to make such decisions and they are not within the exclusive competence of the General Shareholders' Meeting or the Supervisory Board.

4.5. Functions of the **Audit Committee** of the Bank are as follows:

- To oversee the process of financial reporting and to submit recommendations and proposals in order to ensure its integrity and to oversee the establishment of accounting policies by the Bank;
- To monitor the effectiveness of the internal control system in respect of internal audit activity as regards the financial reporting in the bank;
- To monitor the effectiveness of the internal control system in respect of the risk management system, the compliance activity and prevention of money laundering and financing of terrorism activity, with regard to the financial reporting in the bank;

- To monitor the statutory audit of the annual individual and consolidated financial statements by taking into consideration the findings and conclusions of the Commission for Public Supervision of the Registered Auditors in relation to the inspections of the registered auditor's work made, aiming at ensuring its quality;
- To inform the Managing Board for the results of the statutory audit and to clarify in what way the statutory audit has contributed to the reliability of the financial report, as well as the Audit Committee's role in this process;
- To review and monitor the independence of the registered auditors in accordance with statutory requirements, including the expediency of the provision to the bank of non-forbidden non-audit services, by providing approval in advance for the conclusion of contracts for such services with the registered auditor;

- To notify the Commission for Public Supervision of the Registered Auditors and the Managing Board of the Bank within 7 days following each approval given for the conclusion of contracts for non-forbidden non-audit services and each approval given in accordance with Art. 66, para. 3 of the Independent Financial Audit Act;
- To be responsible for the procedure for the selection of the registered auditors, which shall jointly conduct independent financial audit of the annual individual and consolidated financial statements of the Bank, and to recommend the General Shareholders' Meeting their appointments, respectively to postpone withdrawal of registered auditor;
- To recommend to the Management Board to propose to the General Shareholders' Meeting the early dismissal of each of the registered auditors if there are reasonable grounds for their dismissal;
- To report its activity to the General Shareholders' Meeting;

- To prepare and to present to the Commission for Public Supervision of the Registered Auditors until 31 May an annual report of its activities;

- To periodically monitor the existence of arrangements ensuring the completeness and accuracy of data related to restructuring activities and provided to the resolution authorities, from the perspective of the reporting of the work performed by Internal Audit function on this regard;
- Performs other activities and makes decisions, provided for in the internal acts of the Bank and the regulatory framework.
- The Committee shall perform the functions above under items 1 to 5 inclusive also in respect of the sustainability reports, unless the Bank meets the legal conditions for exemption from the obligation to prepare a sustainability report and a consolidated sustainability report.

4.6. The functions of the **Risk Committee, the Nomination Committee, the Remuneration Committee** of the Bank are as follows:

- **The Risk Committee** provides advice to the Supervisory Board and the Management Board on the Bank's overall current and future strategy and risk appetite, and its operation is detailed in the Governance Rules and Rules of Operation of the Risk Committee of DSK Bank AD.
- **The Nomination Committee** performs selection of nominees for members of the the Management board / Board of directors and the supervisory board, executive directors and key employees, persons holding key positions in DSK Bank and its subsidiaries, and its operation is detailed in the Governance Rules and Rules of Operation of the Nomination Committee of DSK Bank AD.
- **The Remuneration Committee** assists the Supervisory Board in exercising supervision over the implementation of the Remuneration Policy, practices and processes related to it, conducts a periodic review of the Remuneration Policy and, if necessary, makes proposals for changes, and its operation is detailed in the Governance Rules and Rules of Operation of the Remuneration Committee of DSK Bank AD.

4.7. Functions of the Committees to the Management Board:

- **The Assets and Liabilities Committee** implements control over the management of assets and liabilities of the Bank aiming at achieving maximum return in line with the approved by the Management Board budget targets and risk appetite, and its operation is detailed in the Governance Rules and Rules of Operation of the Assets and Liabilities Committee of DSK Bank AD.
- **The Investment Committee** manages the Bank's investment program and large expenses for maximum return on investments, as its operation is detailed in the Governance Rules and Rules of Operation of the Investment Committee of DSK Bank AD.
- **The Product Development, Pricing and Sales Committee** manages and develops products, services and bundles of products and services while optimising their profitability for the Bank with the goal of satisfying the clients' needs, maintaining leadership positions, increasing the Bank's competitiveness, and increasing the customer base, as its operation is detailed in the Governance Rules and Rules of Operation of the Product Development, Pricing and Sales Committee of DSK Bank AD.
- **The Credits and Limits Council** is responsible for the decision-making in connection with ensuring the optimal risk-benefit balance in line with the strategy of the Bank on lending to larger corporate clients and with regulating of the state and counterparty risk, which the Bank assumes when concluding deals with countries and financial institutions, as its operation is detailed in the Governance Rules and Rules of Operation of the Credits and Limits Council of DSK Bank AD.
- **The Work-out Committee** is responsible for management and restructuring of non-performing loans, as its operation is detailed in the Governance Rules and Rules of Operation of the Work-out Committee of DSK Bank AD.
- **The Data and Analytics Committee** is responsible for the management and development of the data received and processed in connection with the overall activities of the Bank, as its operation is detailed in the Governance Rules and Rules of Operation of the Data and Analytics Committee of DSK Bank AD.
- **The Operational Risk Management Committee** monitors the level of operational risk and the efficiency of the control environment in DSK Bank and the companies of the group by proposing adequate risk mitigating measures and how to optimize the internal control mechanisms, as its operation is detailed in the Governance Rules and Rules of Operation of the Operational Risk Management Committee of DSK Bank AD.
- **The Retail Credit Risk Committee** is responsible for monitoring and management of the Retail loan portfolio of private individuals and Small Business segment for DSK Bank and the Leasing Entities, as its operation is detailed in the Governance Rules and Rules of Operation of the Retail Credit Risk Committee of DSK Bank AD.
- **The Corporate Credit Risk Committee** is responsible for credit risk monitoring and management of the loan portfolio for the corporate segments – clients to Corporate Banking Division and Purchase Finance and Bancassurance Division, as its operation is detailed in the Governance Rules and Rules of Operation of the Corporate Credit Risk Committee of DSK Bank AD.
- **The Resolution Committee** is Responsible for the coordination and implementation of tasks arising in Resolution Situation phase in accordance with the Rules for Resolution Specific Governance of DSK Bank AD.
- **The ESG Committee** is responsible for climate and environmental risk management, as its operation is detailed in the Governance Rules and Rules of Operation of the ESG Committee of DSK Bank AD.
- **The Ethics Committee** supports the Bank in the review and assessment of ethical issues and concerns that arise in the workplace. The committee also provides guidance and advice to management and staff on ethical matters as its operation is detailed in the Governance Rules and Rules of Operation of the Ethics Committee of DSK Bank AD.

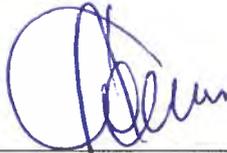
5. Information as per Art.100n, para.8, item 6

Description of the diversity policy applied in regards to the administrative, management and supervisory bodies:

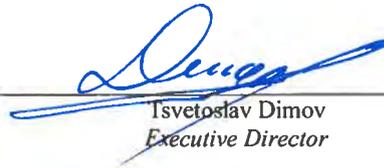
DSK Bank ensures the diversity in way of:

- Balanced gender and age structure on all levels of management and control;
- Educational level and various fields of knowledge (finances, law, IT) in compliance with the national regulatory requirements;
- Appropriate professional experience for the relevant positions in compliance with the regulatory requirements.

The diversity in DSK Bank is related to the continuity between the traditions in historical aspect and the rapid adaption to the new technologies in the field of the financial services.



Tamás Hak-Kovács
Chief Executive Director



Tsvetoslav Dimov
Executive Director

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Statutory Audit Firm # 108
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BDO AFA OOD
38, Oborishte str.
1504 Sofia, Bulgaria

Independent auditors' report To the shareholders of "DSK BANK" AD

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of "DSK Bank" AD and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated profit and loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as adopted by the European Union (EU).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (*IESBA Code*) together with the ethical requirements of the Independent Financial Audit and Assurance of Sustainability Reporting Act (IFAASRA) that are relevant to our audit of the consolidated financial statements in Bulgaria, and we have fulfilled our other ethical responsibilities in accordance with the requirements of the IFAASRA and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
<p>Impairment of loans and advances to customers</p>	
<p>The Group's disclosures about impairment of loans and advances to customers are included in Note 7.4. "Credit risk" and Note 29 "Loans and advances to customers" to the consolidated financial statements</p>	
<p>Loans and advances to customers represent a significant part (56%) of the total assets of the Group as at 31 December 2024 with aggregate gross carrying amount of BGN 21 211 938 thousand and accumulated loss allowance of BGN 691 856 thousand. The Group applies impairment model based on expected credit losses ("ECL") in accordance with the requirements of IFRS 9 "Financial Instruments".</p> <p>The application of such an impairment model in the determination of loss allowance for loans and advances to customers requires the Group's Management to exercise a significant degree of judgment due to the increased level of complexity, specifically with respect to quantifying expected credit losses as disclosed in Note 7.4. The key inputs and areas of judgement in the</p>	<p><i>In this area, our audit procedures included, among others:</i></p> <ul style="list-style-type: none"> • We obtained an understanding of the Group's impairment policy and process of determining the loss allowance for loans and advances to customers, including the models applied for calculation of ECL on collective and individual basis as well as whether the key assumptions and judgments used therein are in accordance with the requirements of IFRS 9. • We reviewed and assessed the adequacy, and the consistency of application of the methodology and models used by the Group to identify loan losses in accordance with IFRS 9 requirements. • We obtained understanding and assessed the internal controls at

assessment of expected credit losses are related to the development of quantitative and qualitative criteria for:

- identification of significant increase of credit risk (SICR) criteria for staging of loans to clients (Stage 1: Exposures with no SICR, Stage 2: Exposures with SICR but no objective evidence for impairment and Stage 3: Exposures with objective evidence for impairment);
- determining the probability of default/loss (PD/PL), the loss given default or loss (LGD/LGL) and the exposure at default or loss (EAD);
- imputing forward looking information (FLI) of macro-economic factors considering multiple scenarios in ECL estimation.

A higher degree of estimation uncertainty is inherent in calculating ECLs for loans and advances to customers in Stages 1 and 2, assessed for impairment collectively in view of the Group's availability of sufficient and adequate historical data from internal and external sources for back testing and calibrating the PD/PL and LGD/LGL estimates in the impairment model. Further to this significant management judgment is also required to be applied by Management in determining ECLs for loans and advances to customers which are assessed for impairment individually depending on the customer's risk category and the credit product used, ranges of possible scenarios based on their outcomes for timing and amount of cash flows from future collections, including from the sale of respective collaterals.

In 2024 due to the social and economic consequences from the deteriorating macro-economic indicators for the determination of the ECL, the Group has taken in consideration the significant uncertainties. The Group has addressed

organisation level with respect to the development and application of the impairment models, including the model documentation and the update frequency and reasonableness of the parameters and macro indicators applied.

- We obtained understanding and performed walk-through of the processes and the key internal controls over the monitoring and loan loss allowance estimation of loans to corporate and retail clients in accordance with the requirements of IFRS 9 focusing on additional monitoring procedures and the result from the measures applied by the Group based on the specific consequences from the expected deterioration of the macro-economic indicators and on any changes as a result of the calibration of the methodology for calculation of ECL. We involved our internal IT specialists to assess and test the IT general controls over these processes.
- We assessed the design and tested the operating effectiveness of the controls over the monitoring and assessment for impairment of loans and advances from customers' processes.
- Involving our credit experts, we have performed independent calculation of the parameters applied in the loss allowance models and performed review of the calculation logic for compliance with Group's impairment calculation models. For a sample of loans from different risk categories we have recalculated the amount of impairment based on the relevant input data.
- Involving our credit experts, we analysed and assessed the adequacy of management judgments in relation to probability of default/ probability of loss (PD/PL) and the estimated amount of loss given default/ loss

the uncertainties via reassessing the assumptions used in the model macro-economic indicators that influence the determination of probability of default/loss (PD/PL), the scenarios used in calculation of the ECL and enhancing its credit risk monitoring procedures to distinguish the cases/indications that are related to long-term financial difficulties of the borrowers from those that represent temporary liquidity difficulties.

Due to the significance of the loans and advances to customers as an item in the Group's consolidated financial statements, and the complexity of the specific models and calculations, the large number of significant judgments and high inherent estimation uncertainty involved in the impairment model under IFRS 9, we have considered this matter a key audit matter.

given loss (LGD/LGL) in the context of the specifics of the Group's loan portfolio and the availability of the internal historical and forward-looking information for parameters development. Further, we assessed for reasonableness the PD/PL and LGD/LGL calculations by examining support for the key assumptions used and data sources, including for consideration of the available historic information on the impacts stemming from the deteriorated macro-economic indicators.

- We performed tests of details and analyses, based on a sample of loans and advances to customers, for which the Group has not identified objective evidence of impairment, to assess their adequate classification in the respective risk category (stage) by the Group.
- For a risk-based sample of loans and advances from customers that are subject to individual impairment assessment by the Group and focusing on those with the most significant potential impact on the consolidated financial statements (phase 3), we specifically assessed the Group's assumptions and judgments on the classification of these based on the criteria defined by the Group and the expected future cash flows, including the realizable value of collateral based on our own understanding and available market information, including the impact from the consequences of the deterioration of the macro-economic indicators.
- We performed subsequent events procedures focused on the development of the risk-based sample of loans and advances to customers, after the reporting period date, to assess the Group's



	<p>assumptions on the expected future cash flows.</p> <ul style="list-style-type: none"> • We assessed the relevance, completeness and adequacy of the disclosures for the impairment of loans and advances to customers under the requirements of IFRS 9.
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Information Other than the Consolidated Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information, which we have obtained prior the date of our auditor's report, comprises the consolidated management report, including the corporate governance statement prepared by management in accordance with Chapter Seven of the Accountancy Act, but does not include the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or 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.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and presentation of the consolidated financial statements that give a true and fair view in accordance with IFRS Accounting Standards, as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Translation in English of the official Auditor's report issued in Bulgarian.



Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 consolidated financial statements.

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

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, 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 consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's 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 expressed by us audit opinion as per the requirements of the IFAASRA applicable in Bulgaria. In accepting and executing the joint audit engagement, in connection with which we report hereby, we also have followed the Guidance on Performing a Joint Audit issued on 13 June 2017 by the Institute of Certified Public Accountants in Bulgaria and the Commission for Public Oversight of Statutory Auditors in Bulgaria.

Report on Other Legal and Regulatory Requirements

Additional Matters to be Reported under the Accountancy Act

In addition to our responsibilities and reporting in accordance with ISAs, described above in the *Information Other than the Consolidated Financial Statements and Auditor's Report Thereon* section, in relation to the consolidated management report, including the corporate governance statement of the Group, we have also performed the procedures added to those required under ISAs in accordance with the Guidelines on New and Expanded Auditor's Reports and Auditor's Communication 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 opinions about whether the other information includes the disclosures and reporting provided for in Chapter Seven of the Accountancy Act and in the Public Offering of Securities Act applicable in Bulgaria.



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

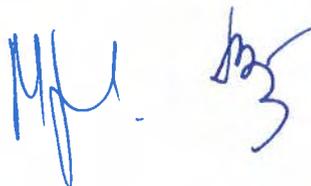
Based on the procedures performed, our opinion is that:

- a) The information included in the consolidated management report referring to the financial year for which the consolidated financial statements have been prepared is consistent with those consolidated financial statements.
- b) The consolidated management report has been prepared in accordance with the requirements of Chapter Seven of the Accountancy Act.
- c) The corporate governance statement of the Group referring to the financial year for which the consolidated financial statements have been prepared presents the information required under Chapter Seven of the Accountancy Act and Art. 100 (m), paragraph 8 of the Public Offering of Securities Act.

Reporting in accordance with Art. 10 of Regulation (EU) No 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) No 537/2014, we hereby additionally report the information stated below.

- Ernst & Young Audit OOD and BDO AFA OOD were appointed as statutory auditors of the consolidated financial statements of DSK Bank AD for the year ended 31 December 2024 by the general meeting of shareholders held on 29 March 2024 for a period of one year.
- The audit of the consolidated financial statements of the Group for the year ended 31 December 2024 represents four total uninterrupted statutory audit engagement for that Group carried out by Ernst & Young Audit OOD and eight total uninterrupted statutory audit engagement for that Group carried by BDO AFA OOD.
- We hereby confirm that the audit opinion expressed by us is consistent with the additional report, provided to the audit committee of DSK Bank AD, in compliance with the requirements of Art. 60 of the Independent Financial Audit and Assurance of Sustainability Reporting Act.



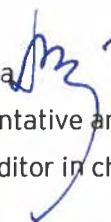
- We hereby confirm that we have not provided the prohibited non-audit services referred to in Art. 64 of the Independent Financial Audit and Assurance of Sustainability Reporting Act.
- We hereby confirm that in conducting the audit we have remained independent of the Group.

Audit Firm Ernst & Young Audit OOD
with registration number 108:

Audit Firm BDO AFA OOD with registration
number 015:



Milka Natcheva-Ivanova
Legal Representative and
Registered Auditor in charge of the audit



Valia Iordanova
Legal Representative and
Registered Auditor in charge of the audit

Sofia, Bulgaria

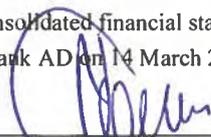
17 March 2025

Consolidated statement of profit or loss
For the year ended 31 December 2024

		2024	2023
<i>In thousands of BGN</i>	Note		
Continuing operations			
Interest income calculated using the effective interest rate method		1 505 988	1 516 676
Interest expense calculated using the effective interest rate method		<u>(146 432)</u>	<u>(111 876)</u>
Net interest income	10	<u>1 359 556</u>	<u>1 404 800</u>
Fee and commission income		492 546	437 756
Fee and commission expense		<u>(78 953)</u>	<u>(62 769)</u>
Net fee and commission income	11	<u>413 593</u>	<u>374 987</u>
Net trading income	12	140 030	(288 290)
Net income from equity financial instruments at FVTPL	13	(826)	948
Net gains from realisation of financial assets measured at amortised cost	14	27 107	25 501
Net (loss)/ gain from foreign exchange		(73 989)	110 872
Other operating income, net	15	<u>44 150</u>	<u>24 805</u>
Operating income		<u>1 909 621</u>	<u>1 653 623</u>
Impairment losses on financial assets, net	16	(128 749)	(4 020)
Impairment loss on non-financial assets, net	17	(98)	(2 108)
Net (expense)/ income from provisions	40	(2 171)	10 227
Personnel expenses	18	(290 933)	(246 490)
Depreciation and amortisation	19	(66 856)	(60 973)
Other expenses	20	(252 349)	(217 720)
(Loss)/ profit on disposal of subsidiaries	21.2	(58)	604
Share of profit of associates, accounted for using the equity method	47	<u>742</u>	<u>385</u>
Profit before tax		<u>1 169 149</u>	<u>1 133 528</u>
Income tax expense	22	<u>(165 144)</u>	<u>(109 355)</u>
Profit for the year from continuing operations		<u>1 004 005</u>	<u>1 024 173</u>
Discontinued operations			
Profit after tax for the year from discontinued operations	23	<u>-</u>	<u>1 427</u>
Profit for the year		<u>1 004 005</u>	<u>1 025 600</u>
Attributable to:			
Owners of the parent		1 002 453	1 022 582
Non-controlling interest		1 552	3 018

The consolidated statement of profit or loss is to be read together with the Notes from 1 to 50 forming an integral part of the consolidated financial statements.

The consolidated financial statements are authorised for issue from the Management Board and signed on behalf of DSK Bank AD on 14 March 2025.

 _____ Tamás Hák-Kovács Chief Executive Director	 _____ Tsvetoslav Dimov Executive Director	 _____ Lazarina Pencheva Compiler
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Consolidated financial statements on which we have issued audit report dated 17 March 2025

Audit company „Ernst and Young Audit“ OOD – Reg. N ^o 108	Audit company „BDO AFA“ OOD – Reg. N ^o 015
	

Consolidated statement of comprehensive income
For the year ended 31 December 2024

	2024	2023
<i>In thousands of BGN</i>		
Profit for the year	1 004 005	1 025 600
<i>Items that may be reclassified subsequently to profit or loss</i>		
Movement in the investment revaluation reserve for debt instruments measured at fair value through other comprehensive income	17 130	12 456
Profit on revaluation of hedging instruments	1 718	403
Income tax related to OCI items that may be reclassified subsequently to profit or loss	<u>(2 483)</u>	<u>(3 772)</u>
Total items that may be reclassified subsequently to profit or loss	<u>16 365</u>	<u>9 087</u>
<i>Items that will not be reclassified subsequently to profit or loss</i>		
Movement in revaluation reserve for equity instruments designated at fair value through other comprehensive income	9 805	5 746
Revaluation of land and buildings	(312)	(1 277)
Remeasurements of net defined benefit liability	(1 320)	(1 760)
Income tax related to OCI items that will not be reclassified subsequently to profit or loss	<u>(749)</u>	<u>(242)</u>
Total items that will not be reclassified subsequently to profit or loss	<u>7 424</u>	<u>2 467</u>
Other comprehensive income for the year, net of tax	<u>23 789</u>	<u>11 554</u>
Total comprehensive income	<u>1 027 794</u>	<u>1 037 154</u>
Attributable to:		
Owners of the parent	1 026 242	1 034 136
Non-controlling interest	1 552	3 018

The consolidated statement of comprehensive income is to be read together with the Notes from 1 to 50 forming an integral part of the consolidated financial statements.

The consolidated financial statements are authorised for issue from the Management Board and signed on behalf of DSK Bank AD on 14 March 2025.



Tamás Hák-Kovács
Chief Executive Director



Tsvetoslav Dimov
Executive Director



Lazarina Pencheva
Compiler

Consolidated financial statements on which we have issued audit report dated 17 March 2025

Audit company „Ernst and Young Audit“ OOD - <i>Reg. N° 108</i>	Audit company „BDO AFA“ OOD - <i>Reg. N° 015</i>
	

Consolidated statement of financial position
As at December 2024

<i>In thousands of BGN</i>	Note	31-December-2024	31-December-2023
Assets			
Cash and current accounts with the Central Bank and other banks	24	5 810 098	5 810 197
Financial assets held for trading	25	112 478	74 922
Derivative financial instruments	25	79 652	52 503
Investments at fair value through profit or loss	30	3 623	4 450
Assets held for sale	26	1 716	2 334
Investments at fair value through other comprehensive income	30	769 144	932 032
Loans and advances to banks	27	1 795 473	3 030 766
Net receivables from finance lease	28	1 744 568	1 556 304
Loans and advances to customers	29	20 520 082	18 597 439
Investments at amortised cost	30	4 960 244	2 148 765
Current tax assets	22	-	3 658
Investments in associates	47	5 615	4 374
Goodwill	31	78 547	78 547
Investment property	32	18 083	18 526
Right-of-use assets	33	14 778	15 313
Property, plant and equipment	34	445 039	438 473
Intangible assets	35	87 920	84 242
Deferred tax assets	41	470	248
Other assets	36	167 664	157 536
Total assets		<u>36 615 194</u>	<u>33 010 629</u>
Liabilities			
Deposits from banks	37	26 777	66 215
Derivative financial instruments	25	54 829	64 382
Liabilities directly associated with the assets held for sale	23	-	630
Deposits from customers	38	29 249 108	26 381 202
Loans from banks and financial institutions	37	1 493 275	1 206 984
Lease liabilities	39	14 928	15 489
Current tax liabilities	22	44 690	171
Provisions	40	66 609	66 136
Deferred tax liabilities	41	19 054	18 044
Other liabilities	42	176 715	172 821
Subordinated debt	43	449 841	450 090
Total liabilities		<u>31 595 826</u>	<u>28 442 164</u>

Consolidated financial statements on which we have issued audit report dated 17 March 2025

Audit company „Ernst and Young Audit“ OOD – REG. N ^o 108	Audit company „BDO AFA“ OOD – REG. N ^o 015
	

Consolidated statement of financial position
As at 31 December 2024
(continued)

<i>In thousands of BGN</i>	Note	31-December-2024	31-December-2023
Shareholder's equity			
Share capital	44	1 328 660	1 328 660
Reserves	44	2 627 971	2 153 056
Retained earnings		<u>1 062 036</u>	<u>1 080 083</u>
Equity attributable to the owners of the parent		<u>5 018 667</u>	<u>4 561 799</u>
Non-controlling interest		<u>701</u>	<u>6 666</u>
Total shareholder's equity		<u>5 019 368</u>	<u>4 568 465</u>
Total liabilities and shareholder's equity		<u>36 615 194</u>	<u>33 010 629</u>

The consolidated statement of financial position is to be together with the Notes from 1 to 50 forming an integral part of the consolidated financial statements.

The consolidated financial statements are authorised for issue from the Management Board and signed on behalf of DSK Bank AD on 14 March 2025.

 <hr style="width: 100%;"/> <p>Tamás Hák-Kovács Chief Executive Director</p>	 <hr style="width: 100%;"/> <p>Tsvetoslav Dimov Executive Director</p>	 <hr style="width: 100%;"/> <p>Lazarina Pencheva Compiler</p>
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Consolidated financial statements on which we have issued audit report dated 17 March 2025

Audit company „Ernst and Young Audit“ OOD - Reg. № 108	Audit company „BDO AFA“ OOD - Reg. № 015
	

Consolidated statement of cash flows
For the year ended 31 December 2024

<i>In thousands of BGN</i>	Note	2024	2023
Cash flow from operating activities			
Profit before taxation from continuing operations		1 169 149	1 133 528
Profit before taxation from discontinued operations	23	-	1 480
<i>Adjustments for:</i>			
Impairment losses on financial assets, net	16	128 749	4 020
Impairment loss on non-financial assets, net	17	98	2 108
Depreciation and amortization	19	66 856	60 973
Net (gains)/ losses from operations with investments		(139 204)	287 342
Net losses/ (gains) from foreign exchange		73 989	(110 872)
Net interest income	10	(1 359 556)	(1 404 800)
Dividend income	15	(3 111)	(640)
Loss/ (profit) on disposal of subsidiaries	21.2	58	(604)
Share of profit of associates	47	(742)	(385)
Net expense/ (income) from provisions		2 171	(10 227)
Other non cash changes		873	(1 443)
Net cash flow used in operating activities before movements in operating assets and liabilities		(60 670)	(39 520)
Movements in operating assets			
Increase in securities held for trading		(34 093)	(20 248)
Decrease/ (increase) in loans and advances to banks		1 140 720	(246 535)
Increase in loans and advances to customers		(2 046 974)	(3 131 596)
Increase in finance lease receivables		(188 264)	(197 894)
Decrease/ (increase) in other assets		129 244	(255 568)
Movements in operating liabilities			
(Decrease)/ increase in deposits from banks		(39 438)	6 029
(Decrease)/ increase in loans from banks and financial institutions		(6 611)	72 568
Increase in deposits from customers		2 782 697	2 503 717
Decrease in other liabilities		(7 203)	(10 928)
Cash generated from operations		1 669 408	(1 319 975)
Interest received		1 562 649	1 496 327
Interest paid		(145 859)	(110 713)
Income tax paid		(119 468)	(106 985)
(Payments to)/ receipts from own pension funds and other pension companies		(41)	22
Net cash flow from/ (used in) operating activities		2 966 689	(41 324)

Consolidated financial statements on which we have issued audit report dated 17 March 2025

Audit company „Ernst and Young Audit“ OOD - REG. N ^o 108	Audit company „BDO AFA“ OOD - REG. N ^o 015
	

Consolidated statement of cash flows
For the year ended 31 December 2024
(continued)

<i>In thousands of BGN</i>	Note	2024	2023
Cash flow from investing activities			
Acquisition of property, plant and equipment, and intangible assets		(88 575)	(77 672)
Sales of property, plant and equipment, and intangible assets		16 195	16 165
Purchase of securities		(3 516 534)	(718 093)
Sale of securities		909 130	413 330
Dividends received		822	640
Acquisition of additional interest in a subsidiary	21.1	(15 627)	-
Sale of a subsidiary, net of cash disposed	21.2	(2 332)	2 203
Net cash flow used in investing activities		<u>(2 696 921)</u>	<u>(363 427)</u>
Cash flow from financing activities			
Loans and subordinated debt received	46	293 375	674 761
Dividends paid		(560 127)	(252 745)
Repayment of the lease liabilities	46	(6 806)	(7 320)
Net cash flow (used in)/ from financing activities		<u>(273 558)</u>	<u>414 696</u>
Net (decrease)/ increase in cash and cash equivalents		<u>(3 790)</u>	<u>9 945</u>
Effect of foreign exchange rate changes		4 204	(127)
Cash and cash equivalents at the beginning of the year	46	<u>5 810 404</u>	<u>5 800 586</u>
Cash and cash equivalents at the end of the year	46	<u>5 810 818</u>	<u>5 810 404</u>

The consolidated statement of cash flows is to be read together with the Notes from 1 to 50 forming an integral part of the consolidated financial statements.

The consolidated financial statements are authorised for issue from the Management Board and signed on behalf of DSK Bank AD on 14 March 2025.

 _____ Tamás Hák-Kovács Chief Executive Director	 _____ Tsvetoslav Dimov Executive Director	 _____ Lazarina Pencheva Compiler
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Consolidated financial statements on which we have issued audit report dated 17 March 2025

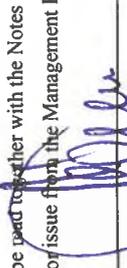
Audit company „Ernst and Young Audit“ OOD - REG. N ^o 108	Audit company „BDO AFA“ OOD - REG. N ^o 015
	

**Consolidated statement of changes in equity
for the year ended 31 December 2024**

In thousands of BGN

	Share capital	Statutory and other reserves	Revaluation reserve - land and buildings	Revaluation reserve from financial assets	Defined benefit pension reserve	Share-based payment reserve	Retained earnings	Total Equity attributable to the owners of the parent	Non-controlling interest	Total equity
Balance as of 1 January 2023	1 328 660	1 709 998	146 426	(38 516)	(682)	787	630 968	3 777 641	6 496	3 784 137
Total comprehensive income	-	-	-	-	-	-	1 022 582	1 022 582	3 018	1 025 600
Profit for the year	-	-	(1 149)	14 225	(1 522)	-	-	11 554	-	11 554
Other comprehensive income	-	-	(1 149)	14 225	(1 522)	-	1 022 582	1 034 136	3 018	1 037 154
Total comprehensive income	-	-	(1 622)	-	-	-	1 622	-	-	-
Transfer of revaluation reserve from land and buildings, net of tax	-	-	-	-	-	(497)	497	-	-	-
Transfer of share-based payment reserve	-	-	-	-	-	-	(325 946)	-	-	-
Distribution of profit for reserves	-	325 946	-	-	-	-	(250 000)	(250 000)	(2 848)	(252 848)
Distribution of dividends	-	-	-	-	-	-	360	22	-	22
Other movements	-	(339)	-	-	1	-	-	-	-	-
Balance as of 31 December 2023	1 328 660	2 035 605	143 655	(24 291)	(2 203)	290	1 080 083	4 561 799	6 666	4 568 465
Total comprehensive income	-	-	-	-	-	-	1 002 453	1 002 453	1 552	1 004 005
Profit for the year	-	-	(281)	25 259	(1 189)	-	-	23 789	-	23 789
Other comprehensive income	-	-	(281)	25 259	(1 189)	-	1 002 453	1 026 242	1 552	1 027 794
Total comprehensive income	-	-	(3 817)	-	-	-	3 817	-	-	-
Transfer of revaluation reserve from land and buildings, net of tax	-	-	-	-	-	(290)	290	-	-	-
Transfer of share-based payment reserve	-	-	-	-	-	-	(454 948)	-	-	-
Distribution of profit for reserves	-	454 948	-	-	-	-	(558 373)	(558 373)	(2 142)	(560 515)
Distribution of dividends	-	-	-	-	-	-	(10 960)	(10 960)	(4 667)	(15 627)
Acquisition of non-controlling interest (Note 21.1)	-	-	-	-	-	-	-	-	(708)	(708)
Disposal of a subsidiary (Note 21.2)	-	-	-	-	-	-	(326)	(41)	-	(41)
Other movements	-	285	-	-	-	-	-	-	-	-
Balance as of 31 December 2024	1 328 660	2 490 838	139 557	968	(3 392)	-	1 062 036	5 018 667	701	5 019 368

The consolidated statement of changes in equity is to be read together with the Notes from 1 to 50 forming part of the consolidated financial statements.
The consolidated financial statements are authorised for issue from the Management Board and signed on behalf of DSK Bank AD on 14 March 2025.


Tamár Luk Kovács
Chief Executive Director


Tsvetoslav Dimov
Executive Director


Lazarina Pencheva
Compiler

Consolidated financial statements on which we have issued audit report dated 17 March 2025
Audit company „Ernst and Young Audit“ OOD – REG. N°108

Audit company „BDO AFA“ OOD – REG. N°015





1. Legal status and governance

DSK Bank AD (The "Bank" or DSK Bank) was incorporated on 2 March 1951 in Bulgaria as a centralised deposit accepting institution under the name "State Savings Bank". In 1998, when the Act of DSK transformation was passed, DSK Bank EAD (The "Bank") was transformed into a commercial bank. Later the Bank receives a full banking license to operate as a commercial bank issued by Bulgarian National Bank.

The Bank is a joint-stock company registered with the Trade Register of Republic of Bulgaria with UIC 121830616. The head office and registered address is 19 Moskovska str., Oborishte district, Sofia.

The majority shareholder of the Bank is OTP Bank Nyrt, registered in Republic of Hungary, holding 99.92% of the capital of DSK Bank AD as at 31 December 2024 and 31 December 2023.

The Bank has a two-tier system – Management Board and Supervisory Board.

As of 31 December 2024, those charged with governance are the Supervisory Board and the Audit Committee.

As of 31 December 2024 the members of the Supervisory Board are: László Bencsik – Chairman of the Supervisory Board; László Wolf, Violina Marinova, Tamas Bernath, Anthony Radev, Edina Berlinger and Zsuzsanna Bereczki.

As of 31 December 2024, the Management of the Bank is represented by the Management Board composed by, namely: Tamás Hák-Kovács – Chairman of the Management Board and CEO; Slaveyko Slaveykov, Boyan Stefov, Dorothea Nikolova, Dimitar Dilov, Mihail Komitski and Tsvetoslav Dimov – Members of the Management Board and Executive Directors.

According to the Law on Credit Institutions, the Bank statute regulations and its legal registration, the Bank is duly represented simultaneously by two Executive Directors.

An Audit Committee is functioning within the Bank and is in charge of monitoring the work of external auditors, internal audit performance, risk management, accounting activities and financial reporting. As of 31 December 2024, the Audit Committee is composed of: Chairman Dragomir Vuchev; members - Zoltan Tuboly, Daniela Petrova and Yordan Karabinov.

These consolidated financial statements comprise DSK Bank AD, and its subsidiaries listed in Note 5.3 below (together referred to as the Group).

2. Basis of measurement

The consolidated financial statements of the Group have been prepared on the historical cost basis except for the derivative financial instruments, financial assets and financial liabilities held for trading and financial assets measured at fair value through other comprehensive income, which are carried at fair value, and land and buildings that are stated at revalued amounts.

The management has made an assessment of the ability of the Group to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern. The Group continues to settle its liabilities as they become due, maintain liquidity and meet capital requirements. Therefore, the financial statements continue to be prepared on the going concern basis.

2.1. Statement of compliance and presentation

These consolidated financial statements have been prepared in accordance with IFRS accounting standards as issued by the International Accounting Standards Board (IASB) and endorsed by the Commission of European Union (EU). The “IFRS accounting standards” reporting framework is in substance the national accounting framework, namely the International Accounting Standards (IAS) as adopted by EU, which is regulated by the Accountancy Act and defined in point 8 of its Additional Provisions.

The Group presents its statement of financial position in order of liquidity of the assets and liabilities.

2.2. Functional and presentation currency

These financial statements are presented in BGN, which is the Group’s functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

2.3. Comparative information

In these financial statements, the Group presents comparative information for the previous year.

Whenever necessary, comparative data is being reclassified (and recalculated), in order to achieve coherence and comparability according to changes in the presentation for the current year.

In these consolidated financial statements, comparative information has been amended, mostly in Notes 7.4.8.2, 7.4.8.6, 9, 11 and 46, in order to achieve better presentation and disclosure.

Comparative information has not been affected following the change in accounting policy disclosed in Note 3.1.

2.4. Impact of novel risks on the financial reporting

The geopolitical situation has remained dynamic throughout 2024 and it is expected to continue to affect the business environment in the following year. Russia’s invasion of Ukraine on 24 February 2022 and the ongoing conflict in the Middle East are only two of the multiple factors contributing to a higher uncertainty. The policy of the United States of America only adds uncertainty related to applicable economic barriers to free trade with a number of countries as well as the European Union. Possible trade wars and related consequences thereto, combined by the strong division of Western societies; lack of, temporary or fragile, coalition majorities and enhanced influence of nationalist political movements, have been profoundly shaping the investment climate in Bulgaria and Europe. In addition to disruption of the usual supply chains, the main consequences of this uncertainty include shortages and fluctuations in the prices of raw materials (particularly oil), exchange rate volatility, destruction and loss of assets, increased energy costs, prolonged periods of inflation above targeted levels (determined by central banks), increased interest rates and others. General geopolitical uncertainty leads to economic uncertainty and affects all economic entities, regardless of whether they have direct exposures in any of the countries affected in the form of assets, markets, or partners. Political sanctions are also imposed, which prevent travel, commercial exchanges, international payments, access to and disposal of own cash and equivalents and other assets. Financial reporting challenges cover a range of topics, including the validity of the going concern assumption; forecasting future cash flows; fair value measurement; se of estimates and judgements; recoverability of assets and amount of expected credit losses; classification of assets and liabilities into current and non-current in the statement of financial position; change in the classification of financial assets as a result of a change in the business model; need for disclosures related to asset restrictions, e.g. blocked funds as a result of imposed sanctions; modification of leases; effectiveness of hedging relationships; restructuring etc.

The effects of geopolitical uncertainty and novel risks on the elements of the consolidated financial statements, estimates and judgements, and Group risk management policies are disclosed in Notes 4.1, 4.3, 4.5, 4.6 and 7.4.

3. New standards and amendments to existing standards and interpretations

3.1. Change in accounting policy

In the current year the Group made a voluntary change in its accounting policy for the date of recognition of financial assets disclosed in Note 6.6.3 whereby the date of recognition was changed from settlement date to trade date. The Group believes that the change will improve the reliability and relevance of information for the users of the financial statements. The effects on the items of financial statements are not material and therefore, the change has not been applied retrospectively.

3.2. Initial application of new amendments to existing standards and interpretations effective for the current reporting period

The following amendments to existing standards and interpretations issued by the International Accounting Standards Board (IASB) and adopted by the EU are effective for the current reporting period:

- Amendments to IAS 1 Presentation of financial statements: *Classification of Liabilities as Current and Non-current and Non-current Liabilities with Covenants*, adopted by the EU on 19 December 2023 (effective for annual periods beginning on or after 1 January 2024);
- Amendment to IFRS 16 Leases: *Lease Obligation on Sale and Leaseback*, adopted by the EU on 20 November 2023 (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* adopted by the EU on 15 May 2024 (effective for annual periods beginning on or after 1 January 2024).

The adoption of these amendments to the existing standards has not led to any material changes in the Group's consolidated financial statements.

3.3. Amendments to existing standards issued by IASB and adopted by the EU but not yet effective

As of the date of authorisation of these consolidated financial statements, the following new standards, amendments to existing standards or interpretations are issued by IASB and adopted by the EU, but are not yet effective:

- Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: *Lack of Exchangeability* adopted by the EU on 12 November 2024 (effective for annual periods beginning on or after 1 January 2025).

3.4. New standards and amendments to existing standards issued by IASB but not yet adopted by the EU

At present, IFRS accounting standards as adopted by the EU do not significantly differ from those adopted by IASB, except for the following new standards, amendments to existing standards and new interpretations, which have not yet been adopted by EU as at the date of approval of these consolidated financial statements:

- IFRS 18 Presentation and Disclosure in Financial Statements (effective for annual periods beginning on or after 1 January 2027);

- Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7) (effective for annual periods beginning on or after 1 January 2026);
- IFRS 19 Subsidiaries without Public Accountability: Disclosure (effective for annual periods beginning on or after 1 January 2027);
- Annual Improvements Volume 11 (effective for annual periods beginning on or after 1 January 2026);
- Amendments to IFRS 9 and IFRS 7: *Contracts Referencing Nature-dependent Electricity* (effective for annual periods beginning on or after 1 January 2026);
- Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sales or Contributions of Assets Between an Investor and its Associate or Joint Venture (the effective date has been postponed for indefinite time).

The Group is in the process of analyzing the impact that the adoption of these new standards, amendments to the existing standards may have on the consolidated financial statements of the Group in the period of initial application.

Hedge accounting for a portfolio of financial assets and liabilities, the principles of which have not been adopted by the EU, remains unregulated.

4. Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Management discusses with the Group Audit Committees the development, selection and disclosure of the Group's critical accounting policies and estimates, and the application of these policies and estimates.

4.1. Impact of novel risks on estimates and judgements

As described in Note 2.4 above, as a result of the heightened uncertainty on a global scale associated with emerging novel risks increasing the overall level of uncertainty, developing reliable estimates and applying judgment has faced new challenges. ECL accounting has become particularly difficult in the current circumstances and requires significant judgment. The ECL model is forward-looking and is based on a probability-weighted approach. Measurement of ECLs at each reporting period reflects reasonable and supportable information about past events, current conditions, and forecasts of future events and economic conditions. During this period of greater economic uncertainty, it is very difficult to forecast future events and the macroeconomic inputs used in ECL modelling. Determining macroeconomic scenarios and assigning probabilities to these scenarios requires significant judgment. The Bank applies expert credit judgment to adjust modelled ECL results when it becomes evident that known or expected risk factors and information were not considered in the credit rating and modelling process. As a result of the novel risks and the uncertain economic environment, financial institutions are faced with new challenges in measurement of ECLs especially due to the fact that key inputs in the models do not always encompass periods marked by such uncertainty. In order to reflect novel risks, in the last quarter of 2024 the Group further developed the process of classification and provisioning of loan receivables by implementing methodologies which support the measurement and reporting of novel risks.

4.2. Determination of control over investment and pension funds

The Group manages a number of investment funds through DSK Asset Management AD which has licenses issued by the Financial Supervision Commission of Republic of Bulgaria to organize and manage these funds. In order to determine whether it controls the investment funds, the Group usually focuses on the assessment of the aggregate economic interests of the Group in the fund (comprising any carried interest and expected management fees) and the investors' rights to remove the fund manager. For all funds managed by the Group, the investors are not able to vote to remove the fund manager without a reason, and the Group's aggregate economic interest is insignificant. As a result, the Group has concluded that it acts as agent for the investors in all cases, and therefore has not consolidated these funds.

In addition, DSK Rodina Pension Company AD manages Universal Pension Fund, Professional Pension Fund, Voluntary Pension Fund, Voluntary Pension Fund with Occupational Schemes, Lifelong Pension Guarantee Fund and Deferred Payment Fund, which are also excluded from the Consolidated Financial Statements of the Group as these funds are managed by the entity on behalf of third parties and acts as an agent for the investors in all cases.

4.3. Expected credit losses from financial assets

The Group regularly assesses its financial instruments for impairment. Management determines the adequacy of the allowances based upon reviews of individual loans and placements, recent loss experience, current economic conditions, the risk characteristics of the various categories of loans and other pertinent factors. The use of three stage model is implemented for the purposes of the IFRS accounting standards as adopted by the EU. The impairment methodology is used to classify financial instruments in order to determine whether credit risk has significantly increased since initial recognition and to identify credit-impaired assets. For credit-impaired instruments, or instruments with a significant increase in credit risk, lifetime expected losses will be recognized.

In addition, a new source of uncertainty and increased risk related to first line effects (directly affected clients), as well as second line effects (indirectly affected clients – for example suppliers or clients of directly affected clients of the Bank or its subsidiaries) emerged with the start of the military conflict in Ukraine in February 2022 for the credit institutions. The supplies interrupted by the military conflict have led to a rise in prices of commodities in Europe, sharply increased prices of energy suppliers and added an inflation and interest rate pressure over the European economies. This has pushed the efforts to measure novel risks, which in many cases had not been observed in the past or their impact on the historical data inputs had not been of such a magnitude. Additionally, in July 2024 the European Central Bank published a document illustrating the preferred (determined as best) practices for capturing novel risks in loan loss provisions.¹

In order to reflect the possible and expected effects of novel risks and taking into consideration best practices, the Group has developed and applied methodologies linking the factors affected by the respective risks, to risk parameters, which influence the measurement of ECLs either directly, or through classification based on a significant increase in credit risk.

The estimate of the expected credit losses from government bonds carried at fair value through other comprehensive income and government bonds at amortised cost is based on a model which includes the credit rating and the probability of default of the respective country.

¹ [IFRS 9 overlays and model improvements for novel risks \(europa.eu\)](https://www.europa.eu)

4.4. Accounting for acquisition of subsidiaries

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The application of the acquisition method requires significant assumptions and estimates with respect to determining the acquisition date and the recognition and measurement the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree, as well as the recognition and measurement of goodwill. The applied management assumptions and judgements are based on the share purchase agreements terms, other relevant documents and the application of industry accepted valuation models.

4.5. Fair value of financial instruments, not traded on active markets

In case when fair values of financial assets and liabilities in the statement of financial position cannot be obtained from active markets, these are defined through different measurement techniques using models. The basic data for these models is extracted from indicators observed where possible on financial markets; otherwise, assumptions are made for establishing of fair values. These assumptions take into consideration factors related to liquidity, volatility for long – term derivatives and discount ratios, pre – term repayments and probabilities of default for asset – backed securities (Note 9). The past 2024 year was marked by the military conflicts between Russia and Ukraine, Israel and Hamas, as well as the president elections in the USA. Economic data and the USA elections were key topics. Central banks discontinued their policies of increasing interest rates in 2024, and some of them even started decreasing base rates. Markets expect further decreases of base rates in 2025. The changes in the policy of the USA are expected to be seen. Market movements depend on many market participants' expectations about the social and economic processes and trends, which will be the main factors for the companies' performance and the market as a whole. Inflation is expected to decrease gradually, escalation of the military conflicts to be avoided, and interest rates to reach stable levels.

4.6. Revaluation of land and buildings

The Bank applies the revaluation model to land and buildings using the services of licensed appraisers to perform the valuations (Note 34). The appraisers use appropriate valuation methods and techniques using observable market data, to the extent such data is readily available and accessible. When there are significant non-observable inputs in the valuation model, the fair value will be sensitive to any changes of those inputs.

The economic slowdown, the military conflict in Ukraine, the inflation and rising of energy prices have continued to impact the domestic real estate market. Nevertheless, the prices of residential properties in Bulgaria have continued to rise gradually, especially in big cities, and at a moderate rate in the rest of the country. Although investors raised property prices, they managed to meet potential buyers who, supported by the good conditions of the labor market and credit prices, continue to be interested in buying new properties.

The office premises domestic market was influenced by the hybrid regime of work, on which employers tended to rely. The enhanced requirements of office space tenants as to the energy effectiveness of buildings and management cost efficiency remained a challenge and has led to a slow outflow of those willing to rent large office premises. Last but not least, the cost of financing construction of new office buildings remained high. It is observed that class B and C unrented office premises are increasing in number while class A office spaces with good location is the preferred option.

As a result of the market analysis performed as of 31 December 2024, management has concluded that the carrying amounts of land and buildings used as office premises are close to their fair values. Consequently, no new appraisal has been performed as at the end of the current reporting period.

4.7. Provisions for litigation settlements

For all open cases against the Group, the management assesses the probability and the risks of negative outcome and charges provisions in cases when a higher than 50% probability of unfavourable outcome for the Group is distinguished or in case of potential risks of increase in claims from the Group's customers concerning contract payments for products and services (Note 40).

4.8. Impairment of goodwill and intangible assets

In order to determine the recoverable amount of goodwill and the intangible assets recognized in business combinations, the Group uses models, incorporating future cash flows and a number of assumptions, including discount rates, customer churn rate, useful life of intangible assets, etc. For the future cash flows, the Group uses the budgets approved by management which reflect current and expected market conditions. The macroeconomic and geopolitical situation raise significant uncertainty as to the reasonableness of judgements used in determining the recoverable amount of goodwill and intangible assets, as well as the eventual need for impairment.

4.9. Impact of the climate risk on estimates and judgements

Based on assessment of the materiality of climate-related and environmental risks, the Group incorporates climate-related and ecological matters in its estimates and analyses. This process may contribute to increasing the level of uncertainty inherent to estimates and judgments. The assessment includes a wide range of possible impacts on the Group due to both physical risks and risks of transition to a net-zero economy, to which the Group and its customers are exposed. Climate risk and the risk of natural disasters tend to materialize through the traditional risks monitored by the Group. The most recent analysis of the materiality of these risks prepared by the Group shows that materialization is through credit risk, operational risk (including reputational risk), and business and strategic risk.

- Credit risk - customers with exposure to climate risk may have a resultant deterioration in creditworthiness or underlying collateral received from them may decrease in value, and a consequential impact on ECL. Transition risks may result from government or institutional policy changes, with consequential credit quality deterioration in sectors or countries affected. The Group has performed an analysis and identified the sectors in its corporate portfolio representing medium-, medium to high or high transition risk (reflecting the overall level of risk, including both transition risk and financial risk associated with the customer location and collateral provided). The results of the analysis are used for determining risk indicators, which are incorporated in credit assessment and monitoring of customers;
- Operational risk – physical risks, especially the risk of floods, may impact the Group's operations (for example, the branch network, data processing and data storage facilities, infrastructure) and cause a long-term damage as climate continues to change. Considering the wide network of branches and ATM machines, it is still a matter of concern, although short-term impacts are mitigated by insurance coverage. In addition, shortages of water supply can make the affected regions less attractive, lead to migration and question the sustainability of the branch-network business model. The results of the physical risk analysis are used to determine risk indicators monitored by the Group, which are integrated in the risk management framework (for example, operational risk indicators for natural disasters);

- Business and strategic risk – climate- and natural-disaster risks are integrated in the Group’s key processes related to provisioning and capital adequacy assessment. These risks are part of the wider strategy for risk management aligned to the requirements of IFRS 9. In relation to capital adequacy, the Group has developed and implemented additional means covering climate- and natural-disaster risks both from regulatory and economic perspective. Management of these risks is performed through the traditional risks determined by the Group as material, namely: credit risk, operational risk (including reputational risk), and business and strategic risk;
- Fair value measurement - the Group has assumed that any climate change variables incorporated in fair value measurement are those that market participants would consider when pricing the asset or liability, in line with IFRS 13 Fair Value Measurement. Consequently, the Group concluded that climate risk has been adequately reflected within the fair value of its assets and liabilities.

Currently, climate-related risks have an impact on loan loss provisions by manifesting as risks related to collateral provided by customers and risks related to the business operations of customers engaged with such activity. Management is closely monitoring relevant changes and developments in climate-related regulations.

5. Basis of consolidation

The consolidated financial statements of the Bank incorporate the separate financial statements of the Bank and those of the entities controlled by the Bank (its subsidiaries) as of 31 December each year. Control is achieved when the Bank:

- has the power over the investee;
- is exposed, or has rights, to variable return from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Bank reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Bank has less than a majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Bank considers all relevant facts and circumstances in assessing whether or not the Bank’s voting rights in an investee are sufficient to give it power, including:

- the size of the Bank’s holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Bank, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Bank has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders’ meetings.

Consolidation of a subsidiary begins when the Bank obtains control over the subsidiary and ceases when the Bank loses control over the subsidiary. Specifically, the results of subsidiaries over which control is acquired or lost during the year are included in the consolidated statement of profit or loss from the date the Bank gains control until the date when the Bank ceases to control the subsidiary.

Profit or loss and each component of OCI are attributed to the owners of the Bank and to the respective non-controlling interests (NCI). Total comprehensive income of the subsidiaries is attributed to the owners of the Bank and to the NCI even if this results in the NCI having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with the Group's accounting policies.

In the consolidated financial statements, the financial information of the subsidiaries is consolidated under the 'full consolidation' method, line-by-line. The investments of the parent company are eliminated against its share in the equity of the subsidiaries at the date of acquisition. All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Group are eliminated on consolidation, with the exception of foreign currency gains and losses on intragroup monetary items denominated in a foreign currency of at least one of the parties.

NCI in subsidiaries are identified separately from the Group's equity therein. Those interests of non-controlling shareholders that are present ownership interests entitling their holders to a proportionate share of net assets upon liquidation may initially be measured at fair value or at the NCI's proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of NCI is the amount of those interests at initial recognition plus the NCI's share of subsequent changes in equity.

Changes in the Group's interests in subsidiaries already controlled, that have not resulted in a loss of control, are accounted for as equity transactions. The carrying amount of the controlling and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. The difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Parent Company.

When the Group loses control of a subsidiary, the gain or loss on disposal recognised in profit or loss is calculated as the difference between (1) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (2) the previous carrying amount of the assets (including goodwill), less liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as required/permitted by applicable IFRS Standards). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 Financial Instruments when applicable, or the cost on initial recognition of an investment in an associate or a joint venture.

5.1. Accounting for business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. Applying the acquisition method requires:

- a. identifying the acquirer;
- b. determining the acquisition date;
- c. recognising and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree; and
- d. recognising and measuring goodwill or a gain from a bargain purchase.

5.1.1. Recognition principles

At the acquisition date, the Group (the acquirer) recognizes the acquiree's identifiable assets, liabilities and contingent liabilities at their fair values at the acquisition date and recognises goodwill which is subsequently tested for impairment.

To qualify for recognition, the identifiable assets acquired, and liabilities assumed must meet the definitions of assets and liabilities in the Conceptual Framework and the respective IFRS at the acquisition date.

At the acquisition date the identifiable assets acquired, and liabilities assumed are classified or designated as necessary to apply other IFRS Standards subsequently. The Group makes those classifications and designations on the basis of contractual terms, economic conditions, its operating or accounting policies and other pertinent conditions as they exist at the acquisition date.

When a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is provisional by the end of the reporting period in which the combination occurs, the Group reports provisional amounts (with a certain degree of estimation) for the items for which the accounting is still in progress. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

5.1.2. Goodwill

Goodwill arising in a business combination is measured as the excess of the sum of the consideration transferred over the participation of the acquirer in the fair value of the identifiable assets, liabilities and the contingent liabilities of the acquiree. If the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period. On disposal of a cash generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

As of the acquisition date, the Group recognises, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree.

5.2. Accounting for business combinations of entities under common control

Business combinations of entities under common control are transactions whereby the combining entities are ultimately controlled by the same party both before and after the transaction, and control is not transitory. In contrast to the separate financial statements, in which a legal merger of an entity previously acquired, represents a business combination under IFRS 3 that should be accounted for under the acquisition method, and the acquired identifiable net assets are recognized at their carrying amounts from the consolidated financial statements as at the merge date, the legal merger of a subsidiary into its parent company DSK Bank is reported as a common control transaction in the consolidated financial statements, which does not affect the Group structure from the Group's perspective. Accordingly, common control transactions are out of the scope of IFRS 3 as regards the consolidated financial statements. For this reason, the Group management has applied its own judgement in the selection and application of such accounting policies, which provide the most appropriate, relevant and reliable financial information in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors".

The Group has selected to apply the so called "pooling of interests method" in accounting for common control transactions, including merger of subsidiaries that have been consolidated prior to the merger. Under this method, the carrying amounts of assets and liabilities of the merging company as per the consolidated financial statements become assets and liabilities of the successor entity (the Bank), while the consolidated financial statements remain unchanged after the merger. When the non-controlling shareholders of the merging entity become shareholders in DSK Bank, it is accounted for as a transaction between owners. The Group continues to report the goodwill recognized on the acquisition of the merging subsidiary, however allocated to the already united (merged) cash generating unit.

5.3. Subsidiaries

Subsidiaries are those companies controlled by the Bank. The Group controls an entity when has power over the company and it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

As of 31 December 2024 and 2023 DSK Bank has the following fully consolidated subsidiaries:

Entity	Main activity	Effective ownership interest %	
		31-December-2024	31-December-2023
DSK Rodina Pension Company AD	Pension fund management	99.85%	99.85%
DSK Leasing AD	Finance lease	-	60.02%
OTP Insurance Broker EOOD	Insurance brokerage	100.00%	60.02%
dsk Ventures EAD	Marketing, development and implementation of information systems	100.00%	100.00%
DSK Dom EAD	Credit intermediary	100.00%	100.00%
OTP Leasing EOOD	Finance lease	100.00%	100.00%
Regional Urban Development Fund AD	Financing of urban development projects	52.00%	52.00%

As of 31 December 2023 the Group holds 66% of the share capital of DSK Asset Management AD, a company engaged in management of investment schemes. For the year ending 31 December 2023, the Group has applied the requirements of IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* as regards the results of operations of this entity (Note 23). As at the end of the current year, the residual interest in the entity is valued under the equity method (Note 5.4).

In June 2024, the Bank acquired the remaining 39.98% of the capital of DSK Leasing AD by purchasing the shares from the company's non-controlling shareholder (see also Note 21.1). Following this transaction, DSK Leasing EAD was transformed by merger into OTP Leasing EOOD, which is its universal successor.

OTP Insurance Broker EOOD is owned directly by OTP Leasing EOOD and DSK Leasing AD as of 31 December 2024 and 2023, respectively.

In 2023, the Group disposed of its subsidiaries DSK Trans Security AD and DSK Tours - in liquidation EOOD through sale (Note 21.2) and liquidation (Note 26), respectively.

5.4. Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. Investments in associates are accounted for under the equity method. Equity accounting involves recognition of the Bank's share of the total recognized gains and losses of associates for the year in the statement of profit or loss. The Bank's interest in the associates is carried in the statement of financial position at an amount that reflects its share of the net assets of the associate.

As of 31 December 2024, DSK Bank owns 25% of the share capital of Cash Services Company AD and DSK Asset Management AD and has significant influence over the financial and operating policies of these companies (Note 47).

6. Summarised information about the accounting policy applied

6.1. Interest income and expenses recognition

In the consolidated statement of profit or loss interest income and expenses include:

- interest on financial assets and liabilities at amortised cost calculated on an effective interest basis;
- interest on securities at fair value through other comprehensive income calculated on an effective interest basis.

Interest income and expenses are recognised in the consolidated statement of profit or loss using the effective interest rate method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial asset but not future credit losses.

The calculation of the effective interest rate includes all fees paid or received as well as discounts and premiums which are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

Interest revenue on receivables with risk Stage 3 and purchased credit-impaired receivables, including with delays in payments over 90 days on a collective assessment basis.

For these financial assets, the Group recognizes interest on the basis of the net amortized cost of the receivables. For this purpose, a corrective adjustment is calculated for the difference between the contractually accrued interest on the basis of EIR on the gross value of the financial asset and the calculated interest on the EIR basis of the amortized cost of the asset less the loss allowance for expected credit losses.

Interest revenue on receivables with risk Stage 3 and purchased credit-impaired receivables including with delays in payments over 90 days on individual assessment basis with credit impairment based on unwinding when the receivable is expected to be covered by the contractual cash flows from collateral or other cash flows.

For these financial assets, the Group recognizes interest on the basis of the discounted unwinding cash flows by accruing an adjustment for the difference between the contractually accrued interest on the basis of EIR on the gross value of the financial asset and the difference between the present values of the unwinding cash flows in the separate reporting periods discounted with the EIR. The adjustment is reported in the income statement as a decrease of interest income.

6.2. Foreign currency transactions

Upon initial recognition, each foreign currency transaction is reported in the functional currency (Bulgarian Lev) by applying the exchange rate at the date of the transaction to the amount of the foreign currency. Monetary assets and liabilities denominated in foreign currencies and stated at historical cost, are translated at the foreign exchange rate ruling at that date. Foreign exchange rate differences arising on translation are recognized in the statement of profit or loss. Non-monetary assets and liabilities initially denominated in a foreign currency are reported in the functional currency using the historical exchange rate at the date of the transaction.

The effects of exchange differences related to the settlement of foreign currency transactions or the reporting of foreign currency transactions at rates different from those for which they were initially recognized are included in the current profit or loss of their occurrence to the item "net trading income".

6.3. Fees and commissions

Fees and commission income, including account servicing fees, investment management fees, sales commission, guarantees, and letter of credit fees are recognised as the related services are performed.

Fees and commission expenses related mainly to transaction and service fees, which are expensed as the services are received.

Performance obligations and revenue recognition policies

Fee type	Nature and timing of satisfaction of performance obligations, and the significant payment terms	Revenue recognition under IFRS accounting standards as adopted by the EU
Fees and commissions related to payment transactions	<p>The Group provides to its customers a variety of services, related to withdrawals and depositing funds into bank accounts, payments in local and foreign currency, according to which different fees are applied.</p> <p>In the case of transaction – based fees (for example in the case of cash withdrawal either a POS/ATM payment fee or a fee for cash withdrawal in the Group`s offices is charged, etc.) the fee is due immediately after the transaction takes place or once per month. The fee is usually defined in % of the transaction amount with a pre – defined fixed minimum amount.</p> <p>For services resulting in bank transfer of money, the fee is charged when the transaction takes place. These fees are defined in fixed amount or in %.</p> <p>The Group performs a regular pricing review of applicable fees and commissions.</p>	<p>Transaction-based fees are charged when the transaction takes places or monthly at the end of the month.</p>
Fees and commissions related to credit deals	<p>The Group offers a number of account management services for both retail and companies, and also provides its clients with various types of credit cards charged at differentiated levels.</p> <p>Fees related to these services are mainly connected with account management, credit card issuing, annual bank card fees and other fees for usual account services.</p> <p>Annual bank card fees are defined as fixed amount depending on the card type.</p> <p>The Group performs a regular pricing review of applicable fees and commissions.</p>	<p>Fees for current account management services are on a monthly basis.</p> <p>Fees on one – off services are charged at the moment of service delivery.</p>
Fees and commissions related to deposit deals	<p>The Group offers a wide range of account management services to both individuals and enterprises, for which respective fees are charged, in addition they are provided with various debit cards charged differently.</p> <p>Fees related to these services are mainly connected with account opening and closing fees, management fees, online banking, debit card issuing, monthly fees for debit card services and other fees for usual account services.</p> <p>Fees for current account management services are charged to the customer on a monthly basis. They are usually fixed to an amount depending on the package program or the category of the client.</p> <p>Monthly and annual fees on bank cards are set in fixed amounts. They depend on the type of the bank card.</p> <p>Fees for one – off services of occasional type are charged in the moment the client makes use of the service. These fees can be fixed or determined in %.</p> <p>The Group regularly reviews applied fees.</p>	<p>Fees for current account management services are on a monthly basis.</p> <p>Fees on one – off services are charged at the moment of service delivery.</p>

Fee type	Nature and timing of satisfaction of performance obligations, and the significant payment terms	Revenue recognition under IFRS accounting standards as adopted by the EU
Other fees and commissions	<p>Fees reported in the “Other fees” category are fees for safekeeping of money or valuables in the safe boxes of the public treasury issuing of bank certificate, issuing of bank reference, photocopies of documents, etc.</p> <p>These fees concern long – term services provision (bank safekeeping) or one – off administrative services.</p> <p>Fees and deductions related to asset management of DSK Rodina are reported in this category. They include fees from security contributions, initial charges, investment fees and others.</p> <p>Fees and deductions related to asset management of Group Funds are fixed in % and are defined according to the local legal requirements and the rules of procedure of the respective pension fund.</p>	<p>Long – term service fees related to the period the client takes benefit of this service.</p> <p>One – off fees are charged on the moment of service delivery.</p> <p>Revenues are recognized along the time, as the contract progress is measured on the basis of time elapsed (on a linear basis – monthly).</p>

6.4. Net trading income

Net trading income comprises gains net from losses related to trading assets and liabilities, and includes all realised and unrealised fair value changes, interest, and foreign exchange rate differences. Net trading income includes foreign currency exchange rate differences on investment financial assets.

6.5. Government grants

Government grants are not recognised until there is a reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants whose primary condition is that the Group should purchase, construct, or otherwise acquire non-current assets (including property, plant and equipment) are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

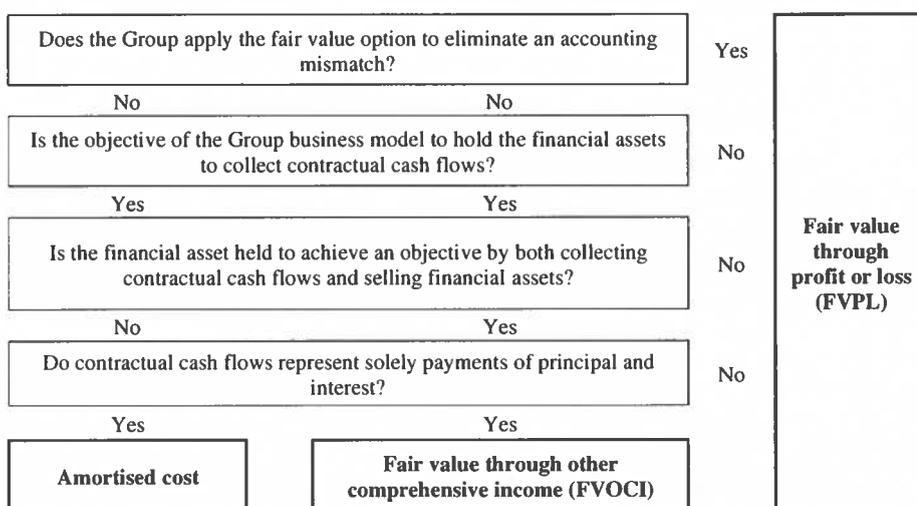
The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

6.6. Financial instruments

6.6.1. Classification

In accordance with the IFRS 9 Financial Instruments (IFRS 9), the Group classifies financial assets as subsequently measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss on the basis of the following two conditions: the Group business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

Classification of financial assets is driven by the Bank Group’s business model for managing financial assets and their contractual cash flow characteristics. The process for determining the classification and requirements for its application technology is illustrated by the following scheme:



6.6.2. Business model for financial assets management

The business model is determined at a level that reflects how groups of financial assets are managed together to achieve a particular business objective.

The business model does not depend on the intentions of the management with respect to a separate instrument.

The Group can have more than one business model for managing its financial instruments. The Group can hold one portfolio of investments that it manages in order to collect contractual cash flows and another portfolio of investments that it manages in order to sell to realize fair value changes.

Depending on the strategy and the risk profile, the Group has identified the following business models for managing financial assets:

- Business model whose objective is to hold financial assets in order to collect contractual cash flows (held to collect);
- Business model whose objective is achieved by both collecting contractual cash flows and selling financial assets (held to collect and sell);
- Business model that aims to realise cash flows through the sale of financial assets.

The Group may have the same type of instrument in all three categories, depending on the asset management model.

6.6.3. Recognition

During the current period, regular way purchases and sales of financial assets are recognized and derecognized, as applicable, using trade date accounting. Trade date is the date on which the Bank becomes party to the contractual provisions of the instrument.

Until the end of 2023, regular way purchases and sales of financial assets were recognized and derecognized, respectively, based on settlement date accounting. The change in fair value of assets measured at fair value, between the trade date and the settlement date, was recognized in profit or loss, or in other comprehensive income, as applicable, depending on the asset category under IFRS 9. The latter represents a voluntary change of the accounting policy of the Group to align the recognition of the regular way purchases of financial assets in line with the accounting policy of OTP Group. There is no significant impact of this change as of 31 December 2024, as of 31 December 2023 and as of 1 January 2023 as well as of the transition date (11 November 2024). The amount is clearly immaterial to the financial statements of the Group and no restatement of prior period has occurred.

Loans and receivables from customers are recognized when the funds are transferred to the customers. Deposits received are recognized when the funds are transferred to the Bank.

Unconditional receivables and payables are recognised as assets or liabilities when the Group becomes a party to the contract and, as a consequence, has a legal right to receive or a legal obligation to pay cash.

Assets to be acquired and liabilities to be incurred as a result of a firm commitment to purchase or sell goods or services are generally not recognised until at least one of the parties has performed under the agreement. Further details of the Group's policy are provided in 6.12 Loans and advances and 6.13 Receivables under factoring arrangements.

Planned future transactions, no matter how likely, are not assets and liabilities because the Group has not become a party to a contract.

6.6.4. Initial measurement

Except for trade receivables that do not contain a significant financing component and are measured at their transaction price within the scope of paragraph 5.1.3 of IFRS 9, at initial recognition, the Group shall measure a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The fair value of a financial instrument at initial recognition is normally the transaction price (i.e. the fair value of the consideration given or received).

The Group has reported its financial liabilities in all relevant items of the Statement of financial position, except for "Provisions" and "Deferred tax liabilities", as well as "Liabilities to personnel and management".

6.6.5. Subsequent measurement

Amortised cost measurement

The amortized cost (net amortized cost) at a certain date includes the cost of: outstanding principal, accrued interest receivables/payables, non-amortized discount, premium and fees participating as part of the exposure of the financial instrument upon acquisition and element in determining the EIR and the amount of the accumulated write-off for interest or credit impairment.

If the credit risk on the financial instrument improves, the criteria set by the Group shall resume charging interest over subsequent periods based on the gross amortized cost of the financial asset.

The cumulative interest corrective is derecognized from the amortized cost and is recognized as interest income. Recognition of interest corrective as interest income is made after the receivable is fully repaid by the debtor or in forming of a negative amortized cost thereon.

Fair value measurement

The Group measures fair values of financial instruments using hierarchy methods that reflect the significance of the inputs used in making the fair value measurements:

Level 1: Quoted market price (unadjusted) in an active market for identical assets or liabilities. Fair values of financial assets and financial liabilities which are traded on active markets with access to market information are based on the quoted market prices or the closing prices.

Level 2: Valuation techniques for financial instruments based on market data either direct (i.e. such as quoted prices) or indirect (i.e. inputs from the prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data. The Group measures the fair values using the valuation technique based on the net present value. The calculation of NPV is based on market yield curves and credit spreads where it is required for the corresponding instrument. The aim of the measurement methods is to define the fair value which reflects the value of the financial instrument as of the reporting date, which would have been defined by direct market players.

Level 3: Valuation techniques using significant unobservable inputs for financial assets and liabilities.

The Group recognizes transfer between the levels in the hierarchy of the fair values in the end of the reported period when the change is made.

The best evidence of the fair value at the initial recognition is the transaction price (i.e. the fair value of the consideration given or received). If the Group determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, the financial instrument is initially measured at fair value, adjusted for the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is supported wholly by observable market data, or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, the Group measures assets and long positions at a bid price and liabilities and short positions at an ask price.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Group on the basis of the net exposure to either market or credit risk, are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for a particular risk exposure.

Fair value measurement through other comprehensive income

Gain or loss attributable to a financial asset measured at fair value through other comprehensive income is recognized in other comprehensive income, except for gains or losses on impairment and foreign exchange gains or losses until the asset is derecognised or reclassified.

Upon derecognition of the financial asset, cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

Interest calculated using the effective interest method is recognized in profit or loss.

When assessing a financial asset at fair value through other comprehensive income, the amounts recognized in profit or loss are the same as those that would have been recognised in profit or loss if the financial asset had been measured at amortised cost.

Gain or loss associated with investments in equity instruments measured at fair value in other comprehensive income is recognized in other comprehensive income, including foreign exchange gains or losses until the financial asset is derecognised or reclassified. Amounts recognized in other comprehensive income are not subsequently transferred to profit or loss. The Group may transfer the accumulated profit or loss within equity. Dividends on these investments are recognized in profit or loss.

Fair value measurement through profit or loss

A gain or loss on a financial asset or financial liability that is measured at fair value shall be recognised in the statement of profit or loss unless: it is part of a hedging; it is an investment in an equity instrument the profits and losses from which are recognized in accordance with IFRS 9 paragraph 5.7.5; it is a financial liability designated as at fair value through profit or loss and the Group should present changes in fair value resulting from a change in its own credit risk in other comprehensive income; or it is a financial asset measured at fair value through other comprehensive income.

6.6.6. Derecognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the rights to receive the contractual cash flows on the financial asset on a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

The Group takes decision for full write-off of financial asset when it is: classified as “loss” and entirely impaired. Uncollectable are receivables that cannot be collected due to legal obstacles or the applicable collection methods are economically unjustified, the criteria for classification of the receivable as uncollectable are regulated in detail in internal rules and include, but are not limited to:

- Missing debtor and cases equated to lack of debtor (the borrower is deceased with no heirs, or heirs, up to the second row including, who have made a denial of heritage, as well as in case of legal entities which have been deleted from the commercial registers or in liquidation, bankruptcy and insolvency proceedings but no property is available to satisfy the claims of the Bank and there are no other liable persons, against whom an execution may be initiated);
- The contract for the credit risk, assumed by the Bank, cannot be found;
- The statute of limitation of the receivable has expired;
- Criteria based on an economic assessment of the collectability or practical impossibility for collection of the receivable (receivables for which the collection methods are economically unjustified, small amount, etc.).

If any of the criteria for uncollectable receivables under the rules exist, the receivable shall be classified as uncollectable, and the On-balance and Off-Balance sheet accounting shall be terminated. In specific cases it is possible a decision to be taken for Off-Balance accounting to be remained.

Write off from the On-balance sheet of receivables and posting Off-balance is performed when are not classified as uncollectable, but are not expected to be fully recovered, and in case of collateralized receivables it is substantiated that the collateral cannot be enforced, i.e. the liquidation cash flow thereof is 0.

Write off from the On-balance sheet is applied for receivables that are fully impaired for credit risk.

According to the assessment of the potential recovery of a receivable, the write off from the On-balance sheet of the receivable, following a write-off decision, may be realized as follows:

1. A full write-off from the On-balance sheet reporting - accounting operation, in which the total On-balance sheet exposure of the receivable is written off;
2. A partial write-off of the On-balance sheet reporting - accounting operation, whereby only part of the On-balance sheet exposure of the receivable is written off.

A partial write-off from the On-balance sheet reporting is performed under the following condition:

Based on analysis of the individual exposure, a statistical analysis of a portfolio of risk exposures or an analysis based on criteria approved by a competent authority, there is an expectation that part of the risk exposure shall not be collected (neither from the debtor's cash flow nor through enforcement proceedings in respect to the collateral).

The amount of the risk exposure, which is subject to a partial write-off, is defined as the difference between the book value of the gross balance sheet exposure and the maximum amount, which may be collected under the relevant risk exposure. Partial write-off can only be accounted for up to the maximum recovery. The maximum recovery is the maximum amount that can be collected for the relevant risk exposure defined as the recovery amount under the most optimistic scenario over a reasonable period of time (5-10 years).

Depending on the type of the exposure, the Bank applies the following three methods for setting of the amounts subject to a partial write-off:

1. Method of assessment and analysis based on statistical observations or criteria (applied to exposures of personal individuals for which there is no immovable property as collateral);
2. Method of individual assessment and analysis;
3. Individual assessment and analysis method, based on the criteria defined by a competent authority for loans included in a package.

The Group derecognises financial liability when its contractual obligations are discharged or cancelled or expire.

The Group enters into transactions whereby it transfers assets recognised on its statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised from the statement of financial position. Transfers of assets with retention of all or substantially all risks and rewards include, for example, securities lending and repurchase transactions.

In transactions in which the Group neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset, it derecognises the asset if it does not retain control over the asset. The rights and obligations retained in the transfer are recognised separately as assets and liabilities as appropriate. In transfers in which control over the asset is retained, the Group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

In certain transactions the Group retains the obligation to service the transferred financial asset for a fee. The transferred asset is derecognised in its entirety if it meets the criteria for derecognition. An asset or liability is recognised for the servicing contract, depending on whether the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the service.

6.6.7. Offsetting

Financial assets and liabilities are offset, and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by the accounting standards.

6.6.8. Impairment of financial assets

The Group applies the impairment requirements to financial assets that are measured at amortised cost, to financial assets that are measured at fair value through other comprehensive income as well as commitments on loans and financial guarantee contracts falling within the scope of the Standard in accordance with IFRS 9 paragraph 5.2.2.

The Group recognises a loss allowance for expected credit losses on all financial assets that are measured at amortised cost, at fair value through other comprehensive income, a lease receivable, a contract asset or a loan commitment and a financial guarantee contract using the General approach of IFRS 9.

The assessment of credit risk is performed on a collective or individual basis for a group or sub-group of financial instruments.

When assessing credit risk, the Group classifies loans granted in stages depending on the level of the existing risk, as follows:

- ✓ Stage 1 - includes performing loans without a significant increase in credit risk after initial recognition. The impairment of these assets is based on the probability of default of the debtor over the next 12 months or for a shorter period if the life of the instrument is less than one year;
- ✓ Stage 2 - includes assets with a significant increase in credit risk after initial recognition. In this case, the expected credit losses are calculated over the life of the asset;
- ✓ Stage 3 - includes assets, the substantial part of which overdue for more than 90 days and for which the probability to be repaid in full is considered by the Bank very low. The expected credit losses for these instruments are also calculated over their entire life.
- ✓ Purchased or originated credit-impaired (POCI) financial assets – these assets are credit-impaired on their initial recognition. With respect to them, the Group recognizes cumulative changes in the expected credit losses over the entire life of the instrument subsequent to initial recognition.

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired include observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event, i.e. when the counterparty has not made a payment that has become payable by contract (over 90 days);
- the Group, for economic or contractual reasons relating to the borrower's financial difficulty, has granted to the borrower a concession that the Group would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;

- the disappearance of an active market for that financial asset because of financial difficulties;
or
- the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

It may not be possible to identify a single discrete event identifying evidence of credit impairment. Instead, the combined effect of several events may have caused financial assets to become credit impaired.

Credit loss is the difference between all contractual cash flows that are due to an entity in accordance with the contract and all the cash flows that the entity expects to receive (i.e. all cash shortfalls), discounted at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets).

The Group estimates cash flows by considering all contractual terms of the financial instrument (for example, prepayment, extension, call and similar options) through the expected life of that financial instrument. The cash flows that are considered shall include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms. There is a presumption that the expected life of a financial instrument can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the expected life of a financial instrument, the Group uses the remaining contractual term of the financial instrument.

Credit-adjusted effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial asset to the amortised cost of a financial asset that is a purchased or originated credit-impaired financial asset.

When calculating the credit-adjusted effective interest rate, the Group estimates the expected cash flows by considering all contractual terms of the financial asset (for example, prepayment, extension, call and similar options) and expected credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

Transaction costs are the incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

6.6.9. *Reclassification*

When, and only when, the Group changes its business model for managing financial assets, the Group reclassifies all affected financial assets measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss.

If the Group reclassifies financial assets, it applies the reclassification prospectively from the reclassification date. The Group does not restate previously recognised gains, losses (including impairment gains or losses) or interest.

If the Group reclassifies a financial asset out of the amortised cost measurement category and into the fair value through profit or loss measurement category, its fair value is measured at the reclassification date. Any gain or loss arising from a difference between the previous amortised cost of the financial asset and fair value is recognised in profit or loss.

If the Group reclassifies a financial asset out of the fair value through profit or loss measurement category and into the amortised cost measurement category, its fair value at the reclassification date becomes its new gross carrying amount (the amortised cost of the financial asset before adjusting for any loss allowance).

If the Group reclassifies a financial asset out of the amortised cost measurement category and into the fair value through other comprehensive income measurement category, its fair value is measured at the reclassification date. Any gain or loss arising from a difference between the previous amortised cost of the financial asset and fair value is recognised in other comprehensive income. The effective interest rate and the measurement of expected credit losses are not adjusted as a result of the reclassification.

If the Group reclassifies a financial asset out of the fair value through other comprehensive income measurement category and into the amortised cost measurement category, the financial asset is reclassified at its fair value at the reclassification date. However, the cumulative gain or loss previously recognised in other comprehensive income is removed from equity and adjusted against the fair value of the financial asset at the reclassification date. As a result, the financial asset is measured at the reclassification date as if it had always been measured at amortised cost. This adjustment affects other comprehensive income but does not affect profit or loss and therefore is not a reclassification adjustment. The effective interest rate and the measurement of expected credit losses are not adjusted as a result of the reclassification.

If the Group reclassifies a financial asset out of the fair value through profit or loss measurement category and into the fair value through other comprehensive income measurement category, the financial asset continues to be measured at fair value.

If the Group reclassifies a financial asset out of the fair value through other comprehensive income measurement category and into the fair value through profit or loss measurement category, the financial asset continues to be measured at fair value. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment at the reclassification date.

Subsequent reclassification of financial liabilities is prohibited in accordance with IFRS 9.

6.6.10. Modification

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset in accordance with IFRS 9 (applied by analogy the requirements for derecognition of financial liabilities), but results in a material change in the net present value of the asset above a certain threshold below which it is considered insignificant (NPV changes by more than 1% as a result of the modification/renegotiation and this change is not related to a change in market prices), the Group recalculates the gross carrying amount of the financial asset and shall recognise a modification gain or loss in profit or loss, such as:

- The gross carrying amount of the financial asset shall be recalculated as the present value of the renegotiated or modified contractual cash flows that are discounted at the financial asset's original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets);
- The adjustment to the gross carrying amount is the difference between the present value of the modified cash flow discounted to the agreed EIR and the present value of the modified cash flow on the recalculated new EIR. This adjustment is reflected in a corrective account and a one-time effect on profit or loss and is amortized as interest income/expense over the remaining term of the modified financial asset.

When the modification of a financial asset results in the derecognition of the existing financial asset and the subsequent recognition of the modified financial asset, the modified asset is considered a 'new' financial asset.

A substantial modification of the terms of an existing financial liability or a part of it (whether or not attributable to the financial difficulty of the debtor) shall be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

6.6.11. Purchased credit-impaired financial assets

Purchased financial asset is an asset which is credit-impaired on initial recognition.

The Group classifies the purchased credit-impaired financial assets as measured at amortized cost only if the following conditions are met simultaneously:

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

Amortised cost is the amount at which the credit-impaired financial asset is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation between that initial amount and the maturity amount, which for purchased credit-impaired financial assets is calculated by applying the credit-adjusted effective interest rate.

Credit-adjusted effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial asset to the amortised cost of a financial asset that is a purchased or originated credit-impaired financial asset.

When calculating the credit-adjusted effective interest rate, the Group shall estimate the expected cash flows by considering all contractual terms of the financial asset (for example, prepayment, extension, call and similar options) and expected credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

Transaction costs are the Incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

The Group only recognises the cumulative changes in lifetime expected credit losses since initial recognition as a loss allowance for purchased or originated credit-impaired financial assets. At each reporting date, the Group shall recognise in profit or loss the amount of the change in lifetime expected credit losses as an impairment gain or loss. The Group recognises favourable changes in lifetime expected credit losses as an impairment gain, even if the lifetime expected credit losses are less than the amount of expected credit losses that were included in the estimated cash flows on initial recognition.

6.7. Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash balances on hand and cash deposited with the Central Bank, nostro accounts, and short-term highly liquid receivables from banks with original maturity of up to three months, gross of impairment.

6.8. Financial assets and liabilities held for trading

Trading assets and liabilities that are measured at fair value through profit or loss in accordance with the business model within which they are managed.

All changes in fair value are recognised as part of net trading income in profit or loss.

6.9. Non-current assets classified as held for sale and discontinued operations

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense. The criteria for held for sale classification is regarded as met only when the sale is highly probable, and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position. Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss.

6.10. Investments in securities

Investments in securities are initially measured at fair value and subsequently accounted for depending on their classification depending on the business model (Note 6.6.2 above).

6.11. Derivatives

The Group uses derivatives as forward, futures, swap and option deals to manage an exposure to market risk or for trading. All derivatives are recognised as financial assets held for trading or financial liabilities at the trade date. The changes in market value of derivatives are recognised in the Statement of profit or loss. For derivatives designated as hedging instruments see further below.

The objective of hedge accounting is to represent, in the financial statements, the effect of a Group's risk management activities that use financial instruments to manage exposures arising from particular risks that could affect profit or loss (or other comprehensive income, in the case of investments in equity instruments for which the Group has elected to present changes in fair value in other comprehensive income).

A derivative measured at fair value through profit or loss may be designated as a hedging instrument, except for some written options.

A non-derivative financial asset or a non-derivative financial liability measured at fair value through profit or loss may be designated as a hedging instrument unless it is a financial liability designated as at fair value through profit or loss for which the amount of its change in fair value that is attributable to changes in the credit risk of that liability is presented in other comprehensive income.

For a hedge of foreign currency risk, the foreign currency risk component of a non-derivative financial asset or a non-derivative financial liability may be designated as a hedging instrument provided that it is not an investment in an equity instrument for which the Group has elected to present changes in fair value in other comprehensive income.

A hedged item can be a recognised asset or liability, an unrecognised firm commitment, a forecast transaction or a net investment in a foreign operation.

A hedging relationship qualifies for hedge accounting only if all the following criteria are met:

- The hedging relationship consists only of eligible hedging instruments and eligible hedged items;
- At the inception of the hedging relationship there is formal designation and documentation of the hedging relationship and the entity's risk management objective and strategy for undertaking the hedge. That documentation shall include identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the entity will assess whether the hedging relationship meets the hedge effectiveness requirements (including its analysis of the sources of hedge ineffectiveness and how it determines the hedge ratio);
- The hedging relationship meets all of the following hedge effectiveness requirements: there is an economic relationship between the hedged item and the hedging instrument; the effect of credit risk does not dominate the value changes that result from that economic relationship; and the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the entity actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item. However, that designation shall not reflect an imbalance between the weightings of the hedged item and the hedging instrument that would create hedge ineffectiveness (irrespective of whether recognised or not) that could result in an accounting outcome that would be inconsistent with the purpose of hedge accounting.

The Group applies hedge accounting to hedging relationships that meet the qualifying criteria in paragraph 6.4.1 of IFRS 9.

Rebalancing refers to the adjustments made to the designated quantities of the hedged item or the hedging instrument of an already existing hedging relationship for the purpose of maintaining a hedge ratio that complies with the hedge effectiveness requirements. Rebalancing is accounted for as a continuation of the hedging relationship. On rebalancing, the hedge ineffectiveness of the hedging relationship is determined and recognised immediately before adjusting the hedging relationship. Adjusting the hedge ratio allows the Group to respond to changes in the relationship between the hedging instrument and the hedged item that arise from their underlyings or risk variables.

The Group shall discontinue hedge accounting prospectively only when the hedging relationship (or a part of a hedging relationship) ceases to meet the qualifying criteria (after taking into account any rebalancing of the hedging relationship, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. For this purpose, the replacement or rollover of a hedging instrument into another hedging instrument is not an expiration or termination if such a replacement or rollover is part of, and consistent with, the entity's documented risk management objective.

6.12. Loans and advances

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Group does not intend to sell immediately or in the near future term. They include loans and advances to banks and loans and advances to customers.

When the Group purchases a financial asset and simultaneously enters into an agreement to resell the asset (or a substantially similar asset) at a fixed price on a future date (“reverse repo”), the arrangement is accounted for as a loan or advance, and the underlying asset is not recognised in the statement of financial position.

Loans and advances are initially measured at fair value plus incremental direct transaction costs, and subsequently measured in accordance with the business model and the result from the test whether the contractual cash flows represent solely payments of principal and interest (SPPI test).

6.13. Receivables under factoring arrangements

Upon initial recognition, receivables under factoring contracts are recognised at fair value, including costs directly attributable to the acquisition of the financial asset. Subsequently, receivables are carried at amortised cost, less any costs of impairment. Factoring receivables are derecognised when the derecognition criteria applicable to financial assets are met.

Non-recourse factoring receivables

Pursuant to the non-recourse factoring contract, the supplier (Assignor) transfers to the Factor receivables originating from a contract for the sale of goods and provision of services concluded between the supplier and its customers (the Debtors). The Group recognises its non-recourse factoring receivables by measuring them initially at fair value depending on the level of risks and benefits assumed associated with the ownership of the receivables being transferred.

A local factoring is a factoring of receivables from commercial activity carried out on the territory of Bulgaria.

Recourse factoring receivables

Recourse factoring receivables are reported up to the amount paid, which is the advance provided to customers with whom factoring contracts have been concluded.

6.14. Property, plant and equipment

The Group applies a policy to measure subsequently land and buildings at revalued amounts under the allowed alternative approach in IAS 16, Property, plant, and equipment.

Items of land and buildings are stated at fair value determined periodically by a professional registered valuer. The revaluation of assets is carried asset by asset based on proportional calculation of the book value of the asset and the accumulated for it depreciation as of the date of revaluation. When the carrying amount of assets is increased as a result of revaluation, the increase is credited directly as revaluation reserve. When the carrying amount of assets is decreased as a result of revaluation, the decrease is recognized as a decrease of previous revaluation reserve and any excess is recognized as an expense in the statement of profit or loss.

Items of fixtures and fittings and other tangible assets are stated in the statement of financial position at their acquisition cost less accumulated depreciation.

Depreciation is provided on a straight-line basis designed to write down the cost of property, plant, and equipment over their expected useful life.

The annual rates of depreciation used by the Group are as follows:

	%
Buildings	2-4
Leasehold improvements, depending on the duration of the contract	10-33.33
Machines and equipment	4-50
Motor cars	20-33.33
Vehicles (without motor cars)	10-33.33
Computers, according to their class	15-33.33
Fixtures and fitting and other depreciable fixed assets	15-50

OTP Leasing AD leases assets (machinery and equipment and vehicles) under operating lease agreements. Such assets are depreciated over the term of the respective lease agreement.

The expected useful lives of property, plant and equipment are reviewed at the end of each reporting period and in case of significant deviations from expected term of use of the assets, the useful life is revised prospectively.

An item of property, plant and equipment is derecognized from the statement of financial position when it is permanently retired from active use and no future benefits are expected from its use, or it is sold. The gain or loss on sale is determined as the difference between sales proceeds and the carrying amount of the asset at the date of disposal. It is reported net under the heading "Other operating income, net" on the face of the statement of profit or loss for the year. The revaluation reserve of the sold item of land and buildings is transferred directly to retained earnings in the statement of changes in equity.

6.15. Investment property

Investment properties are presented in the financial statements at historical cost less accumulated depreciation and impairment losses.

Depreciation is charged on a straight-line basis at a depreciation rate of 4% over the estimated useful life of the asset.

Rental income from investment property is recognised as revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Rental income from other property is recognised as other income.

6.16. Intangible assets

Intangible assets, which are acquired by the Group, are stated at cost less accumulated amortization and any impairment losses. Intangible assets can be acquired as part of a business combination transaction or acquired separately.

Amortization of intangible assets is calculated on a straight-line basis over the expected useful life of the asset, except for an asset acquired in a business combination (customer base), which is amortized using the reducing balance method.

The annual rates of amortization are as follows:

	%
Computer software, according to class and useful life	10-50
Assets acquired in business combinations	35

An intangible asset is derecognized from the statement of financial position when it is permanently retired from active use and no future benefits are expected from its use, or it is sold. The gain or loss on sale is determined as the difference between sales proceeds and the carrying amount of the asset at the date of disposal. It is reported net under the heading "Other operating income, net" on the face of the statement of profit or loss for the year.

6.17. Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units (CGUs). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, 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 or CGU.

Impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

When an asset has a revaluation reserve, impairment loss is accounted for as a decrease of such reserve until it is depleted. If the decrease in the value of the asset exceeds the revaluation reserve, the excess is charged to the statement of profit or loss.

For assets that have no revaluation reserve, impairment losses are recognised in profit or loss statement. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed.

For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

6.18. Leasing

6.18.1. 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 Group determines whether a contract is a lease or contains a lease component. A contract is a lease or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

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

6.18.2. Accounting for the lease when the Group is a lessee

On the commencement date, the Group recognizes a right-of-use asset and a lease liability. The Group measures the right-of-use asset at cost. The cost of the right-of-use asset includes:

- (a) the amount of the initial measurement of the lease liability;
- (b) any lease payments made at or before the commencement date, less any lease incentives received;
- (c) any initial direct costs incurred by the lessee; and
- (d) an estimate of costs to be incurred by the Group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The lessee incurs the obligation for those costs either at the commencement date or as a consequence of having used the underlying asset during a particular period.

At the commencement date, the Group measures the lease liability at the present value of the lease payments that are not paid at that date.

The Group includes prolongation options as part of the lease contracts of buildings with a shorter, irrevocable period (from three to five years).

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses its incremental borrowing rate. At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- (e) fixed payments, less any lease incentives receivable;
- (f) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- (g) amounts expected to be payable by the lessee under residual value guarantees;
- (h) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- (i) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

After the commencement date, the Group measures the right-of-use asset applying a cost model. The right-of-use asset is measured at cost:

- (a) less any accumulated depreciation and any accumulated impairment losses; and
- (b) adjusted for any remeasurement of the lease liability.

If the lease transfers ownership of the underlying asset to the Group by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise a purchase option, the Group depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Group depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

After the commencement date, the Group measures the lease liability by:

- (a) increasing the carrying amount to reflect interest on the lease liability;
- (b) reducing the carrying amount to reflect the lease payments made; and
- (c) remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect revised in-substance fixed lease payments.

Interest on the lease liability in each period during the lease term shall be the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability. The periodic rate of interest is the discount rate implicit in the lease, if that rate can be readily determined, or the Group's incremental borrowing rate if the interest rate implicit in the lease cannot be readily determined or if applicable the revised discount rate.

After the commencement date, the Group remeasures the lease liability to reflect changes to the lease payments. The Group recognises the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. However, if the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the Group recognises any remaining amount of the remeasurement in profit or loss.

The Group recognizes a right-of-use asset and lease liability for all lease contracts (a unified balance approach) with two exceptions:

- (a) short term leases - up to 12 months; and
- (b) leases for which the underlying asset is of low value. For the purpose of the standard low-value assets are up to BGN 10 000.

For short-term lease or lease, the underlying asset of which is of low value, the Group recognizes the related lease payments as an expense on a straight-line basis over the term of the lease.

The effects of lease contracts of the Group as lessee are disclosed in Notes 10, 15, 19, 33 and 39.

6.18.3. Accounting for the lease when the Group is a lessor

The Group as a lessor classifies each of its leases as either an operating lease or a finance lease. The leasing activity of the Group involves the lease of vehicles, industrial equipment, real estate and others, on finance lease contracts.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset and as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset.

Typical indicators, considered by the Group for determining if all significant risks and benefits have been transferred include: present value of minimum lease payments in comparison with the fair value of the lease asset at the beginning of the lease contract, the term of the lease contract in comparison with the economic life of the leased out asset and also whether the lessee will acquire ownership over the leased asset at the end of the term of finance lease.

Lease classification is made at the date of the lease contract and is reassessed only if there is a lease modification. Changes in estimates (for example, changes in estimates of the economic life or of the residual value of the underlying asset), or changes in circumstances (for example, default by the lessee), do not give rise to a new classification of a lease for accounting purposes.

Minimum lease payments

Minimum lease payments are the payments that the lessee will or may be required to make during the term of the lease contract. From the Group's point of view minimum lease payments also include the residual value of the asset guaranteed by a third party, not related to the Group, provided that such party is financially capable of fulfilling its commitments under the guarantee or under the repurchase agreement. In the minimum lease payments, the Group also includes the cost of exercising the option, which the lessee has for the purchase of the asset, as at the beginning of the lease contract it is to a large extent certain that the option will be exercised. Minimum lease payments do not include conditional rents, as well as costs of services and taxes to be paid by the Group and subsequently re-invoiced to the lessee.

Initial and subsequent measurement

Initially the Group recognizes a receivable under finance lease, equal to its net investment, which includes the present value of minimum lease payments and any unsecured residual value for the Group. The present value is calculated by discounting the minimum lease payments due by the inherent to the lease contract interest rate. Initial direct costs are included in the calculation of the claim under finance lease. During the term of the lease contract the Group accrues financial income (income from interest on finance lease) on net investment. Received lease payments are treated as a reduction of net investment (repayment of principal) and recognition of financial income in a manner to ensure a constant rate of return on net investment. Consequently, the net investment in finance lease contracts is presented net, after deduction of expected credit loss.

6.19. Assets acquired from collaterals

Acquired assets, which prior to their acquisition were held as collateral of loans granted, are classified by the Group as investment property and other assets. Upon the initial acquisition of these assets, the Group's management makes judgements regarding their classification, based on its intentions and possibilities for future use and/or disposal. According to the Group's accounting policy, assets classified as other assets acquired from collaterals, are subsequently measured at the lower of cost and net realizable value.

6.20. Inventories

The measuring of inventories at their acquisition is of the amount of purchase, which includes the sum of all purchase and processing costs, as well as other expenses, incurred in connection with the delivery of inventories to their current location and condition.

The used cost formula is "first in - first out" (FIFO).

Inventories are presented in the statement of financial position at the lower of cost and net realizable value. For this reason, annually, as at the date of the Bank's financial statements, an estimation of the net realizable value of these assets is performed based on the most reliable existing data at the valuation date.

6.21. Provisions

The provisions are current liabilities and incurred expenses of the Group for which there is uncertainty in terms of timing and amount of future expenses necessary for settlement of the liability.

Provision shall be recognized in the financial statements of the Group when:

- The Group has a present obligation (legal or constructive) as a result of past events;
- Probability exists that to repay the obligation, an outflow of economic benefits will be required; and
- A reliable measurement can be performed of the amount of liability.

Provision is also recognized and measured for commitments to extend credit and for warranties arising from banking activities based on IFRS 9 Financial Instruments. For calculation of provisions is used credit conversion factor, which shows the proportion of the undrawn facility that will be probably funded.

The amount recognised as a provision shall be the best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

Provisions shall be reviewed at the end of each reporting period to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision shall be reversed.

A provision shall be used only for expenditures for which the provision was originally recognised.

6.22. Deposits

Deposits are one of the Group's sources of debt funding.

Deposits are initially measured at fair value minus incremental direct costs, and subsequently measured at their amortised cost using the effective interest rate method.

When the Group sells a financial asset and simultaneously enters into an agreement to repurchase the asset (or a similar asset) at a fixed price on a future date ("repo"), the arrangement is accounted for as a deposit, and the underlying asset continues to be recognised in the Group's financial statements.

6.23. Capital and reserves

6.23.1. Share capital

The share capital is presented at the par value of the shares issued and subscribed by the shareholders of DSK Bank AD.

6.23.2. Reserves

Reserves are comprised of legal and other reserves and retained earnings, revaluation reserves of financial assets, revaluation reserve of properties, defined benefit pension reserve and share-based payment reserve.

More information for the Group's reserves is provided in Note 44.

6.24. Contingent liabilities

Contingent liabilities are:

- Unused funds on loans and credit lines authorized by the Group;
- Possible obligations of the Group arising from past events and whose existence can be confirmed only by the occurrence or non-occurrence of one or more uncertain future events that cannot be entirely controlled by the Group; or
- A current liability arising from past events, however, unrecognized because it is improbable that an outflow of resources including economic benefits will be required for its repayment or the amount of obligation cannot be identified reliably enough.

Major areas in the Group's activity arising and subject of a review for the needs of their recognition and provision are related with:

- Claims against the Group on cases enforced by clients, counterparties and employees of the Group;
- Taxation risks obligations;
- Possible claims against the Group related to ownership;
- Other potential obligations – on contracts with counterparties which under certain circumstances would lead to cash outflows from the Group and others.

6.25. Income taxes

6.25.1. Current and deferred taxes

Tax on the profit for the year comprises current tax and deferred tax. Tax on the profit is recorded in the statement of profit or loss except to the extent that it relates to items recognized directly to equity, in which case it is recognized in equity. Current tax comprises tax payable calculated on the basis of the expected taxable income for the year, using the tax rates effective or enacted by the statement date, and any adjustment of tax payable for previous years.

Deferred tax is provided using the statement of financial position liability method on all temporary differences between the carrying amounts for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is calculated on the basis of the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. The effect on deferred tax of any changes in tax rates is charged to the statement of profit or loss, except to the extent that it relates to items previously charged or credited directly to equity.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the unused tax losses and tax credits can be utilized.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities against current tax assets, and they relate to income taxes levied by the same tax authority on the same taxable entities.

6.25.2. Top-up tax (Pillar Two corporate tax)

At the end of 2023, amendments to the Corporate Income Tax Act (CITA) were introduced, which established a global minimum level of taxation for multinational enterprise groups (MNEs) and large-scale domestic groups at the rate of 15% effectively as of 1 January 2024 under the terms stipulated in CITA. These amendments are in the context of the Pillar Two Model Rules of the Organization for Economic Cooperation and Development (OECD) in accordance with the agreement reached at a global and European level, which started with the initiative against base erosion and profit shifting (BEPS) to address the tax challenges arising from the digitalisation of the economy.

The Pillar Two Model Rules introduced the following new tax measures for levying MNEs and large-scale domestic groups with a minimum level of tax (global minimum corporate tax):

- Qualified Domestic Top-up Tax Rule
- Income Inclusion Rule
- Underpayment Tax Rule

The new tax measures can impose a minimum level of tax on income generated in each jurisdiction, in which MNEs and large-scale domestic groups operate.

By means of these new measures, an additional tax will be levied in a given jurisdiction, whenever the effective tax rate determined in that jurisdiction according to the Pillar Two rules falls below the minimum rate of 15%.

6.26. Employee benefits

6.26.1. Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligations to pay any further amounts. The Government of Bulgaria is responsible for providing pensions in Bulgaria under a defined contribution pension plan. The Group's contributions to the defined contribution pension plan are recognised as an employee benefit expense in statement of profit or loss in the periods during which services are rendered by employees.

6.26.2. Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation with respect to defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods, that benefit is discounted to determine its present value.

The Group has obligation to pay certain amounts to each employee who retires with the Group in accordance with Art.222, § 3 of the Labour Code in Bulgaria. According to these regulations in the LC, when a labor contract of a company's employee, who has acquired a pension right, is ended, the Group is obliged to pay compensations amounted to two gross monthly salaries. In case the employee's length of service in the company, or in the group to which the company belongs, equals to or is greater than 10 or more years, as at retirement date, then the compensation amounts to six gross monthly salaries. If the employee has been working continuously for DSK Bank for a certain period the Collective Labour Contract adopts the next compensations: from ten to fifteen years – the severance payment is seven gross monthly salaries; more than fifteen years – the severance payment is eight gross monthly salaries. As at the reporting date the Management of the Group estimates the approximate amount of the potential expenditures for every employee based on a calculation performed by a qualified actuary using the projected unit credit method. The estimated amount of the current year obligation and the main assumptions, on the base of which the estimation of the obligation has been made, is disclosed to the financial statements in Note 40.

The Group recognises actuarial gain or loss arising from defined benefit plans in the statement of comprehensive income.

6.26.3. Termination benefits

Termination benefits are recognised as an expense when the Group is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Group has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

6.26.4. Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

The Group recognises as a liability the undiscounted amount of the estimated costs related to unused annual paid leave expected to be used by the employees in subsequent periods.

6.27. Share-based payments

The Group recognises the services received or acquired in a share-based payment transaction as the services are received. The Group recognises a corresponding increase in equity if the services were received in an equity-settled share-based payment transaction, or a liability if the services were acquired in a cash-settled share-based payment transaction.

For equity-settled share-based payment transactions, the Group measures the services received, and the corresponding increase in equity, directly, at the fair value of the services received, unless that fair value cannot be estimated reliably. If the Group cannot estimate reliably the fair value of the services received, the Group measures their value, and the corresponding increase in equity, indirectly, by reference to the fair value of the equity instruments granted.

For cash-settled share-based payment transactions, the Group measures the services acquired and the liability incurred at the fair value of the liability. Until the liability is settled, the Group remeasures the fair value of the liability at the end of each reporting period and at the date of settlement, with any changes in fair value recognised in profit or loss for the period.

For share-based payment transactions, where the Group is the receiver of services, which are settled based on shares of the parent company, the Group measures in its separate financial statements the services received as either an equity-settled or a cash-settled share-based payment transaction by assessing: (a) the nature of the awards granted, and (b) its own rights and obligations. The Group measures the services received as an equity-settled share-based payment transaction when:

- (a) the awards granted are its own equity instruments, or equity instruments of the parent company, or
- (b) the Group has no obligation to settle the share-based payment transaction.

The Group subsequently remeasures such an equity-settled share-based payment transaction only for changes in non-market vesting conditions. In all other circumstances, the Group measures the services received as a cash-settled share-based payment transaction.

7. Risk management disclosures

7.1. Structure and functions of the Risk Management Unit

The credit risk management of the Group is the main responsibility of the units taking the risk as the first line of defense. It is also subject to independent oversight exercised by Risk Management Division. The final stage of collection of non-performing receivables is out of the scope of the business units and is performed by the Collection Division, which, again, is subject to the independent oversight of the Risk Management Division.

Risk Management Division:

- Credit Risk - Corporate Clients Directorate having functions related to independent assessment and approval of exposures to corporate clients, while maintaining low level of credit risk as well as functions related to regular monitoring of business clients;

- Retail Credit Risk Directorate, having functions related to maintaining of adequate mechanisms of assessment, monitoring and management of credit risk, and exercising control over loan application approval based on an acceptable level of risk, in the Individuals and Small Business segments, as well as preparation and validation of models for credit risk assessment and analysis of the loan portfolio;
- Strategic Risk Management Directorate having functions related to building and management of the risk appetite framework of the DSK Group; management of the counterparty, market and liquidity risks; maintaining an adequate internal regulatory framework and delivery of regulatory reports on the assumed risk, and improvement of the risk management and risk reporting practices;
- Credit Risk Monitoring and Innovation Risk Directorate exercising regular credit risk monitoring of customers other than individuals; exercising control over individually provisioned loans; and developing solutions aimed to facilitate the processes of risk monitoring and risk management;
- Credit Control and Administration Department having functions related to implementation of credit utilization control of business clients;
- Non-financial Risk Management Directorate engaged with implementing methods of adequate measurement of expected and unexpected losses in the field of non-financial risks, as well as policies and mechanisms for decreasing and maintaining those risks within the limits of the risk appetite and tolerance.
- Climate and Environmental Risk Directorate engaged with climate and environmental risk management and integration of these risks in the risk framework of the Group; improvement of data management and ensuring of compliance with the regulatory requirements.

Collection Division:

- The Collection Division was established in 2020 with the purpose to achieve a better segregation of duties between loan origination, risk monitoring and collection and restructuring. In line with the OTP Group decision, based on recommendation from the Hungarian National Bank, the collection activity (which was previously hosted under the Risk Management Division) moved from May 1st 2020 into a newly established Collection Division. The Head of the Collection Division is also a member of the Management Board. In accordance with the ECB Guidance to banks on non-performing loans, the Collection Division is operationally independent from the units responsible for loan origination and classification. The division includes 4 units responsible for different segments of non-performing loans, namely: individuals; legal entities; real estate representing collateral on non-performing loans; and a unit engaged with management and regulatory reporting, preparing also operational reports and analyses related to non-performing loan management.
- In order to improve the efficiency of the collection activity, in the last quarter of 2021, a project was started to unify the processes of collection of receivables in DSK Bank and the subsidiary OTP Factoring Bulgaria by merging the structures for the operational work of problem loans in different stages of management. This process was successfully completed in 2022 and was implemented as a standard work process in both companies, with staff from both companies operating in unified structures and a common management model was established by consolidating best practices and experiences.
- Following the initiative described above and with the aim of achieving even better efficiency of the work on the non-performing portfolio, in 2023 the company OTP Factoring Bulgaria was merged into DSK Bank together with the entire portfolio that was managed by the company and which in substance is the portfolio of DSK Bank, previously sold to the company for management. The merger further strengthened the changed structure, consolidated best practices and improved the operational work process.

- After the operating process was fully unified and focused on the operation of a single portfolio using a single network of systems, in 2024 the management of the non-performing portfolio was focused on the continuous adjustment and rationalization of the unified process, and a number of improvements of the processes and systems were introduced.
- Since 2024, DSK Bank is no longer officially classified as a bank with a high level of non-performing loans according to the criteria of the European Central Bank.

The various risks, to which the Group is exposed, as well as the approaches taken to manage those risks, are described below.

7.2. Liquidity risk

Liquidity risk occurs as a result of the necessity to provide general funding for the Group's activities and the management of its positions. It includes both the risk of being unable to settle liabilities and the risk of a financial loss caused by forced sale of financial assets in order to provide liquidity.

The goal of liquidity risk management of the Group is to ensure that it will always have sufficient level of liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses from selling liquid assets or expensive financing.

The executive Body, responsible for managing the liquidity is Asset and Liability Committee (ALCO).

To analyze the liquidity, the Group prepares a maturity table for assets and liabilities, in which the cash flow from different assets and liabilities are distributed in different time bands, according to their payment date.

The following tables presents the liabilities of the Group distributed by their remaining term to maturity into relevant maturity zones based on undiscounted cash outflows.

Residual contractual maturities of liabilities as of 31 December 2024

	Carrying amount	Gross nominal flow	Up to 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years	Without maturity
<i>In thousands of BGN</i>								
Liabilities								
Deposits from banks	26 777	26 777	17 076	-	-	9 701	-	-
Derivative financial instruments	54 829	54 829	8 474	18 050	16 208	12 097	-	-
Deposits from customers	29 249 108	29 250 580	27 657 735	560 031	1 002 066	30 748	-	-
Loans from banks and financial institutions	1 493 275	1 582 280	-	576	-	1 092 628	489 076	-
Lease liabilities	14 928	15 435	781	1 120	4 694	8 777	63	-
Current tax payable	44 690	44 690	42 128	420	431	1 711	-	-
Provisions	66 609	66 609	15 719	4 574	31 906	14 105	305	-
Deferred tax liabilities	19 054	19 054	-	-	-	19 054	-	-
Other liabilities	176 715	176 715	85 533	1 395	40 025	49 493	-	269
Subordinated debt	449 841	771 623	-	-	-	-	771 623	-
Total liabilities	31 595 826	32 008 592	27 827 446	586 166	1 095 330	1 238 314	1 261 067	269
Unused loan commitments	-	3 000 680	1 368 104	256 995	1 066 703	304 840	4 038	-
Total liabilities and commitments	31 595 826	35 009 272	29 195 550	843 161	2 162 033	1 543 154	1 265 105	269

Residual contractual maturities of liabilities as of 31 December 2023

	Carrying amount	Gross nominal flow	Up to 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years	Without maturity
<i>In thousands of BGN</i>								
Liabilities								
Deposits from banks	66 215	66 215	53 515	-	-	12 700	-	-
Derivative financial instruments	64 382	64 382	6 027	44 130	11 716	2 509	-	-
Liabilities directly associated with the assets held for sale	630	630	630	-	-	-	-	-
Deposits from customers	26 381 202	26 383 192	24 632 594	627 439	1 092 014	31 145	-	-
Loans from banks and financial institutions	1 206 984	1 287 803	-	-	-	787 037	500 766	-
Current tax liabilities	171	171	-	171	-	-	-	-
Lease liabilities	15 489	15 964	790	1 041	4 376	9 587	170	-
Provisions	66 136	66 136	16 779	4 154	29 631	15 251	321	-
Deferred tax liabilities	18 044	18 044	-	-	433	17 611	-	-
Other liabilities	172 821	172 821	80 112	4 565	23 836	63 940	-	368
Subordinated debt	450 090	452 647	-	-	-	452 647	-	-
Total liabilities	28 442 164	28 528 005	24 790 447	681 500	1 162 006	1 392 427	501 257	368
Unused loan commitments	-	3 062 454	1 443 122	411 146	1 064 792	140 500	2 894	-
Total liabilities and commitments	28 442 164	31 590 459	26 233 569	1 092 646	2 226 798	1 532 927	504 151	368

The tables below set out the remaining expected maturities of the Group's assets and liabilities based on their contractual dates of repayment. The tables do not reflect adjustments by maturity buckets, depending on the retention periods of funds borrowed from clients. The Group manages the maturity gap between assets and liabilities by maintaining a liquidity buffer consisting of high-quality liquid assets. Such assets can be sold or pledged as collateral as necessary, for the purpose of covering liabilities.

Maturity analysis of assets and liabilities as of 31 December 2024

<i>In thousands of BGN</i>	Carrying amount	Up to 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years	Without maturity
Assets							
Cash and current accounts with the Central Bank and other banks	5 810 098	5 809 519	-	-	-	-	579
Trading financial assets	112 478	6 193	40 216	34 896	18 827	12 346	-
Derivative financial instruments	79 652	13 340	29 890	19 931	15 610	881	-
Investments at fair value through profit or loss	3 623	-	-	-	-	-	3 623
Assets held for sale	1 716	-	-	1 716	-	-	-
Investments at fair value through other comprehensive income	769 144	14 983	9 316	145 259	470 433	88 481	40 672
Loans and advances to banks	1 795 473	3 687	177	1 223 610	567 999	-	-
Net receivables from finance lease	1 744 568	59 663	81 605	384 987	1 187 763	30 550	-
Loans and advances to customers	20 520 082	655 545	837 779	3 526 833	6 792 822	8 707 103	-
Investments at amortised cost	4 960 244	24 986	-	123 912	2 070 517	2 740 829	-
Investments in associates	5 615	-	-	-	-	-	5 615
Goodwill	78 547	-	-	-	-	-	78 547
Investment property	18 083	-	-	-	-	-	18 083
Right-of-use assets	14 778	46	90	411	1 526	-	12 705
Property, plant and equipment	445 039	-	-	-	-	-	445 039
Intangible assets	87 920	-	-	-	-	-	87 920
Deferred tax assets	470	-	-	411	59	-	-
Other assets	167 664	105 251	1 899	35 273	25 241	-	-
Total assets	36 615 194	6 693 213	1 000 972	5 497 239	11 150 797	11 580 190	692 783
Derivatives assets							
Trading:	55 241						
Outflow		(479 188)	(246 543)	(172 891)	(272 506)	(768)	-
Inflow		514 363	247 848	183 590	293 686	-	-
Hedge accounting:	24 411						
Outflow		-	(173 587)	(855)	-	-	-
Inflow		748	188 260	1 274	-	-	-
Total derivatives	79 652	35 923	15 978	11 118	21 180	(768)	-
Liabilities							
Deposits from banks	26 777	17 076	-	-	9 701	-	-
Derivative financial instruments	54 829	8 474	18 050	16 208	12 097	-	-
Deposits from customers	29 249 108	27 656 915	559 820	1 001 628	30 745	-	-
Loans from banks and financial institutions	1 493 275	-	576	-	1 076 026	416 673	-
Lease liabilities	14 928	754	1 073	4 513	8 526	62	-
Current tax payable	44 690	42 128	420	431	1 711	-	-
Provisions	66 609	15 719	4 574	31 906	14 105	305	-
Deferred tax liabilities	19 054	-	-	-	19 054	-	-
Other liabilities	176 715	85 533	1 395	40 025	49 493	-	269
Subordinated debt	449 841	-	-	-	-	449 841	-
Total liabilities	31 595 826	27 826 599	585 908	1 094 711	1 221 458	866 881	269
Unused loan commitments	-	1 368 104	256 995	1 066 703	304 840	4 038	-
Total liabilities and commitments	31 595 826	29 194 703	842 903	2 161 414	1 526 298	870 919	269
Derivatives liabilities							
Trading:	54 829						
Outflow		(171 176)	(168 392)	(280 837)	(293 686)	-	-
Inflow		141 761	167 472	264 364	272 291	-	-
Total derivatives	54 829	(29 415)	(920)	(16 473)	(21 395)	-	-

Maturity analysis of assets and liabilities as of 31 December 2023

	Carrying amount	Up to 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years	Without maturity
<i>In thousands of BGN</i>							
Assets							
Cash and current accounts with the Central Bank and other banks	5 810 197	5 810 197	-	-	-	-	-
Trading financial assets	74 922	-	22 213	6 073	39 389	7 247	-
Derivative financial instruments	52 503	8 872	17 731	23 410	2 490	-	-
Investments at fair value through profit or loss	4 450	-	-	-	-	-	4 450
Assets held for sale	2 334	463	-	1 871	-	-	-
Investments at fair value through other comprehensive income	932 032	46 558	94 982	87 160	614 004	89 328	-
Loans and advances to banks	3 030 766	-	-	390 797	2 639 969	-	-
Net receivables from finance lease	1 556 304	51 859	72 656	339 178	1 060 805	31 806	-
Loans and advances to customers	18 597 439	315 399	711 434	3 223 011	7 123 289	7 224 306	-
Investments at amortised cost	2 148 765	10 911	3 057	40 233	806 341	1 288 223	-
Current tax assets	3 658	3 232	-	426	-	-	-
Investments in associates	4 374	-	-	-	-	-	4 374
Goodwill	78 547	-	-	-	-	-	78 547
Investment property	18 526	-	-	-	-	-	18 526
Right-of-use assets	15 313	30	67	300	1 230	-	13 686
Property, plant and equipment	438 473	-	-	5 218	20 880	-	412 375
Intangible assets	84 242	-	-	1 342	5 732	-	77 168
Deferred tax assets	248	-	-	140	75	-	33
Other assets	157 536	82 682	2 093	32 360	39 940	-	461
Total assets	33 010 629	6 330 203	924 233	4 151 519	12 354 144	8 640 910	609 620
Derivatives assets							
Trading:	34 878						
Outflow		(282 654)	(105 284)	(223 041)	(69 029)	-	-
Inflow		283 369	106 798	224 384	69 789	-	-
Hedge accounting:	17 625						
Outflow		(159)	(142)	(924)	-	-	-
Inflow		1 012	86	2 023	-	-	-
Total derivatives	52 503	1 568	1 458	2 442	760	-	-

Maturity analysis of assets and liabilities as of 31 December 2023 (continued)

<i>In thousands of BGN</i>	Carrying amount	Up to 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years	Without maturity
Liabilities							
Deposits from banks	66 215	53 515	-	-	12 700	-	-
Derivative financial instruments	64 382	6 027	44 130	11 716	2 509	-	-
Liabilities directly associated with the assets held for sale	630	630	-	-	-	-	-
Deposits from customers	26 381 202	24 632 348	626 748	1 090 965	31 141	-	-
Loans from banks and financial institutions	1 206 984	-	5	-	784 301	422 678	-
Current tax liabilities	171	-	171	-	-	-	-
Lease liabilities	15 489	761	1 003	4 208	9 347	170	-
Provisions	66 136	16 779	4 154	29 631	15 251	321	-
Deferred tax liabilities	18 044	-	-	433	17 611	-	-
Other liabilities	172 821	80 112	4 565	23 836	63 940	-	368
Subordinated debt	450 090	-	-	-	-	450 090	-
Total liabilities	28 442 164	24 790 172	680 776	1 160 789	936 800	873 259	368
Unused loan commitments	-	1 443 122	411 146	1 064 792	140 500	2 894	-
Total liabilities and commitments	28 442 164	26 233 294	1 091 922	2 225 581	1 077 300	876 153	368
Derivatives liabilities							
Trading:	33 470						
Outflow		(197 176)	(108 598)	(204 214)	(69 743)	-	-
Inflow		196 389	106 907	203 249	69 029	-	-
Hedge accounting:	30 912						
Outflow		-	(800 178)	(201 715)	-	-	-
Inflow		-	763 747	195 583	-	-	-
Total derivatives	64 382	(787)	(38 122)	(7 097)	(714)	-	-

7.3. Market risk

Market risk is the risk that changes in market prices – such as interest rates, equity prices, foreign exchange rates – will affect the Group’s income or the value of its holdings of financial instruments.

Exposure to market risk is managed in accordance with the limits for different risks set by the respective competent authority.

DSK Bank applies and monitors the stop/loss limits and triggers of the trading book, and takes action in accordance with relevant internal procedures if the limits are reached.

The Group holds a limited number of trading assets with the aim of profiting from price fluctuations and assisting clients with investment and hedging needs by taking positions according to approved products and risk limits in accordance with the Bank’s risk appetite. As presented in the table below, the credit quality of the credit exposure, based on Moody’s credit ratings, is good, therefore management believes that the exposure to market risk of the assets held for trading is not significant:

<i>In thousands of BGN</i>	31-December-2024	31-December-2023
Government bonds		
Rated Aaa	30 579	10 706
Rated Aa2	-	15 520
Rated Aa3	32 835	-
Rated Baa1	49 064	48 696
Total	112 478	74 922

7.3.1. Interest rate risk and credit spread risk

The interest rate risk is the risk of bearing a loss due to fluctuations in market (reference) interest rates. The Group manages separately the interest rate risk in the bank portfolio and the risk in its trading book.

Group’s activities are subject to the risk of interest rate fluctuations to the extent that interest-earning assets (including investments) and interest-bearing liabilities mature or undergo changes in their interest rates at different times and to a different degree. In cases of assets and liabilities with floating interest rates, the Group is exposed to a risk of adverse changes in the market interest curves, however to a lower degree.

Interest rate risk management activities are conducted in the context of the Group’s sensitivity to interest rate changes. The actual effect will depend on a number of factors, including the degree to which repayments are made earlier or later than the contracted dates as well as variations in the interest rate, caused by the sensitivity to different periods and currencies.

The Group manages the interest rate risk in its trading book and limits the risk level through defining limits for interest rate sensitivity (BPV limits) by currencies, time periods and issuers, as well as as well as a limit for the period of holding the securities in the trading book (Turnover rate limit), limit for the maximum term until maturity of the securities, as well as limits for Value at Risk (VaR), Stop-loss limits for the maximum amount of loss and additional triggers - warning levels for loss, limit for the expected loss (Expected Shortfall - ES).

The Group analyses the interest risk of the bank book, by classifying its financial assets and liabilities in time areas according to their sensitivity to the changes of interest rates.

Exposure to interest rate risk as of 31 December 2024

	Up to 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 2 years	Over 2 years	Non-interest-bearing	Total
<i>In thousands of BGN</i>							
Cash and current accounts with the Central Bank and other banks	423 524	-	-	-	-	5 386 574	5 810 098
Fixed rate	220	-	-	-	-	-	220
Floating rate	423 304	-	-	-	-	-	423 304
Non-interest bearing	-	-	-	-	-	5 386 574	5 386 574
Trading financial assets	6 207	40 231	34 977	9 241	21 822	-	112 478
Fixed rate	6 207	40 231	34 977	9 241	21 822	-	112 478
Derivative financial instruments	4 812	12 196	10 019	-	15	52 610	79 652
Floating rate	4 812	12 196	10 019	-	15	-	27 042
Non-interest bearing	-	-	-	-	-	52 610	52 610
Investments at fair value through profit or loss	-	-	-	-	-	3 623	3 623
Non-interest bearing	-	-	-	-	-	3 623	3 623
Investments at fair value through other comprehensive income	15 649	11 483	146 774	215 231	339 335	40 672	769 144
Fixed rate	15 649	11 483	146 774	215 231	339 335	-	728 472
Non-interest bearing	-	-	-	-	-	40 672	40 672
Loans and advances to banks	3 687	177	1 223 610	492 305	75 694	-	1 795 473
Fixed rate	3 687	177	1 223 610	492 305	75 694	-	1 795 473
Net receivables from finance lease	59 663	81 605	384 987	422 968	795 345	-	1 744 568
Fixed rate	5 266	7 203	33 979	37 331	70 198	-	153 977
Floating rate	54 397	74 402	351 008	385 637	725 147	-	1 590 591
Loans and advances to customers	19 920 397	94 513	129 800	71 548	182 226	121 598	20 520 082
Fixed rate	67 080	92 371	119 338	60 599	168 193	-	507 581
Floating rate	19 853 317	2 142	10 462	10 949	14 033	-	19 890 903
Non-interest bearing	-	-	-	-	-	121 598	121 598
Investments at amortised cost	36 808	35 593	152 387	420 410	4 315 046	-	4 960 244
Fixed rate	36 808	35 593	152 387	420 410	4 315 046	-	4 960 244
Total interest sensitive assets	20 470 747	275 798	2 082 554	1 631 703	5 729 483	5 605 077	35 795 362
Fixed rate	134 917	187 058	1 711 065	1 235 117	4 990 288	-	8 258 445
Floating rate	20 335 830	88 740	371 489	396 586	739 195	-	21 931 840
Non-interest bearing	-	-	-	-	-	5 605 077	5 605 077
Deposits from banks	508	-	-	9 701	-	16 568	26 777
Fixed rate	-	-	-	9 701	-	-	9 701
Floating rate	508	-	-	-	-	-	508
Non-interest bearing	-	-	-	-	-	16 568	16 568
Derivative financial instruments	2 618	12 121	2 520	-	-	37 570	54 829
Floating rate	2 618	12 121	2 520	-	-	-	17 259
Non-interest bearing	-	-	-	-	-	37 570	37 570
Deposits from customers	28 969 696	224 553	54 859	-	-	-	29 249 108
Fixed rate	1 422 580	224 553	54 859	-	-	-	1 701 992
Floating rate	27 547 116	-	-	-	-	-	27 547 116
Loans from banks and financial institutions	-	1 369 976	-	-	-	123 299	1 493 275
Floating rate	-	1 369 976	-	-	-	-	1 369 976
Non-interest bearing	-	-	-	-	-	123 299	123 299
Lease liabilities	724	1 015	4 256	4 831	4 102	-	14 928
Fixed rate	393	383	1 622	2 097	1 030	-	5 525
Floating rate	331	632	2 634	2 734	3 072	-	9 403
Subordinated debt	-	449 841	-	-	-	-	449 841
Floating rate	-	449 841	-	-	-	-	449 841
Total interest sensitive liabilities	28 973 546	2 057 506	61 635	14 532	4 102	177 437	31 288 758
Fixed rate	1 422 973	224 936	56 481	11 798	1 030	-	1 717 218
Floating rate	27 550 573	1 832 570	5 154	2 734	3 072	-	29 394 103
Non-interest bearing	-	-	-	-	-	177 437	177 437

Exposure to interest rate risk as of 31 December 2023

	Up to 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 2 years	Over 2 years	Non-interest-bearing	Total
<i>In thousands of BGN</i>							
Cash and current accounts with the Central Bank and other banks	126 938	-	-	-	-	5 683 259	5 810 197
Floating rate	126 938	-	-	-	-	-	126 938
Non-interest bearing	-	-	-	-	-	5 683 259	5 683 259
Trading financial assets	8	22 241	6 065	33 774	12 834	-	74 922
Fixed rate	8	22 241	6 065	33 774	12 834	-	74 922
Derivative financial instruments	7 053	14 711	19 442	-	-	11 297	52 503
Floating rate	7 053	14 711	19 442	-	-	-	41 206
Non-interest bearing	-	-	-	-	-	11 297	11 297
Investments at fair value through profit or loss	-	-	-	-	-	4 450	4 450
Non-interest bearing	-	-	-	-	-	4 450	4 450
Investments at fair value through other comprehensive income	19 265	97 120	88 910	164 775	533 384	28 578	932 032
Fixed rate	19 265	97 120	88 910	164 775	533 384	-	903 454
Non-interest bearing	-	-	-	-	-	28 578	28 578
Loans and advances to banks	-	-	390 797	2 478 230	161 739	-	3 030 766
Fixed rate	-	-	390 797	2 478 230	161 739	-	3 030 766
Net receivables from finance lease	51 494	71 870	340 755	399 559	692 626	-	1 556 304
Fixed rate	5 848	8 162	38 322	45 377	78 660	-	176 369
Floating rate	45 646	63 708	302 433	354 182	613 966	-	1 379 935
Loans and advances to customers	17 943 019	49 216	126 015	87 850	367 835	23 504	18 597 439
Fixed rate	28 328	47 398	117 902	78 834	335 426	-	607 888
Floating rate	17 914 691	1 818	8 113	9 016	32 409	-	17 966 047
Non-interest bearing	-	-	-	-	-	23 504	23 504
Investments at amortised cost	14 963	7 742	46 294	136 687	1 943 079	-	2 148 765
Fixed rate	14 963	7 742	46 294	136 687	1 943 079	-	2 148 765
Total interest sensitive assets	18 162 740	262 900	1 018 278	3 300 875	3 711 497	5 751 088	32 207 378
Fixed rate	68 412	182 663	688 290	2 937 677	3 065 122	-	6 942 164
Floating rate	18 094 328	80 237	329 988	363 198	646 375	-	19 514 126
Non-interest bearing	-	-	-	-	-	5 751 088	5 751 088
Deposits from banks	23 530	-	-	12 699	-	29 986	66 215
Fixed rate	-	-	-	12 699	-	-	12 699
Floating rate	23 530	-	-	-	-	-	23 530
Non-interest bearing	-	-	-	-	-	29 986	29 986
Derivative financial instruments	3 964	12 992	5 739	-	-	41 687	64 382
Floating rate	3 964	12 992	5 739	-	-	-	22 695
Non-interest bearing	-	-	-	-	-	41 687	41 687
Liabilities directly associated with the assets held for sale	6	-	-	-	-	624	630
Fixed rate	6	-	-	-	-	-	6
Non-interest bearing	-	-	-	-	-	624	624
Deposits from customers	24 610 221	623 073	1 089 248	23 242	7 898	27 520	26 381 202
Fixed rate	1 537 561	623 073	1 089 248	23 242	7 898	-	3 281 022
Floating rate	23 072 660	-	-	-	-	-	23 072 660
Non-interest bearing	-	-	-	-	-	27 520	27 520
Loans from banks and financial institutions	-	1 076 756	1 093	-	-	129 135	1 206 984
Floating rate	-	1 076 756	1 093	-	-	-	1 077 849
Non-interest bearing	-	-	-	-	-	129 135	129 135
Lease liabilities	794	1 077	4 594	5 343	3 681	-	15 489
Fixed rate	426	582	2 481	2 885	1 018	-	7 392
Floating rate	368	495	2 113	2 458	2 663	-	8 097
Subordinated debt	-	-	-	-	450 090	-	450 090
Floating rate	-	-	-	-	450 090	-	450 090
Total interest sensitive liabilities	24 638 515	1 713 898	1 100 674	41 284	461 669	228 952	28 184 992
Fixed rate	1 537 993	623 655	1 091 729	38 826	8 916	-	3 301 119
Floating rate	23 100 522	1 090 243	8 945	2 458	452 753	-	24 654 921
Non-interest bearing	-	-	-	-	-	228 952	228 952

The equity instruments measured at fair value through other comprehensive income (Note 30), are presented as non-interest bearing assets in the tables above.

The non-interest bearing deposits from customers include mostly deposits for guarantees, letters of credit, etc.

Financial assets and liabilities in the table above are grouped by the earlier of the next contractual repricing date or maturity date.

The Group manages the interest rate risk in the banking book (IRRBB) in accordance with the requirements of the European Banking Authority (EBA/GL/2022/14). The Bank measures the exposure to the IRRBB by calculating two main indicators – change in the net interest income (earning based indicator) and change in the economic value of equity (value-based indicator) under the interest rate scenarios specified in the EBA guidelines. They represent the sensitivity of the Group’s earnings and equity to market interest rates changes. In calculating the indicators, the Group makes business assumptions, including product characteristics, behavioral characteristics, early repayment, valuation ratios and modelling of deposits. The Bank has approved a risk appetite and limits for both indicators, and they are monitored and reported to management on a regular basis. Based on this approach for management of the interest rate risk in the banking book the effect on equity and net interest income from the supervisory outlier test, parallel shift of interest rates by 200 bp, is presented in the table below:

	Net interest income		Equity	
	200 bp increase	200 bp decrease	200 bp increase	200 bp decrease
<i>Effect in thousands of BGN</i>				
As at 31 December 2024	37 259	(91 859)	402 667	96 299
As at 31 December 2023	56 882	(120 728)	(79 035)	329 954

The Group is exposed to credit spread risk in the banking book (CSRBB). CSRBB is a risk of loss or decrease in capital due to 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.

The Group manages its CSRBB by setting limits and performing regular stress tests on its portfolios of financial instruments.

7.3.2. *Currency risk*

The Group is exposed to currency risk when conducting transactions with financial instruments denominated in foreign currencies.

As a result of the implementation of Currency Board in Bulgaria, the Bulgarian currency rate to the euro is fixed at 1.95583. The national reporting currency is the Bulgarian lev therefore the Group’s financial results are affected by fluctuations in the exchange rates between the Bulgarian lev and currencies outside the Euro-zone.

The risk management policy is aimed at limiting the possible losses from negative fluctuations of foreign currencies rates different from euro. The Group senior management sets limits on maximum open positions - total and per currency, daily and overnight open positions, stop-loss limit and expected loss, as well as VaR (Value at Risk) to manage the Bank Group's exchange rate risk for the trading portfolio. Bank Group's strategy is to minimize the impact from the changes of exchange rates on financial results. The net open currency positions in the trading portfolio and the compliance with the approved limits by currency, as well as the strategic position of Assets and Liabilities Management in EUR are reported to management on a daily basis, and periodically to ALCO and the Risk Committee. The limits for restricting the exchange rate risk are periodically renewed based on analysis of market information and the inner needs of the Group.

The Group applies VaR methodology through a MRP (Market Risk Portal) system for market risk observation to measure the exchange rate risk. Basic characteristics of this model are: historical with 99% level of confidence and 1 day retention. To bring out a correlation matrix, the Group uses historical observations for exchange rate changes for 250 working days.

The statistics of the model for 2024 and 2023 are as follows:

	2024	2023
<i>In thousands of BGN</i>		
At 31 December	48	15
Average for the period	26	53
Maximum for the period	240	292
Minimum for the period	2	7

The VaR model used to measure the total exchange rate exposure of the Group has some limitations such as the possibility of losses with greater frequency and with larger amount, than the expected ones. For this purpose, the quality of the VaR model is continuously monitored through back-testing the VaR results.

To assess the currency risk in extreme conditions, stress test of the trading portfolio exchange rate exposure is used, based on potential changes of the currency rates provided by the Market Risk Department of OTP Bank.

For monetary assets and liabilities denominated in foreign currencies that are not hedged, the Group manages the net exposure by buying and selling foreign currencies at spot rates when considered appropriate, keeping approved limits for open currency position. Exposure to exchange rate risk arising from transactions, to which the Group applies hedge accounting according to IFRS 9, is not significant. Analysis of the hedged items and hedging instruments is provided in Notes 12 and 25.2.

7.4. Credit risk

Credit risk is the risk that a customer or counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group's main income generating activity is lending to customers and therefore credit risk is a principal risk. Credit risk mainly arises from loans and advances to customers and other banks (including related commitments to lend such as loan or credit card facilities), investments in debt securities and derivatives that are an asset position. The Group considers all elements of credit risk exposure such as counterparty default risk, geographical risk and sector risk for risk management purposes.

7.4.1. Significant increase in credit risk

The Group monitors all financial assets that are subject to impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk the Group will measure the loss allowance based on lifetime rather than 12-month ECL.

When identifying and measuring credit risk in the conditions of higher uncertainty caused by geopolitical contradictions and the other novel risks, the Group takes into account the specifics of individual customers and their ability to overcome the difficulties caused by novel risks (e.g. their ability to substitute the respective customers or suppliers in areas of military conflict; their resilience during longer periods of high energy prices and high inflation; their adaptability to changes in legislation and customer preferences, etc.). The Group monitors monthly whether a significant increase of credit risk has occurred. The assessment is performed either in the process of individual case-by-case monitoring and review of a given loan, or in the presence of indicators of increased credit risk, such as days past due, default on other loans in the retail individuals segment (as long as it does not trigger a cross-default), watchlist status, forbearance (as long as it does not trigger NPL classification it serves as a Stage 2 trigger). A significant increase of credit risk may be determined based on the behavioral model which uses up-to-date information on account history, status of other loans of the same customer owed to other financial institutions reporting to the Central Credit Registry, etc. In May 2024, the Group further improved the way, in which the result of the behavioral model affects the assessment of the presence or absence of a significant increase in credit risk since initial recognition, replacing the previously used probability of default for a horizon of 12 months from the date of probability assessment with the probability of default for the entire life of the obligation. Instruments with a low credit risk in the credit portfolio are all credit exposures falling into rating 1 on the master scale of the group of OTP Bank (a scale with grades from 1 to 10, where 10 means in default). In November 2024 the Group further improved its assessment of indications for a significant increase in credit risk by adding to the probability of default measurement other factors reflecting novel risks (inflation, interest rates, geopolitical risk, supply chain disruption risk, climate risk).

As of 31 December 2024, the management determined the corporate segment exposures with significant increase in credit risk due to one or more of the listed above factors, as well as of the following major factors, arising from the operating environment and leading to significantly increased credit risk:

- disruptions in the supply chains;
- increase in the prices of resources and energy, together with a case-by-case assessment of the borrower's financial position (including rating assessment of the client);
- increase in interest rates (mainly in corporate exposures) together with a case-by-case assessment of the borrower's financial position and its capability to keep serving the debt without concessions from the side of the Group.

In the retail segment the assessment is based on portfolio valuations, behavioral models and specific additional factors increasing risk (e.g. availability of material overdue amounts to other creditors).

As a result of the methodologies developed to capture novel risks, as of 31 December 2024 the Group has reported BGN 220.5 million of receivables with significant increase in credit risk as a result of the impact of novel risks.

7.4.2. Unlikelihood-to-pay assessment

The Group performs a monthly unlikelihood to pay assessment to all the credit exposures. In the retail segment this assessment is mostly driven by standardized criteria such as an objective criterion for cross-default (when it represents a significant part of the total exposure of the debtor), legal procedures against the borrower, constraints on accounts, etc. For corporate clients, case-by-case analysis and monitoring checks are applied.

The Group applies the definition of default in accordance with EBA/ GL/2016/07; EBA/RTS/2016/06; (EU) 2018/1845 as of 1 January 2021. As of 1 January 2021, the objective criterion for default is based on the number of consecutive days for which there is a past due amount above a materiality threshold. Apart from the objective criterion for the number of consecutive days and a past due amount above a materiality threshold, in accordance with the guidance of EBA, the Group performs an unlikeliness-to-pay assessment based on additional factors (distrains, restructuring with a significant change in NPV of an asset, individual judgement in case of corporate exposures).

7.4.3. Nature and scope of the systems for risk assessment – models for credit risk assessment

When determining the credit risk of a deal, the Group uses statistical and/or expert models to assess the credibility of the client, thus providing a common standard for credit risk assessment. Based on the result from the application of such models, the client or the deal is classified in a certain risk pool.

The credit risk assessment models are developed taking into account the specifics of each customer segment, based mainly on the application of statistical approaches. For client segments, where historical data and/or volumes are insufficient, the Group uses expert models for credit risk assessment. The responsibility for the modelling is with the Risk Management Division, which is independent from the business divisions. These models are not used for estimation of expected credit loss in view of impairment/provision calculations; however, the results of the models can influence the Bank's assessment of whether there has been a significant increase in credit risk.

Currently the models developed and used in the risk management process of the Group are three major types:

- Application PD models

The purpose of the application PD model is to provide a reliable tool (quantitative measurement) for prediction of the future debt service by customers applying for credit. The Application PD model uses client data, which is available at the point of loan application, such as demographic data, credit history and behaviour within the Bank for individuals or financial data for companies.

Calculated PD value represents the probability of default as a percentage from 0% to 100% during the 12 month period following the approval.

The application PD models are used for the assessment of probability of default when applying for credit of the following client segments:

- Individuals, requesting mass products in the retail banking – mortgage backed loans, revolving loans, consumer, quick and POS loans;
- Business clients in the Small Business segment;
- Corporate clients- non-standard SMEs and corporate customers.

- Behavioural PD model

The purpose of the behavioural PD model is to provide a reliable tool for prediction of the future debt servicing based on the client's behaviour, when using the products of the Group and servicing its debt obligations.

Based on the calculated PD result, which represents the probability of default during the 12 month- period following the calculation, the clients and their exposures are classified into pre-defined risk categories (pools). The probability is expressed as a percentage from 0% to 100%. According to an internal methodology adopted by the OTP Bank Group, the probability of default occurring for the remaining life of the asset is also assessed.

The purpose of the behavioral model is to serve as a tool for ongoing analysis of the future probability of default at the portfolio level, as well as for the identification of early warning signals, respectively to determine whether there has been a significant increase in credit risk compared to the initial recognition of the asset.

- **Model assisting the collection of problem loans (Collection Models)**

The purpose of the model is to distinguish problem loans for which the delay to undertake measures could probably lead to subsequent deterioration of the exposure of the Group. When on the basis of the model high probability for deterioration of certain exposures is estimated, the Group undertakes actions to collect it with the aim for minimisation of risk.

- **Expert model**

The expert models for assessment of customers applying for credits is based on the experts' expectations regarding the reasonable parameters to be used, their weights and cut-off levels. Finally a matrix is determined, which provides the basis for pooling the customers into risk groups. The Group uses expert models, when it is impossible to develop a statistical model due to insufficient transactions and/or defaults as well as when brand new products are created or a new segment becomes a target, when it is not possible an available statistical model to be applied.

The Group has expert models for the municipalities segment, the public sector entities segment and for individual deals assessment for the specialized lending segment.

The credit risk assessment models are subject to periodical review and are updated on an ongoing basis.

7.4.4. *Expected Credit Loss measurement (ECL)*

The key inputs used for measuring ECL are:

- probability of default or loss (PD/PL);
- loss given default or loss (LGD/LGL); and
- exposure at default or loss (EAD).

These figures are generally derived from internally developed statistical models within OTP Group and historical data and they are adjusted to reflect probability-weighted forward-looking information.

PD/PL is an estimate of the likelihood of default or loss over a given time horizon. It is estimated as at a point in time. The calculation is based on statistical migration models and assessed using models tailored to the various categories of counterparties and exposures. These statistical models are based on market data (where available), as well as internal data comprising both quantitative and qualitative factors. PDs are estimated considering the contractual maturities of exposures and estimated prepayment rates. The estimation is based on current conditions, adjusted to take into account estimates of future conditions that will impact PD/PL.

LGD/LGL is an estimate of the financial loss arising on the fact that a receivable is classified as receivable in default or loss. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from any collateral and other sources of repayment. The LGD/LGL models for secured assets consider forecasts of future collateral valuation taking into account sale discounts, time to realisation of collateral, cross-collateralisation and seniority of claim, cost of realisation of collateral and cure rates (i.e. exit from non-performing status). LGD models for unsecured assets consider time of recovery, recovery rates and seniority of claims. The calculation is on a discounted cash flow basis, where the cash flows are discounted by the original EIR of the financial instrument.

EAD is an estimate of the exposure at a future default or loss date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, and expected drawdowns on committed facilities. The Bank Group's modelling approach for EAD reflects expected changes in the balance outstanding over the lifetime of the loan exposure that are permitted by the current contractual terms, such as amortisation profiles, early repayment or overpayment, changes in utilisation of undrawn commitments and credit mitigation actions taken before default or loss. The Group uses EAD models that reflect the characteristics of the portfolios.

The Group measures ECL considering the risk of default over the maximum contractual period (including extension options) over which the entity is exposed to credit risk and not a longer period, even if contact extension or renewal is common business practice. However, for financial instruments such as credit cards, revolving credit facilities and overdraft facilities that include both a loan and an undrawn commitment component, the Group's contractual ability to demand repayment and cancel the undrawn commitment does not limit the Group's exposure to credit losses to the contractual notice period. For such financial instruments the Group measures ECL over the period that it is exposed to credit risk and ECL would not be mitigated by credit risk management actions, even if that period extends beyond the maximum contractual period. These financial instruments do not have a fixed term or repayment structure and have a short contractual cancellation period. However, the Group does not enforce in the normal day-to-day management the contractual right to cancel these financial instruments. This is because these financial instruments are managed on a collective basis and are canceled only when the Group becomes aware of an increase in credit risk at the facility level. This longer period is estimated taking into account the credit risk management actions that the Group expects to take to mitigate ECL, e.g. reduction in limits or cancellation of the loan commitment.

The measurement of ECL is based on probability weighted average credit loss. As a result, the measurement of the loss allowance should be the same regardless of whether it is measured on an individual basis or a collective basis (although measurement on a collective basis is more practical for large portfolios of items). In relation to the assessment of whether there has been a significant increase in credit risk it can be necessary to perform the assessment on a collective basis as noted below.

Expected credit losses are measured in a way that reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes,
- the time value of money, and
- reasonable and supportable information that is available without undue cost of effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

As of 31 December 2024 and 2023, DSK Bank applies three macro scenarios for the calculation of expected credit losses for the loan portfolio. The weight of the most optimistic among the scenarios is 20%, and on the base case scenario is 60%. The severe stress scenario assumes a shock similar to that of 2009.

- In case only the optimistic scenario would apply, ECL would be 21.4% lower than the actual for 31 December 2024;
- In case only the baseline stress scenario would apply, ECL would be 9.4% lower than the actual for 31 December 2024;
- In case only the severe stress scenario would apply, ECL would be 49.6% higher than the actual for 31 December 2024.

7.4.5. Individual and collective assessment of expected credit losses

The following exposures are subject to collective impairment:

- all retail banking exposures, including POCI;
- receivables with an insignificant amount on an individual basis, which are not managed individually in the "Collection of receivables" Department, including POCI;
- receivables of a significant amount on an individual basis not classified as Stage 3 (non-performing), including POCI;
- commercial factoring receivables.

7.4.6. Groupings based on shared risk characteristics

For the purpose of collective ECL determination financial instruments are grouped on the basis of shared credit risk characteristics:

- instrument type;
- credit risk ratings;
- collateral type;
- date of initial recognition;
- internal rating;
- sector in the economy to which the debtor belongs;
- segment in which the debtor falls;
- the value of collateral in correlation towards the financial asset receivable if it has an impact on the probability of a default occurring (for example, loan-to-value ratios).

The groupings are reviewed on a regular basis to ensure that each group is comprised of homogenous exposures.

7.4.7. Credit quality

The Group monitors credit risk per class of financial instrument.

An analysis of the Group's credit risk concentrations per class of financial asset is provided in the following tables. Unless specifically indicated, for financial assets, the amounts in the table represent carrying amounts. For loan commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed, respectively.

7.4.7.1. Cash at banks and loans and advances to banks at amortised cost

	31-December-2024	31-December-2023
<i>In thousands of BGN</i>		
Concentration by sector		
Central bank	4 890 171	4 974 036
Other banks	2 233 888	3 161 797
Total	7 124 059	8 135 833
Concentration by region		
Europe	7 099 569	8 118 960
North America	22 502	15 947
Asia	1 755	640
Australia	233	286
Total	7 124 059	8 135 833

The concentration of credit risk as of 31 December 2024 is represented by the carrying amount of the largest exposure to one commercial bank, decreased with the collateral received which amounts to BGN 1 802 589 thousand (2023: 1 910 810 thousand).

7.4.7.2. Loans and advances to customers at amortised cost

	31-December-2024	31-December-2023
<i>In thousands of BGN</i>		
Concentration by sector		
Retail:		
Mortgages	7 568 241	5 921 008
Other retail loans	6 050 017	5 089 433
Corporate:		
Agriculture and forestry	357 378	354 384
Construction	471 820	333 694
Financial and insurance activities	103 597	615 623
Hotels and catering	244 651	276 119
Manufacturing	2 887 135	3 055 637
Real estate activities	775 697	763 967
State and local government	127 395	143 828
Trade and services	1 235 371	1 214 721
Transport and communications	353 970	457 935
Other industry sectors	344 810	371 090
Total	20 520 082	18 597 439
Concentration by region		
Europe	20 477 227	18 561 395
North America	10 127	12 382
Asia	21 235	18 395
Africa	10 464	4 707
Australia	69	79
South America	960	481
Total	20 520 082	18 597 439

As of 31 December 2024, 2% of the carrying amount of loans to corporate clients is concentrated in one client (2023: 8%).

The exposure to the top 5 retail clients amounts to 0.09% and 0.13% of the carrying amount of loans to clients in the retail segment as of 31 December 2024 and 2023, respectively. Such exposures are fully collateralised.

7.4.7.3. Finance lease receivables

	31-December-2024	31-December-2023
<i>In thousands of BGN</i>		
Concentration by sector		
Retail:		
Households	454 525	358 468
Corporate:		
Agriculture and forestry	103 916	122 143
Construction	149 310	112 732
Financial activities	4 558	6 235
Hotels and catering	11 953	10 345
Manufacturing	143 184	185 324
Real estate activities	12 403	10 168
Trade and services	309 753	237 069
Transport and communications	375 073	366 113
Administrative and Support Service Activities	103 285	81 332
Other industry sectors	76 608	66 375
Total	<u>1 744 568</u>	<u>1 556 304</u>
Concentration by region		
Europe	<u>1 744 568</u>	<u>1 556 304</u>
Total	<u>1 744 568</u>	<u>1 556 304</u>

As of 31 December 2024 the largest exposure to one customer has a carrying amount of BGN 34 655 thousand (2023: 41 872 thousand), which represents 2% of the total net receivables under finance leases (2023: 3%).

7.4.7.4. Investments in securities

	31-December-2024	31-December-2023
<i>In thousands of BGN</i>		
Concentration by sector		
<i>Investments in instruments measured at fair value through other comprehensive income</i>		
Government bonds	728 472	903 454
Equity instruments	40 672	28 578
<i>Investments in instruments mandatory measured at fair value through profit or loss</i>		
Equity instruments	1 364	1 105
Corporate debt securities	2 259	3 345
<i>Investments in instruments measured at amortized cost</i>		
Government bonds	4 398 519	1 757 907
Corporate debt securities	446 682	390 858
Debt securities issued by the European Investment Bank	115 043	-
Total	<u>5 733 011</u>	<u>3 085 247</u>
Concentration by region		
Europe	5 458 436	2 836 178
North America	125 187	107 715
Asia	149 388	141 354
Total	<u>5 733 011</u>	<u>3 085 247</u>

The carrying amount of the Group's investments in securities represents the assets' maximum exposure to credit risk.

As of 31 December 2024 and 2023 the government bonds include BGN 2 147 282 thousand and BGN 1 399 580 thousand, respectively, issued by one issuer.

Corporate debt securities valued at amortized cost as of 31 December 2024 and 2023 represent an exposure to a related party as disclosed in Note 48.

The Group diversifies the undertaken credit risks through the application of sector risk limits. The sector risk limits system is based on a methodology, which takes into account the historical data related to the development of the respective industries. Despite this the methodology for determining of sector limits provides top limit of the maximum share of the total business portfolio which could be allowed as risk in certain industry sector. This limits the concentration risk. Reaching the maximum share leads to application of more restrictive requirements during the process of risk taking (including higher level of approval) or to a decrease of credits in certain industry sector.

7.4.7.5. Loan commitments and financial guarantee contracts

	31-December-2024	31-December-2023
<i>In thousands of BGN</i>		
Concentration by sector		
Retail:		
Collateralised by mortgage	188 005	174 037
Other retail loans	470 264	415 009
Corporate:		
Agriculture and forestry	98 096	94 664
Construction	825 568	401 721
Financial and insurance activities	30 140	32 212
Hotels and catering	36 335	13 258
Manufacturing	1 008 731	1 260 736
Real estate activities	54 885	92 459
State and local government	68	10 351
Trade and services	898 318	998 481
Transport and communications	187 155	88 103
Other industry sectors	110 969	110 121
Total	3 908 534	3 691 152
 Concentration by region		
Europe	3 907 677	3 690 153
North America	55	41
Asia	654	836
Africa	91	80
Oceania	34	30
South America	23	12
Total	3 908 534	3 691 152

7.4.8. Credit risk exposures per class of financial asset, internal rating and stage

The Group uses an internal credit rating system, according to which customers are rated from 1 to 10 using internal grades as follows:

Probability of default (PD)			
Grade	Grade description	Low PD bound	High PD bound
1	Low risk	0%	0.26%
2	Low risk	0.27%	0.53%
3	Low risk	0.54%	0.92%
4	Moderate risk	0.93%	1.55%
5	Moderate risk	1.56%	2.61%
6	Moderate risk	2.62%	4.35%
7	Increased risk	4.36%	8.06%
8	Increased risk	8.07%	19.77%
9	High risk	19.78%	99.99%
10	Default	100%	100%

The tables below provide an analysis of the Group's credit risk exposure per class of financial asset, stage and internal credit rating used by the Group for monitoring and management of credit risk, without considering the effects of any collateral or other credit enhancements. Unless specifically indicated, financial assets are presented at their carrying amounts. For loan commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed, respectively. Municipalities and public-sector entities (PSE) are reported separately as they are assessed by means of expert models different from the statistical models used for the rest of the clients.

7.4.8.1. Cash at banks and loans and advances to banks at amortised cost

	31-December-2024			31-December-2023		
	Stage 1	Stage 2	Total	Stage 1	Stage 2	Total
<i>In thousands of BGN</i>						
Grades 1-3: Low risk	7 126 649	-	7 126 649	8 136 283	-	8 136 283
Grades 4-6: Moderate risk	173	189	362	1 817	-	1 817
Grades 7-8: Increased risk	-	-	-	539	199	738
Total gross carrying amount	7 126 822	189	7 127 011	8 138 639	199	8 138 838
Loss allowance	(2 950)	(2)	(2 952)	(3 001)	(4)	(3 005)
Carrying amount	7 123 872	187	7 124 059	8 135 638	195	8 135 833

7.4.8.2. Loans and advances to customers at amortised cost

	31-December-2024				
	Stage 1	Stage 2	Stage 3	POCI	Total
<i>In thousands of BGN</i>					
Grades 1-3: Low risk	12 281 015	407 689	-	888	12 689 592
Grades 4-6: Moderate risk	4 699 328	1 186 301	-	261	5 885 890
Grades 7-8: Increased risk	476 651	868 399	-	187	1 345 237
Grade 9: High risk	22 793	148 711	-	107	171 611
Grade 10: Default	-	-	474 008	10 330	484 338
Municipality, PSE	121 392	-	-	-	121 392
Not rated	427 372	86 505	-	1	513 878
Total gross carrying amount	18 028 551	2 697 605	474 008	11 774	21 211 938
Loss allowance	(98 975)	(283 934)	(299 312)	(9 635)	(691 856)
Carrying amount	17 929 576	2 413 671	174 696	2 139	20 520 082

	31-December-2023				Total
	Stage 1	Stage 2	Stage 3	POCI	
<i>In thousands of BGN</i>					
Grades 1-3: Low risk	9 853 934	427 758	-	833	10 282 525
Grades 4-6: Moderate risk	4 187 253	1 042 376	-	488	5 230 117
Grades 7-8: Increased risk	661 581	521 938	-	297	1 183 816
Grade 9: High risk	1 674	145 796	-	219	147 689
Grade 10: Default	-	-	466 366	16 954	483 320
Municipality, PSE	128 500	-	-	-	128 500
Not rated	1 634 726	143 398	-	18	1 778 142
Total gross carrying amount	16 467 668	2 281 266	466 366	18 809	19 234 109
Loss allowance	(124 022)	(219 644)	(280 855)	(12 149)	(636 670)
Carrying amount	16 343 646	2 061 622	185 511	6 660	18 597 439

7.4.8.3. Finance lease receivables

	31-December-2024				Total
	Stage 1	Stage 2	Stage 3	POCI	
<i>In thousands of BGN</i>					
Grades 1-3: Low risk	1 046 202	121 331	-	-	1 167 533
Grades 4-6: Moderate risk	427 973	128 272	1 158	57	557 460
Grade 10: Default	-	-	52 437	1 543	53 980
Total gross carrying amount	1 474 175	249 603	53 595	1 600	1 778 973
Loss allowance	(4 122)	(10 931)	(17 812)	(1 540)	(34 405)
Carrying amount	1 470 053	238 672	35 783	60	1 744 568

	31-December-2023				Total
	Stage 1	Stage 2	Stage 3	POCI	
<i>In thousands of BGN</i>					
Grades 1-3: Low risk	1 020 005	106 521	-	10	1 126 536
Grades 4-6: Moderate risk	325 327	84 325	777	79	410 508
Grade 10: Default	-	-	50 942	1 819	52 761
Total gross carrying amount	1 345 332	190 846	51 719	1 908	1 589 805
Loss allowance	(6 301)	(12 355)	(13 029)	(1 816)	(33 501)
Carrying amount	1 339 031	178 491	38 690	92	1 556 304

7.4.8.4. Investments in securities measured at fair value through other comprehensive income

	31-December-2024	31-December-2023
	Stage 1	Stage 1
<i>In thousands of BGN</i>		
Grades 1-3: Low risk	750 335	703 674
Grades 4-6: Moderate risk	18 809	228 358
Total fair value	<u>769 144</u>	<u>932 032</u>
Loss allowance	<u>(774)</u>	<u>(2 239)</u>

7.4.8.5. Investments in securities measured at amortized cost

	31-December-2024			31-December-2023		
	Stage 1	Stage 3	Total	Stage 1	Stage 3	Total
<i>In thousands of BGN</i>						
Grades 1-3: Low risk	4 561 947	-	4 561 947	1 436 201	-	1 436 201
Grades 4-6: Moderate risk	391 817	-	391 817	695 613	-	695 613
Grade 10: Default	-	29 923	29 923	-	32 167	32 167
Total gross carrying amount	<u>4 953 764</u>	<u>29 923</u>	<u>4 983 687</u>	<u>2 131 814</u>	<u>32 167</u>	<u>2 163 981</u>
Loss allowance	<u>(5 489)</u>	<u>(17 954)</u>	<u>(23 443)</u>	<u>(4 227)</u>	<u>(10 989)</u>	<u>(15 216)</u>
Total carrying amount	<u>4 948 275</u>	<u>11 969</u>	<u>4 960 244</u>	<u>2 127 587</u>	<u>21 178</u>	<u>2 148 765</u>

7.4.8.6. Loan commitments and financial guarantee contracts

31-December-2024				
	Stage 1	Stage 2	Stage 3	Total
<i>In thousands of BGN</i>				
Grades 1-3: Low risk	2 164 661	13 525	-	2 178 186
Grades 4-6: Moderate risk	1 127 728	288 698	-	1 416 426
Grades 7-8: Increased risk	134 094	69 442	-	203 536
Grade 9: High risk	283	680	-	963
Grade 10: Default	-	-	1 480	1 480
Municipality, PSE	658	-	-	658
Not rated	106 041	1 244	-	107 285
Total amount committed	3 533 465	373 589	1 480	3 908 534
Loss allowance	(20 036)	(24 356)	(295)	(44 687)

31-December-2023				
	Stage 1	Stage 2	Stage 3	Total
<i>In thousands of BGN</i>				
Grades 1-3: Low risk	1 841 115	12 322	-	1 853 437
Grades 4-6: Moderate risk	1 008 452	187 386	-	1 195 838
Grades 7-8: Increased risk	66 279	10 997	-	77 276
Grade 9: High risk	20	1 280	-	1 300
Grade 10: Default	-	-	1 360	1 360
Municipality, PSE	10 744	-	-	10 744
Not rated	540 904	10 293	-	551 197
Total amount committed	3 467 514	222 278	1 360	3 691 152
Loss allowance	(23 962)	(12 023)	(379)	(36 364)

7.4.9. Loss allowance or provision by type of exposure

The next table summarizes the loss allowance and provisions by type of exposure as of 31 December 2024 and 2023:

<i>In thousands of BGN</i>	31-December-2024	31-December-2023
Cash at banks	(720)	(204)
Loans and advances to banks at amortised cost	(2 232)	(2 801)
Loans and advances to customers at amortised cost	(691 856)	(636 670)
Receivables from finance lease	(34 405)	(33 501)
Securities at fair value through other comprehensive income and securities at amortised cost	(24 217)	(17 455)
Loan commitments and financial guarantee contracts	(44 687)	(36 364)
Total	<u>(798 117)</u>	<u>(726 995)</u>

7.4.10. Movement of the gross carrying amount and expected credit loss

The tables below summarize the movement of the gross carrying amount and the corresponding expected credit losses (ECLs) of the financial assets, as well as the movement of financial guarantee exposures and loan commitments, and the provisions thereon, for the years ending 31 December 2024 and 2023 by type of exposure.

7.4.10.1. Movement of the gross carrying amount and expected credit loss of cash at banks and loans and advances to banks at amortised cost

	2024					
	Stage 1		Stage 2		Total	
	Gross carrying amount	ECL	Gross carrying amount	ECL	Gross carrying amount	ECL
<i>In thousands of BGN</i>						
As at 1 January	8 138 639	(3 001)	199	(4)	8 138 838	(3 005)
Change due to change in credit risk	-	(704)	-	-	-	(704)
New financial assets originated or purchased	1 108 268	(613)	-	-	1 108 268	(613)
Financial assets that have been derecognised	(2 120 085)	1 368	(10)	2	(2 120 095)	1 370
As at 31 December	7 126 822	(2 950)	189	(2)	7 127 011	(2 952)

	2023					
	Stage 1		Stage 2		Total	
	Gross carrying amount	ECL	Gross carrying amount	ECL	Gross carrying amount	ECL
<i>In thousands of BGN</i>						
As at 1 January	7 543 233	(20 789)	288	(8)	7 543 521	(20 797)
Change due to change in credit risk	-	-	-	4	-	4
New financial assets originated or purchased	3 244 122	(2 804)	-	-	3 244 122	(2 804)
Financial assets that have been derecognised	(2 648 716)	20 592	(89)	-	(2 648 805)	20 592
As at 31 December	8 138 639	(3 001)	199	(4)	8 138 838	(3 005)

7.4.10.2. Movement of the gross carrying amount and expected credit loss of loans and advances to customers at amortised cost

	2024									
	Stage 1		Stage 2		Stage 3		POCI		Total	
	Gross carrying amount	ECL	Gross carrying amount	ECL	Gross carrying amount	ECL	Gross carrying amount	ECL	Gross carrying amount	ECL
<i>In thousands of BGN</i>										
As at 1 January	16 467 668	(124 022)	2 281 266	(219 644)	466 366	(280 855)	18 809	(12 149)	19 234 109	(636 670)
Transfer to stage 1	701 063	(60 151)	(696 425)	58 536	(4 638)	1 615	-	-	-	-
Transfer to stage 2	(1 011 408)	8 956	1 053 124	(24 237)	(41 716)	15 281	-	-	-	-
Transfer to stage 3	(50 401)	472	(76 326)	13 165	126 727	(13 637)	-	-	-	-
Increases due to change in credit risk	-	(2 810)	-	(103 053)	-	(129 349)	-	(4 637)	-	(239 849)
Decreases due to change in credit risk	-	85 742	-	26 856	-	31 208	-	2 401	-	146 207
Written-off and sold	(58 675)	590	(1 830)	130	(75 764)	75 764	(3 210)	3 210	(139 479)	79 694
New financial assets purchased or originated	6 961 869	(37 594)	740 741	(67 045)	99 202	(43 463)	348	(37)	7 802 160	(148 139)
Financial assets that have been derecognised	(4 981 565)	29 842	(602 945)	31 358	(96 169)	44 124	(4 173)	1 577	(5 684 852)	106 901
As at 31 December	18 028 551	(98 975)	2 697 605	(283 934)	474 008	(299 312)	11 774	(9 635)	21 211 938	(691 856)

7.4.10.2. Movement of the gross carrying amount and expected credit loss of loans and advances to customers at amortised cost (continued)

	2023							Total Gross carrying amount	
	Stage 1 Gross carrying amount	ECL	Stage 2 Gross carrying amount	ECL	Stage 3 Gross carrying amount	ECL	POCI Gross carrying amount		
<i>In thousands of BGN</i>									
As at 1 January	14 272 706	(153 339)	1 277 556	(213 391)	553 793	(346 676)	30 646	16 134 701	(733 006)
Transfer to stage 1	287 596	(40 916)	(281 327)	38 220	(6 269)	2 696	-	-	-
Transfer to stage 2	(1 236 011)	15 302	1 324 596	(52 841)	(88 585)	37 539	-	-	-
Transfer to stage 3	(46 972)	574	(66 375)	14 843	113 347	(15 417)	-	-	-
Increases due to change in credit risk	-	(4 547)	-	(81 016)	-	(177 331)	-	-	(281 762)
Decreases due to change in credit risk	-	87 825	-	82 543	-	87 010	-	8 611	265 989
Written-off and sold	-	-	-	-	(129 342)	129 342	(17 151)	17 151	146 493
New financial assets purchased or originated	6 772 409	(52 097)	492 062	(39 645)	132 916	(57 584)	6 842	7 404 229	(149 326)
Financial assets that have been derecognised	(3 582 060)	23 176	(465 246)	31 643	(109 494)	59 566	(1 528)	(4 158 328)	114 942
As at 31 December	16 467 668	(124 022)	2 281 266	(219 644)	466 366	(280 855)	18 809	19 234 109	(636 670)

7.4.10.3. Movement of the gross carrying amount and expected credit loss of finance lease receivables

	2024									
	Stage 1	Stage 2	Stage 3	POCI	Total	ECL	Total			
	Gross carrying amount	ECL	Gross carrying amount	ECL	Gross carrying amount	ECL	Gross carrying amount			
<i>In thousands of BGN</i>										
As at 1 January	1 345 332	(6 301)	190 846	(12 355)	51 719	(13 029)	1 908	(1 816)	1 589 805	(33 501)
Transfer to stage 1	83 096	(4 419)	(81 572)	4 003	(1 524)	416	-	-	-	-
Transfer to stage 2	(151 214)	924	154 866	(1 901)	(3 652)	977	-	-	-	-
Transfer to stage 3	(9 778)	56	(12 532)	1 306	22 310	(1 362)	-	-	-	-
Increases due to change in credit risk	-	(5)	-	(3 616)	-	(6 842)	-	(22)	-	(10 485)
Decreases due to change in credit risk	-	6 807	-	2 957	-	1 248	-	2	-	11 014
Written-off and sold	-	-	-	-	(741)	741	(234)	234	(975)	975
New financial assets originated or purchased	672 389	(2 060)	84 383	(4 244)	2 585	(1 022)	23	-	759 380	(7 326)
Financial assets that have been derecognised	(465 650)	876	(86 388)	2 919	(17 102)	1 061	(97)	62	(569 237)	4 918
As at 31 December	1 474 175	(4 122)	249 603	(10 931)	53 595	(17 812)	1 600	(1 540)	1 778 973	(34 405)

7.4.10.3. Movement of the gross carrying amount and expected credit loss of finance lease receivables (continued)

	2023											
	Stage 1		Stage 2		Stage 3		POCI		Total			
	Gross carrying amount	ECL	Gross carrying amount	ECL	Gross carrying amount	ECL	Gross carrying amount	ECL	Gross carrying amount	ECL	Gross carrying amount	ECL
<i>In thousands of BGN</i>												
As at 1 January	1 250 843	(6 756)	94 946	(5 933)	48 663	(21 408)	2 187	(1 917)	1 396 639	(36 014)		
Transfer to stage 1	29 319	(2 070)	(27 923)	1 625	(1 396)	445	-	-	-	-	-	-
Transfer to stage 2	(111 462)	653	113 084	(1 130)	(1 622)	477	-	-	-	-	-	-
Transfer to stage 3	(9 424)	60	(8 707)	741	18 131	(801)	-	-	-	-	-	-
Increases due to change in credit risk	-	(58)	-	(4 153)	-	(3 737)	-	(6)	-	(7 954)	-	-
Decreases due to change in credit risk	-	3 978	-	1 594	-	10 950	-	90	-	16 612	-	-
New financial assets originated or purchased	628 589	(3 097)	80 278	(6 111)	1 769	(604)	10	(4)	710 646	(9 816)	-	-
Financial assets that have been derecognised	(442 533)	989	(60 832)	1 012	(13 826)	1 649	(289)	21	(517 480)	3 671	-	-
As at 31 December	1 345 332	(6 301)	190 846	(12 355)	51 719	(13 029)	1 908	(1 816)	1 589 805	(33 501)		

7.4.10.4. Movement of the fair value and expected credit loss of investments in securities measured at fair value through other comprehensive income

<i>In thousands of BGN</i>	2024	
	Stage 1	
	Fair value	ECL
As at 1 January	932 032	(2 239)
Decrease due to change in credit risk	-	703
Fair value net change	34 418	-
New financial assets originated or purchased	2 816	-
Financial assets that have been derecognised	(200 122)	762
As at 31 December	769 144	(774)

<i>In thousands of BGN</i>	2023					
	Stage 1		Stage 3		Total	
	Fair value	ECL	Fair value	ECL	Fair value	ECL
As at 1 January	1 188 922	(4 293)	6 180	(2 111)	1 195 102	(6 404)
Decrease due to change in credit risk	-	1 285	-	-	-	1 285
Increase due to change in credit risk	-	-	-	(156)	-	(156)
Fair value net change	21 052	-	-	-	21 052	-
Reclassified to loans and advances	-	-	(6 180)	2 267	(6 180)	2 267
Financial assets that have been derecognised	(277 942)	769	-	-	(277 942)	769
As at 31 December	932 032	(2 239)	-	-	932 032	(2 239)

7.4.10.5. Movement of the gross carrying amount and expected credit loss of investments in securities carried at amortised cost

	Stage 1		2024 Stage 3		Total	
	Gross carrying amount	ECL	Gross carrying amount	ECL	Gross carrying amount	ECL
<i>In thousands of BGN</i>						
As at 1 January	2 131 814	(4 227)	32 167	(10 989)	2 163 981	(15 216)
Increases due to change in credit risk	-	(420)	-	(8 483)	-	(8 903)
Decreases due to change in credit risk	-	1 907	-	-	-	1 907
Net change in the amortised cost	32 199	-	286	-	32 485	-
New financial assets originated or purchased	2 844 058	(2 854)	-	-	2 844 058	(2 854)
Reclassified to loans and advances	-	-	(2 530)	1 518	(2 530)	1 518
Financial assets that have been derecognised	(54 307)	105	-	-	(54 307)	105
As at 31 December	4 953 764	(5 489)	29 923	(17 954)	4 983 687	(23 443)

	Stage 1		2023 Stage 3		Total	
	Gross carrying amount	ECL	Gross carrying amount	ECL	Gross carrying amount	ECL
<i>In thousands of BGN</i>						
As at 1 January	1 570 646	(5 592)	70 931	(24 232)	1 641 577	(29 824)
Increases due to change in credit risk	-	-	-	(99)	-	(99)
Decreases due to change in credit risk	-	1 479	-	-	-	1 479
Net change in the amortised cost	(13 022)	-	290	-	(12 732)	-
New financial assets originated or purchased	724 128	(1 114)	-	-	724 128	(1 114)
Reclassified to loans and advances	-	-	(39 054)	13 342	(39 054)	13 342
Financial assets that have been derecognised	(149 938)	1 000	-	-	(149 938)	1 000
As at 31 December	2 131 814	(4 227)	32 167	(10 989)	2 163 981	(15 216)

7.4.10.6. Movement of loan commitments and financial guarantee contracts, and the provisions for loan commitments and financial guarantee contracts

	2024							
	Stage 1 Outstanding exposure	ECL	Stage 2 Outstanding exposure	ECL	Stage 3 Outstanding exposure	ECL	Total Outstanding exposure	ECL
<i>In thousands of BGN</i>								
As at 1 January	3 467 514	(23 962)	222 278	(12 023)	1 360	(379)	3 691 152	(36 364)
Transfer to stage 1	41 758	(200)	(41 734)	200	(24)	-	-	-
Transfer to stage 2	(143 763)	8 539	143 878	(8 542)	(115)	3	-	-
Transfer to stage 3	(527)	75	(256)	51	783	(126)	-	-
Increases due to change in credit risk	-	(8 757)	-	(7 942)	-	(123)	-	(16 822)
Decreases due to change in credit risk	-	5 443	-	7 995	-	241	-	13 679
New loan commitments originated or purchased	2 208 595	(12 169)	185 415	(9 467)	396	(78)	2 394 406	(21 714)
Financial assets that have been derecognised	(2 040 112)	10 995	(135 992)	5 372	(920)	167	(2 177 024)	16 534
As at 31 December	3 533 465	(20 036)	373 589	(24 356)	1 480	(295)	3 908 534	(44 687)

7.4.10.6. Movement of loan commitments and financial guarantee contracts, and the provisions for loan commitments and financial guarantee contracts (continued)

	2023							
	Stage 1 Outstanding exposure	ECL	Stage 2 Outstanding exposure	ECL	Stage 3 Outstanding exposure	ECL	Total Outstanding exposure	ECL
<i>In thousands of BGN</i>								
As at 1 January	3 350 938	(34 879)	118 171	(10 998)	1 967	(311)	3 471 076	(46 188)
Transfer to stage 1	18 824	(1 560)	(18 793)	1 551	(31)	9	-	-
Transfer to stage 2	(148 365)	1 666	148 547	(1 724)	(182)	58	-	-
Transfer to stage 3	(578)	5	(82)	5	660	(10)	-	-
Increases due to change in credit risk	-	(2 678)	-	(6 234)	-	(246)	-	(9 158)
Decreases due to change in credit risk	-	16 345	-	1 870	-	66	-	18 281
New loan commitments originated or purchased	1 748 123	(8 857)	112 125	(3 147)	549	(35)	1 860 797	(12 039)
Financial assets that have been derecognised	(1 501 428)	5 996	(137 690)	6 654	(1 603)	90	(1 640 721)	12 740
As at 31 December	3 467 514	(23 962)	222 278	(12 023)	1 360	(379)	3 691 152	(36 364)

7.4.11. Loans and advances to customers by past due status

The table below provides an analysis of the gross carrying amount of loans and advances to customers by past due status.

	31-December-2024		31-December-2023	
	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance
<i>In thousands of BGN</i>				
0-30 days	20 741 226	(398 177)	18 805 238	(376 174)
31-60 days	84 687	(20 074)	78 859	(25 531)
61-90 days	39 800	(12 621)	40 137	(14 177)
91-180 days	71 038	(37 331)	55 486	(29 724)
More than 180 days	275 187	(223 653)	254 389	(191 064)
Total	21 211 938	(691 856)	19 234 109	(636 670)

7.4.12. Modified and forborne loans

As a result of the Group's forbearance activities financial assets might be modified.

The table below includes the assets that were modified and, therefore, treated as forborne during the period:

	31-December-2024	31-December-2023
<i>In thousands of BGN</i>		
Amortised cost before modification of financial assets modified during the period	268 726	65 233
Amortised cost after modification of financial assets modified during the period	264 317	77 237

The tables below show the gross carrying amount of previously modified financial assets for which loss allowance has changed to 12mECL measurement during the period:

31-December-2024	Gross carrying amount	Corresponding ECL
<i>In thousands of BGN</i>		
Facilities that have cured since modification and are now measured using 12mECL (Stage 1)	40 172	203
Facilities that reverted to (Stage 2/3) LTECL having once cured	128 218	25 304
31-December-2023	Gross carrying amount	Corresponding ECL
<i>In thousands of BGN</i>		
Facilities that have cured since modification and are now measured using 12mECL (Stage 1)	41 304	268
Facilities that reverted to (Stage 2/3) LTECL having once cured	31 538	9 587

The following tables provide a summary of the Group's forbore assets:

31-December-2024	Performing loans - Stage 2		Non-performing loans - Stage 3		Total forbore loans	Forbearance ratio ¹	
	Gross carrying amount	Modification Refinancing	Modification Refinancing	Total nonperforming forbore loans			
<i>In thousands of BGN</i>							
Loans and advances to customers							
Corporate lending	7 210 637	110 353	85 939	17 056	1 916	215 264	2.99%
Consumer lending	6 360 509	6 220	114 898	9 741	103 411	234 270	3.68%
Residential mortgages	7 640 792	21 791	7 952	41 527	11 227	82 497	1.08%
Total	21 211 938	138 364	208 789	68 324	116 554	532 031	2.51%

31-December-2023	Performing loans - Stage 2		Non-performing loans - Stage 3		Total forbore loans	Forbearance ratio ¹	
	Gross carrying amount	Modification Refinancing	Modification Refinancing	Total nonperforming forbore loans			
<i>In thousands of BGN</i>							
Loans and advances to customers							
Corporate lending	7 846 766	68 822	5 141	25 653	8 713	34 366	1.38%
Consumer lending	5 375 992	12 715	84 345	15 789	101 174	116 963	3.98%
Residential mortgages	6 011 351	28 539	7 941	55 936	14 641	70 577	1.78%
Total	19 234 109	110 076	97 427	97 378	124 528	429 409	2.23%

The forbearance ratio is calculated as total forbore loans divided by the gross carrying amount of loans and advances to customers.

31-December-2024	Gross amount of forborne loans			ECL allowance		
	Stage 2	Stage 3	Total	Stage 2	Stage 3	Total
<i>In thousands of BGN</i>						
Loans and advances to customers						
Corporate lending	196 292	18 972	215 264	38 365	13 880	52 245
Consumer lending	121 118	113 152	234 270	31 377	63 264	94 641
Residential mortgages	29 743	52 754	82 497	1 899	29 151	31 050
Total	347 153	184 878	532 031	71 641	106 295	177 936

31-December-2023	Gross amount of forborne loans			ECL allowance		
	Stage 2	Stage 3	Total	Stage 2	Stage 3	Total
<i>In thousands of BGN</i>						
Loans and advances to customers						
Corporate lending	73 963	34 366	108 329	17 774	23 753	41 527
Consumer lending	97 060	116 963	214 023	27 773	65 192	92 965
Residential mortgages	36 480	70 577	107 057	2 848	38 186	41 034
Total	207 503	221 906	429 409	48 395	127 131	175 526

7.4.13. Mortgage lending

The Group holds residential properties as collateral for the mortgage loans the Bank grants to its customers. The Group monitors its exposure to retail mortgage lending using the LTV ratio, which is calculated as the ratio of the gross amount of the loan - or the amount committed for loan commitments - to the value of the collateral. The valuation of the collateral excludes any adjustments for obtaining and selling the collateral. The value of the collateral for residential mortgage loans is typically based on the collateral value at origination updated based on changes in house price indices. For credit-impaired loans the value of collateral is based on the most recent appraisals. The tables below show the exposures from mortgage loans by ranges of LTV.

	31-December-2024		31-December-2023	
	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance
<i>In thousands of BGN</i>				
LTV ratio				
Less than 50%	1 603 250	(4 392)	1 253 494	(5 942)
51-70%	1 892 266	(5 168)	1 635 054	(7 573)
71-90%	2 377 473	(6 995)	1 788 046	(7 958)
91-100%	1 208 128	(3 186)	822 906	(3 337)
More than 100%	468 076	(2 036)	403 597	(2 991)
Total	7 549 193	(21 777)	5 903 097	(27 801)

Credit impaired - mortgage lending

	31-December-2024		31-December-2023	
	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance
<i>In thousands of BGN</i>				
LTV ratio				
Less than 50%	31 820	(11 714)	29 677	(13 029)
51-70%	16 713	(5 450)	27 975	(10 760)
71-90%	13 431	(6 597)	14 752	(7 147)
91-100%	4 251	(2 705)	4 424	(2 767)
More than 100%	25 384	(24 308)	31 426	(28 839)
Total	91 599	(50 774)	108 254	(62 542)

Loan commitments - Mortgage lending

	31-December-2024		31-December-2023	
	Amount committed	Loss allowance	Amount committed	Loss allowance
<i>In thousands of BGN</i>				
LTV ratio				
Less than 50%	19 583	(23)	13 839	(33)
51-70%	23 157	(38)	18 241	(50)
71-90%	31 323	(50)	19 548	(54)
91-100%	12 368	(24)	10 181	(30)
More than 100%	101 574	(282)	112 228	(466)
Total	188 005	(417)	174 037	(633)

7.4.14. Assets obtained by taking possession of collateral

In 2023 the Group acquired real estate pledged as collateral for loans amounting to BGN 5 942 thousand. Acquisition of assets from collateral has not been reported in 2024. The Group's policy is to acquire real estate pledged as collateral in order to protect itself against market price fluctuations, and perform a careful assessment of whether the property can be realized at a reasonable price. The main purpose is to realise collateral on a timely basis and at the best possible price.

The table below presents information about the collateral of cash at the Central Bank and other banks, loans and advances to banks and other customers measured at fair value determined in accordance with the Group's policy, and capped to the gross carrying amount of the respective loans collateralised, as well as the amortised cost of loans and advances that have no collateral.

7.4.15. Loans and advances to banks and customers by type of collateral

	31-December-2024	31-December-2023
<i>In thousands of BGN</i>		
Secured by mortgages	8 316 104	6 687 811
Cash collateral	49 001	57 444
Government securities	355 647	1 162 881
Other types of collateral*	6 257 249	7 345 375
Without collateral	13 360 948	12 119 436
Total	28 338 949	27 372 947

* Other types of collateral comprise tangible collateral, guaranties from credit institutions pledge over receivable and personal guarantees for loans.

Included in loans and advances and collaterals held are the receivables on repurchase agreements. The table below represents the carrying amount of repurchase agreements and the fair value of collateral held.

	31-December-2024		31-December-2023	
	Carrying amount	Collateral	Carrying amount	Collateral
<i>In thousands of BGN</i>				
Repo receivables from banks	353 164	363 473	1 160 398	1 200 453
Total	353 164	363 473	1 160 398	1 200 453

7.5. Non-financial risks

Operational risk means the risk of loss resulting from inadequate or malfunctioning internal processes, persons and systems or from external events, and includes legal risk.

The management of operational risk at the Group is coordinated by Operational Risk Management Committee (ORMC), which is a permanent consultative body subordinated to the Management Board (MB) and involves the heads of all divisions of the Bank. Chairman of the ORMC is the Head of the Risk Management Division. The meetings are held quarterly, discussing the level of operational risk and operational decisions are taken that are not assigned to the competence of the Management Board or other bodies and measures for mitigation/elimination of operational risks, are planned. The main focus of ORMC activity is the prevention of operational risks by implementing a comprehensive approach, aiming at limiting preconditions, leading to operational events occurrence. The reports about the level of operational risk reviewed at the ORMC are then forwarded to the MB of the Group with a proposal for decisions to be taken based on these reports that are within its powers. In its operations, the ORMC is supported by the Operational and Fraud risk Management Forum and the Information and Communication Technology Risk Forum.

The responsibility for the development of the Operational risk management system is assigned to Operational Risk Management Department as part of the Non-financial Risk Management Directorate, which is part of the Risk Management Division, independent from the business units.

DSK Group has implemented a unified system for identification and management of operational risk, built on the model of OTP Bank Group. It is based on the collection of data on operational events that have occurred in the Group, analysis of the potential effect of such occurrences, and periodic information to management on the level of operational risk. The process was developed on the basis of the declaration of information by the heads of independent structural units in the Group, responsible for operational risk management in their units, according to the adopted decentralized approach to operational risk management in OTP Bank Group.

Potential risks are reviewed as part of the business processes and for this reason they have to be identified in the self-assessment of the Group's units. These risks are classified on the basis of the standardized taxonomy of operational risks annually. The methodology for identification of potential risks is based on a decentralized assessment performed by experts in the various sections/ units of the Group, who are supported by the expertise of the Operational Risk Management Section. Related controls are also assessed in addition to identified risks during the annual self-assessment seminars. Additionally, key controls are tested independently for the purpose of assessing their adequacy.

As part of this process, the so-called scenario analyses are prepared, aimed to evaluate the potential effects on the financial position of the Group and the Group's processes, at a certain change in the risk factors associated with probable occurrence of an event with catastrophic consequences.

Additionally, the actual level of operational risk is monitored based on a Key Risk Indicator system which covers the main risk factors caused the significant operational risk losses and interruption in the critical business processes.

The developed rules and procedures for monitoring and evaluation of operational risk are in line with the requirements of EU and Bulgarian legislation, the standards of the OTP Group and best banking practice in operational risk management.

In accordance with European standards for the outsourcing of activities, the Group has developed policies and procedures for managing the risks arising from outsourced activities and services provided by third parties, part of which are the activities of due diligence of suppliers and assessment of the risk of assignment of the activity - methodology for initial and subsequent periodic assessment of the risk of outsourcing activities.

Similarly and in accordance with the internal normative rules, the models used in the Group are subject to annual risk assessment.

Reputational risk, which is a result of operational events in the field of IT technologies, is calculated using a methodology developed according to the standard of the OTP Group.

Prior to the implementation of a new process, new system or new activity, the latter shall be analyzed and evaluated from the operational risk's viewpoint. This evaluation shall be prepared by the unit involved in the implementation, and shall be forwarded to the Operational Risk Management Section for further evaluation and analysis. For the preparation of the evaluation, the Risk Self-Assessment Forms shall be used. In cases when IT systems are implemented, the assessment shall be made by the unit(s) which has (have) defined the business requirements of the development.

A joint decision of the Hungarian Central Bank and the Bulgarian National Bank on the implementation of advanced models for calculating the regulatory capital for operational risk by DSK Bank on an individual and consolidated basis, as part of the OTP Banking Group, is effective from 31 March 2014. On its ground, the required regulatory capital for operational risk is calculated centrally by OTP Banking Group, and its adequacy is verified annually in the process of the Internal Capital Adequacy Analysis. In addition, an internal methodology for performing stress tests has been developed and applied, which assesses the adequacy of the allocated capital for operational risk of the Group.

Annually, the Group performs a product review, focusing on the potential conduct risk and on the most important controls integrated into the sales processes to mitigate this risk.

An insurance policy has been developed and is in force, according to which the Group maintains valid insurance policies covering major risks such as theft and damage to tangible assets, valuables and others. Insurance policies are subject to regular review and update.

Annual internal training on the topic for operational risk is conducted for all employees, aimed at raising awareness of identifying and limiting operational risks. Training is also mandatory for all new employees.

The units responsible for the management of the different types of risk carry out constant ex-post control on a sample basis and at different intervals in order to ensure compliance with the rules and procedures to ensure consistency, security and validity of the transactions. This type of control is mainly aimed at detecting operational human and technical errors, uncommitted actions by responsible officials or intentional misstatements. The results are reported to the Group management regularly, and corrective actions taken.

The operational risk management system is subject to the annual Supervisory Review and Evaluation Process (SREP), regular inspections by the "Bank Supervision" Department of Bulgarian National Bank, "Internal audit" Directorate of DSK Bank and specialized audits initiated and conducted by a program of OTP Bank.

In 2024, a separate organizational unit was established within the Non-financial Risk Management Department, namely the Information and Communication Technology Risk Management Section (ICT). The purpose of the unit is to develop the ICT risk management framework in DSK Bank group as well as to establish controls over the monitoring, measurement, assessment and mitigation of those risks. The unit is directly involved in ICT risk assessment performed during the organization and analysis of bank processes for the purpose of developing effective business continuity plans. The unit is engaged with organizing post-incident analyses aimed at identifying the reasons for incidents and taking measures for prevention of similar future incidents. The status of completion of the measures adopted is monitored quarterly. The unit reports regularly to the Bank's management on the level of risk and the respective risk mitigation measures at the monthly meetings of the ICT Risk Management Forum.

Risks related to third-party suppliers of services are managed through the third-party assignment risk management framework. Suppliers of services are subject to due diligence checks and risk assessment following a risk-based approach. The Bank prepares and tests exit strategies for all key or important arrangements. The third-party supplier arrangements contain specific covenants which guarantee the rights of the Bank and ensure its protection.

The ICT Risk Management Section plays a leading role in organizing the activities and ensuring continuity of the business during restructuring (Operational Continuity in Resolution - OCIR). It develops and maintains a mapping of services of significance and assessment of risks related thereto. The Financial Market Infrastructure (FMI) contingency plan and the communication plan are integral parts of the business continuity framework during restructuring.

The Group has a plan for response to unforeseen circumstances and for business continuation, as well as a plan for response in the case of breakdown, which purpose is to guarantee the recovery for the most important business processes to their pre-defined levels based on the Group's needs. The plan's efficiency is tested annually in order to determine the readiness of the Group to respond in times of crisis and to ensure continuation of the Group's operations. The test results are reported to the Management Board of the Group.

In 2024, there are no registered operational- or ICT events that could potentially jeopardize the Group's activities. For all so-called extraordinary operational events, or significant incidents, that have a material potential financial or reputational impact, action plans have been developed and all necessary and sufficient measures have been taken to limit their impact as well as to reduce and eliminate the likelihood of their occurrence in the future.

8. Capital Management

The Bank Group's regulatory capital requirements are based on CRD IV.

8.1. Regulatory capital

The Group's regulatory capital for regulatory purposes as at 31 December 2024 and 2023 consists of:

- the Tier I capital which consists of the following major elements:
 - ordinary share capital;
 - regulatory and other reserves;
 - deductions for intangible assets adjusted with the accumulated prudential amortization of software and other regulatory adjustments relating to items that are included in equity or assets but are treated differently for capital adequacy purposes;
 - deduction in connection with insufficient provision coverage of non-performing exposures.

In addition, the Group adds to the Tier I capital a part of the expected credit loss provisions to mitigate the impact of the IFRS 9 implementation. This is a temporary measure introduced by Decision of the BNB Management Board from 15 May 2020 which expires on 31 December 2024.

- the Tier II capital which consists of subordinated term debt qualified as a second-tier instrument (Note 43). The Group reports Tier II capital within its own capital starting from March 2023 after receiving supervisory approval.

The Group calculates the total capital adequacy (the 'Basel ratio') as a ratio between total own funds for solvency purposes and the total of the risk-weighted assets for credit, market, and operational risks. Tier I capital adequacy is the ratio between the Tier I capital and the risk-weighted assets and should be higher than 15.21%, buffers included. The total capital adequacy ratio, including combined buffers and the additional Pillar II guidance, should be higher than 19.52% as of 31 December 2024 compared to 20.03% as of 31 December 2023.

8.2. Capital ratios

	Basel III 2024	Basel III 2023
<i>In thousands of BGN</i>		
Tier 1 capital	4 386 764	3 895 874
<i>Common equity Tier 1 capital</i>	4 386 764	3 895 874
Tier 2 capital	449 841	449 841
Own funds	4 836 605	4 345 715
Credit risk capital requirement	1 455 806	1 403 587
Market risk capital requirement	1 149	1 323
Operational risk capital requirement	49 660	49 711
Total requirement regulatory capital	1 506 615	1 454 621
Surplus of total capital	3 329 990	2 891 094
CET1 capital ratio (%)	23.29%	21.43%
Capital adequacy ratio (%)	25.68%	23.90%

The policy of the Group management and allocation of capital is determined by the Management Board. Allocation of capital between different operations and activities aims to optimise the profitability of the allocated capital. The process is managed by ALCO by reviewing the level of credit, market and operational risks undertaken by the Group. The Group, together with OTP Bank, performs internal analysis of the size, type and allocation of the required capital and assesses the need for an increase in regulatory required capital.

In connection with the implementation of the International regulatory framework Basel III for Banks additional capital buffers consistently are introduced. The aim is to provide additional funds for the recovery and restructuring of banks in a crisis, as well as to preserve the accumulated until the moment capital reserves for preventing or reducing the effects of long-term non-cyclical or macroprudential risks that could cause disruptions in the financial system generally.

By complying with the provisions of Bulgarian National Bank (BNB) Regulation 8 the Group holds Capital conservation buffer of common equity Tier I equivalent to 2.5% of the amount of the total risk weighted exposures. With the same Regulation Bulgarian National Bank introduces a requirement for the capital systemic risk buffer. Since its entry into force on 1 October 2014, the buffer has not been changed and is 3% of risk-weighted exposures. The Group holds its specific countercyclical capital buffer. The assessment of the buffer depends on the level of the reference indicator that BNB announces quarterly. Throughout 2024, the buffer maintains its level from the end of 2023 at 2%. The countercyclical capital buffer specific for the Group as of 31 December 2024 and 2023 is 1.96% and 1.84%, respectively, on a consolidated level. The combined capital buffer covers also the other systemically important institutions buffer, which BNB has calculated at 1.00% of the total risk exposures of the Bank.

According to a joint decision of the Bulgarian National Bank and Hungarian Central Bank, as a result of a supervisory review and assessment, as of 1 January 2024, the Group should maintain an additional capital requirement of 1.85% (1.94% for 2023), distributed between Tier I capital 75% and 56.25% of Common Equity Tier I capital. A Pillar II Guidance of 1.50% has also been determined (1.75% for 2023).

9. Determining fair values

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques as described in the accounting policy. For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

The fair values of financial assets and financial liabilities which are traded on active markets and for which market information is available are based on quoted market prices or closing prices. The use of real market prices and information reduces the necessity for management assessment and assumptions as well as the uncertainty related to the determination of the fair value. The availability of real market prices and information varies depending on the products and markets and changes based on the specific events and the general financial markets environment. For part of the other financial instruments (Level 2) the Group defines fair value using a measurement method based on net present value (NPV). The calculation of the NPV is based on market yield curves and credit spreads where it is required for the corresponding instrument. The aim of the measurement methods is to define the fair value which reflects the value of the financial instrument as of the reporting date, which would have been defined by direct market players.

The Group has an established control environment with regard to the fair value measurement. The fair value of the financial instruments is determined independently from the front office by a unit for control of the market risk and the counterparty risk. The specific controls consist of: control of the real price information and performing second measurement using different methods; process of revision and approving of new methods and changes in methods including measurement and back-testing of methods based on real market deals; analysis and research of significant daily dynamics as a result of assessments; revision of significant inside data which is not observed on the market.

The table below analyses financial instruments carried at fair value, by fair value level.

	Level 1: Quoted market prices in active markets	Level 2: Valuation techniques - observable inputs	Level 3: Valuation techniques - unobservable inputs	Total
<i>In thousands of BGN</i>				
31-December-2024				
Assets				
Trading financial assets	112 478	-	-	112 478
Derivative financial instruments	15	79 637	-	79 652
Investments at fair value through profit or loss	1 042	322	2 259	3 623
Investments at fair value through other comprehensive income	728 629	17 790	22 725	769 144
Total	842 164	97 749	24 984	964 897
Liabilities				
Derivative financial instruments	-	54 829	-	54 829
Total	-	54 829	-	54 829
31-December-2023				
Assets				
Trading financial assets	74 922	-	-	74 922
Derivative financial instruments	-	52 503	-	52 503
Investments at fair value through profit or loss	797	308	3 345	4 450
Investments at fair value through other comprehensive income	903 482	11 659	16 891	932 032
Total	979 201	64 470	20 236	1 063 907
Liabilities				
Derivative financial instruments	-	64 382	-	64 382
Total	-	64 382	-	64 382

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The financial instruments which are not measured at fair value, are analysed in the tables below by their level in the fair value hierarchy.

As of 31 December 2024

	Level 1	Level 2	Level 3	Total fair value	Total carrying amount
<i>In thousands of BGN</i>					
Assets					
Cash and current accounts with the Central Bank and other banks	481 512	5 328 586	-	5 810 098	5 810 098
Loans and advances to banks	-	1 795 473	-	1 795 473	1 795 473
Net receivables from finance lease	-	-	1 746 236	1 746 236	1 744 568
Loans and advances to customers	-	-	20 659 316	20 659 316	20 520 082
Investments at amortised cost	4 871 492	-	11 902	4 883 394	4 960 244
Liabilities					
Deposits from banks	-	26 777	-	26 777	26 777
Deposits from customers	-	29 249 111	-	29 249 111	29 249 108
Loans from banks and financial institutions	-	1 493 275	-	1 493 275	1 493 275
Lease liabilities	-	14 928	-	14 928	14 928
Subordinated debt	-	449 841	-	449 841	449 841

As of 31 December 2023

	Level 1	Level 2	Level 3	Total fair value	Total carrying amount
<i>In thousands of BGN</i>					
Assets					
Cash and current accounts with the Central Bank and other banks	705 130	5 105 067	-	5 810 197	5 810 197
Loans and advances to banks	-	3 030 766	-	3 030 766	3 030 766
Net receivables from finance lease	-	-	1 558 113	1 558 113	1 556 304
Loans and advances to customers	-	-	18 721 153	18 721 153	18 597 439
Investments at amortised cost	1 975 443	-	19 667	1 995 110	2 148 765
Liabilities					
Deposits from banks	-	66 215	-	66 215	66 215
Deposits from customers	-	26 381 205	-	26 381 205	26 381 202
Loans from banks and financial institutions	-	1 206 984	-	1 206 984	1 206 984
Lease liabilities	-	15 489	-	15 489	15 489
Subordinated debt	-	450 090	-	450 090	450 090

The fair value of cash at banks, loans and advances to banks, and loans and deposits from banks is approximately equal to their carrying value.

The fair value of loans to non-financial institutions and other customers is estimated using valuation models, such as discounted cash flow techniques. Input into the valuation techniques includes expected lifetime credit losses, market interest rates and forecast analysis. The fair value of the impaired loans with a collateral backing is based on the valuated fair value of the collateral.

To improve the accuracy of the valuation estimate loans are grouped into portfolios with similar characteristics such as product type, borrower type, maturity, currency, collateral type.

The fair value of deposits from customers is estimated using discounted cash flow techniques, applying the rates that are currently offered in the country for deposits of similar maturities and terms. The fair value of deposits payable on demand is the amount payable at the reporting date.

10. Net interest income

	2024	2023
<i>In thousands of BGN</i>		
Interest income		
Loans and advances to banks	223 586	475 190
Loans and advances to customers and finance lease receivables	1 166 925	1 006 015
Investments at fair value through other comprehensive income	16 676	13 356
Investments at amortised cost	98 195	21 640
Deposits from banks (negative interest)	606	475
Total	1 505 988	1 516 676
Interest expense		
Deposits from banks	(16 249)	(14 726)
Deposits from customers	(7 302)	(6 797)
Loans from banks and financial institutions	(77 611)	(51 470)
Lease liabilities	(267)	(193)
Subordinated debt	(44 596)	(38 061)
Cash with the Central Bank (negative interest)	-	(100)
Loans and advances to banks (negative interest)	(402)	(529)
Loans and advances to customers (negative interest)	(5)	-
Total	(146 432)	(111 876)
Net interest income	1 359 556	1 404 800

11. Net fee and commission income

	2024	2023
<i>In thousands of BGN</i>		
Fee and commission income		
Card operations	113 492	96 418
Payment and settlement transactions	90 113	87 436
Opening and servicing of accounts	71 881	70 504
Mutual and pension funds management	59 663	50 333
Package programs	56 215	41 612
Credit related deals	39 521	44 357
Intermediary services	32 796	18 728
Guarantees and letters of credit	10 698	9 179
Securities transactions and custody services	6 424	4 480
Commercial factoring	5 678	5 569
Other	6 065	9 140
Total	492 546	437 756
Fee and commission expense		
Transaction costs	(58 026)	(40 896)
Guarantees and letters of credit	(2 160)	(1 403)
Securities transactions	(1 643)	(1 476)
Intermediary services	(1 568)	(5 127)
Credit related deals	(1 104)	(636)
Servicing of accounts	(2 908)	(2 442)
Other	(11 544)	(10 789)
Total	(78 953)	(62 769)
Net fee and commission income	413 593	374 987

Included in "other" are fees for agency services, short text messages, issuance of guarantees, commercial factoring commissions, etc.

12. Net trading income

	2024	2023
<i>In thousands of BGN</i>		
Foreign exchange trading	99 954	48 811
Net interest income from securities held for trading	2 951	3 149
Securities trading and revaluation	512	1 044
Net gain/(loss) on derivative instruments	36 613	(341 294)
Total	140 030	(288 290)

The net loss from derivatives in the table above also includes gains and losses arising from hedging of interest rate risk. The revaluation effect of derivative transactions that hedge repo transactions is reported in net gains/(losses) from foreign exchange in the statement of profit or loss.

Additional information on net fair value hedge gains or losses is presented in the tables below:

			2024			
			Gains/(losses) attributable to the hedged risk		Hedge ineffectiveness recognised directly in profit or loss	Unrealised gains on foreign currency main spread, recognised in OCI
<i>In thousands of BGN</i>						
Hedged Risk	Hedged Items	Hedging Instruments	Hedged Items	Hedging Instruments		Hedging Instruments
Interest Rate Risk	FVOCI Debt instruments	Interest rate swaps	5 627	(7 734)	(2 107)	-
Currency Risk	Repo receivables denominated in foreign currencies	Currency swaps	(48 127)	49 811	1 684	1 718

			2023			
			Gains/(losses) attributable to the hedged risk		Hedge ineffectiveness recognised directly in profit or loss	Unrealised gains on foreign currency main spread, recognised in OCI
<i>In thousands of BGN</i>						
Hedged Risk	Hedged Items	Hedging Instruments	Hedged Items	Hedging Instruments		Hedging Instruments
Interest Rate Risk	FVOCI Debt instruments	Interest rate swaps	20 115	(15 775)	4 340	-
Currency Risk	Repo receivables denominated in foreign currencies	Currency swaps	63 577	(67 516)	(3 939)	403

Additional information about the hedging is provided in Note 25.2.

13. Net income from equity financial instruments at FVTPL

The net income from equity financial instruments at FVTPL is the result of measurement of equity instruments classified in this category at fair value (see Note 30).

14. Net gains from realisation of financial assets measured at amortised cost

	2024	2023
<i>In thousands of BGN</i>		
Collection of previously written-off loans and receivables	24 215	18 793
Sale of financial assets	2 892	6 708
Total	27 107	25 501

The income from the sale of financial assets is as a result from sale of mostly non-performing loans.

15. Other operating income, net

	2024	2023
<i>In thousands of BGN</i>		
Income from card operators	9 255	-
Operating lease	9 241	7 370
Net gain on disposal of non-financial assets	5 006	3 656
Hired services	4 119	3 515
Dividends	3 111	640
Net gain from government bonds measured at fair value through other comprehensive income	2 740	828
Rental income from investment property	2 183	1 693
Government grants	508	795
Other	7 987	6 308
Total	44 150	24 805

“Other” includes income from legal fees, tax credit recognized, penalties, vehicle registration fees, etc.

16. Impairment losses on financial assets, net

	2024	2023
<i>In thousands of BGN</i>		
Impairment loss on loans and factoring agreements and finance lease, net	(118 186)	(18 100)
Impairment of past due government bonds	(14 559)	(12 913)
Impairment (loss)/ gain on securities	(7 839)	3 112
Impairment gain on loans and receivables from banks	73	17 783
Impairment gain on POCI	11 688	8 074
Impairment gain/ (loss) on other assets	74	(1 976)
Total	<u>(128 749)</u>	<u>(4 020)</u>

17. Impairment loss on non-financial assets, net

	2024	2023
<i>In thousands of BGN</i>		
Impairment loss on tangible fixed assets	(34)	(3 635)
Impairment (loss)/ gain on collaterals acquired	(64)	1 516
Impairment gain on other non-financial assets	-	11
Total	<u>(98)</u>	<u>(2 108)</u>

The impairment (loss)/ gain on acquired collaterals is reflected in the carrying amount of those assets (Note 36).

18. Personnel expenses

	2024	2023
<i>In thousands of BGN</i>		
Wages and salaries	240 417	201 297
Social security contributions	47 859	42 587
Cash-settled share-based payments	1 311	1 092
Other	1 346	1 514
Total	<u>290 933</u>	<u>246 490</u>

The average number of full-time employees of the Group is 5 622 for 2024 and 5 600 for 2023.

19. Depreciation and amortisation

		2024	2023
<i>In thousands of BGN</i>	<i>Note</i>		
Investment property	32	443	442
Right-of-use assets	33	6 577	7 073
Property, plant and equipment	34	31 914	28 770
Intangible assets	35	<u>27 922</u>	<u>24 688</u>
Total		<u>66 856</u>	<u>60 973</u>

20. Other expenses

		2024	2023
<i>In thousands of BGN</i>			
Hired services		153 096	129 613
Guarantee Funds contributions and supervisory charges		60 556	56 146
Materials		17 508	18 674
Expenses related to short-term leases		4 104	3 915
Expense relating to leases of low value assets		2 160	1 910
Other expenses		<u>14 925</u>	<u>7 462</u>
Total		<u>252 349</u>	<u>217 720</u>

Other expenses includes irrecoverable VAT, leased vehicle registration fees, business trips, representative costs, etc.

The fees accrued for the services provided by the independent financial auditors of the Group for 2024 include statutory audit fees to the amount of BGN 1 894 thousand (2023: BGN 1 793 thousand); review of interim financial information to the amount of BGN 308 thousand (2023: BGN 267 thousand), and fees for other non-audit related services to the amount of BGN 83 thousand. (2023: BGN 89 thousand).

21. Acquisition of non-controlling interest and disposal of subsidiaries

21.1. Acquisition of non-controlling interest in DSK Leasing AD

In June 2024 the Group acquired the non-controlling interest of 39.98% in the capital of DSK Leasing AD and as a result became the sole owner of the entity. The purchase price of the shares is EUR 7 990 thousand. The acquired additional interest can be analyzed as follows:

	2024
<i>In thousands of BGN</i>	
Cash consideration paid to non-controlling shareholder	15 627
Carrying value of the additional interest in DSK Leasing AD	<u>(4 667)</u>
Difference recognised in retained earnings	<u>10 960</u>

21.2. Disposal of subsidiaries

DSK Asset Management

On 19 January 2024 the Group sold 41% of the shares in DSK Asset Management AD as a result of which the entity became an associate of the Group.

The net assets of the disposed entity are the following:

<i>In thousands of BGN</i>	19-January-2024
Cash	3 152
Tangible fixed assets and intangible assets	31
Deferred tax assets	46
Other assets	383
Total assets	<u>3 612</u>
Current tax payables	18
Leasing liabilities	6
Trade and other payables	1 502
Total liabilities	<u>1 526</u>
Net assets	<u><u>2 086</u></u>

The loss on disposal of the subsidiary can be analyzed as follows:

<i>In thousands of BGN</i>	2024
Consideration received	820
Fair value of the retained interest	500
	<u>1 320</u>
<i>less:</i>	
Net assets disposed	2 086
Non-controlling interest	(708)
Loss on disposal of subsidiary	<u><u>(58)</u></u>
Net cash flows from the sale:	
Consideration received	820
<i>less:</i>	
Cash of the disposed subsidiary	(3 152)
Net cash outflow from the sale	<u><u>(2 332)</u></u>

DSK Trans Security EAD

On 1 February 2023 the Group sold its shares in DSK Trans Security EAD, representing 100% of the registered capital of this entity, for a selling price of BGN 3 865 thousand.

The net assets of the entity at the date of disposal are the following:

<i>In thousands of BGN</i>	1-February-2023
Property, plant and equipment	1 654
Intangibles assets	100
Inventory	341
Trade and other receivables	1 805
Cash in hand and at bank	1 662
Total assets	5 562
Trade and other liabilities	1 886
Provisions	415
Total liabilities	2 301
Net assets	3 261
Profit on sale	604
Total consideration	3 865
Net cash inflow from the sale:	
Consideration received	3 865
<i>less:</i>	
Cash disposed	(1 662)
Net cash inflow from the sale	2 203

22. Income tax expense

<i>In thousands of BGN</i>	2024	2023
Current tax expense	(164 194)	(110 317)
Deferred tax (expense)/ benefit related to origination and reversal of temporary tax differences	(950)	962
Total	(165 144)	(109 355)
	2024	2023
<i>In thousands of BGN</i>		
Accounting profit	1 169 149	1 133 528
Income tax at the statutory corporate tax rate	(116 915)	(113 353)
Allowance for tax paid in foreign tax jurisdictions	2 647	4 521
Deduction for tax loss carryforwards	61	-
Tax on permanent tax differences	440	(523)
Income tax expense at the applicable tax rate	(113 767)	(109 355)
Qualified domestic top-up tax	(51 377)	-
Total income tax expense	(165 144)	(109 355)
Effective tax rate	14.13%	9.65%

Current taxes are calculated using a tax rate of 10% for 2024 and 2023. In addition, In December 2023, a Law for Amendment of the Corporate Income Tax Act was enacted in Bulgaria introducing a minimum global income tax of 15% effectively from 1 January 2024. The Law is in line with Directive 2022/2523 of the EU based on OECD's Pillar Two model rules. The minimum effective taxation shall be applied to multinational groups of entities and large national enterprises whose annual consolidated revenue is in excess of EUR 750 million for at least two of the four fiscal years immediately preceding the current fiscal year. According to the requirements of the Law, the Bank is in the scope of additional domestic taxation, which aims at levying the profits of affected entities with a top-up tax in order to reach an effective tax rate of 15%.

The current tax expense for the year ending December 31, 2024 includes an additional tax in the amount of BGN 51 377 thousand, calculated in accordance with the above-described minimum effective taxation regulations.

The movement of current income tax is the following:

	2024	2023
<i>In thousands of BGN</i>		
Tax asset, net on 1 January	3 487	11 243
Increase due to transfer to liabilities directly associated with assets held for sale	-	18
Current tax expense - continuing operations	(164 194)	(110 317)
Current tax expense - discontinued operations	-	(62)
Current tax charged to the other comprehensive income	(3 421)	(4 330)
Current tax paid	119 468	106 985
Transfer from deferred tax and offset against other taxes	(30)	(50)
Tax (liability)/ asset, net on 31 December	<u>(44 690)</u>	<u>3 487</u>

23. Discontinued operations

As disclosed in Note 5.3, discontinued operations for the year ending 31 December 2023 comprise the results of operations of the subsidiary DSK Asset Management AD, which can be analysed as follows:

	2023
<i>In thousands of BGN</i>	
Fee and commission income	3 447
Fee and commission expense	(2)
Net fee and commission income	<u>3 445</u>
Net trading income	51
Other operating income, net	1
Operating income	<u>3 497</u>
Personnel expenses	(1 530)
Depreciation and amortisation	(86)
Other expenses	(401)
Profit before tax	<u>1 480</u>
Income tax expense	(53)
Profit for the year from discontinued operations	<u>1 427</u>

The assets and liabilities of DSK Asset Management as of 31 December 2024 presented as assets held for sale (Note 26) and liabilities directly associated with those assets, respectively, are the following:

	31-December-2023
<i>In thousands of BGN</i>	
Assets	
Cash and current accounts with the Central Bank and other banks	3
Right-of-use assets	6
Property, plant and equipment	29
Intangible assets	2
Deferred tax assets	46
Other assets	377
Assets held for sale	463
Liabilities	
Current tax liabilities	18
Lease liabilities	6
Other liabilities	606
Liabilities directly associated with the assets held for sale	630
Net liabilities directly associated with disposal group	(167)

The net cash flows regarding discontinued operations are as follows:

	2023
<i>In thousands of BGN</i>	
Net cash flows from operating activity	1 023
Net cash flows from investing activity	(4)
Net cash flows from financing activity	(303)
Net cash inflow	716

24. Cash and current accounts with the Central Bank and other commercial banks

	31-December-2024	31-December-2023
<i>In thousands of BGN</i>		
Cash on hand	481 512	705 130
Current accounts with the Central Bank	4 890 580	4 974 052
Current accounts with other banks	438 726	131 219
Less impairment loss allowances	(720)	(204)
Total	5 810 098	5 810 197

Included in cash on hand are cash in transfer and cash at ATMs.

The current account with the Central Bank is used for direct participation in the money and securities markets and for settlement purposes as well as for keeping funds for Group's participation in the Guarantee Mechanism of the System Processing Card-based Payment Transactions. Balances with the Central Bank also cover the minimum required reserves amounting to BGN 3 365 858 thousand and BGN 2 960 980 thousand as of 31 December 2024 and 2023, respectively. Minimum reserves are non-interest bearing and are regulated on a monthly basis. Daily fluctuations are allowed. Shortages or excess reserve funds on monthly basis bear penalty interest. For the years ended 31 December 2024 and 2023, the Group does not report penalty interest due to excess reserves.

The accumulated impairment as of 31 December 2024 amounting to BGN 720 thousand includes BGN 409 thousand of impairment of cash held at the Central Bank and BGN 311 thousand of impairment of cash at other banks.

The accumulated impairment as of 31 December 2023 amounting to BGN 204 thousand includes BGN 16 thousand of impairment of cash held at the Central Bank and BGN 188 thousand of impairment of cash at other banks.

Cash at OTP Group member banks is disclosed in Note 48.

25. Financial assets held for trading and derivative financial instruments

25.1. Financial assets held for trading

	31-December-2024	31-December-2023
<i>In thousands of BGN</i>		
Government securities – Republic of Bulgaria denominated in Bulgarian Leva	29 850	33 782
Government securities – Republic of Bulgaria denominated in foreign currencies	19 214	14 914
Foreign issuers' debt securities denominated in foreign currencies	63 414	26 226
Total	112 478	74 922

Government securities issued by the Bulgarian government comprise of securities denominated in BGN and EUR. The BGN denominated government securities earn interest as of 31 December 2024 between 0.00% and 3.10% (2023 4.00%) and government securities denominated in EUR earn interest between 3.63% and 5.75% (2023: between 0.38% and 5.75%).

As of 31 December 2024 government securities issued by foreign governments comprise of securities denominated in EUR which earn interest between 0.00% and 2.50% (2023: 0.00%).

25.2. Derivative financial instruments

As of 31 December 2024

	Carrying value		Notional amount
	Assets	Liabilities	
<i>In thousands of BGN</i>			
Derivatives held for trading			
Interest rate swaps	17 882	17 259	1 332 205
Foreign exchange contracts	24 812	25 172	1 414 123
Commodity swaps	12 547	12 398	640 731
Total	<u>55 241</u>	<u>54 829</u>	<u>3 387 059</u>
Derivatives used as fair value hedging instruments			
Interest rate swaps	9 160	-	293 109
Foreign exchange contracts	15 251	-	188 260
Total	<u>24 411</u>	<u>-</u>	<u>481 369</u>
Total derivative financial instruments	<u>79 652</u>	<u>54 829</u>	<u>3 868 428</u>

As of 31 December 2023

	Carrying value		Notional amount
	Assets	Liabilities	
<i>In thousands of BGN</i>			
Derivatives held for trading			
Interest rate swaps	23 581	22 696	882 132
Foreign exchange contracts	5 527	5 285	720 790
Commodity swaps	5 770	5 489	538 427
Total	<u>34 878</u>	<u>33 470</u>	<u>2 141 349</u>
Derivatives used as fair value hedging instruments			
Interest rate swaps	17 625	-	414 309
Foreign exchange contracts	-	30 912	959 330
Total	<u>17 625</u>	<u>30 912</u>	<u>1 373 639</u>
Total derivative financial instruments	<u>52 503</u>	<u>64 382</u>	<u>3 514 988</u>

The fair value hedge contracts as of 31 December 2024 and 2023 are two types: 1) interest rate swaps, used to hedge interest rate risk, and 2) foreign exchange swaps used to hedge foreign currency risk. The hedged items are government bonds carried at FVTOCI and repurchase agreements.

The carrying amount of hedged items as of 31 December 2024 and 2023 is as follows:

	31-December-2024	31-December-2023
<i>In thousands of BGN</i>		
Investments at fair value through other comprehensive income - government debt securities	290 253	408 007
Loans and advances to banks - repurchase agreements	181 164	998 659
Total hedged items	471 417	1 406 666

The derivative transactions with OTP Group are disclosed in Note 48.

	2024	2023
<i>In thousands of BGN</i>		
Gain/ (loss) from changes in fair value used for calculating hedge ineffectiveness for the year (Note 12)	23 039	(22 880)
Accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged item	(5 998)	(9 907)

The following table shows the average interest rates and the average FX rate of the Bank's hedging instruments used as of 31 December 2024 and 31 December 2023:

	31-December-2024	31-December-2023
<i>In thousands of BGN</i>		
Interest rate swaps		
Notional amount	293 109	414 309
Average fixed interest rate	1.002%	0.930%
Average floating interest rate	4.012%	4.571%
Foreign exchange contracts		
Notional amount	188 260	959 330
Average exchange rate EUR/HUF	-	384
Average exchange rate USD/HUF	362	365

The Group believes that it is not exposed to a significant exchange rate risk in relation to hedged items as well as hedging instruments, as there are no open positions as of 31 December 2024 and 2023 due to the deals concluded and strategy applied (approved by OTP Group). The strategy applied covers the possible exchange rate risks arising from the transactions which the Bank enters into. The results from hedging transactions in accordance with IFRS 9 are reported in the Statement of Profit or Loss in lines "Interest income", "Net (loss)/gain from foreign exchange" and "Net trading income".

26. Assets held for sale

<i>In thousands of BGN</i>	31-December-2024	31-December-2023
Lands and buildings held for sale	1 716	1 871
Assets of disposal group	-	463
	1 716	2 334

As of 31 December 2023 the Group reclassified to non-current assets held for sale properties that had been used in the operations of DSK Tours – in liquidation EOOD (see also Note 34). Following the closure of this entity in the previous year, the Group took a decision to dispose of these properties through sale. The properties are presented at their carrying amount, which is lower than the fair value less costs to sell. In the current year the Group sold some of the properties but remains committed to the plan to sell the rest of the properties and continues to actively market them. Management expects that the factors which delayed the sales will be overcome within a reasonable period of time after the date of these financial statements and believes that the criteria for classification of the assets as held for sale in accordance with IFRS 5 are still met as at 31 December 2024.

The assets of disposal group as of 31 December 2023 are analysed in Note 23.

27. Loans and advances to banks

Analysis by type

<i>In thousands of BGN</i>	31-December-2024	31-December-2023
Deposits with domestic and foreign banks in foreign currencies	1 439 096	1 828 283
Encumbered assets (Note 45.2)	5 445	44 886
Loans under repurchase agreements	353 164	1 160 398
Less impairment loss allowances	(2 232)	(2 801)
Total	1 795 473	3 030 766

Geographical analysis

<i>In thousands of BGN</i>	31-December-2024	31-December-2023
Domestic banks	-	5 658
Foreign banks	1 795 473	3 025 108
Total	1 795 473	3 030 766

The Group purchases financial instruments under agreements to sell them at future dates (“reverse repurchase agreements”). The instruments are presented as part of loans and advances to banks.

The loans and advances to banks – related parties are disclosed in Note 48.

28. Net receivables from finance lease

	31-December-2024	31-December-2023
<i>In thousands of BGN</i>		
Gross receivables from finance lease	1 940 890	1 751 886
Unrealized financial income	(161 917)	(162 081)
Net minimum lease payments	1 778 973	1 589 805
Impairment	(34 405)	(33 501)
Net receivables from finance lease	1 744 568	1 556 304

Net receivables from finance leases are allocated as follows:

	31-December-2024	31-December-2023
<i>In thousands of BGN</i>		
With maturity of up to 1 year	536 405	473 444
With maturity from 1 to 5 years	1 211 410	1 083 841
With maturity over 5 years	31 158	32 520
Impairment	(34 405)	(33 501)
Net receivables from finance lease	1 744 568	1 556 304

29. Loans and advances to customers

	31-December-2024	31-December-2023
<i>In thousands of BGN</i>		
Individuals		
Consumer loans	6 360 509	5 376 797
Housing and mortgage loans	7 640 792	6 011 351
Companies		
Working capital loans	2 928 272	2 756 379
Investment loans	3 845 206	4 684 381
Advances to clients under local and international factoring	265 538	233 992
State and local government	171 621	171 209
Less loss allowances	(691 856)	(636 670)
Total loans and advances to customers	20 520 082	18 597 439

The movement of the impairment for expected credit loss of loans and advances to customers is provided in Note 7.4.10.2 as a part of the credit risk management disclosure.

The line "State and local government" includes BGN 51 017 thousand and BGN 45 586 thousand of matured receivables on government securities, issued by the Russian Federation as of 31 December 2024 and 2023, respectively. The impairment of receivables is in the amount of BGN 45 156 thousand and BGN 27,351 thousand as of 31 December 2024 and 2023, respectively. The receivables were reclassified in 2023 from investments at fair value through other comprehensive income (Note 7.4.10.4) and investments at amortized cost (Note 7.4.10.5) to loans and advances to customers.

The interest rates on loans as at 31 December 2024 are in the following range: receivables from individuals from 0.24% to 40.35%; receivables from companies from 0.71% to 16.00%; receivables from the State Budget included in the line "State and Local Government" above from 1.84% to 6.46%.

The interest rates on loans as at 31 December 2023 are in the following range: receivables from individuals from 0.05% to 40.36%; receivables from companies from 0.08% to 16.00%; receivables from the State Budget from 0.10% to 4.88%.

The loans sold to unrelated parties have a gross carrying amount of BGN 6 721 thousand and BGN 19 265 thousand for 2024 and 2023, respectively. The impairment of those sold in 2024 was BGN 4 891 thousand while the loans sold in 2023 were fully impaired when derecognized. The total amount of written-off and sold loans in 2024 and 2023 is presented in Note 7.4.10.2.

30. Investments in securities

	31-December-2024	31-December-2023
<i>In thousands of BGN</i>		
<i>Investments in instruments measured at fair value through other comprehensive income</i>		
Equity instruments	40 672	28 578
Government debt securities	729 246	905 693
Less impairment loss allowances	(774)	(2 239)
Total investments in instruments measured at fair value through other comprehensive income	769 144	932 032
<i>Investments in instruments mandatory measured at fair value through profit or loss</i>		
Equity instruments	1 364	1 105
Corporate debt securities	2 259	3 345
Total investments in instruments mandatory measured at fair value through profit or loss	3 623	4 450
<i>Investments in instruments measured at amortized cost</i>		
Government debt securities	4 421 291	1 772 372
Corporate debt securities	447 333	391 609
Debt securities issued by the European Investment Bank	115 063	-
Less impairment loss allowances	(23 443)	(15 216)
Total investments in instruments measured at amortized cost	4 960 244	2 148 765
Total	5 733 011	3 085 247

Investments measured at FVTOCI include government bonds issued by central governments denominated in BGN with an applicable interest rate in the range between 0.0% and 3.10% (2023: 0.0% and 4.00%), denominated in EUR with an interest rate ranging between 0.38% and 5.75% (2023: 0.375% and 5.75%) and denominated in USD with an interest rate ranging between 2.13% and 3.25% (2023: 2.125% and 5.375%).

Investments measured at amortised cost include securities issued by central governments denominated in BGN with interest rate ranging between 0.0% and 3.25% (2023: 0.0% and 3.20%); denominated in EUR with interest rate ranging between 0.0% and 5.75% (2023: 0.0% and 5.75%) and denominated in USD with an interest rate ranging between 1.5% and 3.50% (2023: 1.5% and 6.00%).

Corporate securities measured at amortized cost, issued by related parties, are disclosed in Note 48.

As of 31 December 2024 and 2023, the securities pledged as collateral and blocked in favour of the Ministry of Finance on deposits from the State Budget include instruments carried at amortised cost, which are disclosed in Note 45.2.

The equity investments represent shares in domestic and foreign companies and financial institutions.

31. Goodwill

The Group's goodwill has arisen on acquisition of the following entities:

	31-December-2024	31-December-2023
<i>In thousands of BGN</i>		
Expressbank AD	77 372	77 372
DSK Rodina Pension Company AD	1 175	1 175
Total	78 547	78 547

The goodwill to the amount of BGN 77 372 thousand arose on acquisition of Expressbank on 15 January 2019. Initially it was entirely allocated to the acquired bank as a cash-generating unit in the consolidated financial statements of DSK Bank for 2019. After the merger of Expressbank AD into DSK Bank on 30 April 2020, the combined bank is regarded as the new cash generating unit, to which the goodwill is allocated.

The goodwill to the amount of BGN 1 175 thousand arose on acquisition of DSK Rodina pension Company and is allocated to this entity as a cash-generating unit.

As of 31 December 2024 the Group performed a test for impairment of goodwill allocated to the combined bank using a model whose key inputs are the cash flows of the combined bank for a three-year period. Based on the actual financial performance to December 2024, the Group prepared a medium-term cash flow forecasts for the period 2025-2027. In preparing the calculations, the Group considered the actual worldwide economic situation, the expected economic growth for the following years, their possible effects on the financial sector, the plans for growing, which result from these, and the expected changes of the mentioned factors.

The calculations were performed under two methods, which have produced similar results, namely the free cash flow (FCF) method and the economic value-added (EVA) method.

Present value calculation with the FCF method

The FCF method calculates the value of a company by discounting their expected cash flows, which are determined by the Group on the basis of expected profits after tax. The method employs assumptions, such as discount rate, risk premium, long-term growth. For calculating the discount factor, the Group has used the risk-free rates of ten-year local government bonds. The risk premium is the one specific for Bulgaria, as published on damodaran.com. The growth rate used for calculation of the terminal value reflects the long-term economic expectations for Bulgaria. The company value is then calculated as the sum of the discounted cash flows of the explicit period, the present value of the terminal values and the initial free capital assuming an effective capital structure.

Present value calculation with the EVA method

The EVA method estimates the value of a company from the initial invested capital and the present value of the economic profit that the companies are expected to generate in the future. The Group creates positive economic profit/value if the profitability of the invested capital is higher than the normal profit – the profit that can be usually generated in the banking sector, which means that the company’s profitability exceeds the expected yield. The value of the Group was then calculated by deducting the cost of invested capital from the net profit for the year. The applied discount factor and the long-term growth rate are the same that are used in the FCF method.

A summary of key assumptions used in the model, is presented below:

	2025	2026	2027
Discount rate	4.15%	4.15%	4.15%
Risk premium	6.00%	6.00%	6.00%
Calculation of residual value:			
Long-term discount rate	4.15%		
Long-term risk premium	6.00%		
Long-term growth rate	3.00%		

The Group performed a sensitivity analysis of the results of the test if the discount rate and the long-term growth rate changed from -0.2%/+0.2% to -0.5%/+0.5%. The calculations are not highly sensitive to changes within these ranges.

The calculated recoverable amount under both methods exceeds the carrying amount of net assets of DSK Group, being the cash-generating unit for the purposes of the test, by approximately 35%. As a result, management has concluded that goodwill is not impaired as of 31 December 2024.

32. Investment property

<i>In thousands of BGN</i>	31-December-2024	31-December-2023
Cost		
Balance as of 01 January	22 512	22 512
Balance as of 31 December	22 512	22 512
Depreciation		
Balance as of 01 January	3 986	3 544
Charge for the period	443	442
Balance as of 31 December	4 429	3 986
Net book value	18 083	18 526

The fair value of the investment property determined by independent licensed external appraisers as of 31 December 2024 and 2023, is BGN 21 103 thousand and 19 617 thousand, respectively.

The last valuation of the investment property is determined according to independent appraisers' report dated 9 December 2024. The appraisers have used two valuation methods, namely the comparative value method (market analogy method) and the income method.

Under the market analogy approach, market prices of similar (analogous) assets are used, adjusted for the specifics of the investment property being valued. The analogous items are similar or identical to the ones being valued in terms of location, construction, and stage of completion.

The income approach reflects the capability of assets to generate rental income. The appraisal is based on the average market rents for similar properties, adjusted for possible losses from vacancies or uncollectible rents, housing costs, major repairs, taxes and charges and other costs. The major factors used in the model for adjusting the gross annual income are the following:

Operating costs, taxes, charges	5.00%
Loss of rentals risk	7.00%
Capitalisation rate	7.75%

The fair value of the property is the weighted average of the values determined by both methods. The fair value is categorised as Level 3 in the fair value hierarchy as per IFRS 13.

33. Right-of-use assets

Movement of right-of-use assets during the year 2024

	Land and buildings
<i>In thousands of BGN</i>	
Cost	
Balance as of 31 December 2023	36 893
Additions due to new contracts	2 828
Derecognition due to expired contracts	(1 642)
Changes from reassessment and modification	107
Balance as of 31 December 2024	38 186
Depreciation	
Balance as of 31 December 2023	21 580
Depreciation for the period	6 577
Derecognition due to expired contracts	(1 642)
Changes from reassessment and modification	(3 107)
Balance as of 31 December 2024	23 408
Net book value 31 December 2024	14 778
Net book value 31 December 2023	15 313

Movement of right-of-use assets during the year 2023

	Land and buildings	Vehicles	Total
<i>In thousands of BGN</i>			
Cost			
Balance as of 31 December 2022	36 824	2 506	39 330
Additions due to new contracts	3 337	-	3 337
Transferred to assets held for sale	(341)	-	(341)
Derecognition due to expired contracts	(2 867)	(2 163)	(5 030)
Changes from reassessment and modification	(60)	(343)	(403)
Balance as of 31 December 2023	36 893	-	36 893
Depreciation			
Balance as of 31 December 2022	20 004	571	20 575
Charge for the period, including discontinued operations	7 135	6	7 141
On the transfers to assets held for sale	(335)	-	(335)
Derecognition due to expired contracts	(3 583)	(326)	(3 909)
Changes from reassessment and modification	(1 641)	(251)	(1 892)
Balance as of 31 December 2023	21 580	-	21 580
Net book value 31 December 2023	15 313	-	15 313
Net book value 31 December 2022	16 820	1 935	18 755

34. Property, plant and equipment

Movement of property, plant and equipment during the year 2024

	Land and buildings	IT equipment	Office equipment	Other assets	Assets under operating lease	Total
<i>In thousands of BGN</i>						
Cost or revalued amount						
Balance as of 31 December 2023	559 678	111 963	95 822	17 081	34 327	818 871
Additions	-	453	202	45 510	10 276	56 441
Disposals	(23 269)	(3 552)	(1 366)	(3 181)	(4 974)	(36 342)
Transfers	6 317	26 921	5 329	(38 567)	-	-
Impairment charge	(1)	-	-	-	-	(1)
Balance as of 31 December 2024	542 725	135 785	99 987	20 843	39 629	838 969
Depreciation						
Balance as of 31 December 2023	199 516	85 576	85 982	1 208	8 116	380 398
Charge for the period, including discontinued operations	9 807	12 994	3 860	195	5 058	31 914
Disposals	(10 742)	(3 525)	(1 298)	(308)	(2 854)	(18 727)
Impairment charge	345	-	-	-	-	345
Balance as of 31 December 2024	198 926	95 045	88 544	1 095	10 320	393 930
Net book value 31 December 2024	343 799	40 740	11 443	19 748	29 309	445 039
Net book value 31 December 2023	360 162	26 387	9 840	15 873	26 211	438 473

Movement of property, plant and equipment during the year 2023

	Land and buildings	IT equipment	Office equipment	Other assets	Assets under operating lease	Total
<i>In thousands of BGN</i>						
Cost or revalued amount						
Balance as of 31 December 2022	570 182	108 700	96 470	12 698	30 974	819 024
Additions	3	143	240	29 302	9 356	39 044
Transferred to assets held for sale	(2 960)	(54)	(34)	(172)	-	(3 220)
Disposals	(9 313)	(9 027)	(4 039)	(7 424)	(6 003)	(35 806)
Transfers	1 859	12 201	3 185	(17 323)	-	(78)
Impairment charge	(93)	-	-	-	-	(93)
Balance as of 31 December 2023	559 678	111 963	95 822	17 081	34 327	818 871
Depreciation						
Balance as of 31 December 2022	191 784	84 550	85 668	6 859	7 560	376 421
Charge for the period, including discontinued operations	10 141	9 626	4 093	293	4 634	28 787
On the transfers to assets held for sale	(1 089)	(51)	(33)	(147)	-	(1 320)
Disposals	(3 432)	(8 510)	(3 746)	(5 797)	(4 078)	(25 563)
On transfers	-	(39)	-	-	-	(39)
Impairment charge	2 112	-	-	-	-	2 112
Balance as of 31 December 2023	199 516	85 576	85 982	1 208	8 116	380 398
Net book value 31 December 2023	360 162	26 387	9 840	15 873	26 211	438 473
Net book value 31 December 2022	378 398	24 150	10 802	5 839	23 414	442 603

“Land and buildings” include leasehold improvements to the amount of BGN 1 133 thousand as of 31 December 2023. As of the end of 2024, there are no leasehold improvements in the carrying amount of land and buildings.

In “Other equipment” are included property, plant and equipment under construction and acquisition of property plant and equipment to the amount of BGN 18 916 thousand and BGN 15 151 thousand as of 31 December 2024 and 2023, respectively.

As of 31 December 2024, the gross carrying amount of fully depreciated property, plant and equipment that are still in use in the course of the Group's activities is as follows: buildings: to the amount of BGN 457 thousand, leasehold improvements: to the amount of BGN 8 535 thousand; IT equipment: to the amount of BGN 53 829 thousand, office equipment: to the amount of BGN 73 408 thousand, other equipment: to the amount of BGN 4 514 thousand.

As of 31 December 2023, the gross carrying amount of fully depreciated property, plant and equipment that are still in use in the course of the Group's activities is as follows: buildings: to the amount of BGN 261 thousand, leasehold improvements: to the amount of BGN 9 336 thousand, IT equipment: to the amount of BGN 48 628 thousand, office equipment: to the amount of BGN 65 359 thousand, other equipment: to the amount of BGN 3 999 thousand.

A market analysis of the fair values of land and buildings was performed by licensed appraisers as at 31 December 2024 based on data provided by the Bank and other public information sources. For the purposes of the analysis, research of the real estate market has been performed and offers and actual market transactions concluded for the respective districts of the location of the assets have been reviewed. As a result of the market analysis properties with a carrying amount significantly differing from the market prices have not been identified.

The last valuation of all assets from the Land and Buildings category was performed by licensed appraisers as of 31 December 2021. The valuation was performed using the comparative value method (market analogy method). Under this method, the value of a property is determined by direct comparison to the market price of other comparable properties. The appraisers have used data from actual market transactions concluded during the 6-month period prior to the valuation date. The market price of the analogous property is adjusted by an expert coefficient for market adaptation (ECMA), which is usually in the range from -25% to +25% and reflects the availability of sufficient market information for analogous items. The ECMA can exceed this range in exceptional circumstances and by decision of the appraiser only for unique properties with characteristics similar to the appraised ones, for which no sufficient market analogues are available. Additionally, the price is adjusted by coefficients reflecting the area, location, size and structure of the property, as well as a weight factor reflecting the weight of the selected market analogs in the determined fair value.

The main coefficients applied in the properties' revaluation are in the following range:

Coefficient	Range	
	from	to
Valuation of buildings:		
Location	0.80	1.30
Physical condition	0.80	1.30
Area	0.75	1.20
Different statute	0.60	1.00
Valuation of land:		
Location, size, structure	0.80	1.25
Area	0.75	1.25
Business purpose	0.70	1.00

The coefficient for actual market deals used for land valuation is 0.90.

Based on the inputs in the valuation model used, the fair value of land and buildings is categorized as Level 3 in the fair value hierarchy. The fair value is sensitive to changes in the rate of return and the adjusting coefficients used, and may vary, in case these coefficients are decreased or increased.

35. Intangible assets

Movement of intangible assets during 2024

	Software and licenses	Assets recognized in business combinations	Other intangible assets	Total
<i>In thousands of BGN</i>				
Cost				
Balance as of 31 December 2023	150 933	86 588	34 081	271 602
Additions	350	-	31 784	32 134
Disposals	(256)	-	(431)	(687)
Transfers	48 140	-	(48 140)	-
Balance as of 31 December 2024	199 167	86 588	17 294	303 049
Amortization				
Balance as of 31 December 2023	115 118	72 203	39	187 360
Charge for the period	22 944	4 930	48	27 922
Disposals	(153)	-	-	(153)
Balance as of 31 December 2024	137 909	77 133	87	215 129
Net book value 31 December 2024	61 258	9 455	17 207	87 920
Net book value 31 December 2023	35 815	14 385	34 042	84 242

Movement of intangible assets during 2023

	Software and licenses	Assets recognized in business combinations	Other intangible assets	Total
<i>In thousands of BGN</i>				
Cost				
Balance as of 31 December 2022	175 622	86 588	21 770	283 980
Additions	359	-	38 269	38 628
Transferred to assets held for sale	(171)	-	-	(171)
Disposals	(44 141)	-	(4 065)	(48 206)
Transfers	19 264	-	(19 186)	78
Impairment	-	-	(2 707)	(2 707)
Balance as of 31 December 2023	150 933	86 588	34 081	271 602
Amortization				
Balance as of 31 December 2022	140 210	65 746	-	205 956
Charge for the period, including discontinued operations	18 193	6 457	39	24 689
On the transfers to assets held for sale	(169)	-	-	(169)
Disposals	(43 155)	-	-	(43 155)
On transfers	39	-	-	39
Balance as of 31 December 2023	115 118	72 203	39	187 360
Net book value 31 December 2023	35 815	14 385	34 042	84 242
Net book value 31 December 2022	35 412	20 842	21 770	78 024

As of 31 December 2024 and 2023, the gross carrying amount of fully amortized intangible assets that are still in use in the course of the Group's activities is to the amount of BGN 93 999 thousand and BGN 73 307 thousand, respectively.

36. Other assets

	31-December-2024	31-December-2023
<i>In thousands of BGN</i>		
Clearing and bank settlement assets	51 124	25 658
Temporary accounts with clients	46 369	53 479
Deferred expenses	28 115	37 094
Receivables for fees	13 047	14 234
Advances to suppliers	9 703	13 481
Materials, spare parts	7 831	9 761
VAT refundable	7 763	8 115
Receivables from litigation	4 764	2 457
Shortages of assets	2 871	3 110
Acquired collaterals	768	1 605
Other assets	10 688	5 682
Impairment	(15 379)	(17 140)
Total	<u>167 664</u>	<u>157 536</u>

The accumulated impairment of other assets is mostly attributable to receivables for fees, receivables from litigation and writs, as well as shortages of assets. The movement of impairment for 2024 and 2023 is the following:

	2024	2023
<i>In thousands of BGN</i>		
Opening balance	17 140	16 806
Charge for the year	5 171	3 238
Release for the year	(5 245)	(1 273)
Written-off	(1 869)	(1 673)
Foreign exchange differences	182	42
Closing balance	<u>15 379</u>	<u>17 140</u>

37. Deposits from banks and loans from banks and financial institutions

	31-December-2024	31-December-2023
<i>In thousands of BGN</i>		
Current accounts	17 076	53 516
Deposits	9 701	12 699
Total deposits from banks	<u>26 777</u>	<u>66 215</u>
Loans from banks	1 369 657	1 076 756
Loans from financial institutions	123 618	130 228
Total loans from banks and financial institutions	<u>1 493 275</u>	<u>1 206 984</u>

As of 31 December 2024 and 2023 the loans from banks to the amount of BGN 1 369 657 thousand and BGN 1 076 756 thousand, respectively represent funds received from the parent company to meet the minimum requirements for equity and eligible liabilities (see Note 48).

The Group has received a long-term loan from the European Investment Fund under the “JEREMIE” program for the purpose of granting preferential interest loans to SMEs. As of 31 December 2024 and 2023 the BGN equivalent of the outstanding balance of the loan is BGN 319 thousand and BGN 1 088 thousand, respectively. Interest rates on loans vary from 1.89% to 2.09%. (for 2023 from 1.71% to 1.91%).

The Group has received financing from the Fund Manager of Financial Instruments in Bulgaria (FMFIB) under operating agreements with the purpose of providing finance to ultimate beneficiaries for urban development projects. The Group is entitled to receive a fee for managing the funds, which is determined on the basis of extended, and repaid, funds to, and from, the ultimate recipients of those funds. As of 31 December 2024, the Group’s liability under the financing agreements is long-term and is BGN 123 299 thousand (2023: BGN 129 135 thousand), including BGN 20 077 thousand (2023: BGN 19 304 thousand) due for repayment in June 2035 and BGN 103 222 thousand (2023: BGN 109 831 thousand) with a term of repayment equal to the longest term contracted with an ultimate beneficiary plus three months. The financing is non-interest bearing for the Group.

The deposits received from related parties are disclosed in Note 48.

The Group has not had any defaults of principal or interest or other breaches with respect to its liabilities during the years 2024 and 2023.

38. Deposits from customers

	31-December-2024	31-December-2023
<i>In thousands of BGN</i>		
Individuals		
Term deposits	3 130 489	3 085 576
Demand deposits	19 886 622	17 222 320
Companies		
Term deposits	367 678	370 293
Demand deposits	5 236 574	4 842 493
State Budget		
Term deposits	65 100	56 565
Demand deposits	237 156	307 553
Financial institutions		
Term deposits	1 266	7 604
Demand deposits	324 223	488 798
Total	29 249 108	26 381 202

The interest rates on deposits as at 31 December 2024 are ranged as follows: deposits from individuals from 0% to 8.50%; deposits from companies from 0% to 4.38%; deposits from State Budget from 0% to 3.04%; deposits from financial institutions from 0.00% to 3.79%.

The interest rates on deposits as at 31 December 2023 are ranged as follows: deposits from individuals from 0% to 8.50%; deposits from companies from 0% to 3.20%; deposits from State Budget from 0% to 3.80%; deposits from financial institutions from 0.00% to 3.80%.

The deposits received from related parties are disclosed in Note 48.

39. Lease liabilities

	31-December-2024	31-December-2023
<i>In thousands of BGN</i>		
With maturity of up to 1 year	5 653	6 891
With maturity from 1 to 5 years	9 212	8 429
With maturity over 5 years	63	169
Total lease liabilities	14 928	15 489

The changes in lease liabilities for the years ending 31 December 2024 and 2023 are presented in Note 46.

40. Provisions

Movement in provisions during 2024

	Pension employment defined benefit obligations	Provisions for litigation and others	Provisions for guarantees, letters of credit, loan commitments and factoring	Total
<i>In thousands of BGN</i>				
Opening balance as of 1 January 2024	13 946	15 826	36 364	66 136
Additions during the year	1 964	862	114 147	116 973
Reversal during the year	-	(9 109)	(105 693)	(114 802)
Amounts paid	(1 537)	(1 350)	-	(2 887)
Other movements	1 320	-	(131)	1 189
Closing balance as of 31 December 2024	15 693	6 229	44 687	66 609

Movement in provisions during 2023

	Pension employment defined benefit obligations	Provisions for litigation and others	Provisions for guarantees, letters of credit, loan commitments and factoring	Provisions for restructuring	Total
<i>In thousands of BGN</i>					
Opening balance as of 1 January 2023	11 462	18 233	46 188	21	75 904
Additions during the year	1 696	366	92 856	-	94 918
Reversal during the year	-	(2 471)	(102 674)	-	(105 145)
Amounts paid	(861)	(161)	-	-	(1 022)
Other movements	1 649	(141)	(6)	(21)	1 481
Closing balance as of 31 December 2023	13 946	15 826	36 364	-	66 136

Pension obligations for the payment of defined benefits and long-term benefits to employed persons

The estimated amount of the obligation as at each reporting date and the expenses for retirement compensations recognised are based on an actuarial report (see below information on actuarial assumptions).

	2024	2023
<i>In thousands of BGN</i>		
Liability recognized in the balance sheet as of January 1	13 946	11 462
Cost recognized in the statement of profit or loss	1 964	1 696
Payments made during the period	(1 537)	(861)
Decrease from a disposed subsidiary	-	(111)
Actuarial losses recognized in the statement of other comprehensive income, including:	1 320	1 760
<i>Actuarial losses from changes in financial assumptions</i>	1 341	2 911
<i>Actuarial losses/ (gains) from changes in demographic assumptions</i>	25	(2 482)
<i>Actuarial (gains)/ losses from experience adjustments</i>	(46)	1 331
Defined benefit obligations at 31 December	15 693	13 946

Expense recognised in profit or loss

	2024	2023
<i>In thousands of BGN</i>		
Current service cost	1 275	987
Interest on obligation	621	669
Actuarial loss recognized	68	40
Total	1 964	1 696

Actuarial assumptions

The following are the principal actuarial assumptions at the reporting date (expressed as weighted averages):

	2024	2023
Discount rate at 31 December	4.00%	4.50%
Salary increase for the following year	6.06%	6.65%

41. Deferred tax assets and liabilities

Deferred income taxes for 2024 and 2023 are calculated on all temporary differences under the liability method using a tax rate of 10%. In accordance with the amendments to IAS 12 Income Taxes adopted by the EU in November 2023, the Bank has applied the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and current tax liabilities, related to income taxes levied by the same tax and the Group intends to settle these current tax assets and liabilities on a net basis. An analysis of the Group's deferred tax assets and liabilities is presented below:

	Deferred tax assets		Deferred tax liabilities	
	2024	2023	2024	2023
<i>In thousands of BGN</i>				
Retirement benefit obligations and other personnel liabilities	(349)	(129)	(4 180)	(4 472)
Business reorganisation	-	-	443	443
Financial assets	(38)	(10)	-	-
Fixed assets	947	(16)	23 857	24 138
Investment property	(702)	-	-	-
Provisions for litigation and others	(233)	(8)	(620)	(1 558)
Unused annual leave and other	(95)	(85)	(446)	(507)
Net deferred tax (assets)/liabilities	(470)	(248)	19 054	18 044

Movement in deferred taxes during 2024 and 2023

	<i>Note</i>	Deferred tax assets	Deferred tax liabilities
<i>In thousands of BGN</i>			
Balance on 1 January 2023		(452)	19 539
Deferred tax expense/ (income)	22	167	(1 129)
Transferred to assets held for sale		37	-
Charged to equity		-	(366)
Balance on 31 December 2023		(248)	18 044
Deferred tax (income)/ expense	22	(222)	1 172
Charged to equity		-	(162)
Balance on 31 December 2024		(470)	19 054

42. Other liabilities

	31-December-2024	31-December-2023
<i>In thousands of BGN</i>		
Money transfers for execution	58 252	58 940
Liabilities to suppliers and customers	38 844	23 833
Liabilities to personnel and management	33 898	37 461
Obligations under unilaterally terminated contracts	27 142	25 674
Liabilities under condition for financial asset refunding	3 518	2 204
Dividend payment obligations	914	526
Liabilities to customers related to purchase and repurchase of investments in mutual funds	836	337
Reserve for lifelong pension guarantee and voluntary pension reserve	268	269
VAT and other tax payables	230	365
Liabilities to insurers	120	137
Initial installments received under finance leases	-	9 159
Other	12 693	13 916
Total	176 715	172 821

Other liabilities include VAT payables, guarantee liabilities, loan fees received, etc.

43. Subordinated debt

As of 31 December 2024 and 2023 the Bank received long-term loans from OTP Bank in the amount of EUR 230 000 thousand (BGN 449 841 thousand) divided into two loans of EUR 115,000 thousand. The main purpose of the loans is to strengthen the Bank's resources in order to improve capital adequacy. For this reason, the loans are agreed under the conditions that meet the requirements for their recognition as Pillar 2 instruments and are presented as subordinated term debt. Interest is determined as the three-month EURIBOR plus a mark-up, and is at the rate of 7.743% and 9.683% on each of the two loans as of 31 December 2024 (8.95% and 10.925% as of 31 December 2023). As at 31 December 2024 the principal amount includes EUR 115 000 thousand due on 29 March 2033 and EUR 115 000 thousand due on 21 December 2032. Interest is paid quarterly.

44. Share capital and reserves

44.1. Face value of registered shares

As of 31 December 2024 and 2023 the share capital consists of 132 865 992 ordinary dematerialized registered voting shares with par value of BGN 10 each.

OTP Bank, incorporated in Hungary, is the owner of 99.92% of the share capital of DSK Bank as of 31 December 2024 and 2023.

The ultimate shareholders with over 5% stake of OTP Bank as of 31 December 2024 are as follows:

Name	Number of shares	Ownership	Voting rights
Hungarian Oil and Gas Company (MOL)	24 000 000	8.57%	8.79%
Groupama Group	14 260 181	5.09%	5.22%

44.2. Statutory and other reserve

Statutory and other reserves include statutory reserve according to local regulations and profits transferred to reserves according to decisions of the General Meeting of Shareholders. Statutory and other reserves in the consolidated statement of changes in equity include also the specialized reserves created under the provisions of the Social Security Code, which are used by DSK Rodina Pension Company AD to cover its obligations to individuals with additional pension insurance.

44.3. Revaluation reserves

44.3.1. Revaluation reserve – land and buildings

The properties revaluation reserve arises on the revaluation of land and buildings according to the revaluation model as per IAS 16. Such reserve is reported in the Statement of changes in equity net of deferred tax. Items of other comprehensive income included in the property's revaluation reserve will not be reclassified subsequently to profit or loss.

As at 31 December 2024 and 2023 the Group has reported a decrease amounting to BGN 312 thousand and BGN 1 277 thousand, respectively, gross of tax, as a result of impairment of land and buildings on account of the revaluation reserves. The deferred tax effects on the reserve recognized directly in equity amount to BGN 31 thousand and BGN 128 thousand, respectively.

For the years ending 31 December 2024 and 2023, revaluation reserve of land or buildings disposed, net of tax, to the amount of BGN 3 817 thousand and BGN 1 622 thousand, respectively, has been transferred directly to retained earnings.

44.3.2. Revaluation reserve – financial assets

The revaluation reserve of financial assets is comprised of the following:

- (a) Gains and losses from changes in the fair value of debt and equity instruments measured at fair value through other comprehensive income;
- (b) Current tax arisen from the reported gains and losses from changes in the fair value of debt and equity instruments measured at fair value through other comprehensive income;
- (c) Accumulated gains and losses recycled to profit or loss on changes in the fair value attributable to the hedged risk, or on disposal of debt instruments measured at FVTOCI, which have been designated as hedged items;
- (d) Expected credit losses on debt instruments measured at FVTOCI;
- (e) Foreign exchange gains and losses on equity instruments measured at FVTOCI;
- (f) Profit or loss on revaluation of hedging instruments.

No tax arising from the changes attributable to the hedged risk, expected credit losses or foreign exchange gains or losses on equity instruments, has been reported directly in equity.

44.4. Defined benefit pension reserve

The defined benefit pension reserve is comprised of actuarial gains and losses arisen on actuarial valuation of the retirement benefits performed by a licensed actuary as at the end of each reporting period (Note 40).

44.5. Share-based payment reserve

The share-based payment reserve is related to performance-based remunerations accrued by the Bank in previous periods, which are to be settled by equity instruments of the parent company.

According to the Remuneration Policy, certain members of the identified management personnel are entitled to a performance-based bonus. The scope of persons eligible for such a bonus is defined based on the significance of the position both at OTP Group level and local level, and the risk profile of the functions performed.

Performance is measured against goals and criteria defined in separate agreements with the respective persons.

The variable remuneration is settled through cash and equity instruments at a ratio of 50:50. A part of the remuneration can be deferred for a maximum period of 5 years.

The number of shares to be granted to each eligible person is determined as the ratio of the amount of share-based payment and the price of OTP Bank shares. The share price is determined by the Supervisory Board of OTP Bank within 10 days before settlement of the performance-based remuneration, based on the average of the daily prices of the ordinary shares issued by OTP Bank quoted at the Budapest Stock Exchange on the three trading days preceding the day of the decision.

Since 1 January 2021, the shares granted to this group of managers are not real, but "virtual", which in practice means that the remuneration continues to be tied to the share price of OTP Bank but is paid in cash.

45. Contingent assets and liabilities

45.1. Off balance sheet liabilities

<i>In thousands of BGN</i>	31-December-2024	31-December-2023
Litigation against the Group and other contingent liabilities	8 127	21 765
Bank guarantees and letters of credit	907 854	628 698
Factoring agreement commitments	18 293	43 971
Commitments for undrawn credit facilities	2 982 387	3 018 483
Commitments under term deals	3 824 099	3 523 544
Other	4 499	1 912
Total	<u>7 745 259</u>	<u>7 238 373</u>

The commitments under term deals represent commitments under interest rate, foreign currency and commodity derivative contracts. The contingent receivables related to those derivative contracts amount to BGN 3 838 142 thousand and BGN 3 481 141 thousand as of 31 December 2024 and 2023, respectively.

The off-balance sheet receivables from, and liabilities to, related parties are disclosed in Note 48.

Legal claims and other contingent liabilities connected with claims against the Group

The Legal claims against the Group and other commitment liabilities connected with legal proceedings amount to BGN 8 127 thousand and BGN 21 765 thousand (principal and accrued interest) as of 31 December 2024 and 2023, respectively. For part of these legal claims the Group's management believes that there is a probability of unfavourable outcome. The Group considers the probability of future cash outflows on other contingent liabilities as well as the probability for increase of customers' claims against the Group connected with payments on contracts for products and services provided by the Group. Based on these assessments, provisions at the total amount of BGN 6 229 thousand and BGN 15 826 thousand (Note 40) are allocated as at the end of 2024 and 2023, respectively.

Contingent liabilities on guarantees and letters of credit

The Group provides financial guarantees and letters of credit to guarantee the performance of commitments of its customers to third parties. These agreements have fixed limits and fixed terms of validity.

These commitments and contingent liabilities carry an off-balance sheet credit risk, with a provision for the proportion of the uncommitted commitment that is likely to be funded based on a credit conversion factor (Note 40).

45.2. Assets pledged as collateral

As of 31 December 2024 and 2023 the Group has pledged assets as collateral as follows:

	31-December-2024	31-December-2023
<i>In thousands of BGN</i>		
Securities measured at amortised cost	313 458	413 360
Financial assets at amortised cost	5 445	44 886
Total	318 903	458 246

As of 31 December 2024 and 2023 the securities are pledged at the Bulgarian National Bank in favour of the Ministry of Finance as collateral for funds due to the State Budget under the Public Finance Act (Note 30).

The financial assets at amortised cost represent deposits granted to banks as collateral of derivative deals and repo deals. Those granted to related parties are disclosed in Note 48.

45.3. Operating leases – the Group as a lessor

The Group has entered into operating lease agreements as a lessor of real estate and vehicles, and recognised income from rentals under those agreements to the amount of BGN 9 241 thousand and BGN 7 370 thousand for 2024 and 2023, respectively (Note 15).

The table below provides a maturity breakdown of the undiscounted cash flow payments, which are to be received in the future by the Group in its capacity as a lessor:

	31-December-2024	31-December-2023
<i>In thousands of BGN</i>		
In less than 1 year	19 439	7 007
Between 1 and 2 years	15 116	7 448
Between 2 and 3 years	10 119	7 332
Between 3 and 4 years	10 026	5 478
Between 4 and 5 years	3 705	2 528
More than 5 years	3 916	185
Total undiscounted future lease payments	62 321	29 978

46. Additional information for the statement of cash flows

Cash and cash equivalents can be analyzed as follows:

	<i>Note</i>	31-December-2024	31-December-2023
<i>In thousands of BGN</i>			
Cash on hand	24	481 512	705 130
Balances with Central Bank	24	4 890 580	4 974 052
Receivables from banks with original maturity up to 3 months		438 726	131 222
Total cash and cash equivalents		5 810 818	5 810 404

The following table summarises the changes in the liabilities from financing activity, including cash flows-related changes and non-cash changes, and contains a reconciliation of opening and closing balances of the liabilities originating from financing activity in the statement of financial position.

For the year ending 31 December 2024

	Loans from banks and subordinated debt (Notes 37 and 43)	Lease liabilities (Note 39)	Total liabilities from financing activity
<i>In thousands of BGN</i>			
As of 1 January	1 526 846	15 489	1 542 335
<i>Non-cash changes:</i>			
Increase due to new contracts	-	2 828	2 828
Interest accrued	120 038	267	120 305
Changes from reassessment and modification	-	3 150	3 150
Total non-cash changes	120 038	6 245	126 283
<i>Cash flows:</i>			
Loans received	293 375	-	293 375
Interest paid on borrowings	(120 761)	-	(120 761)
Payment of lease liabilities	-	(6 806)	(6 806)
Total cash flows	172 614	(6 806)	165 808
As of 31 December	1 819 498	14 928	1 834 426

For the year ending 31 December 2023

	Loans from banks and subordinated debt (Notes 37 and 43)	Lease liabilities (Note 39)	Total liabilities from financing activity
<i>In thousands of BGN</i>			
As of 1 January	852 068	17 821	869 889
<i>Non-cash changes:</i>			
Increase due to new contracts	-	3 337	3 337
Interest accrued	87 164	193	87 357
Changes from reassessment and modification	-	1 464	1 464
Transferred to liabilities directly associated with the assets held for sale	-	(6)	(6)
Total non-cash changes	87 164	4 988	92 152
<i>Cash flows:</i>			
Loans received	674 761	-	674 761
Interest paid	(87 147)	-	(87 147)
Payment of lease liabilities	-	(7 320)	(7 320)
Total cash flows	587 614	(7 320)	580 294
As of 31 December	1 526 846	15 489	1 542 335

47. Associates

As of 31 December 2024 and 2023 the Group exercises significant influence over the following entities:

<i>In thousands of BGN</i>	<i>% ownership</i>	31-December- 2024	31-December-2023	<i>Date of acquisition</i>
Cash Services Company AD	25%	5 024	4 374	16.7.2007
DSK Asset Management AD	25%	591	-	19.1.2024
		5 615	4 374	

The movement of investments in associates is presented below:

<i>In thousands of BGN</i>	2024	2023
Balance as of 1 January	4 374	3 989
Increase from retained interest	499	-
Share in profit for the current year	742	385
Balance as of 31 December	5 615	4 374

Below is a reconciliation between the net assets of the associates and their carrying amounts included in these consolidated financial statements as of 31 December:

	<i>Cash Services Company AD</i>	<i>DSK Asset Management AD</i>	<i>Cash Services Company AD</i>
<i>In thousands of BGN</i>	31-December-2024	31-December-2024	31-December-2023
Net assets	20 098	2 446	17 496
Group share %	25%	25%	25%
Group share in net assets	5 024	612	4 374
Effect borne by the Group	-	(21)	-
Carrying amount of the investment	<u>5 024</u>	<u>591</u>	<u>4 374</u>

48. Related party transactions

The Group has a controlling related party relationship with its parent company OTP Bank.

The Group has a related party relationship with its directors and executive officers, its subsidiaries and associates and the other companies within OTP Bank Group. The directors and executive officers are represented by the members of the Management Board and the Supervisory Board of the Bank, as well as the managing directors of the Bank's subsidiaries.

The related party transactions are based on contractual terms and conditions.

The related party transactions and balances as of and for the years ended 31 December 2024 and 2023 are as follows:

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As of, and for the year ending 31 December 2024:

<i>In thousands of BGN</i>	OTP Bank	Other OTP Group members	Directors and executive officers	Total
Incomes/ (Expenses)				
Interest income	192 319	14 211	10	206 540
Interest expense	(120 042)	(1)	-	(120 043)
Fees and commissions income	112	35	7	154
Fees and commissions expenses	(563)	(9)	-	(572)
Losses on trading activities	(27 123)	-	-	(27 123)
(Loss)/Profit on disposal of subsidiaries	-	(5)	-	(5)
Other operating income	3 194	73	-	3 267
Assets				
Current accounts gross carrying amount	7 617	677	-	8 294
Derivative financial instruments	48 107	-	-	48 107
Loans granted to customers, receivables banks gross carrying amount	1 797 216	-	5 088	1 802 304
Corporate debt securities	-	402 815	-	402 815
Other receivables	1 436	-	-	1 436
Liabilities				
Current and deposit accounts with DSK Bank	5 236	2 554	9 304	17 094
Derivative financial instruments	25 207	-	-	25 207
Other liabilities	6 212	-	-	6 212
Loans received	1 369 657	-	-	1 369 657
Subordinated debt	449 841	-	-	449 841
Conditional liabilities				
Undrawn lines of credit and commercial factoring	1 600	-	2 534	4 134
Conditional liabilities on derivative financial instruments	1 916 720	-	-	1 916 720
Guarantees and letters of credit granted	100	-	-	100
Conditional receivables				
Conditional receivables on derivative financial instruments	1 945 644	-	-	1 945 644

DSK Bank AD
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for 2024

As of, and for the year ending 31 December 2023:

<i>In thousands of BGN</i>	OTP Bank	Other OTP Group members	Directors and executive officers	Total
Incomes/ (Expenses)				
Interest income	429 460	17 318	-	446 778
Interest expense	(87 175)	(2)	-	(87 177)
Fees and commissions income	193	33	6	232
Fees and commissions expenses	(805)	(22)	-	(827)
Losses on trading activities	(448 678)	-	-	(448 678)
Other operating income	1 360	25	-	1 385
Assets				
Current accounts gross carrying amount	86 777	2 017	-	88 794
Derivative financial instruments	46 395	-	-	46 395
Loans granted to customers, receivables banks gross carrying amount	3 027 420	-	2 534	3 029 954
Corporate debt securities – gross carrying amount	-	391 609	-	391 609
Other receivables	783	27	-	810
Liabilities				
Current and deposit accounts with DSK Bank	2 084	5 136	9 313	16 533
Derivative financial instruments	34 782	-	-	34 782
Other liabilities	2 589	-	-	2 589
Loans received	1 076 756	-	-	1 076 756
Subordinated debt	450 090	-	-	450 090
Conditional liabilities				
Undrawn lines of credit and commercial factoring	1 600	-	584	2 184
Conditional liabilities on derivative financial instruments	2 258 386	-	-	2 258 386
Guarantees and letters of credit granted	100	-	-	100
Conditional receivables				
Conditional receivables on derivative financial instruments	2 242 520	-	-	2 242 520

DSK Bank has nostro accounts with OTP Bank denominated in EUR, USD, GBP, CHF and HUF with total balance as of 31 December 2024 to the amount of BGN 7 617 thousand and impairment thereon amounting to BGN 12 thousand. The Bank has nostro accounts with other OTP Bank Group members denominated in RUB and RSD with total balance as of 31 December 2024 to the amount of BGN 677 thousand and impairment thereon amounting to BGN 2 thousand.

DSK Bank has nostro accounts with OTP Bank denominated in EUR, USD, GBP, CHF and HUF with total balance as of 31 December 2023 to the amount of BGN 86 777 thousand and impairment thereon amounting to BGN 133 thousand. The Bank has nostro accounts with other OTP Bank Group members denominated in RON, RUB and RSD with total balance as of 31 December 2023 to the amount of BGN 2 017 thousand and impairment thereon amounting to BGN 13 thousand.

As of 31 December 2024 DSK Bank has the following intragroup derivative deals:

- Interest rate swaps with OTP Bank Group members – assets BGN 18 453 thousand, liabilities BGN 8 343 thousand, notional amount BGN 931 063 thousand;
- Derivative deals for foreign exchange with OTP Bank Group members - assets BGN 21 693 thousand, liabilities BGN 12 370 thousand, notional amount BGN 694 198 thousand;
- Commodity swap deals with OTP Bank Group members - assets BGN 7 961 thousand, liabilities BGN 4 494 thousand, notional amount BGN 320 383 thousand.

As of 31 December 2023 DSK Bank has the following intragroup derivative deals:

- Interest rate swaps with OTP Bank Group members – assets BGN 40 548 thousand, liabilities BGN 210 thousand, notional amount BGN 820 346 thousand;
- Derivative deals for foreign exchange with OTP Bank Group members - assets BGN 2 580 thousand, liabilities BGN 31 720 thousand, notional amount BGN 1 145 244 thousand;
- Commodity swap deals with OTP Bank Group members - assets BGN 3 267 thousand, liabilities BGN 2 852 thousand, notional amount BGN 276 930 thousand.

The derivatives used for fair value hedge as of 31 December 2024 and 2023 are concluded with OTP Bank (Note 25.2).

As of 31 December 2024 the Group has the following intragroup loans and advances to banks:

- Deposits blocked in connection with derivative deals with OTP Bank denominated in EUR and USD amounting to BGN 223 thousand (Note 45.2);
- Deposits at OTP Bank denominated in EUR, USD and GBP to the total amount of BGN 1 439 096 thousand with original maturity up to five years and maturity date between 30 May 2025 and 12 February 2026. The interest rates vary between 4.08% and 7.18%;
- Receivables under repo deals with OTP Bank denominated in HUF and USD to the amount of BGN 353 164 thousand with original maturity of over 1 year and maturity dates between 24 September 2025 and 21 August 2028. The interest rates vary between 3.97% and 6.76%;
- Blocked funds as collateral of repo deals with OTP Bank in EUR amounting to BGN 4 733 thousand with original maturity over a year and maturity date 4 January 2026.

As of 31 December 2023 the Group has the following intragroup loans and advances to banks:

- Deposits blocked in connection with derivative deals with OTP Bank denominated in EUR and USD amounting to BGN 718 thousand (Note 45.2);
- Deposits at OTP Bank denominated in EUR, USD and GBP to the total amount of BGN 1 828 283 thousand with original maturity up to two years and maturity date between 30 December 2024 and 15 October 2025. The interest rates vary between 4.08% and 7.18%;
- Receivables under repo deals with OTP Bank denominated in EUR and HUF to the amount of BGN 1 160 398 thousand with original maturity of over 1 year and maturity date between 12 March 2025 and 22 August 2028. The interest rates vary between 3.97% and 10.63%;
- Blocked cash as an adjustment of the value of collateral received under repo deals with OTP Bank in EUR amounting to BGN 38 021 thousand with original maturity over a year and maturity date 3 January 2025.

Corporate debt securities are mortgage bonds issued in December 2023 by OTP JELZALOGBANK RESVENY, a credit institution, with a nominal value of EUR 200 000 thousand and a fixed interest rate of 3.603%. The maturity date is 7 March 2029.

The deposits received from OTP Bank Group members represent loro accounts with DSK Bank denominated in BGN and EUR with total balance as of 31 December 2024 and 2023 to the amount of BGN 7 790 thousand and BGN 7 220 thousand, respectively.

As of 31 December 2024 and 2023 the Bank received loans from OTP Bank at the total amount of EUR 700 000 thousand (2023: 550 000 thousand). The interest rate on the loans is three-month EURIBOR plus a mark-up. As of 31 December 2024, the interest rates on loans vary between 3.903% and 7.103% (2023: from 5.145% to 8.345%). The maturity of the received loans is in the period 2027-2029. The closing balance also includes accrued interest in the amount of BGN 576 thousand (2023: BGN 1 049 thousand).

As of 31 December 2024 and 2023 the Bank has received loans from OTP Bank amounting to EUR 230 000 (BGN 449 841 thousand) classified as subordinated debt (see Note 43).

As of 31 December 2024 the Group has the following intragroup off-balance sheet liabilities and commitments:

- DSK Bank has issued guarantees to group members amounting to BGN 2 500 thousand.
- The commitment of the Bank on unutilized credit lines extended to group members amounts to BGN 65 948 thousand.
- The commitment of the Bank on derivative deals with group members amounts to BGN 1 916 720 thousand.

As of 31 December 2023 the Group has the following intragroup off-balance sheet liabilities and commitments:

- DSK Bank has issued guarantees to group members amounting to BGN 100 thousand.
- The commitment of the Bank on derivative deals with group members amounts to BGN 2 258 386 thousand.

As of 31 December 2024 and 2023 an overdraft of BGN 1 600 thousand has been granted on a current account of OTP Bank, which has not been utilised as of those dates.

The remuneration of the key management personnel for 2024 includes short-term and long-term benefits amounting to BGN 8 436 thousand (2023: BGN 8 368 thousand), including share-based payments to the amount of BGN 1 186 thousand (2023: BGN 1 009 thousand) (Note 18).

49. Disclosures required by the Law on Credit Institutions

Pursuant to Art. 70, paragraph 6 of the Law on Credit Institutions, The Bank should disclose certain qualitative and quantitative indices.

The Bank has a full license for commercial banking, offering bank products and services.

The Group operates in the Republic of Bulgaria and does not have registered subsidiaries and branches outside the country.

Below is quantitative data for the Group's operations:

<i>In thousands of BGN</i>	2024	2023
Operating income	1 909 621	1 653 623
Pre-tax profit	1 169 149	1 133 528
Income tax expense	(165 144)	(109 355)
Equivalent number of full-time employees, average	5 622	5 600
Return on assets (net profit to total assets)	2.86%	3.27%
Government grants received	508	795

The quantitative data above is calculated on the basis of the consolidated financial statements.

The total assets used to determine the return on assets is the average of assets for four quarters.

DSK Bank carries out services in its capacity of an investment intermediary pursuant to the provisions of the Law on Public Offering of Securities (LPOS). As an investment intermediary, the Bank has to follow certain requirements for the protection of its clients' interests pursuant to the Markets in Financial Instruments Act (FIMA), Ordinance 38 and Ordinance 58, issued by the Financial Supervision Commission. The Bank has created and has been applying organisation related to signing and execution of contracts with clients, requiring information from clients, keeping record and storing clients' assets pursuant to the provision, and more specifically, to the requirements of Ordinance 38, Art. 28-31 and Ordinance 58, Art. 3-10. The Bank has developed internal control rules and procedures, in order to ensure compliance with the legislative framework described above.

50. Events after the reporting period

No significant events after the end of the reporting period have been identified.