DSK Bank AD

Separate financial statements

for the year ended 31 December 2024,

management report on the activity,

declaration of corporate governance

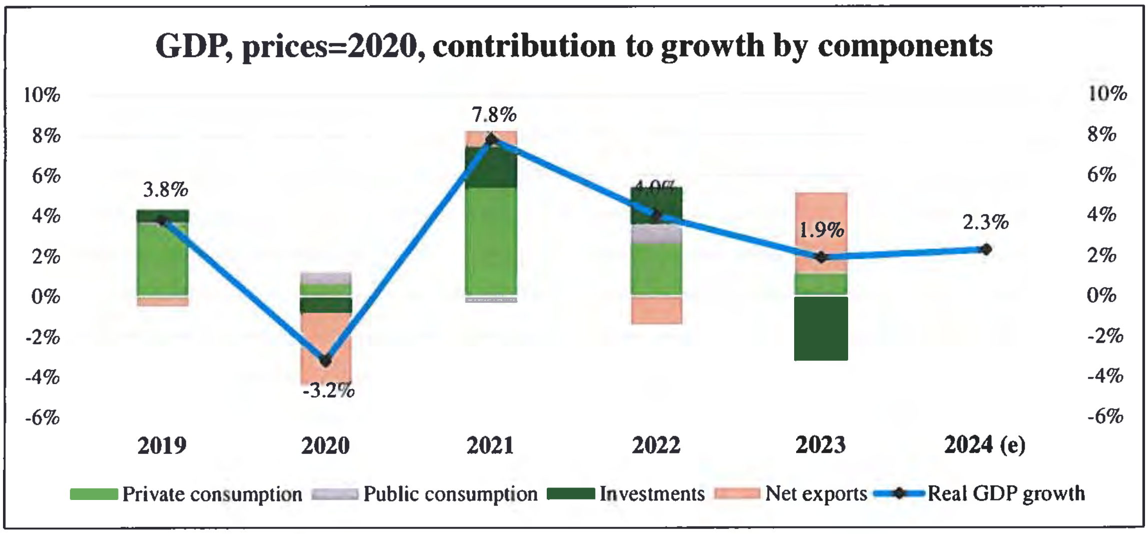
and independent auditors' report

DSK BANK AD
Report on the Activity
of DSK Bank AD for the year ending 31 December 2024

Macroeconomic environment

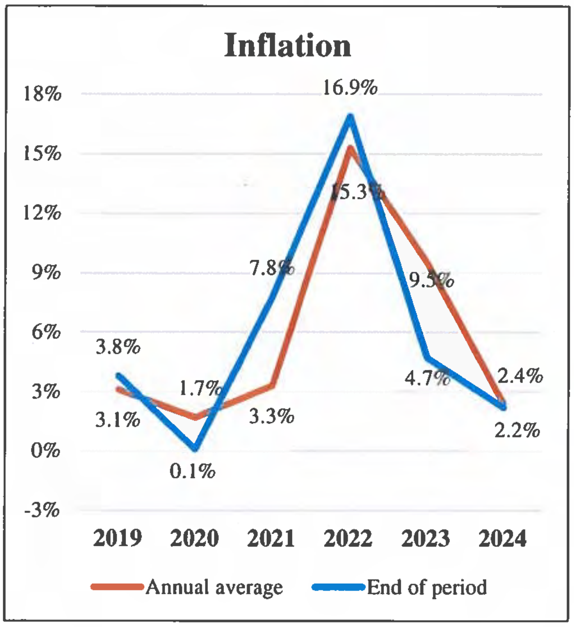
The global trade is experiencing turmoil driven by political decisions, most notably from the newly elected presidential administration in the United Sates. While the U.S. economy remains robust, the Euro area is showing signs of slowing down. The traditional economic engine of the EU, Germany, has recorded 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 Brend 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.

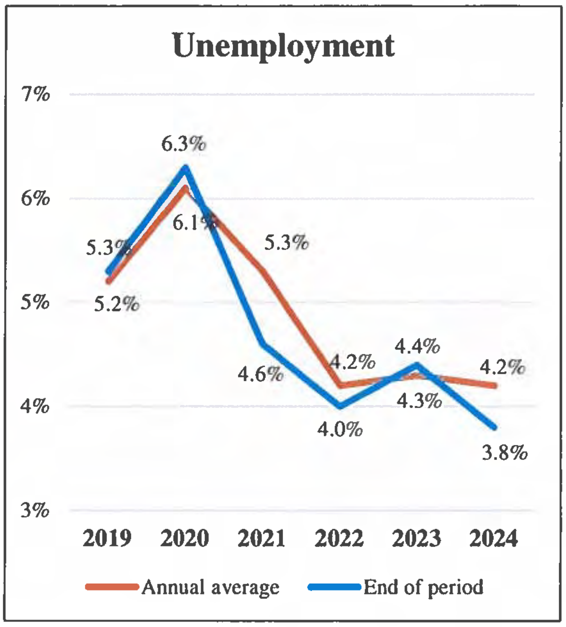
The Bulgarian economy continues to demonstrate resilience and adaptability, with moderately optimistic trends despite external and internal challenges. Bulgaria's GDP shows a growing annual increase, outpacing most Euro area and EU economies, with a growth rate of 3.1% as of the last quarter of the 2024. 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	*BGN bn*	22.0	27.5	31.2	36.1	40.5	47.4
of which internal	*BGN bn*	5.5	5.6	8.6	11.0	10.6	11.9
of which external	*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 consolidated the second position with a market share of 19.1%, increasing the position by 0.1pp compared to 2023.

For 2024 DSK Bank reports a profit after tax to the amount of BGN 987.1 million.

The Cost-to-Income as of December 2024 is 31.0%, which is the lowest ratio among all peers and significantly 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
Attila Turkovits 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

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 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.

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**
Tamas Hak-Kovacs	BORIKA AD dsk Ventures EAD PIC DSK-Rodina AD	Member of BD Member and the Chairperson of BD Member and the Chairperson of SB
Slaveyko Slaveykov	DSK Dom EAD	Member and the Chairperson of BD
Mihail Komitsky	OTP Leasing EOOD	Executive officer
Boyan Stefov	DSK Asset Management AD	Member of 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 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.

Financial result and profitability

For 2024 DSK Bank reported BGN 1 143.9 million BGN profit before tax, which increased by 3.1% compared to 2023, mainly as a result of higher operating income 260.1 million BGN and 84.8 million increase of operating expenses.

The profit after tax for 2024 was 987.1 million BGN.

The net interest income amounted to BGN 1 317.1 million and it is lower by BGN 48.7 million or 3.6 % compared to 2023, mainly as a result of lower interest income by BGN 13.9 million compared to 2023 as the interest income on loans increased by BGN 157.7 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 34.8 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 523.7 million (a increase of 143.7% or BGN 308.8 million compared to 2023), which is mainly a result of the higher net trading income. Net fee and commission income amounted to BGN 359.6 million and increased by BGN 38 million compared to 2023.

The operating expenses (incl. personnel expenses, amortization, hired services, material expenses and other) result to BGN 570.8 million, and increased by BGN 84.8 million or 17.4% compared to 2023.

The average headcount of the Bank as of 31 December 2024 was 5 267 (31 December 2023: 5 198).

The assets per employee ratio increased from BGN 6.31 million as of the end of 2023 to BGN 6.92 million as of the end of 2024. The profit per employee ratio decreased from BGN 193.6 thousand for 2023 to BGN 187.4 thousand for 2024.

Balance sheet indicators

The total assets of DSK Bank AD as at 31 December 2024 amounted to BGN 36 461.0 million and grew by BGN 3 687.2 million (or 11.3%) compared to 2023, which was as combined effect from the increase of the individuals loan portfolio (by 22.9%) and the decrease by company loan portfolio by 4.0%.

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).

Interest bearing assets comprised 97.8% relative share of the Bank's total assets.

The gross loan portfolio of DSK Bank as of 31 December 2024 was BGN 22 911.3 million and increased by BGN 2 242,5 million or 10.8% year-over-year.

Loans to individuals (gross value) amounted to BGN 14 000.3 million (as of 31 December 2024) and grew by BGN 2 613 million (22.9%) compared to the end of previous year.

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.

Company gross loans (incl. budget) amounted to BGN 8 910.9 million, decreasing by BGN 0.37 million compared to 2023.

Impairment allowance of the loan portfolio amounted to BGN 706.6 million, an increase by BGN 53.1 million year-over-year.

Customer deposits amounted to BGN 29 352.8 million at the end of 2024, and reported an increase of BGN 2 945.7 million or 11.2% compared to 2023.

Household deposits as at the end of 2024 were BGN 23 017.1 million, grewing by 13.3% or BGN 2 709.2 million 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 5 917.5 million as at the end of 2024 and increased by BGN 331.0 million compared to the previous year.

Deposits from financial institutions amounted to BGN 418.2 million and decreased by BGN 94.5 million compared to 2023.

Net loan to deposit ratio as of 31 December 2024 remained stable at 75.6% (at the end of 2023 was 75.8%).

Capital adequacy

The Bank constantly maintains a level of total capital adequacy, sufficient to cover the risks from its activity and to comply with the regulatory requirements. As at 31 December 2024 the total capital adequacy ratio on an individual basis was 24.95%. DSK

Bank AD provided BGN 1 041 million free capital above the total SREP capital requirement and the combined capital buffer, incl. capital conservation buffer (BGN 480.4 million), systemic risk buffer (BGN 521.9 million), O-SII buffer (BGN 192.1 million) and the specific for the institution countercyclical buffer (BGN 376.6 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 Bank. The Bank'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 Bank 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 Bank 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 Bank 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, DSK Bank 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 DSK Bank 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 Bank comprised loans to households (61.1%) and company loans (incl. budget) (38.9%). Within household loans the credit risk is well allocated between consumer loans (45.4%) and mortgage loans (54.6%).

DSK Bank AD measures credit risk in compliance with IFRS requirements (officially adopted by the Bulgarian legislation) and according to the adopted impairment policy of DSK Bank AD in accordance with International Financial Reporting Standards.

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 – 3.1%

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 – 0.6%
- Stage 2 – 10.6%
- Stage 3 – 63.2%

As of the end of 2024 the credit performing exposures including those with increased credit risk (classified in stage 1 or stage 2) were 98.1%, as the distribution within the products was as follows:

Consumer loans to individuals – 95.7%, Point of sale loans to individuals – 97.4%, Mortgage loans to individuals – 98.8%, Loans to Small business – 95.4%, Loans to corporate clients (Mid-corporate clients and Large corporate clients) – 99.4%.

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 Bank, as well as of the borrowers.

As of 31.12.2024 non performing exposures before impairment (includes budget loans) are 1.9 %.

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

Liquidity risk

Liquidity risk occurs as a result of the necessity to provide general funding for the DSK Bank'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 bank activities, presented regularly to ALCO.

In addition to monitoring the liquidity position, the Bank 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 Bank uses various regulatory, group, internal and market indicators.

As part of the management of liquidity risk, the Bank 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. DSK Bank manages separately the interest rate risk in the banking book and in its trading book.

The Bank`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.

DSK Bank 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 Bank 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 DSK Bank's income and capital to changes in market interest rates.

DSK Bank 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 Bank 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 Bank'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 Bank 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) limit to manage the Bank's exchange rate risk of the trading portfolio. Bank'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 Bank.

The Bank 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 historical observations are used 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, DSK Bank manages net exposure by buying and selling foreign currencies at spot rates when considered appropriate, within the approved limits for open currency position. The Bank is not exposed to a significant exchange rate risk in relation to transactions for which it applies hedge accounting according to IFRS 9.

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 Bank 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 Bank 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 „Non-financial Risk Management" Directorate, which is a 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 Bank, 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 Bank'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 Bank, 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 Bank and the Bank'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 Bank 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 Bank needs. The Plan's efficiency is tested annually in order to determine the readiness of the Bank to respond in times of crisis and to ensure continuity of the Bank's operations. The test results are reported to the MB of the Bank.

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 Bank 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 Bank.

Annually, the Bank 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 Bank 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 Bank'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)

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

The Bank aims to manage risk and the objective of hedge accounting is to represent, in the financial statements, the effect of an Bank'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

DSK Bank 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 bank 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 Bank 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, DSK Bank 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 Bank 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

DSK Bank AD 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 Bank 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 Bank 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 investmant program takes into consideration the value acquired capitalized and non-capitalized assets, excluding depreciation.

The investments of DSK Bank during the year amounted to BGN 73.8 million compared to BGN 60.6 million in the previous year. The investments in information technology were BGN 64.5 million and their share in the total investments of the Bank was 87% (for 2023 the share was 73%).

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 1.94 million) for 2024 for the services provided by the independent auditors are the following:

- independent financial audit - BGN 1.61 million;
- review of interim financial statements – BGN 0.3 million;
- other services, non-related to audit – BGN 0.03 million.

Events after the reporting period

No important events identified after the end of the reporting period.

Major goals for 2025:

The management of the Bank has defined the following priorities for the business year 2024:

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

Tamas Hak-Kovacs	Tsvetoslav Dimov
Chief Executive Officer	*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 internals 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 managment 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 an 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 Framewortk 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 proceses, 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 assesss 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 Operationof 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 Hák-Kovács	Tsvetoslav Dimov
Chief Executive Director	*Executive Director*

Contents:

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Statutory Audit Firm # 015
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 Separate Financial Statements

Opinion

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

In our opinion, the accompanying separate financial statements give a true and fair view of the financial position of the Bank as at 31 December 2024, and of its financial performance and its 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 Separate Financial Statements* section of our report. We are independent of the Bank 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 separate 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 separate financial statements of the current period. These matters were addressed in the context of our audit of the separate 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* separate *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 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 separate financial statements.

Key audit matter	How our audit addressed the key audit matter
Impairment of loans and advances to customers The Bank's disclosures about impairment of loans and advances to customers are included in Note 6.4. "Credit risk" and Note 25 "Loans and advances to customers" to the separate financial statements	
Loans and advances to customers represent a significant part (61%) of the total assets of the Bank as at 31 December 2024 with aggregate gross carrying amount of BGN 22 911 275 thousand and accumulated loss allowance of BGN 706 613 thousand. The Bank applies impairment model based on expected credit losses ("ECL") in accordance with the requirements of IFRS 9 "Financial Instruments". The application of such an impairment model in the determination of loss allowance for loans and advances to customers requires the Bank'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 6.4. The key inputs and areas of judgement in the 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	*In this area, our audit procedures included, among others*: • We obtained an understanding of the Bank'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 Bank to identify loan losses in accordance with IFRS 9 requirements. • We obtained understanding and assessed the internal controls at 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

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 Bank'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 Bank has taken in consideration the significant uncertainties. The Bank has addressed 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	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 Bank 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 Bank'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 given loss (LGD/LGL) in the context of the specifics of the Bank'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

represent temporary liquidity difficulties. Due to the significance of the loans and advances to customers as an item in the Bank's separate 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.	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 Bank has not identified objective evidence of impairment, to assess their adequate classification in the respective risk category (stage) by the Bank. • For a risk-based sample of loans and advances from customers that are subject to individual impairment assessment by the Bank and focusing on those with the most significant potential impact on the separate financial statements (phase 3), we specifically assessed the Bank's assumptions and judgments on the classification of these based on the criteria defined by the Bank 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 Bank's assumptions on the expected future cash flows. • 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.

Information Other than the Separate 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 management report, including the corporate governance statement prepared by management in accordance with Chapter Seven of the Accountancy Act, but does not include the separate financial statements and our auditor's report thereon.

Our opinion on the separate 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 separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the separate 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 Separate Financial Statements

Management is responsible for the preparation and presentation of the separate 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Our objectives are to obtain reasonable assurance about whether the separate 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 separate 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 separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's 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 separate 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 Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves true and fair presentation.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate 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 Separate Financial Statements and Auditor's Report Thereon* section, in relation to the management report, including the corporate governance statement, 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 management report referring to the financial year for which the separate financial statements have been prepared is consistent with those separate financial statements.
b) The management report has been prepared in accordance with the requirements of Chapter Seven of the Accountancy Act.
c) The corporate governance statement referring to the financial year for which the separate 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.

Building a better working world

Reporting in accordance with Ordinance №58/2018 of Financial Supervision Commission

Statement in accordance with article 11 of Ordinance №58/2018 of FSC on the requirements for protection of the financial instruments and cash funds of clients, for management of goods and for providing or receipt of remuneration, commissions, other cash and non-cash benefits

On the basis of the performed audit procedures and the obtained understanding for the activity of the Bank and during the performance of our audit of the separate financial statements of the Bank, the created and applied organization in relation with the fiduciary assets is in accordance with the requirements of article 3-10 of Ordinance №58 of FSC and article 92-95 of Markets in Financial Instruments Act, on the activity of the Bank in its role as investment intermediary.

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 separate financial statements of DSK Bank AD (the Bank) 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 separate financial statements of the Bank for the year ended 31 December 2024 represents fourth total uninterrupted statutory audit engagement for that entity carried out by Ernst & Young Audit OOD and eight total uninterrupted statutory audit engagement for that entity carried by BDO AFA OOD.
- We hereby confirm that the audit opinion expressed by us is consistent with the additional report, provided to Bank's audit committee, in compliance with the requirements of Art. 60 of the Independent Financial Audit and Assurance of Sustainability Reporting Act.

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

Audit Firm Ernst & Young Audit OOD with registration number 108:	Audit Firm BDO AFA OOD with registration number 015:
Milka Natcheva-Ivanova	Valia Iordanova
Legal Representative and	Legal Representative and
Registered Auditor in charge of the audit	Registered Auditor in charge of the audit

Sofia, Bulgaria

17 March 2025

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

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

In thousands of BGN	Note	2024	2023
Interest income calculated using the effective interest rate method		1 463 770	1 477 644
Interest expense calculated using the effective interest rate method		(146 714)	(111 915)
Net interest income	9	**1 317 056**	**1 365 729**
Fee and commission income		428 239	374 173
Fee and commission expense		(68 654)	(52 625)
Net fee and commission income	10	**359 585**	**321 548**
Net trading income	11	137 309	(291 062)
Net income from equity financial instruments at FVTPL	12	(1 072)	745
Net gains from realisation of financial assets measured at amortised cost	13	27 195	22 390
Net (loss)/ gain from foreign exchange		(73 982)	110 876
Other operating income, net	14	74 701	50 424
Operating income		**1 840 792**	**1 580 650**
Impairment losses on financial assets, net	15	(125 141)	(159)
Impairment (loss)/ gain on non-financial assets, net	16	(98)	588
Net (expense)/ income from provisions	35	(850)	10 134
Personnel expenses	17	(271 556)	(227 049)
Depreciation and amortisation	18	(59 283)	(53 407)
Other expenses	19	(239 921)	(205 530)
(Loss)/ profit on disposal of subsidiaries	42	(5)	3 847
Profit before tax		**1 143 938**	**1 109 074**
Income tax expense	20	(156 861)	(102 922)
Profit for the year		**987 077**	**1 006 152**

The separate statement of profit or loss is to be read together with the Notes from 1 to 45 forming an integral part of the separate financial statements.

The separate 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	Tsvetoslav Dimov	Lazarina Pencheva
Chief Executive Director	*Executive Director*	*Compiler*

Separate 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

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

In thousands of BGN	**2024**	**2023**
Profit for the year	**987 077**	**1 006 152**
Items that may be reclassified subsequently to profit or loss		
Movement in the investment revaluation reserve for debt instruments measured at fair value through other comprehensive income	17 129	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	(2 483)	(3 772)
Total items that may be reclassified subsequently to profit or loss	16 364	9 087
Items that will not be reclassified subsequently to profit or loss		
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	(1 310)	(1 739)
Income tax related to OCI items that will not be reclassified subsequently to profit or loss	(749)	(242)
Total items that will not be reclassified subsequently to profit or loss	7 434	2 488
Other comprehensive income for the year, net of tax	**23 798**	**11 575**
Total comprehensive income	**1 010 875**	**1 017 727**

The separate statement of comprehensive income is to be read together with the Notes from 1 to 45 forming an integral part of the separate financial statements.

The separate 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	Tsvetoslav Dimov	Lazarina Pencheva
Chief Executive Director	*Executive Director*	*Compiler*

Separate 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

Separate statement of financial position

In thousands of BGN	Note	31-December-2024	31-December-2023
Assets			
Cash and current accounts with the Central Bank and other banks	21	5 809 877	5 809 874
Financial assets held for trading	22	21 125	2 669
Derivative financial instruments	22	79 652	52 503
Investments at fair value through profit or loss	26	2 581	3 653
Non-current assets classified as held for sale	23	4 079	6 356
Investments at fair value through other comprehensive income	26	769 144	932 032
Loans and advances to banks	24	1 795 473	3 030 766
Loans and advances to customers	25	22 204 662	20 015 182
Investments at amortised cost	26	4 960 244	2 148 765
Current tax assets	20	-	3 179
Investments in subsidiaries and associates	42	93 659	77 532
Goodwill	27	77 372	77 372
Right-of-use assets	28	16 511	17 411
Property, plant and equipment	29	414 533	411 097
Intangible assets	30	82 216	76 895
Other assets	31	129 829	108 427
Total assets		**36 460 957**	**32 773 713**
Liabilities			
Deposits from banks	32	26 777	66 215
Derivative financial instruments	22	54 829	64 382
Deposits from customers	33	29 352 820	26 407 135
Loans from banks and financial institutions	32	1 369 976	1 077 844
Lease liabilities	34	16 688	17 602
Current tax payable	20	42 128	-
Provisions	35	66 889	67 740
Deferred tax liabilities	36	19 054	17 611
Other liabilities	37	149 593	145 234
Subordinated debt	38	449 841	450 090
Total liabilities		**31 548 595**	**28 313 853**
Shareholder's equity			
Share capital	39	1 328 660	1 328 660
Reserves	39	2 576 485	2 109 015
Retained earnings		1 007 217	1 022 185
Total shareholder's equity		**4 912 362**	**4 459 860**
Total liabilities and shareholder's equity		**36 460 957**	**32 773 713**

The separate statement of financial position is to be read together with the Notes from 1 to 45 forming an integral part of the separate financial statements.

The separate 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	Tsvetoslav Dimov	Lazarina Pencheva
Chief Executive Director	*Executive Director*	*Compiler*

Separate statement of cash flows

For the year ended 31 December 2024

Separate 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

In thousands of BGN	Note	2024	2023
Cash flow from operating activities			
Profit before tax		1 143 938	1 109 074
Adjustments for:			
Impairment losses on financial assets, net	15	125 141	159
Impairment loss/ (gain) on non-financial assets, net	16	98	(588)
Depreciation and amortization	18	59 283	53 407
Net (gains)/ losses from operations with investments		(136 237)	290 317
Net loss/ (gain) from foreign exchange		73 982	(110 876)
Net interest income	9	(1 317 056)	(1 365 729)
Dividend income	14	(49 694)	(36 840)
Net expense/ (income) from provisions	35	850	(10 134)
Loss/ (profit) on disposal of subsidiaries	42	5	(3 847)
Other non cash changes		(1 527)	2 836
Net cash flow used in operating activities before movements in operating assets and liabilities		**(101 217)**	**(72 221)**
Movements in operating assets			
(Increase)/ decrease of securities held for trading		(17 728)	5 382
Decrease/ (increase) in loans and advances to banks		1 140 723	(246 544)
Increase in loans and advances to customers		(2 322 705)	(3 237 725)
Decrease/ (increase) in other assets		118 845	(241 461)
Movements in operating liabilities			
(Decrease)/ increase in deposits from banks		(39 438)	6 029
Decrease in loans from banks and financial institutions		(770)	(4 080)
Increase in deposits from customers		2 860 244	2 462 475
Decrease in other liabilities		(7 596)	(19 845)
Cash generated from operations		**1 630 358**	**(1 347 990)**
Interest received		1 532 871	1 448 538
Interest paid		(145 871)	(110 662)
Income tax paid		(113 400)	(100 334)
Net cash flow from/ (used in) operating activities		**2 903 958**	**(110 448)**

Separate 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

Separate statement of cash flows

For the year ended 31 December 2024
(continued)

In thousands of BGN	**Note**	**2024**	**2023**
Cash flow from investing activities			
Acquisition of property, plant and equipment, and intangible assets		(76 830)	(66 063)
Sales of property, plant and equipment, and intangible assets		16 195	8 287
Purchase of securities		(3 516 534)	(718 093)
Sale of securities		909 130	413 330
Dividends received		47 405	36 840
Acquisition of an investment in a subsidiary	42	(15 627)	-
Sale of a controlling interest in a subsidiary	42	820	3 865
Net cash flow used in investing activities		**(2 635 441)**	**(321 834)**
Cash flow from financing activities			
Loans and subordinated debt received	41	293 375	674 761
Dividends paid		(558 017)	(249 919)
Repayment of the lease liabilities	41	(7 560)	(7 646)
Net cash flow (used in)/ from financing activities		**(272 202)**	**417 196**
Net decrease in cash and cash equivalents		**(3 685)**	**(15 086)**
Effect of foreign exchange rate changes		4 204	(127)
Cash and cash equivalents acquired on merger and liquidation of subsidiaries	42	-	32 483
Cash and cash equivalents at the beginning of the year	41	**5 810 078**	**5 792 808**
Cash and cash equivalents at the end of the year	41	**5 810 597**	**5 810 078**

The separate statement of cash flows is to be read together with the Notes from 1 to 45 forming an integral part of the separate financial statements.

The separate 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	Tsvetoslav Dimov	Lazarina Pencheva
Chief Executive Director	*Executive Director*	*Compiler*

Separate 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

Separate 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
Balance as of 1 January 2022	**1 328 660**	**1 674 799**	**146 426**	**(38 515)**	**(646)**	**787**	**592 372**	**3 703 883**
Total comprehensive income								
Profit for the year	-	-	-	-	-	-	1 006 152	1 006 152
Other comprehensive income	-	-	(1 149)	14 225	(1 501)	-	-	11 575
Total comprehensive income	**-**	**-**	**(1 149)**	**14 225**	**(1 501)**	**-**	**1 006 152**	**1 017 727**
Transfer of revaluation reserve from land and buildings, net of tax	-	-	(1 622)	-	-	-	1 622	-
Transfer of share-based payment reserve	-	-	-	-	-	(497)	497	-
Distribution of profit for reserves	-	316 708	-	-	-	-	(316 708)	-
Distribution of dividends	-	-	-	-	-	-	(250 000)	(250 000)
Distribution of profit for reserves	-	-	-	-	-	-	(11 750)	(11 750)
Balance as of 31 December 2022	**1 328 660**	**1 991 507**	**143 655**	**(24 290)**	**(2 147)**	**290**	**1 022 185**	**4 459 860**
Total comprehensive income								
Profit for the year	-	-	-	-	-	-	987 077	987 077
Other comprehensive income	-	-	(281)	25 258	(1 179)	-	-	23 798
Total comprehensive income	**-**	**-**	**(281)**	**25 258**	**(1 179)**	**-**	**987 077**	**1 010 875**
Transfer of revaluation reserve from land and buildings, net of tax	-	-	(3 817)	-	-	-	3 817	-
Transfer of share-based payment reserve	-	-	-	-	-	(290)	290	-
Distribution of profit for reserves	-	447 779	-	-	-	-	(447 779)	-
Distribution of dividends	-	-	-	-	-	-	(558 373)	(558 373)
Balance as of 31 December 2023	**1 328 660**	**2 439 286**	**139 557**	**968**	**(3 326)**	**-**	**1 007 217**	**4 912 362**

The separate statement of changes in equity is to be read together with the Notes from 1 to 45 forming an integral part of the separate financial statements.
The separate 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

Separate 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

Unofficial translation from Bulgarian

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.

2. Basis of preparation

The Separate Financial Statements of the Bank are prepared on a historical cost basis, with the exception of derivative financial instruments, financial assets and liabilities held for trading, financial assets measured at fair value through other comprehensive income, which are measured at fair value and land and buildings, which are reported at revalued value.

The management has made an assessment of the ability of the Bank to continue to operate 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 Bank's ability to continue as a going concern. The Bank continues to discharge 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 representation

These separate financial statements have been prepared in accordance with the IFRS accounting standards as issued by the International Accounting Standards Board (IASB) adopted by the Commission of European Union (EU).

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

These financial statements have been prepared on an unconsolidated basis according to Accountancy Act and IFRS accounting standards as adopted by 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. These separate financial statements have been approved by the Management Board together with the consolidated financial statements of DSK Bank Group and should be treated as an integral part thereof.

2.2. Functional and presentation currency

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

2.3. Comparative information

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

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

In these separate financial statements, comparative information has been amended, mostly in Notes 6.4.8.2, 6.4.8.5, 8, 10 and 41, in order to achieve better presentation and disclosure.

Comparative figures are not affected as a result of the change in accounting policy disclosed in Note 3.1.

2.4. Impact of novel risks on 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 financial statements, estimates, judgements, and risk management policies are disclosed in Notes 4.1, 4.3, 4.4 and 6.4.

3. New standards and amendments to existing standards and interpretations

3.1. Change in accounting policy

In the current year the Bank made a voluntary change in its accounting policy for the date of recognition of financial assets disclosed in Note 5.6.3 whereby the date of recognition was changed from settlement date to trade date. The Bank 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 the existing standards and interpretations effective for the current financial period

The following amendments to the existing standards and new interpretation 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 Bank's separate financial statements.

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

At the date of authorisation of these separate financial statements, the following amendments to the existing standards were issued by IASB and adopted by the EU and which 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 the 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 the IASB, except for the following new standards, amendments to the existing standards and new interpretations, which have not yet been adopted by EU as at the date of approval of these separate 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 Bank is in the process of analyzing the impact that the adoption of these new standards, amendments to the existing standards may have on the separate financial statements of the Bank 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 Audit Committee the development, selection and disclosure of the Bank's critical accounting policies and estimates, and the application of these policies and estimates.

Areas which presume a higher level of subjective assessment and complexity or where presumptions and changes in accounting estimates are significant for the financial statement are as follows:

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 DSK Bank 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. Expected credit losses from financial assets

The Bank 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. The impairment methodology is used to classify financial instruments in order to determine whether credit risk has significantly increased since initial recognition and able to identify credit-impaired assets. For instruments with credit impairment or significant increase of 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) 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, DSK Bank 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.

4.3. 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 rates, pre – term repayments and probabilities of default for asset – backed securities (Note 8). 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 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 for 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.

4.4. 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 29). 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.

[1] IFRS 9 overlays and model improvements for novel risks (europa.eu)

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.

4.5. Provisions for litigation settlements

For all open cases against the Bank, 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 Bank is distinguished or in case of potential risks of increase in claims from Bank`s customers concerning contract payments for products and services (Note 35).

4.6. Impairment of goodwill and intangible assets (customer base)

In order to determine the recoverable amount of goodwill and the customer base recognized in a business combination, the Bank 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 Bank 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.

4.7. Impact of the climate risk on estimates and judgements

Based on assessment of the materiality of climate-related and environmental risks, the Bank 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 Bank due to both physical risks and risks of transition to a net-zero economy, to which the Bank and its customers are exposed. Climate risk and the risk of natural disasters tend to materialize through the traditional risks monitored by the Bank. The most recent analysis of the materiality of these risks prepared by the Bank 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. Transition risks may result from government or institutional policy changes, with consequential credit quality deterioration in sectors or countries affected. The Bank 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 Bank'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 Bank, 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 Bank'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 Bank 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 Bank as material, namely: credit risk, operational risk (including reputational risk), and business and strategic risk;

- Fair value measurement - the Bank 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 Bank 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. Summarised information about the accounting policy applied

5.1. Interest income and expenses recognition

Interest income and expenses reported in the Statement of Profit or Loss 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 statement of profit or loss using the effective interest rate method. The effective interest rate (EIR) 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 Bank estimates future cash flows considering all contractual terms of the financial instrument 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 Bank 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 Bank 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.

5.2. 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 from 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 gains / (losses) on trading".

5.3. Fees and commission

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 EU
Fees and commissions related to payment transactions	The Bank provides to its customers a variety of services, related to withdrawals and depositing funds into bank accounts, payment transactions in local and foreign currency, according to which different fees are applied. 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 Bank`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. In all other cases of payment services, the fee is charged when the transaction takes place. These fees can be determined in fixed amount or in %. The Bank performs a regular pricing review of applicable fees and commissions.	Transaction-based fees are charged when the transaction takes place or monthly at the end of the month.

Fee type	Nature and timing of satisfaction of performance obligations, and the significant payment terms	Revenue recognition under IFRS accounting standards as adopted by EU
Fees and commissions related to credit deals	The Bank provides a range of bank services on clients` accounts to both retail and companies against a service fee, as well as submits for the use of its customers different types of credit cards with respective fees applied.	Fees for ongoing services are charged on a monthly basis.
	Account management fees are typically related to bank account servicing, issuing credit cards, annual fees on credit cards and other fees on credit cards for usual bank account services. Annual card fees are fixed and depend on the type of bank card. The Bank regularly reviews applied fees.	Fees on one – off services are charged at the moment of service delivery.
Fees and commissions on deposit accounts	The Bank offers a number of account management services for both retail and companies against a service fee as well as makes available for its clients different types of debit cards with respective fees applied.	Fees for current account management services of customers` accounts are charged monthly.
	Fees related to these services are 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. 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. Monthly and annual fees on bank cards are set in fixed amounts. They are differentiated according to the type of bank card. Fees for occasional one – off services are charged when the client makes use of the service. These fees can be fixed or determined in %. The Bank regularly reviews applied fees.	Fees on one – off services are charged at the moment of service delivery.
Other fees and commissions	Fees reported in the "Other fees" category are fees for safekeeping of money or valuables in the safe boxes of the public treasury, issuing a bank certificate, issuing a bank reference, photocopies of documents, etc. These fees concern long – term services provision (bank safekeeping) or one – off administrative services.	Fees for long – term services are charged in the respective period they are provided for. Fees for one – off services are charged when the service is provided.

5.4. 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.

5.5. Government grants

Government grants are not recognised until there is a reasonable assurance that the Bank 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 Bank recognises as expenses the related costs for which the grants are intended to compensate.

Government grants whose primary condition is that the Bank should purchase, construct, or otherwise acquire non-current assets (including property, plant and equipment) are recognised as deferred income in the separate 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 Bank with no future related costs are recognised in profit or loss in the period in which they become receivable.

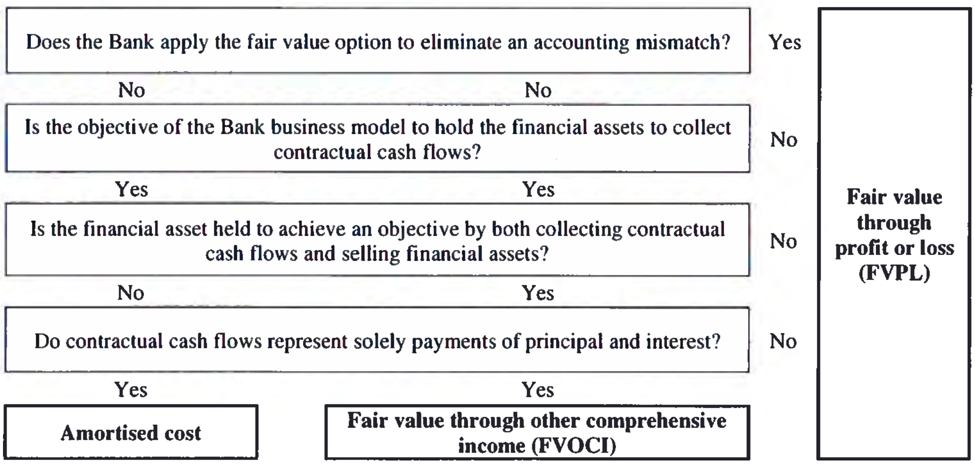
The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

5.6. Financial instruments

5.6.1. Classification

In accordance with the IFRS 9 Financial Instruments (IFRS 9), the Bank 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 Bank business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

The process for determining the classification and requirements for its application technology is illustrated by the following scheme:



5.6.2. *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 Bank can have more than one business model for managing its financial instruments. The Bank 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 Bank 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 Bank may have the same type of instrument in all three categories, depending on the asset management model.

5.6.3. *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 Bank 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 Bank 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 Bank 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 Bank's policy are provided in 5.13 Loans and advances and 5.14 Receivables under factoring agreements.

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

5.6.4. 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 Bank 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 Bank 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".

5.6.5. 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 Bank 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 Bank 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 Bank 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 Bank 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 Bank 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 to defer 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 Bank 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 Bank 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 Bank 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 Bank 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.

5.6.6. Derecognition

The Bank 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 Bank is recognised as a separate asset or liability.

The Bank 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 Bank derecognises financial liability when its contractual obligations are discharged or cancelled or expired.

The Bank 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 Bank 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 Bank 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 Bank 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.

5.6.7. Offsetting

Financial assets and liabilities are offset, and the net amount presented in the statement of financial position when, and only when, the Bank 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.

5.6.8. Impairment of financial assets

The Bank 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 Bank 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 Bank groups 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 Bank 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 Bank, for economic or contractual reasons relating to the borrower's financial difficulty, has granted to the borrower a concession that the Bank 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 Bank 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 Bank 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 Bank 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.

5.6.9. *Reclassification*

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

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

If the Bank 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 Bank 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 Bank 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 Bank 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 Bank 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 Bank 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.

5.6.10. 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 change in the net present value of the asset above a certain threshold, under which it is deemed immaterial (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 Bank 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.

5.6.11. Purchased credit-impaired financial assets

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

The Bank 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 Bank 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 Bank 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 Bank 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 Bank shall recognise in profit or loss the amount of the change in lifetime expected credit losses as an impairment gain or loss. The Bank 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.

5.7. 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.

5.8. 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.

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

The Bank 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.

5.10. 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 (see Note 5.6.1).

5.11. Investments in subsidiaries and associates

Subsidiaries are those enterprises controlled by the Bank. Associates are the enterprises where the Bank has significant influence, but not control over the financial and operating policies.

Investments in subsidiaries and associated entities are accounted for at cost in accordance with IAS 27 Separate Financial Statements except when the investment is classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* (see Note 5.9).

The Bank's investments in subsidiaries and associates are reviewed for impairment at each statement date. When there is evidence for impairment, it is recognised in the profit or loss as net loss from non-financial assets.

5.12. Derivatives

The Bank 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 an Bank'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 Bank 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 Bank 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 Bank 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 Bank to respond to changes in the relationship between the hedging instrument and the hedged item that arise from their underlyings or risk variables.

The Bank 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.

5.13. 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 Bank 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 Bank 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).

5.14. 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 Bank 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.

5.15. 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 tested for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Bank'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. 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.

5.16. Property, plant and equipment

The Bank applies a policy to measure subsequently land and buildings at revalued amount 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 at designed to write down the cost of property, plant, and equipment over their expected useful life.

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

	%
• Buildings	2 - 4
• Leasehold improvements, depending on the duration of the contract	10 - 33.33
• Machines and equipment	4 - 50
• Vehicles (without motor cars)	10
• Computers	20 - 25
• Fixtures and fitting and other depreciable fixed assets	15 - 50

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 amended 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.

5.17. Intangible assets

Intangible assets, which are acquired by DSK Bank AD, are stated at cost less accumulated amortization and any impairment losses.

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

The annual rates of amortization are as follows:

	%
• Computer software and licenses, according to class and useful life	20 - 50
• Customer base recognized in a business combination	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.

5.18. Impairment of non-financial assets

At each reporting date, the Bank 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.

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).

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 the statement of profit or loss. They are allocated to reduce the carrying amounts of the 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.

5.19. Leasing

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

5.19.2. Accounting for the lease when the Bank is a lessee

On the commencement date, the Bank recognizes a right-of-use asset and a lease liability. The Bank 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 Bank 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 Bank measures the lease liability at the present value of the lease payments that are not paid at that date.

The Bank 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 Bank 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:

(a) fixed payments, less any lease incentives receivable;

(b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

(c) amounts expected to be payable by the lessee under residual value guarantees;

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

(e) 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 Bank 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 Bank by the end of the lease term or if the cost of the right-of-use asset reflects that the Bank will exercise a purchase option, the Bank depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Bank 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 Bank 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 Bank'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 Bank remeasures the lease liability to reflect changes to the lease payments. The Bank 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 Bank recognises any remaining amount of the remeasurement in profit or loss.

The Bank 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 Bank 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 Bank as lessee are disclosed in Notes 9, 14, 18, 28 and 34.

5.19.3. Accounting for the lease when the Bank is a lessor

The Bank as a lessor classifies each of its leases as either an operating lease or a finance lease. The leasing activity of the Bank 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 Bank 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 inception date 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 Bank's point of view minimum lease payments also include the residual value of the asset guaranteed by a third party, not related to the Bank, 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 Bank 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 Bank and subsequently re-invoiced to the lessee.

Initial and subsequent measurement

Initially the Bank 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 Bank. 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 Bank 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 (see Note 5.6.8).

5.20. Assets acquired from collaterals

Acquired assets, which prior to their acquisition were held as collateral of loans granted, are classified by the Bank as other assets. According to the Bank's accounting policy, assets classified as other assets acquired from collaterals, are subsequently measured at the lower of cost and net realizable value.

5.21. 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.

5.22. Provisions

The provisions are current liabilities and incurred expenses of the Bank 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 Bank when:

- The Bank 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.

5.23. Deposits

Deposits are one of the Bank'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 Bank 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 Bank's financial statements.

5.24. Capital and reserves

5.24.1. Share capital

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

5.24.2. 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 Bank's reserves is provided in Note 39.

5.25. Contingent liabilities

Contingent liabilities are:

- Unused funds on loans and credit lines authorized by the Bank;
- Possible obligations of the Bank 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 Bank; 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 DSK Bank's activity arising and subject of a review for the needs of their recognition and provision are related with:

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

5.26. Income taxes

5.26.1. 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.

5.26.2. 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%.

5.27. Employee benefits

5.27.1. 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 Bank'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.

5.27.2. Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Bank'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 Bank has obligation to pay certain amounts to each employee who retires with the Bank in accordance with Art.222, § 3 of the Labour Code in Bulgaria. According to these regulations in the LC, when a labour contract of a company's employee, who has acquired a pension right, is ended, the Bank is obliged to pay compensations amounting 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 worked continuously for the Bank for a certain period, the Collective Labour Contract provides the following 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 Bank estimates the approximate amount of the potential expenditure for every employee based on a calculation performed by a qualified actuary using the projected unit credit method as at the statement date. 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 35.

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

5.27.3. *Termination benefits*

Termination benefits are recognised as an expense when the Bank 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 Bank 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.

5.27.4. *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 Bank 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 Bank 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.

5.28. Share-based payments

The Bank recognises the services received or acquired in a share-based payment transaction as the services are received. The Bank 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 Bank 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 Bank cannot estimate reliably the fair value of the services received, the Bank 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 Bank measures the services acquired and the liability incurred at the fair value of the liability. Until the liability is settled, the Bank 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 Bank is the receiver of services, which are settled based on shares of the parent company, the Bank 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 Bank 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 Bank has no obligation to settle the share-based payment transaction.

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

5.29. Merger of acquired subsidiaries

In accordance with IFRS 3 "Business Combinations", a legal merger of an entity into an acquirer represents in substance a business combination from the position of the acquirer and for the purposes of the acquirer's separate financial statements. For this reason the Bank has accounted for the legal mergers of its subsidiaries acquired, by applying the acquisition method. The merged identifiable net assets are recognized at their carrying amounts reported in the consolidated financial statements of the Bank as at the date of the merger. Such carrying amounts represent the fair values of the net assets recognized in the consolidated balance sheet at the date of acquisition of the respective subsidiary, adjusted for subsequent depreciation, amortization, any impairment losses and other changes, recognized until the date of the merger. The assets recognized at the merge date also include the goodwill and any identifiable intangible assets recognized on acquisition of the subsidiary (Notes 27 and 30).

5.30. Legal merger of a subsidiary

The legal merger of a subsidiary into a parent company is a transaction in which two entities form one legal entity without the issuance of shares or other cash contributions. This type of transaction represents a combination of companies under common control, as both before and after the merger, the ultimate owner remains unchanged. A combination of entities under common control is outside the scope of IFRS 3 Business Combinations. For this reason, in accordance with IAS 8 *Accounting Policy, Changes in Accounting Estimates and Errors*, management has used its own judgment to develop and apply an accounting policy for reporting of the merger.

The Bank accounts for the legal merger of a 100% owned subsidiary using the book value method. The transferred assets and liabilities of the subsidiary are recognized by the Bank at their balance sheet values at the merger date. Intragroup balances between the Bank and the merging company on the date of merger are eliminated.

The difference between the amounts of assets and liabilities recognized in the separate financial statement after the legal merger and the book value of the investment in the merging company before the legal merger is reported directly in retained earnings as a merger effect.

Transactions with non-controlling shareholders of the merging company are accounted for as transactions with owners and are recognized directly in the Bank's equity.

6. Risk management disclosures

6.1. Structure and functions of the risk management unit

The credit risk management of the Bank 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 Bank 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 Bank; 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 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.

Below are presented the various risks to which DSK Bank is exposed, as well as the approaches taken to manage those risks.

6.2. Liquidity risk

Liquidity risk occurs as a result of the necessity to provide general funding for DSK Bank'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 Bank 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 analyse the liquidity, the Bank 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 table presents the liabilities of DSK Bank distributed by their remaining term to maturity into relevant maturity zones based on undiscounted cash outflows.

Residual contractual maturities of financial liabilities as of 31 December 2024

In thousands of BGN	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
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	**29 352 820**	**29 354 292**	27 761 447	560 031	1 002 066	30 748	-
Loans from banks and financial institutions	**1 369 976**	**1 458 981**	-	576	-	1 092 628	365 777
Lease liabilities	**16 688**	**17 195**	808	1 179	4 962	10 183	63
Current tax payable	**42 128**	**42 128**	42 128	-	-	-	-
Provisions	**66 889**	**66 889**	15 719	4 574	31 761	14 530	305
Deferred tax liabilities	**19 054**	**19 054**	-	-	-	19 054	-
Other liabilities	**149 593**	**149 593**	81 020	967	18 227	49 379	-
Subordinated debt	**449 841**	**771 623**	-	-	-	-	771 623
Total liabilities	**31 548 595**	**31 961 361**	**27 926 672**	**585 377**	**1 073 224**	**1 238 320**	**1 137 768**
Unused loan commitments	-	3 063 730	1 368 104	256 995	1 129 753	304 840	4 038
Total liabilities and commitments	**31 548 595**	**35 025 091**	**29 294 776**	**842 372**	**2 202 977**	**1 543 160**	**1 141 806**

Residual contractual maturities of financial liabilities as of 31 December 2023

In thousands of BGN	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
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	-
Deposits from customers	**26 407 135**	**26 409 125**	24 658 527	627 439	1 092 014	31 145	-
Loans from banks and financial institutions	**1 077 844**	**1 158 668**	-	-	-	787 037	371 631
Lease liabilities	**17 602**	**18 077**	829	1 115	4 762	11 201	170
Provisions	**67 740**	**67 740**	18 509	4 154	29 505	15 251	321
Deferred tax liabilities	**17 611**	**17 611**	-	-	-	17 611	-
Other liabilities	**145 234**	**145 234**	75 585	4 340	1 883	63 426	-
Subordinated debt	**450 090**	**452 647**	-	-	-	452 647	-
Total liabilities	**28 313 853**	**28 399 699**	**24 812 992**	**681 178**	**1 139 880**	**1 393 527**	**372 122**
Unused loan commitments	-	3 265 763	1 652 013	411 146	1 059 210	140 500	2 894
Total liabilities and commitments	**28 313 853**	**31 665 462**	**26 465 005**	**1 092 324**	**2 199 090**	**1 534 027**	**375 016**

The tables below set out the remaining expected maturities of the Bank'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 Bank 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

In thousands of BGN	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	**5 809 877**	5 809 877	-	-	-	-	-
Trading financial assets	**21 125**	6 193	-	6 315	3 785	4 832	-
Derivative financial instruments	**79 652**	13 340	29 890	19 931	15 610	881	-
Investments at fair value through profit or loss	**2 581**	-	-	-	-	-	2 581
Non-current assets classified as held for sale	**4 079**	-	-	4 079	-	-	-
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	-	-
Loans and advances to customers	**22 204 662**	652 334	1 121 027	3 623 274	8 152 784	8 655 243	-
Investments at amortised cost	**4 960 244**	24 986	-	123 912	2 070 517	2 740 829	-
Investments in subsidiaries and associates	**93 659**	-	-	-	-	-	93 659
Goodwill	**77 372**	-	-	-	-	-	77 372
Right-of-use assets	**16 511**	-	-	-	-	-	16 511
Property, plant and equipment	**414 533**	-	-	-	-	-	414 533
Intangible assets	**82 216**	-	-	-	-	-	82 216
Other assets	**129 829**	99 225	924	21 107	8 573	-	-
Total assets	**36 460 957**	**6 624 625**	**1 161 334**	**5 167 487**	**11 289 701**	**11 490 266**	**727 544**
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	**29 352 820**	27 760 627	559 820	1 001 628	30 745	-	-
Loans from banks and financial institutions	**1 369 976**	-	576	-	1 076 026	293 374	-
Lease liabilities	**16 688**	781	1 132	4 781	9 932	62	-
Current tax payable	**42 128**	42 128	-	-	-	-	-
Provisions	**66 889**	15 719	4 574	31 761	14 530	305	-
Deferred tax liabilities	**19 054**	-	-	-	19 054	-	-
Other liabilities	**149 593**	81 020	967	18 227	49 379	-	-
Subordinated debt	**449 841**	-	-	-	-	449 841	-
Total liabilities	**31 548 595**	**27 925 825**	**585 119**	**1 072 605**	**1 221 464**	**743 582**	**-**
Unused loan commitments	-	1 368 104	256 995	1 129 753	304 840	4 038	-
Total liabilities and commitments	**31 548 595**	**29 293 929**	**842 114**	**2 202 358**	**1 526 304**	**747 620**	**-**
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

In thousands of BGN	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	**5 809 874**	5 809 874	-	-	-	-	-
Trading financial assets	**2 669**	-	-	472	2 053	144	-
Derivative financial instruments	**52 503**	8 872	17 731	23 410	2 490	-	-
Investments at fair value through profit or loss	**3 653**	-	-	-	-	-	3 653
Non-current assets classified as held for sale	**6 356**	1 325	-	5 031	-	-	-
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	-	-
Loans and advances to customers	**20 015 182**	365 196	780 330	3 547 001	8 166 257	7 156 398	-
Investments at amortised cost	**2 148 765**	10 911	3 057	40 233	806 341	1 288 223	-
Current tax assets	**3 179**	3 179	-	-	-	-	-
Investments in subsidiaries and associates	**77 532**	-	-	-	-	-	77 532
Goodwill	**77 372**	-	-	-	-	-	77 372
Right-of-use assets	**17 411**	-	-	-	-	-	17 411
Property, plant and equipment	**411 097**	-	-	-	-	-	411 097
Intangible assets	**76 895**	-	-	-	-	-	76 895
Other assets	**108 427**	76 266	1 465	9 448	20 787	-	461
Total assets	**32 773 713**	**6 322 181**	**897 565**	**4 103 552**	**12 251 901**	**8 534 093**	**664 421**
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**	**-**	**-**
Liabilities							
Deposits from banks	**66 215**	53 515	-	-	12 700	-	-
Derivative financial instruments	**64 382**	6 027	44 130	11 716	2 509	-	-
Deposits from customers	**26 407 135**	24 658 281	626 748	1 090 965	31 141	-	-
Loans from banks and financial institutions	**1 077 844**	-	-	-	784 301	293 543	-
Lease liabilities	**17 602**	800	1 077	4 594	10 961	170	-
Provisions	**67 740**	18 509	4 154	29 505	15 251	321	-
Deferred tax liabilities	**17 611**	-	-	-	17 611	-	-
Other liabilities	**145 234**	75 485	4 340	1 883	63 426	-	100
Subordinated debt	**450 090**	-	-	-	-	450 090	-
Total liabilities	**28 313 853**	**24 812 617**	**680 449**	**1 138 663**	**937 900**	**744 124**	**100**
Unused loan commitments	-	1 652 013	411 146	1 059 210	140 500	2 894	-
Total liabilities and commitments	**28 313 853**	**26 464 630**	**1 091 595**	**2 197 873**	**1 078 400**	**747 018**	**100**
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)**	**-**	**-**

6.3. Market risk

Market risk is the risk that changes in market prices – such as interest rates, equity prices, foreign exchange rates – will affect the Bank'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 Bank holds a limited set 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, on the basis of the ratings issued from Moody's is high and thus the management considers that the assets in the trading book are not exposed to a significant market risk:

In thousands of BGN	**31-December-2024**	**31-December-2023**
Government bonds		
Rated Baa1	21 125	2 669
Total	**21 125**	**2 669**

6.3.1. *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 Bank manages separately the interest rate risk in the bank portfolio and the risk in its trading book.

The Bank'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, DSK Bank is exposed to a risk of adverse changes in the market interest curves at lower degree.

Interest rate risk management activities are conducted in the context of the Bank'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 Bank 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 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 Bank 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

In thousands of BGN	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
Cash and current accounts with the Central Bank and other banks	**423 304**	**-**	**-**	**-**	**-**	**5 386 573**	**5 809 877**
Floating rate	423 304	-	-	-	-	-	423 304
Non-interest bearing	-	-	-	-	-	5 386 573	5 386 573
Trading financial assets	**6 207**	**15**	**6 396**	**-**	**8 507**	**-**	**21 125**
Fixed rate	6 207	15	6 396	-	8 507	-	21 125
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	**-**	**-**	**-**	**-**	**-**	**2 581**	**2 581**
Non-interest bearing	-	-	-	-	-	2 581	2 581
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
Loans and advances to customers	**21 764 161**	**92 371**	**119 338**	**60 599**	**168 193**	**-**	**22 204 662**
Fixed rate	67 080	92 371	119 338	60 599	168 193	-	507 581
Floating rate	21 697 081	-	-	-	-	-	21 697 081
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	**22 254 628**	**151 835**	**1 658 524**	**1 188 545**	**4 906 790**	**5 482 436**	**35 642 758**
Fixed rate	129 431	139 639	1 648 505	1 188 545	4 906 775	-	8 012 895
Floating rate	22 125 197	12 196	10 019	-	15	-	22 147 427
Non-interest bearing	-	-	-	-	-	5 482 436	5 482 436
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	**29 073 408**	**224 553**	**54 859**	**-**	**-**	**-**	**29 352 820**
Fixed rate	1 436 171	224 553	54 859	-	-	-	1 715 583
Floating rate	27 637 237	-	-	-	-	-	27 637 237
Loans from banks and financial institutions	**-**	**1 369 976**	**-**	**-**	**-**	**-**	**1 369 976**
Floating rate	-	1 369 976	-	-	-	-	1 369 976
Lease liabilities	**781**	**1 131**	**4 780**	**5 008**	**4 988**	**-**	**16 688**
Fixed rate	450	499	2 146	2 274	1 916	-	7 285
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	**29 077 315**	**2 057 622**	**62 159**	**14 709**	**4 988**	**54 138**	**31 270 931**
Fixed rate	1 436 621	225 052	57 005	11 975	1 916	-	1 732 569
Floating rate	27 640 694	1 832 570	5 154	2 734	3 072	-	29 484 224
Non-interest bearing	-	-	-	-	-	54 138	54 138

Exposure to interest rate risk as of 31 December 2023

In thousands of BGN	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
Cash and current accounts with the Central Bank and other banks	**126 816**	**-**	**-**	**-**	**-**	**5 683 058**	**5 809 874**
Floating rate	126 816	-	-	-	-	-	126 816
Non-interest bearing	-	-	-	-	-	5 683 058	5 683 058
Trading financial assets	**8**	**29**	**464**	**2 024**	**144**	**-**	**2 669**
Fixed rate	8	29	464	2 024	144	-	2 669
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	**-**	**-**	**-**	**-**	**-**	**3 653**	**3 653**
Non-interest bearing	-	-	-	-	-	3 653	3 653
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
Loans and advances to customers	**19 412 118**	**47 398**	**117 902**	**78 834**	**335 426**	**23 504**	**20 015 182**
Fixed rate	28 328	47 398	117 902	78 834	335 426	-	607 888
Floating rate	19 383 790	-	-	-	-	-	19 383 790
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	**19 580 223**	**167 000**	**663 809**	**2 860 550**	**2 973 772**	**5 750 090**	**31 995 444**
Fixed rate	62 564	152 289	644 367	2 860 550	2 973 772	-	6 693 542
Floating rate	19 517 659	14 711	19 442	-	-	-	19 551 812
Non-interest bearing	-	-	-	-	-	5 750 090	5 750 090
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
Deposits from customers	**24 636 154**	**623 073**	**1 089 248**	**23 242**	**7 898**	**27 520**	**26 407 135**
Fixed rate	1 537 561	623 073	1 089 248	23 242	7 898	-	3 281 022
Floating rate	23 098 593	-	-	-	-	-	23 098 593
Non-interest bearing	-	-	-	-	-	27 520	27 520
Loans from banks and financial institutions	**-**	**1 076 756**	**1 088**	**-**	**-**	**-**	**1 077 844**
Floating rate	-	1 076 756	1 088	-	-	-	1 077 844
Lease liabilities	**800**	**1 077**	**4 594**	**5 343**	**5 788**	**-**	**17 602**
Fixed rate	432	582	2 481	2 885	3 125	-	9 505
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	**24 664 448**	**1 713 898**	**1 100 669**	**41 284**	**463 776**	**99 193**	**28 083 268**
Fixed rate	1 537 993	623 655	1 091 729	38 826	11 023	-	3 303 226
Floating rate	23 126 455	1 090 243	8 940	2 458	452 753	-	24 680 849
Non-interest bearing	-	-	-	-	-	99 193	99 193

Equity instruments booked as investments at fair value through other comprehensive income (Note 26) are presented as non-interest bearing instruments in the tables above.

Non-interest bearing deposits from clients include mainly deposits for guarantees, funds for letters of credit and other.

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

DSK Bank 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 DSK Bank`s earnings and equity to market interest rates changes. In calculating the indicators, the Bank 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 and ALCO on a regular basis. Based on this approach for management of the interest rate risk in the banking portfolio 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**
Effect in thousands of BGN				
As at 31 December 2024	36 318	(76 427)	412 222	90 434
As at 31 December 2023	48 842	(110 512)	(37 344)	293 707

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

6.3.2. Currency risk

The Bank 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 Bank'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 Bank 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) limit to manage the Bank's exchange rate risk of the trading portfolio. Bank'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 Bank.

The Bank 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 historical observations are used for exchange rate changes for 250 working days.

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

In thousands of BGN	**2024**	**2023**
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 Bank 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, DSK Bank manages net exposure by buying and selling foreign currencies at spot rates when considered appropriate, within the approved limits for open currency position. The Bank is not exposed to a significant exchange rate risk in relation to transactions for which it applies hedge accounting according to IFRS 9. An analysis of the hedged items and hedging instruments is presented in Notes 11 and 22.2.

6.4. Credit risk

Credit risk is the risk that a customer or counterparty will default on its contractual obligations resulting in financial loss to the Bank. The Bank'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 Bank considers all elements of credit risk exposure such as counterparty default risk, geographical risk and sector risk for risk management purposes.

6.4.1. Significant increase in credit risk

The Bank 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 Bank 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 Bank 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 Bank 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, DSK Bank 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. 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 DSK Bank 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 Bank.

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 DSK Bank has reported BGN 220.5 million of receivables with significant increase in credit risk as a result of the impact of novel risks.

6.4.2. Unlikeliness-to-pay assessment

DSK Bank performs a monthly unlikeliness 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 Bank 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 Bank performs an unlikeliness-to-pay assessment based on additional factors (distraints, restructuring with a significant change in NPV of an asset, individual judgement in case of corporate exposures).

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

When determining the credit risk of a deal, the Bank 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 Bank 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 Bank are three major types:

- Application PD models

The purpose of 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.

- 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 Bank 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 Model)

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 Bank. When on the basis of the model high probability for deterioration of certain exposures is estimated, the Bank 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 weight and cut-off levels. Finally, a matrix is determined, which provides the basis for pooling the customers into risk groups. The Bank 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 Bank 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.

6.4.4. 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'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 Bank uses EAD models that reflect the characteristics of the portfolios.

The Bank 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 Bank's contractual ability to demand repayment and cancel the undrawn commitment does not limit the Bank's exposure to credit losses to the contractual notice period. For such financial instruments the Bank 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 Bank 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 Bank 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 Bank 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 similar 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 December 31, 2024, 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 base case 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.

6.4.5. 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.

6.4.6. 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.

6.4.7. *Credit quality*

The Bank monitors credit risk per class of financial instrument.

An analysis of the Bank '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.

6.4.7.1. *Cash at banks and loans and receivables from banks at amortised cost*

In thousands of BGN	31-December-2024	31-December-2023
Concentration by sector		
Central bank	4 890 171	4 974 036
Other banks	2 233 667	3 161 475
Total	**7 123 838**	**8 135 511**
Concentration by region		
Europe	7 099 348	8 118 638
North America	22 502	15 947
Asia	1 755	640
Australia	233	286
Total	**7 123 838**	**8 135 511**

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).

6.4.7.2. *Loans and advances to customers at amortised cost*

In thousands of BGN	31-December-2024	31-December-2023
Concentration by sector		
Retail:		
Mortgages	7 568 241	5 921 008
Other retail loans	6 049 096	5 088 670
Corporate:		
Agriculture and forestry	324 343	326 675
Construction	471 820	333 683
Financial and insurance activities	1 946 620	2 191 413
Hotels and catering	244 651	276 119
Manufacturing	2 862 170	3 030 833
Real estate activities	764 333	754 890
State and local government	64 504	79 446
Trade and services	1 215 532	1 194 278
Transport and communications	353 886	457 670
Other industry sectors	339 466	360 497
Total	**22 204 662**	**20 015 182**
Concentration by region		
Europe	22 161 807	19 979 138
North America	10 127	12 382
Asia	21 235	18 395
Africa	10 464	4 707
Australia	69	79
South America	960	481
Total	**22 204 662**	**20 015 182**

As of 31 December 2024, 21% of the carrying amount of loans to corporate clients is concentrated in one client (2023: 17%).

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.

6.4.7.3. *Investments in securities*

In thousands of BGN	**31-December-2024**	**31-December-2023**
Concentration by sector		
Investments in instruments measured at fair value through other comprehensive income		
Government bonds	728 472	903 454
Equity instruments	40 672	28 578
Investments in instruments mandatory measured at fair value through profit or loss		
Equity instruments	322	308
Corporate debt securities	2 259	3 345
Investments in instruments measured at amortized cost		
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	**5 731 969**	**3 084 450**
Concentration by region		
Europe	5 457 394	2 835 381
North America	125 187	107 715
Asia	149 388	141 354
	5 731 969	**3 084 450**

The carrying amount of the Bank'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 include an exposure to a related party as disclosed in Note 43.

DSK Bank 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.

6.4.7.4. Loan commitments and financial guarantee contracts

In thousands of BGN	31-December-2024	31-December-2023
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	823 953	401 721
Financial and insurance activities	98 488	243 414
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	5 351
Trade and services	897 076	997 899
Transport and communications	187 155	88 103
Other industry sectors	110 928	110 121
Total	**3 973 984**	**3 896 772**
Concentration by region		
Europe	3 973 127	3 895 773
North America	55	41
Asia	654	836
Africa	91	80
Oceania	34	30
South America	23	12
Total	**3 973 984**	**3 896 772**

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

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

Grade	Grade description	Probability of default (PD) 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 Bank's credit risk exposure per class of financial asset, stage and internal credit rating used by the Bank 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.

6.4.8.1. 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**
In thousands of BGN						
Grades 1-3: Low risk	7 126 428	-	7 126 428	8 135 961	-	8 135 961
Grades 4-6: Moderate risk	173	189	362	1 817	-	1 817
Grades 7-8: Increased risk	-	-	-	539	199	738
Total gross carrying amount	**7 126 601**	**189**	**7 126 790**	**8 138 317**	**199**	**8 138 516**
Loss allowance	(2 950)	(2)	(2 952)	(3 001)	(4)	(3 005)
Carrying amount	**7 123 651**	**187**	**7 123 838**	**8 135 316**	**195**	**8 135 511**

6.4.8.2. Loans and advances to customers at amortised cost

	31-December-2024				
	Stage 1	**Stage 2**	**Stage 3**	**POCI**	**Total**
In thousands of BGN					
Grades 1-3: Low risk	14 073 640	378 789	-	888	14 453 317
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	-	-	472 915	9 932	482 847
Municipality, PSE	58 495	-	-	-	58 495
Not rated	427 372	86 505	-	1	513 878
Total gross carrying amount	**19 758 279**	**2 668 705**	**472 915**	**11 376**	**22 911 275**
Loss allowance	(114 527)	(283 640)	(298 871)	(9 575)	(706 613)
Carrying amount	**19 643 752**	**2 385 065**	**174 044**	**1 801**	**22 204 662**

In thousands of BGN	31-December-2023 Stage 1	Stage 2	Stage 3	POCI	Total
Grades 1-3: Low risk	11 358 713	423 192	-	833	11 782 738
Grades 4-6: Moderate risk	4 187 253	1 041 859	-	488	5 229 600
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	-	-	466 100	16 532	482 632
Municipality, PSE	64 117	-	-	-	64 117
Not rated	1 634 726	143 398	-	18	1 778 142
Total gross carrying amount	**17 908 064**	**2 276 183**	**466 100**	**18 387**	**20 668 734**
Loss allowance	(141 657)	(219 061)	(280 748)	(12 086)	(653 552)
Carrying amount	**17 766 407**	**2 057 122**	**185 352**	**6 301**	**20 015 182**

6.4.8.3. Investments in securities measured at fair value through other comprehensive income

In thousands of BGN	31-December-2024 Stage 1	31-December-2023 Stage 1
Grades 1-3: Low risk	750 335	703 674
Grades 4-6: Moderate risk	18 809	228 358
Total fair value	**769 144**	**932 032**
Loss allowance	(774)	(2 239)

6.4.8.4. Investments in securities measured at amortized cost

In thousands of BGN	31-December-2024 Stage 1	Stage 3	Total	31-December-2023 Stage 1	Stage 3	Total
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	**4 953 764**	**29 923**	**4 983 687**	**2 131 814**	**32 167**	**2 163 981**
Loss allowance	(5 489)	(17 954)	(23 443)	(4 227)	(10 989)	(15 216)
Total carrying amount	**4 948 275**	**11 969**	**4 960 244**	**2 127 587**	**21 178**	**2 148 765**

6.4.8.5. *Loan commitments and financial guarantee contracts*

	31-December-2024			
In thousands of BGN	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Grades 1-3: Low risk	2 230 111	13 525	-	2 243 636
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	**3 598 915**	**373 589**	**1 480**	**3 973 984**
Loss allowance	(20 461)	(24 356)	(295)	(45 112)

	31-December-2023			
In thousands of BGN	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Grades 1-3: Low risk	2 052 317	12 322	-	2 064 639
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	5 744	-	-	5 744
Not rated	540 322	10 293	-	550 615
Total amount committed	**3 673 134**	**222 278**	**1 360**	**3 896 772**
Loss allowance	(25 692)	(12 023)	(379)	(38 094)

6.4.9. *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:

In thousands of BGN	**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	(706 613)	(653 552)
Securities at fair value through other comprehensive income and securities at amortised cost	(24 217)	(17 455)
Loan commitments and financial guarantee contracts	(45 112)	(38 094)
Total	**(778 894)**	**(712 106)**

6.4.10. Movement of gross book value and provisions for expected credit losses

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.

6.4.10.1. Movement of the gross carrying amount and expected credit loss of cash at banks and loans and advances to banks at amortised cost

2024

In thousands of BGN	**Stage 1** Gross carrying amount	ECL	**Stage 2** Gross carrying amount	ECL	**Total** Gross carrying amount	ECL
As at 1 January	**8 138 317**	**(3 001)**	**199**	**(4)**	**8 138 516**	**(3 005)**
Change due to change in credit risk	-	(704)	-	-	-	**(704)**
New financial assets originated or purchased	1 108 258	(613)	-	-	**1 108 258**	**(613)**
Financial assets that have been derecognised	(2 119 974)	1 368	(10)	2	**(2 119 984)**	**1 370**
As at 31 December	**7 126 601**	**(2 950)**	**189**	**(2)**	**7 126 790**	**(2 952)**

2023

In thousands of BGN	**Stage 1** Gross carrying amount	ECL	**Stage 2** Gross carrying amount	ECL	**Total** Gross carrying amount	ECL
As at 1 January	**7 535 467**	**(20 789)**	**288**	**(8)**	**7 535 755**	**(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	(2 641 272)	20 592	(89)	-	**(2 641 361)**	**20 592**
As at 31 December	**8 138 317**	**(3 001)**	**199**	**(4)**	**8 138 516**	**(3 005)**

6.4.10.2. 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**	
In thousands of BGN	**Gross carrying amount**	**ECL**	**Gross carrying amount**	**ECL**	**Gross carrying amount**	**ECL**	**Gross carrying amount**	**ECL**	**Gross carrying amount**	**ECL**
As at 1 January	**17 908 064**	**(141 657)**	**2 276 183**	**(219 061)**	**466 100**	**(280 748)**	**18 387**	**(12 086)**	**20 668 734**	**(653 552)**
Transfer to stage 1	699 407	(59 976)	(694 769)	58 361	(4 638)	1 615	-	-	-	-
Transfer to stage 2	(985 200)	8 941	1 026 916	(24 222)	(41 716)	15 281	-	-	-	-
Transfer to stage 3	(50 354)	472	(75 052)	12 978	125 406	(13 450)	-	-	-	-
Increases due to change in credit risk	-	(3 077)	-	(103 004)	-	(129 128)	-	(4 637)	-	**(239 846)**
Decreases due to change in credit risk	-	90 365	-	26 731	-	31 134	-	2 398	-	**150 628**
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	7 904 015	(47 785)	737 756	(66 894)	99 202	(43 463)	348	(37)	**8 741 321**	**(158 179)**
Financial assets that have been derecognised	(5 658 978)	37 600	(600 499)	31 341	(95 675)	44 124	(4 149)	1 577	**(6 359 301)**	**114 642**
As at 31 December	**19 758 279**	**(114 527)**	**2 668 705**	**(283 640)**	**472 915**	**(298 871)**	**11 376**	**(9 575)**	**22 911 275**	**(706 613)**

6.4.10.2 Movement of the gross carrying amount and expected credit loss of loans and advances to customers at amortised cost (continued)

	2023									
	Stage 1		**Stage 2**		**Stage 3**		**POCI**		**Total**	
In thousands of BGN	**Gross carrying amount**	**ECL**	**Gross carrying amount**	**ECL**	**Gross carrying amount**	**ECL**	**Gross carrying amount**	**ECL**	**Gross carrying amount**	**ECL**
As at 1 January	**15 599 202**	**(177 022)**	**1 276 583**	**(213 314)**	**529 551**	**(322 669)**	**30 200**	**(19 533)**	**17 435 536**	**(732 538)**
Transfer to stage 1	286 885	(40 759)	(280 879)	38 185	(6 006)	2 574	-	-	-	-
Transfer to stage 2	(1 233 389)	15 281	1 321 974	(52 820)	(88 585)	37 539	-	-	-	-
Transfer to stage 3	(46 699)	572	(66 375)	14 843	113 074	(15 415)	-	-	-	-
Increases due to change in credit risk	-	(4 547)	-	(80 730)	-	(168 904)	-	(18 868)	-	**(273 049)**
Decreases due to change in credit risk	-	94 537	-	82 532	-	85 816	-	8 607	-	**271 492**
Written-off and sold	-	-	-	-	(122 549)	122 549	(17 151)	17 151	**(139 700)**	**139 700**
New financial assets purchased or originated	6 884 806	(53 059)	489 404	(39 393)	149 011	(75 298)	6 842	-	**7 530 063**	**(167 750)**
Financial assets that have been derecognised	(3 582 741)	23 340	(464 524)	31 636	(108 396)	53 060	(1 504)	557	**(4 157 165)**	**108 593**
As at 31 December	**17 908 064**	**(141 657)**	**2 276 183**	**(219 061)**	**466 100**	**(280 748)**	**18 387**	**(12 086)**	**20 668 734**	**(653 552)**

6.4.10.3. Movement of the fair value and expected credit loss of investments in securities measured at fair value through other comprehensive income

	2024	
	Stage 1	
In thousands of BGN	**Fair value**	**ECL**
As at 1 January	**932 032**	**(2 239)**
Decreases 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)**

	2023					
	Stage 1		**Stage 3**		**Total**	
In thousands of BGN	**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)**
Decreases due to change in credit risk	-	1 285	-	-	**-**	**1 285**
Increases 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)**

6.4.10.4. *Movement of the gross carrying amount and expected credit loss of investments in securities carried at amortised cost*

	2024					
	Stage 1		Stage 3		Total	
In thousands of BGN	Gross carrying amount	ECL	Gross carrying amount	ECL	Gross carrying amount	ECL
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)**

	2023					
	Stage 1		Stage 3		Total	
In thousands of BGN	Gross carrying amount	ECL	Gross carrying amount	ECL	Gross carrying amount	ECL
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)**

6.4.10.5. 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**
In thousands of BGN								
As at 1 January	**3 673 134**	**(25 692)**	**222 278**	**(12 023)**	**1 360**	**(379)**	**3 896 772**	**(38 094)**
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	2 205 835	(12 170)	185 415	(9 467)	396	(78)	**2 391 646**	**(21 715)**
Financial assets that have been derecognised	(2 177 522)	12 301	(135 992)	5 372	(920)	167	**(2 314 434)**	**17 840**
As at 31 December	**3 598 915**	**(20 461)**	**373 589**	**(24 356)**	**1 480**	**(295)**	**3 973 984**	**(45 112)**

6.4.10.5 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**
In thousands of BGN								
As at 1 January	**3 457 112**	**(37 049)**	**118 171**	**(10 998)**	**1 967**	**(311)**	**3 577 250**	**(48 358)**
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	-	(2 801)	-	(6 234)	-	(246)	-	**(9 281)**
Decreases due to change in credit risk	-	16 345	-	1 870	-	66	-	**18 281**
New loan commitments originated or purchased	1 921 766	(9 996)	112 125	(3 147)	549	(35)	**2 034 440**	**(13 178)**
Financial assets that have been derecognised	(1 575 625)	7 698	(137 690)	6 654	(1 603)	90	**(1 714 918)**	**14 442**
As at 31 December	**3 673 134**	**(25 692)**	**222 278**	**(12 023)**	**1 360**	**(379)**	**3 896 772**	**(38 094)**

6.4.11. *Loans and advances to customers by overdue 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**
In thousands of BGN				
0-30 days	22 441 882	(413 305)	20 241 752	(393 498)
31-60 days	84 455	(20 047)	77 279	(25 188)
61-90 days	39 285	(12 406)	39 972	(14 141)
91-180 days	70 495	(37 209)	55 342	(29 661)
More than 180 days	275 158	(223 646)	254 389	(191 064)
Total	**22 911 275**	**(706 613)**	**20 668 734**	**(653 552)**

6.4.12. *Modified and forborne loans*

As a result of the Bank's forbearance activities financial assets can 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**
In thousands of BGN		
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 table below shows the gross carrying amount of previously modified financial assets for which loss allowance has changed to 12m ECL measurement during the period:

31-December-2024	**Gross carrying amount**	**Corresponding ECL**
In thousands of BGN		
Facilities that have cured since modification and are now measured using12mECL (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**
In thousands of BGN		
Facilities that have cured since modification and are now measured using12mECL (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 Bank's forborne assets:

31-December-2024		**Performing loans - Stage 2**			**Non-performing loans - Stage 3**				
	Gross carrying amount of loans and advances to customers	**Modification**	**Refinancing**	***Total performing forborne loans***	**Modification**	**Refinancing**	***Total nonperforming forborne loans***	**Total forborne loans**	**Forbearance ratio**
In thousands of BGN									
Loans and advances to customers									
Corporate lending	**8 910 935**	110 353	85 939	**196 292**	16 658	1 916	**18 574**	**214 866**	**2.41%**
Consumer lending	**6 359 548**	6 220	114 898	**121 118**	9 741	103 411	**113 152**	**234 270**	**3.68%**
Residential mortgages	**7 640 792**	21 791	7 952	**29 743**	41 527	11 227	**52 754**	**82 497**	**1.08%**
Total	**22 911 275**	**138 364**	**208 789**	**347 153**	**67 926**	**116 554**	**184 480**	**531 633**	**2.32%**

31-December-2023		**Performing loans - Stage 2**			**Non-performing loans - Stage 3**				
	Gross carrying amount of loans and advances to customers	**Modification**	**Refinancing**	***Total performing forborne loans***	**Modification**	**Refinancing**	***Total nonperforming forborne loans***	**Total forborne loans**	**Forbearance ratio**
In thousands of BGN									
Loans and advances to customers									
Corporate lending	**9 281 391**	68 822	5 141	**73 963**	25 231	8 713	**33 944**	**107 907**	**1.16%**
Consumer lending	**5 375 992**	12 715	84 345	**97 060**	15 789	101 174	**116 963**	**214 023**	**3.98%**
Residential mortgages	**6 011 351**	28 539	7 941	**36 480**	55 936	14 641	**70 577**	**107 057**	**1.78%**
Total	**20 668 734**	**110 076**	**97 427**	**207 503**	**96 956**	**124 528**	**221 484**	**428 987**	**2.08%**

The forbearance ratio is calculated as total forborne 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**
In thousands of BGN						
Loans and advances to customers						
Corporate lending	196 292	18 574	**214 866**	38 365	13 820	**52 185**
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**	**184 480**	**531 633**	**71 641**	**106 235**	**177 876**

31-December-2023	Gross amount of forborne loans			ECL allowance		
	Stage 2	**Stage 3**	**Total**	**Stage 2**	**Stage 3**	**Total**
In thousands of BGN						
Loans and advances to customers						
Corporate lending	73 963	33 944	**107 907**	17 774	23 690	**41 464**
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**	**221 484**	**428 987**	**48 395**	**127 068**	**175 463**

6.4.13. Mortgage lending

The Bank holds residential properties as collateral for the mortgage loans it grants to its customers. The Bank 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**
In thousands of BGN				
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)**

Overdue loans - mortgage lending

Credit impaired - mortgage lending

	31-December-2024		**31-December-2023**	
	Gross carrying amount	**Loss allowance**	**Gross carrying amount**	**Loss allowance**
In thousands of BGN				
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**
In thousands of BGN				
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)**

6.4.14. Assets obtained by taking possession of collateral

In 2023 the Bank acquired real estate and other assets, pledged as collaterals for loans amounting to BGN 6 031 thousand. Acquisition of assets from collateral has not been reported in 2024. The Bank'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 Bank'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.

6.4.15. Loans and advances to banks and customers by type of collateral

	31-December-2024	31-December-2023
In thousands of BGN		
Secured by mortgages	8 313 912	6 685 747
Cash collateral	48 992	57 435
Government securities	353 164	1 160 398
Other types of collateral*	6 117 257	7 203 527
Without collateral	15 204 740	13 700 143
Total	**30 038 065**	**28 807 250**

* Other types of collateral comprise tangible collateral, guarantees from credit institutions, pledge over receivables and personal guarantees for loans.

Loans and advances to banks include also 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	
In thousands of BGN	**Carrying amount**	**Collateral**	**Carrying amount**	**Collateral**
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**

6.5. 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 Bank 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 Bank 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 Bank, 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 shall have to be identified in the self-assessment of the Bank'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 Bank, 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 Bank and the Bank'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 Bank 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 Bank.

Annually, the Bank 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 Bank 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 Bank 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-incidental 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 Bank 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 Bank needs. The plan's efficiency is tested annually in order to determine the readiness of the Bank to respond in times of crisis and to ensure continuation of the Bank's operations. The test results are reported to the Management Board of the Bank.

In 2024, there are no registered operational- or ICT events that could potentially jeopardize the Bank'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.

7. Capital Management

The Bank's regulatory capital requirements are based on CRD IV.

7.1. Regulatory capital

The Bank's regulatory capital for regulatory purposes as at 31 December 2024 and 31 December 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 Bank adds to the Tier I capital 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 38). The Bank reports Tier II capital within its own capital starting from March 2023 after receiving supervisory approval.

The Bank 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 15.22%, buffers included. The total capital adequacy ratio, including combined buffers and the additional Pillar II guidance, should be higher than 19.53% as of 31 December 2024 compared to 20.04% as of 31 December 2023.

7.2. Capital ratios

In thousands of BGN	**Basel III 2024**	**Basel III 2023**
Tier 1 capital	4 343 766	3 860 096
Common equity Tier 1 capital	4 343 766	3 860 096
Tier 2 capital	449 841	449 841
Own funds	**4 793 607**	**4 309 937**
Credit risk capital requirement	1 486 984	1 425 822
Market risk capital requirement	532	308
Operational risk capital requirement	49 660	49 711
Total requirement regulatory capital	**1 537 176**	**1 475 841**
Surplus of total capital	**3 256 431**	**2 834 096**
CET1 capital ratio (%)	22.61%	20.92%
Capital adequacy ratio (%)	**24.95%**	**23.36%**

The policy of the Bank 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 Bank. The Bank together with OTP 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 Bank 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 Bank 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, which is 2%.. The countercyclical capital buffer specific for the Bank as of 31 December 2024 and 31 December 2023 is 1.96 % and 1.85%, respectively, on an individual basis. 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 Bank 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).

8. 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 Bank 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 Bank 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.

In thousands of BGN	**Level 1: Quoted market prices in active markets**	**Level 2: Valuation techniques - observable inputs**	**Level 3: Valuation techniques - unobservable inputs**	**Total**
31-December-2024				
Assets				
Trading financial assets	21 125	-	-	21 125
Derivative financial instruments	15	79 637	-	79 652
Investments at fair value through profit or loss	-	322	2 259	2 581
Investments at fair value through other comprehensive income	728 629	17 790	22 725	769 144
Total	**749 769**	**97 749**	**24 984**	**872 502**
Liabilities				
Derivative financial instruments	-	54 829	-	54 829
Total	**-**	**54 829**	**-**	**54 829**
31-December-2023				
Assets				
Trading financial assets	2 669	-	-	2 669
Derivative financial instruments	-	52 503	-	52 503
Investments at fair value through profit or loss	-	308	3 345	3 653
Investments at fair value through other comprehensive income	903 482	11 659	16 891	932 032
Total	**906 151**	**64 470**	**20 236**	**990 857**
Liabilities				
Derivative financial instruments	-	64 382	-	64 382
Total	**-**	**64 382**	**-**	**64 382**

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
In thousands of BGN					
Assets					
Cash and current accounts with the Central Bank and other banks	481 512	5 328 365	-	**5 809 877**	**5 809 877**
Loans and advances to banks	-	1 795 473	-	**1 795 473**	**1 795 473**
Loans and advances to customers	-	-	22 211 963	**22 211 963**	**22 204 662**
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	-	29 352 823	-	**29 352 823**	**29 352 820**
Loans from banks and financial institutions	-	1 369 976	-	**1 369 976**	**1 369 976**
Lease liabilities	-	16 688	-	**16 688**	**16 688**
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
In thousands of BGN					
Assets					
Cash and current accounts with the Central Bank and other banks	705 129	5 104 745	-	**5 809 874**	**5 809 874**
Loans and advances to banks	-	3 030 766	-	**3 030 766**	**3 030 766**
Loans and advances to customers	-	-	20 040 035	**20 040 035**	**20 015 182**
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	-	26 407 138	-	**26 407 138**	**26 407 135**
Loans from banks and financial institutions	-	1 077 844	-	**1 077 844**	**1 077 844**
Lease liabilities	-	17 602	-	**17 602**	**17 602**
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 valued 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.

9. Net interest income

In thousands of BGN	**2024**	**2023**
Interest income		
Loans and advances to banks	223 586	475 190
Loans and advances to customers	1 124 707	966 983
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	**1 463 770**	**1 477 644**
Interest expense		
Deposits from banks	(16 249)	(14 726)
Deposits from customers	(7 546)	(6 797)
Loans from banks and financial institutions	(77 611)	(51 419)
Lease liabilities	(305)	(283)
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	**(146 714)**	**(111 915)**
Net interest income	**1 317 056**	**1 365 729**

10. Net fee and commission income

In thousands of BGN	2024	2023
Fee and commission income		
Card operations	113 492	96 418
Payment and settlement transactions	90 234	87 533
Opening and servicing of accounts	71 954	70 623
Package programs	56 215	41 612
Credit related deals	36 694	36 044
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	4 054	3 987
Total	**428 239**	**374 173**
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)	(620)
Servicing of accounts	(730)	(695)
Other	(3 423)	(2 408)
Total	**(68 654)**	**(52 625)**
Net fee and commission income	**359 585**	**321 548**

Included in “other” are fees for agency services, short text messages, issuance of guarantees, commercial factoring commissions, etc.

11. Net trading income

In thousands of BGN	2024	2023
Foreign exchange trading	99 968	48 832
Net interest income from securities held for trading	216	356
Securities trading and revaluation	512	1 044
Net gain/(loss) on derivative instruments	36 613	(341 294)
Total	**137 309**	**(291 062)**

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

In thousands of BGN			**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**
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

In thousands of BGN			**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**
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 22.

12. 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 26).

13. Net gains from realisation of financial assets measured at amortised cost

In thousands of BGN	2024	2023
Collection of previously written-off loans and receivables	24 215	15 681
Sale of financial assets	2 980	6 709
Total	**27 195**	**22 390**

The income from the sale of financial assets is mostly as a result from sale of a portfolio of non-performing loans.

14. Other operating income, net

In thousands of BGN	2024	2023
Dividends	49 694	36 840
Income from card operators	9 255	-
Net gain on disposal of non-financial assets	4 209	3 645
Net gain from government bonds measured at fair value through other comprehensive income	2 740	828
Rental fees	2 692	2 739
Hired services	2 164	1 440
Government grants	508	795
Other	3 439	4 137
Total	**74 701**	**50 424**

15. Impairment losses on financial assets, net

In thousands of BGN	2024	2023
Impairment loss on loans and factoring agreements, net	(114 635)	(14 266)
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	11 684	8 000
Impairment gain/ (loss) on other assets	135	(1 875)
Total	**(125 141)**	**(159)**

16. Impairment (loss)/ gain on non-financial assets

In thousands of BGN	2024	2023
Impairment loss on tangible assets	(34)	(928)
Impairment (loss)/ gain on collaterals acquired	(64)	1 516
Total	**(98)**	**588**

The impairment (loss)/ gain on acquired collaterals is reflected in the carrying amount of those assets (Note 31).

17. Personnel expenses

In thousands of BGN	2024	2023
Wages and salaries	224 201	186 105
Social security contributions	45 722	39 669
Cash-settled share-based payments	1 311	1 092
Other	322	183
Total	**271 556**	**227 049**

The average number of full-time employees is 5 267 for 2024 and 5 198 for 2023.

18. Depreciation and amortization

In thousands of BGN	*Note*	2024	2023
Right-of-use assets	*28*	7 259	7 440
Property, plant and equipment	*29*	26 481	23 659
Intangible assets	*30*	25 543	22 308
Total		**59 283**	**53 407**

19. Other expenses

In thousands of BGN	**2024**	**2023**
Hired services	148 440	119 373
Guarantee Funds contributions and supervisory charges	60 556	56 140
Materials	17 294	18 235
Expense relating to leases of low value assets	3 922	1 872
Expenses related to short-term leases	2 128	3 658
Other expenses	7 581	6 252
Total	**239 921**	**205 530**

The Other expenses line item includes non-refundable VAT, business trip expenses, entertainment expenses and others.

The accrued fees for the services provided by the independent financial auditors of the Bank for 2024 include statutory audit fees to the amount of BGN 1 606 thousand (2023: BGN 1 507 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 27 thousand (2023: BGN 35 thousand).

20. Income tax expense

In thousands of BGN	**2024**	**2023**
Current tax expense	(155 256)	(103 715)
Deferred tax (expense)/ benefit related to origination and reversal of temporary tax differences	(1 605)	793
Total	**(156 861)**	**(102 922)**

In thousands of BGN	**2024**	**2023**
Accounting profit	1 143 938	1 109 074
Income tax at the statutory corporate tax rate	(114 394)	(110 907)
Allowance for tax paid in foreign tax jurisdictions	2 647	4 521
Tax on permanent tax differences	4 444	3 464
Income tax expense at the applicable tax rate	**(107 303)**	**(102 922)**
Qualified domestic top-up tax	**(49 558)**	**-**
Total income tax expense	**(156 861)**	**(102 922)**
Effective tax rate	9.38%	9.28%

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 (see also Note 3.1). 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 49 558 thousand, calculated in accordance with the above-described minimum effective taxation regulations.

Movement of the current tax is as follows:

In thousands of BGN	**2024**	**2023**
Tax asset on 1 January	3 179	11 274
Decrease due to merger and liquidation of subsidiaries (Note 42)	-	(334)
Current tax expense	(155 256)	(103 715)
Current tax charged to the other comprehensive income	(3 421)	(4 330)
Current tax paid	113 400	100 334
Transfer from deferred tax and offset against other taxes	(30)	(50)
Tax (liability)/asset on 31 December	**(42 128)**	**3 179**

21. Cash and current accounts with the Central Bank and other commercial banks

In thousands of BGN	**31-December-2024**	**31-December-2023**
Cash on hand	481 512	705 129
Current accounts with the Central Bank	4 890 580	4 974 052
Current accounts with other banks	438 505	130 897
Less impairment loss allowances	(720)	(204)
Total	**5 809 877**	**5 809 874**

Included in cash on hand are cash in transit 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 Bank'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 Bank 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 43.

22. Financial assets held for trading and derivative financial instruments

22.1. Financial assets held for trading

In thousands of BGN	31-December-2024	31-December-2023
Government securities – Republic of Bulgaria denominated in Bulgarian Leva	15 298	460
Government securities – Republic of Bulgaria denominated in foreign currencies	5 827	2 209
Total	**21 125**	**2 669**

Government securities issued by the Bulgarian government comprise 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 3.63% and 5.75%).

22.2. Derivative financial instruments

As of 31 December 2024	**Carrying value**		**Notional amount**
	Assets	**Liabilities**	
In thousands of BGN			
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	**55 241**	**54 829**	**3 387 059**
Derivatives used as fair value hedging instruments			
Interest rate swaps	9 160	-	293 109
Foreign exchange contracts	15 251	-	188 260
Total	**24 411**	**-**	**481 369**
Total derivative financial instruments	**79 652**	**54 829**	**3 868 428**

As of 31 December 2023	**Carrying value**		**Notional amount**
	Assets	**Liabilities**	
In thousands of BGN			
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	**34 878**	**33 470**	**2 141 349**
Derivatives used as fair value hedging instruments			
Interest rate swaps	17 625	-	414 309
Foreign exchange contracts	-	30 912	959 330
Total	**17 625**	**30 912**	**1 373 639**
Total derivative financial instruments	**52 503**	**64 382**	**3 514 988**

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 as of 31 December 2024 and 2023 is as follows:

In thousands of BGN	**31-December-2024**	**31-December-2023**
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 related parties are disclosed in Note 43.

In thousands of BGN	**2024**	**2023**
Gain/ (loss)/ from changes in fair value used for calculating hedge ineffectiveness for the year (Note 11)	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 2023:

In thousands of BGN	31-December-2024	31-December-2023
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 Bank assumes 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".

23. Non-current assets held for sale

Non-current assets available for sale can be analyzed as follows:

In thousands of BGN	31-December-2024	31-December-2023
Properties acquired from the liquidation of a subsidiary	4 079	5 031
Investments in subsidiaries	-	1 325
Total non-current assets held for sale	**4 079**	**6 356**

The properties acquired from the liquidation of a subsidiary represent land and buildings acquired by the Bank as a result of the liquidation of DSK Tours (Note 42.2). In the current year the Bank 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 2023 the Bank has classified its investment in the subsidiary DSK Asset Management AD as a non-current asset held for sale. In 2024, the Bank sold its majority stake in this company (Note 42.2).

24. Loans and advances to banks

Analysis by type

In thousands of BGN	31-December-2024	31-December-2023
Deposits with domestic and foreign banks		
In Bulgarian Leva	-	-
In foreign currencies	1 439 096	1 828 283
Encumbered assets (Note 40.2)	5 445	44 886
Loans under repurchase agreements	353 164	1 160 398
Other receivables	-	-
Less impairment loss allowances	(2 232)	(2 801)
Total	**1 795 473**	**3 030 766**

Geographical analysis

In thousands of BGN	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 Bank 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 43.

25. Loans and advances to customers

In thousands of BGN	31-December-2024	31-December-2023
Individuals		
Consumer loans	6 359 548	5 375 992
Housing and mortgage loans	7 640 792	6 011 351
Companies		
Working capital loans	2 942 100	2 764 384
Investment loans	5 594 573	6 176 189
Advances to clients under local and international factoring	265 538	233 992
State and local government	108 724	106 826
Less loss allowances	(706 613)	(653 552)
Total loans and advances to customers	**22 204 662**	**20 015 182**

The movement of the impairment for expected credit loss of loans and advances to customers is provided in Note 6.4.10.2 as a part of the credit risk management disclosure.

The line "State and local government" includes BGN 51 017 and BGN 45,586 thousand matured receivables on government securities, issued by the Russian Federation as of 31 December 2024 and 31 December 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 31 December 2023, respectively. The receivables were reclassified from investments at fair value through other comprehensive income (Note 6.4.10.3) and investments at amortized cost (Note 6.4.10.4.) 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 0.93% 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 0.23% to 16.00%; receivables from the State Budget included in the line "State and Local Government" above from 1.84% to 4.88%.

The balances of loans to related parties are disclosed in Note 43.

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 6.4.10.2.

26. Investments in securities

In thousands of BGN	**31-December-2024**	**31-December-2023**
Investments in instruments measured at fair value through other comprehensive income		
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**
Investments in instruments mandatory measured at fair value through profit or loss		
Equity instruments	322	308
Corporate debt securities	2 259	3 345
Total investments in instruments mandatory measured at fair value through profit or loss	**2 581**	**3 653**
Investments in instruments measured at amortized cost		
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	**5 731 969**	**3 084 450**

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 43.

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 measured at amortised cost, which are disclosed in Note 40.2.

The equity investments represent shares in domestic and foreign companies and financial institutions.

27. Goodwill

The goodwill reported in the separate statement of financial position as at 31 December 2024 and 31 December 2023 to the amount of BGN 77 372 thousand has arisen in 2020 upon the merger of Expressbank. The goodwill was originally determined on the acquisition of Expressbank by DSK Bank Group, which took place on 15 January 2019, and entirely allocated to the acquired bank as a cash-generating unit in the consolidated financial statements of DSK Bank for 2019. On merger of Expressbank AD into DSK Bank, the acquisition method as per IFRS 3 *Business Combinations* was applied, whereby the goodwill was recognized in the separate financial statements of the Bank. The combined bank after the merger is regarded as the new cash generating unit, to which the goodwill is allocated.

As of 31 December 2024 the Bank 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 Bank prepared a medium-term cash flow forecasts for the period 2025-2027. In preparing the calculations, the Bank 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 Bank 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 Bank 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 Bank 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 Bank 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 Bank 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 Bank, being the cash-generating unit for the purposes of the test, by approximately 35%. Therefore, management has concluded that goodwill is not impaired as of 31 December 2024.

28. Right-of-use assets

Movement of right-of-use assets during the year 2024

In thousands of BGN	**Land and buildings**	**Vehicles**	**Total**
Cost			
Balance as of 31 December 2023	**34 939**	**4 981**	**39 920**
Additions due to new contracts	2 827	318	**3 145**
Derecognition due to expired contracts	(1 643)	-	**(1 643)**
Changes from reassessment and modification	107	1	**108**
Balance as of 31 December 2024	**36 230**	**5 300**	**41 530**
Depreciation			
Balance as of 31 December 2023	**21 209**	**1 300**	**22 509**
Depreciation for the period	6 196	1 063	**7 259**
Derecognition due to expired contracts	(1 643)	-	**(1 643)**
Changes from reassessment and modification	(3 107)	1	**(3 106)**
Balance as of 31 December 2024	**22 655**	**2 364**	**25 019**
Net book value 31 December 2024	**13 575**	**2 936**	**16 511**
Net book value 31 December 2023	**13 730**	**3 681**	**17 411**

Movement of right-of-use assets during the year 2023

In thousands of BGN	Land and buildings	Vehicles	Total
Cost			
Balance as of 31 December 2022	**35 881**	**4 793**	**40 674**
Additions due to new contracts	1 315	566	**1 881**
Derecognition due to expired contracts	(2 167)	(35)	**(2 202)**
Changes from reassessment and modification	(90)	(343)	**(433)**
Balance as of 31 December 2023	**34 939**	**4 981**	**39 920**
Depreciation			
Balance as of 31 December 2022	**18 584**	**578**	**19 162**
Depreciation for the period	6 432	1 008	**7 440**
Derecognition due to expired contracts	(2 167)	(35)	**(2 202)**
Changes from reassessment and modification	(1 640)	(251)	**(1 891)**
Balance as of 31 December 2023	**21 209**	**1 300**	**22 509**
Net book value 31 December 2023	**13 730**	**3 681**	**17 411**
Net book value 31 December 2022	**17 297**	**4 215**	**21 512**

29. Property, plant and equipment

Movement of property, plant and equipment during the year 2024

In thousands of BGN	Land and buildings	IT equipment	Office equipment	Other assets	Total
Cost or revalued amount					
Balance as of 31 December 2023	**559 664**	**110 993**	**95 356**	**15 427**	**781 440**
Additions	-	327	191	45 082	**45 600**
Disposals	(23 255)	(3 302)	(1 185)	(2 748)	**(30 490)**
Transfers	6 317	26 921	5 329	(38 567)	**-**
Impairment charge	(1)	-	-	-	**(1)**
Balance as of 31 December 2024	**542 725**	**134 939**	**99 691**	**19 194**	**796 549**
Depreciation					
Balance as of 31 December 2023	**199 502**	**84 820**	**85 731**	**290**	**370 343**
Charge for the period	9 807	12 839	3 813	22	**26 481**
Disposals	(10 728)	(3 286)	(1 139)	-	**(15 153)**
Impairment charge	345	-	-	-	**345**
Balance as of 31 December 2024	**198 926**	**94 373**	**88 405**	**312**	**382 016**
Net book value 31 December 2024	**343 799**	**40 566**	**11 286**	**18 882**	**414 533**
Net book value 31 December 2023	**360 162**	**26 173**	**9 625**	**15 137**	**411 097**

Movement of property, plant and equipment during the year 2023

	Land and buildings	IT equipment	Office equipment	Other assets	Total
In thousands of BGN					
Cost or revalued amount					
Balance as of 31 December 2022	**566 871**	**106 566**	**95 865**	**5 291**	**774 593**
Additions	3	9	56	28 999	**29 067**
Increase from merger of a subsidiary	-	1	2	-	**3**
Disposals	(8 976)	(7 784)	(3 752)	(1 540)	**(22 052)**
Transfers	1 859	12 201	3 185	(17 323)	**(78)**
Impairment charge	(93)	-	-	-	**(93)**
Balance as of 31 December 2023	**559 664**	**110 993**	**95 356**	**15 427**	**781 440**
Depreciation					
Balance as of 31 December 2022	**190 540**	**83 146**	**85 324**	**451**	**359 461**
Charge for the period	10 124	9 475	4 039	21	**23 659**
Increase from merger of a subsidiary	-	1	1	-	**2**
Disposals	(3 274)	(7 763)	(3 633)	(182)	**(14 852)**
On transfers	-	(39)	-	-	**(39)**
Impairment charge	2 112	-	-	-	**2 112**
Balance as of 31 December 2023	**199 502**	**84 820**	**85 731**	**290**	**370 343**
Net book value 31 December 2023	**360 162**	**26 173**	**9 625**	**15 137**	**411 097**
Net book value 31 December 2022	**376 331**	**23 420**	**10 541**	**4 840**	**415 132**

"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 in the process of acquisition, to the amount of BGN 18 916 thousand and BGN 15 143 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 Bank'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 53 300 thousand, office equipment: to the amount of BGN 73 360 thousand, other equipment: to the amount of BGN 4 304 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 Bank'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 48 335 thousand, office equipment: to the amount of BGN 65 285 thousand, other equipment: to the amount of BGN 3 500 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 fair value of all assets from land and buildings was determined 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	
Valuation of buildings:	from	to
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 parameters increase or decrease.

30. Intangible assets

Movement of intangible assets during 2024

In thousands of BGN	Software and licenses	Customer base recognized in a business combination	Assets in the process of acquisition	Total
Cost				
Balance as of 31 December 2023	**148 640**	**69 836**	**33 571**	**252 047**
Additions	99	-	31 131	**31 230**
Disposals	-	-	(366)	**(366)**
Transfers	48 140	-	(48 140)	**-**
Balance as of 31 December 2024	**196 879**	**69 836**	**16 196**	**282 911**
Amortization				
Balance as of 31 December 2023	**113 419**	**61 733**	**-**	**175 152**
Charge for the period	22 707	2 836	-	**25 543**
Balance as of 31 December 2024	**136 126**	**64 569**	**-**	**200 695**
Net book value 31 December 2024	**60 753**	**5 267**	**16 196**	**82 216**
Net book value 31 December 2023	**35 221**	**8 103**	**33 571**	**76 895**

Movement of intangible assets during 2023

In thousands of BGN	Software and licenses	Customer base recognized in a business combination	Assets in the process of acquisition	Total
Cost				
Balance as of 31 December 2022	172 866	69 836	19 058	**261 760**
Additions	32	-	36 926	**36 958**
Increase from merger of a subsidiary	182	-	-	**182**
Disposals	(43 704)	-	(3 227)	**(46 931)**
Transfers	19 264	-	(19 186)	**78**
Balance as of 31 December 2023	**148 640**	**69 836**	**33 571**	**252 047**
Amortization				
Balance as of 31 December 2022	138 286	57 370	-	**195 656**
Charge for the period	17 945	4 363	-	**22 308**
Increase from merger of a subsidiary	145	-	-	**145**
Disposals	(42 996)	-	-	**(42 996)**
On transfers	39	-	-	**39**
Balance as of 31 December 2023	**113 419**	**61 733**	**-**	**175 152**
Net book value 31 December 2023	**35 221**	**8 103**	**33 571**	**76 895**
Net book value 31 December 2022	**34 580**	**12 466**	**19 058**	**66 104**

As of 31 December 2024 and 2023, the gross carrying amount of fully amortized intangible assets (software and licenses) that are still in use in the course of the Bank's activities is to the amount of BGN 92 762 thousand and BGN 71 933 thousand, respectively.

31. Other assets

In thousands of BGN	31-December-2024	31-December-2023
Clearing and bank settlement assets	51 124	25 658
Temporary accounts with clients	43 171	50 992
Deferred expenses	15 560	17 279
Receivables for fees	7 731	9 567
Materials, spare parts	5 720	5 660
Receivables from litigation	4 764	2 367
Advances to suppliers	3 202	3 635
Shortages of assets	2 871	3 110
Acquired collaterals	768	1 605
Other assets	9 993	4 281
Impairment	(15 075)	(15 727)
Total	**129 829**	**108 427**

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:

In thousands of BGN	2024	2023
Opening balance	**15 727**	**14 041**
Charge for the year	4 867	2 762
Release for the year	(5 002)	(887)
Write-off	(699)	(231)
Foreign exchange differences	182	42
Closing balance	**15 075**	**15 727**

32. Deposits from banks and loans from banks and financial institutions

In thousands of BGN	31-December-2024	31-December-2023
Current accounts	17 076	53 516
Deposits	9 701	12 699
Total deposits from banks	**26 777**	**66 215**
Loans from banks	1 369 657	1 076 756
Loans from financial institutions	319	1 088
Total loans from banks and financial institutions	**1 369 976**	**1 077 844**

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 43).

The Bank 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 deposits and loans received from related parties are disclosed in Note 43.

The Bank has not had any defaults of principal or interest or other breaches with respect to its liabilities during the years 2024 and 2023.

33. Deposits from customers

In thousands of BGN	31-December-2024	31-December-2023
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	5 247 573	4 852 088
State Budget		
Term deposits	65 100	56 565
Demand deposits	237 156	307 553
Financial institutions		
Term deposits	83 498	7 604
Demand deposits	334 704	505 136
Total	**29 352 820**	**26 407 135**

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 43.

34. Lease liabilities

In thousands of BGN	31-December-2024	31-December-2023
With maturity of up to 1 year	6 693	6 471
With maturity from 1 to 5 years	9 932	10 962
With maturity over 5 years	63	169
Total lease liabilities	**16 688**	**17 602**

The changes in lease liabilities for the years ending 31 December 2024 and 2023 are presented in Note 41.

35. Provisions

Movement in provisions during 2024

In thousands of BGN	Pension employment defined benefit obligations	Provisions for litigation and others	Provisions for guarantees, letters of credit, loan commitments and factoring	Total
Opening balance as of 1 January 2024	**13 844**	**15 802**	**38 094**	**67 740**
Additions during the year	1 949	861	112 842	**115 652**
Reversal during the year	-	(9 109)	(105 693)	**(114 802)**
Amounts paid	(1 531)	(1 349)	-	**(2 880)**
Other movements	1 310	-	(131)	**1 179**
Closing balance as of 31 December 2024	**15 572**	**6 205**	**45 112**	**66 889**

Movement in provisions during 2023

In thousands of BGN	**Pension employment defined benefit obligations**	**Provisions for litigation and others**	**Provisions for guarantees, letters of credit, loan commitments and factoring**	**Total**
Opening balance as of 31 December 2022	11 223	17 108	48 358	**76 689**
Additions during the year	1 683	365	92 416	**94 464**
Increase from merger of a subsidiary	40	522	-	**562**
Reversal during the year	-	(1 924)	(102 674)	**(104 598)**
Amounts paid	(841)	(147)	-	**(988)**
Other movements	1 739	(122)	(6)	**1 611**
Closing balance as of 31 December 2023	**13 844**	**15 802**	**38 094**	**67 740**

Pension obligations for the payment of defined benefits and long-term benefits to employed persons

The estimated amount of the defined benefit 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).

In thousands of BGN	**2024**	**2023**
Liability recognized in the balance sheet as of January 1	**13 844**	**11 223**
Increase from merger of a subsidiary	-	40
Cost recognized in the statement of profit or loss	1 949	1 683
Payments made during the period	(1 531)	(841)
Actuarial losses recognized in the statement of other comprehensive income, including:	1 310	1 739
Actuarial losses from changes in financial assumptions	*1 334*	*2 900*
Actuarial losses/ (gains) from changes in demographic assumptions	*25*	*(2 481)*
Actuarial (gains)/ losses from experience adjustments	*(49)*	*1 320*
Defined benefit obligations at 31 December	**15 572**	**13 844**

Expense recognized in statement of profit or loss

In thousands of BGN	**2024**	**2023**
Current and past service costs	1 265	979
Interest on obligation	616	664
Actuarial loss recognized	68	40
Total	**1 949**	**1 683**

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	12.30%	10.30%

36. Deferred tax liabilities

Deferred income taxes for 2024 and 2023 are calculated on all temporary differences under the balance sheet 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 liabilities can be analyzed as follows:

	Assets		Liabilities		Net	
In thousands of BGN	**2024**	**2023**	**2024**	**2023**	**2024**	**2023**
Retirement benefit obligations and other personnel liabilities	(4 180)	(4 301)	-	-	(4 180)	(4 301)
Business reorganisation	-	-	443	443	443	443
Fixed assets	-	-	23 857	23 319	23 857	23 319
Provisions for litigation and others	(620)	(1 375)	-	-	(620)	(1 375)
Unused annual leave and other	(446)	(475)	-	-	(446)	(475)
Net deferred tax (assets)/liabilities	**(5 246)**	**(6 151)**	**24 300**	**23 762**	**19 054**	**17 611**

Movement in deferred taxes during 2024

In thousands of BGN	**Balance as of 31 December 2023**	**Recognised in the statement of profit or loss 2024**	**Charged directly to equity 2024**	**Balance as of 31 December 2024**
Retirement benefit obligations and other personnel liabilities	(4 301)	252	(131)	(4 180)
Business reorganisation	443	-	-	443
Fixed assets	23 319	569	(31)	23 857
Provisions for litigation and other liabilities	(1 375)	755	-	(620)
Unused annual leave and other	(475)	29	-	(446)
Total	**17 611**	**1 605**	**(162)**	**19 054**

Movement in deferred taxes during 2023

In thousands of BGN	**Balance as of 31 December 2022**	**Recognised in the statement of profit or loss 2023**	**Merger of a subsidiary 2023**	**Charged directly to equity 2023**	**Balance as of 31 December 2023**
Retirement benefit obligations under the Labour Code and other personnel liabilities	(3 320)	(682)	(61)	(238)	(4 301)
Business reorganisation	443	-	-	-	443
Fixed assets	23 849	(402)	-	(128)	23 319
Provisions for litigation and other liabilities	(1 505)	130	-	-	(1 375)
Unused annual leave and other	(636)	161	-	-	(475)
Total	**18 831**	**(793)**	**(61)**	**(366)**	**17 611**

37. Other liabilities

In thousands of BGN	**31-December-2024**	**31-December-2023**
Money transfers for execution	58 252	58 940
Liabilities to personnel and management	30 287	33 693
Obligations under unilaterally terminated contracts	27 142	25 674
Liabilities to suppliers	18 383	12 123
Liabilities under condition for financial asset refunding	3 518	2 204
Liabilities to customers related to purchase and repurchase of investments in mutual funds	836	337
Liabilities for dividends and shares	684	328
Liabilities to insurers	120	137
Other	10 371	11 798
Total	**149 593**	**145 234**

The Other line item includes VAT payable, guarantee payables, loan fees received and others.

38. 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.

39. Share capital and reserves

39.1. 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%

39.2. 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.

39.3. Revaluation reserves

39.3.1. 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 a decrease amounting to BGN 312 thousand and BGN 1 277 thousand, respectively, gross of tax, is accounted for as a result of an impairment of land and buildings on the 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 (Note 36).

For the years ending 31 December 2024 and 2023, revaluation reserve of land or buildings sold to the amount of BGN 3 817 thousand and BGN 1 622 thousand, respectively, has been transferred directly to retained earnings.

39.3.2. 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.

39.4. 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 35).

39.5. 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.

40. Contingent assets and liabilities

40.1. Off balance sheet liabilities

In thousands of BGN	31-December-2024	31-December-2023
Litigation against the Bank and other contingent liabilities	8 103	21 741
Bank guarantees and letters of credit	910 254	631 009
Factoring agreement commitments	18 293	43 971
Commitments for undrawn credit facilities	3 045 437	3 221 792
Commitments under term deals	3 824 099	3 523 544
Other	4 499	1 912
Total	**7 810 685**	**7 443 969**

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 43.

Legal claims and other contingent liabilities connected with claims against the Bank

The legal claims against DSK Bank and other contingent liabilities connected with legal proceedings amount to BGN 8 103 and BGN 21 741 thousand (principal and accrued interest) as of December 31, 2024 and 2023, respectively. For part of these legal claims the Bank's management believes that there is a probability of unfavourable outcome. The Bank considers the probability of future cash outflows on other contingent liabilities as well as the probability for increase of customers' claims against the Bank connected with payments on contracts for products and services provided by the Bank. Based on these assessments provisions at the total amount of BGN 6 205 thousand and BGN 15 802 thousand (Note 35) are allocated as at the end of 2024 and 2023, respectively.

Contingent liabilities on guarantees and letters of credit

The Bank 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 35).

40.2. Assets pledged as collateral

As of 31 December 2024 and 2023 DSK Bank has pledged assets as collateral as follows:

In thousands of BGN	31-December-2024	31-December-2023
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 26).

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 43.

40.3. Operating leases – the Bank as a lessor

The Bank has entered into operating lease agreements as a lessor of real estate, and recognised income from rentals under those agreements to the amount of BGN 2 692 thousand and BGN 2 739 thousand for 2024 and 2023, respectively (Note 14).

The table below provides a maturity breakdown of the undiscounted cash flow payments, which are to be received in the future by the Bank in its capacity as a lessor:

In thousands of BGN	31-December-2024	31-December-2023
In less than 1 year	852	607
Between 1 and 2 years	761	386
Between 2 and 3 years	466	235
Between 3 and 4 years	336	130
Between 4 and 5 years	45	57
More than 5 years	49	73
Total undiscounted future lease payments	**2 509**	**1 488**

41. Additional information for the statement of cash flows

Cash and cash equivalents can be analysed as follows:

In thousands of BGN	*Note*	31-December-2024	31-December-2023
Cash on hand	*21*	481 512	705 129
Balances with the Central Bank	*21*	4 890 580	4 974 052
Receivables from banks with original maturity up to 3 months		438 505	130 897
Total cash and cash equivalents		**5 810 597**	**5 810 078**

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:

In thousands of BGN	Loans from banks and subordinated debt (Notes 32 and 38)	Lease liabilities (Note 34)	Total liabilities from financing activity
As of 1 January	**1 526 846**	**17 602**	**1 544 448**
Non-cash changes:			**-**
Increase due to new contracts	-	3 145	**3 145**
Interest accrued	120 038	305	**120 343**
Changes from reassessment and modification	-	3 196	**3 196**
Total non-cash changes	120 038	6 646	**126 684**
Cash flows:			
Loans received	293 375	-	**293 375**
Interest paid on borrowings	(120 761)	-	**(120 761)**
Payment of lease liabilities	-	(7 560)	**(7 560)**
Total cash flows	172 614	(7 560)	**165 054**
As of 31 December	**1 819 498**	**16 688**	**1 836 186**

For the year ending 31 December 2023:

In thousands of BGN	Loans from banks and subordinated debt (Notes 32 and 38)	Lease liabilities (Note 34)	Total liabilities from financing activity
As of 1 January	**852 068**	**21 638**	**873 706**
Non-cash changes:			
Increase due to new contracts	-	1 881	**1 881**
Interest accrued	87 164	283	**87 447**
Changes from reassessment and modification	-	1 446	**1 446**
Total non-cash changes	87 164	3 610	**90 774**
Cash flows:			
Loans received	674 761	-	**674 761**
Interest paid	(87 147)	-	**(87 147)**
Payment of lease liabilities	-	(7 646)	**(7 646)**
Total cash flows	587 614	(7 646)	**579 968**
As of 31 December	**1 526 846**	**17 602**	**1 544 448**

42. Subsidiaries and associated companies

The investments in subsidiaries and associated companies are presented below:

	31-December-2024		**31-December-2023**	
In thousands of BGN	**% ownership**	**Carrying amount**	**% ownership**	**Carrying amount**
DSK Rodina Pension Company AD	99.85%	14 973	99.85%	14 973
DSK Assets Management AD	-	-	66.00%	-
DSK Leasing AD	-	-	60.02%	1 961
dsk Ventures EAD	100.00%	7 200	100.00%	7 200
DSK Dom EAD	100.00%	500	100.00%	500
OTP Leasing EOOD	100.00%	67 313	100.00%	49 725
Regional Urban Development Fund AD	52.00%	208	52.00%	208
Total investments in subsidiaries		**90 194**		**74 567**
Cash Services Company AD	25.00%	2 965	25.00%	2 965
DSK Asset Management AD	25.00%	500	-	-
Total investments in associates		**3 465**		**2 965**
Total investments in subsidiaries and associates		**93 659**		**77 532**

The Bank indirectly owns 100% and 60.02% of the capital of OTP Insurance Broker EOOD as of 31 December 2024 and 2023, respectively. Sole owner of the entity as at the end of the current year is OTP Leasing EOOD and as at the end of the previous year – DSK Leasing AD.

As of 31 December 2023 the Bank owns 66% of the capital of DSK Asset Management AD, but the investment in this company in the amount of BGN 1,325 thousand is classified as held for sale (Note 23). In 2024 the Bank sold 41% of its shares in DSK Asset Management AD and the company became an associate of the Bank (Note 42.2). The carrying amount of net assets of DSK Asset Management as of 31 December 2024 is BGN 2 446 thousand.

The carrying amount of the net assets of Cash Services Company AD, also an associate of the Bank, is BGN 20 098 thousand (2023: BGN 17 496 thousand).

As of 31 December 2024 and 2023, the Bank performed a review for indications of impairment of its investments in subsidiaries. No such indications have been identified and, as a result, no impairment of investments in subsidiaries has been reported for 2024 and 2023.

42.1. Acquisition of investments in subsidiaries

In June 2024, the Bank acquired the non-controlling interest of 39.98% in the capital of DSK Leasing AD as a result of which the Bank became the sole owner of the entity. The purchase price of the shares amounts to EUR 7 990 thousand and has been paid by the Bank in full.

On 26 September 2024, a merger of DSK Leasing EAD into OTP Leasing EOOD was registered as a result of which the merged company was terminated without liquidation and its rights and obligations were overtaken by OTP Leasing EOOD as its legal successor.

42.2. Disposal of subsidiaries through sale or liquidation

In thousands of BGN	**2024**	**2023**
(Loss)/ profit on sale of investments in subsidiaries	(5)	365
Profit from liquidation of DSK-Tours - in liquidation	-	3 482
Total (loss)/ profit on disposal of subsidiaries	**(5)**	**3 847**

The loss on sale of investments in subsidiaries in 2024 has resulted from the sale of 41% of the capital of DSK Asset Management AD. The loss can be analyzed as follows:

In thousands of BGN	**2024**
Consideration received	820
less:	
Net book value of the sold share of 41%	(823)
Valuation of the retained interest of 25% at fair value	(2)
Loss on sale of the investment	**(5)**

For the year ending 31 December 2023, the profit on disposal of subsidiaries is related to the sale of DSK Trans Security AD and the liquidation of DSK Tours – in liquidation EOOD.

Sale of DSK Trans Security AD

On 1 February 2023, the Bank sold its shares in DSK Trans Security EAD representing 100% of its registered capital. The profit on sale can be analyzed as follows:

In thousands of BGN	**2023**
Consideration received	3 865
less:	
Net book value of the investment	(3 500)
Profit on sale of the investment	**365**

Liquidation of DSK Tours – in liquidation EOOD

On 4 August 2023, DSK Tours – in liquidation EOOD, a subsidiary of the Bank, was erased from the Commercial Register. The Bank, being its sole owner, acquired the net assets of the entity which remained after settlement of the entity's obligations, as follows:

In thousands of BGN	**04-August-2023**
Assets	
Cash and cash equivalents	5 644
Land and buildings	1 871
Other assets	43
Total asseta	**7 558**
Liabilities	
Current tax assets	265
Total liabilities	**265**
Net assets acquired from liquidation	**7 293**
add:	
Valuation of land and buildings acquired up to market value	3 122
less:	
Net book value of the investment in the liquidated entity	(6 931)
Effects of intragroup adjustments	(2)
Profit from liquidation	**3 482**

42.3. Merger of OTP Factoring EAD

On 25 May 2023 the merger of OTP Factoring EAD into DSK Bank was entered in the Commercial Register. OTP Factoring EAD was terminated without liquidation, and its rights and obligations passed to DSK Bank as its legal successor.

The carrying amounts of the assets and liabilities of OTP Factoring at the date of the merger are as follows:

In thousands of BGN	**25-May-2023**
Assets	
Cash and cash equivalents	26 839
Property, plant and equipment	1
Intangible assets	37
Deferred tax assets	61
Other assets	17
Total assets	**26 955**
Liabilities	
Current tax liabilities	69
Provisions	562
Other liabilities	454
Total liabilities	**1 085**
Net assets as at the merge date	**25 870**
Investment as at the merge date	(37 620)
Effect of merger debited to retained earnings	**(11 750)**

43. Related party transactions

DSK Bank has a related party relationship with directors, executive officers, as well as with its subsidiaries and associates, the owner OTP Bank and the other companies within OTP Group.

The directors and executive officers are represented by the members of the Management Board and the Supervisory Board.

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:

As of, and for the year ending 31 December 2024:

In thousands of BGN	OTP Bank	Subsidiaries	Other OTP Group members	Associates	Directors and executive officers	Total
Income/ (Expenses)						
Interest income	192 319	46 991	14 211	-	10	**253 531**
Interest expense	(120 042)	(335)	(1)	-	-	**(120 378)**
Fees and commissions income	112	5 408	35	1 601	7	**7 163**
Fees and commissions expenses	(563)	(11)	(9)	-	-	**(583)**
Losses on trading activities	(27 123)	-	-	-	-	**(27 123)**
(Loss)/Profit on disposal of subsidiaries	-	-	(5)	-	-	**(5)**
Dividend income	-	46 602	-	-	-	**46 602**
Income from rentals	-	353	-	64	-	**417**
Other operating income	3 194	739	73	43	-	**4 049**
Hired services	-	(48)	-	(12 468)	-	**(12 516)**
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	1 858 783	-	-	3 713	**3 659 712**
Corporate debt securities - gross carrying amount	-	-	402 815	-	-	**402 815**
Right of use assets - gross carrying amount	-	5 300	-	-	-	**5 300**
Other receivables	1 436	564	-	1 836	-	**3 836**
Liabilities						
Current and deposit accounts with DSK Bank	5 236	103 712	2 554	4 210	8 496	**124 208**
Derivative financial instruments	25 207	-	-	-	-	**25 207**
Other liabilities	6 212	130	-	585	-	**6 927**
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	65 948	-	-	2 447	**69 995**
Conditional liabilities on derivative financial instruments	1 916 720	-	-	-	-	**1 916 720**
Guarantees and letters of credit granted	100	2 400	-	-	-	**2 500**
Conditional receivables						
Conditional receivables on derivative financial instruments	1 945 644	-	-	-	-	**1 945 644**

As of, and for the year ending 31 December 2023:

In thousands of BGN	**OTP Bank**	**Subsidiaries**	**Other OTP Group members**	**Associates**	**Directors and executive officers**	**Total**
Income/ (Expenses)						
Interest income	429 460	45 632	17 318	-	-	492 410
Interest expense	(87 175)	(95)	(2)	-	-	(87 272)
Fees and commissions income	193	1 011	33	-	6	1 243
Fees and commissions expenses	(805)	(34)	(22)	-	-	(861)
Losses on trading activities	(448 678)	-	-	-	-	(448 678)
Dividend income	-	36 275	-	-	-	36 275
Income from rentals	-	380	-	152	-	532
Other operating income	1 360	53	25	3	-	1 441
Hired services	-	(17)	-	(11 942)	-	(11 959)
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	1 593 676	-	-	308	4 621 404
Corporate debt securities - gross carrying amount	-	-	391 609	-	-	391 609
Right of use assets - gross carrying amount	-	4 981	-	-	-	4 981
Other receivables	783	897	27	218	-	1 925
Liabilities						
Current and deposit accounts with DSK Bank	2 084	25 932	5 136	1 298	7 921	42 371
Derivative financial instruments	34 782	-	-	-	-	34 782
Other liabilities	2 589	-	-	774	-	3 363
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	208 891	-	-	297	210 788
Conditional liabilities on derivative financial instruments	2 258 386	-	-	-	-	2 258 386
Guarantees and letters of credit granted	100	2 311	-	-	-	2 411
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 entered into 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 entered into 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 22.2).

As of 31 December 2024 DSK Bank 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 40.2);
- 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 DSK Bank 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 40.2);
- 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%;
- A 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 funds 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.

As of 31 December 2024 and 2023, loans granted to related parties comprise of loans denominated in BGN and EUR, granted to the subsidiary OTP Leasing EOOD. The gross carrying amount of the loans as at 31 December 2024 and 2023 is BGN 1 858 783 thousand and BGN 1 593 676 thousand, respectively. As at the end of the current year the short-term part of the loans amounts to BGN 405 025 thousand and the remainder is due between 2026 and 2030. The interest rates vary between 0.93% and 3.283%.

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 Bank has received loro accounts from OTP Bank Group member banks 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 loans received from OTP Bank in the amount of EUR 230 000 thousand (BGN 449 841 thousand) qualified as subordinated term debt (see Note 38).

As of 31 December 2024 subsidiaries and associated companies have current accounts at DSK Bank denominated in BGN and EUR with a total amount of BGN 25 690 thousand. The term deposits placed at the Bank by subsidiaries and associates amount to BGN 82 232 thousand as of 31 December 2024.

As of 31 December 2023 subsidiaries and associated companies have current accounts at DSK Bank denominated in BGN and EUR with a total amount of BGN 27 230 thousand.

As of 31 December 2024 DSK Bank 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 DSK Bank has the following intragroup off-balance sheet liabilities and commitments:

- DSK Bank has issued guarantees to group members amounting to BGN 2 411 thousand.
- The commitment of the Bank on unutilized credit lines extended to group members amounts to BGN 208 891 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 in the amount of BGN 1 600 thousand is agreed on the current account of OTP Bank, which has not been utilized as of these dates.

The remuneration of the key management personnel for 2024 includes short-term and long-term benefits amounting to BGN 6 601 thousand (2023: BGN 6 346 thousand), including share-based payments to the amount of BGN 1 186 thousand (2023: BGN 1 009 thousand) (Note 17).

44. 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 Bank operates in the Republic of Bulgaria and does not have registered subsidiaries and branches outside the country.

Below is quantitative data for the Bank's operations:

In thousands of BGN	**2024**	**2023**
Operating income	1 840 792	1 580 650
Pre-tax profit	1 143 938	1 109 074
Income tax expense	(156 861)	(102 922)
Equivalent number of full-time employees, average	5 267	5 198
Return on assets (net profit to total assets)	2,83%	3,22%
Government grants received	508	795

The quantitative data above is calculated on the basis of the separate 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.

45. Events after the end of the reporting period

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