GENERAL RISKS AND UNCERTAINTIES

Categories of financial assets and liabilities

The carrying amount of the Group's financial assets and liabilities, can be presented in the following categories:

Financial assets	**2023**	**2022**
	BGN'000	**BGN'000**
Financial assets at fair value through profit or loss:		
- Corporate shares, stocks and rights	1 410 272	1 252 389
- Bulgarian corporate bonds	388 064	219 003
- Medium-term Bulgarian government securities	64 675	52 610
- Long-term Bulgarian government securities	78 091	45 643
- Securities issued or guaranteed in other countries	619 489	611 699
- Derivatives held for trading	756	12
Equity instruments at fair value through other comprehensive income:		
- Quoted equity instruments	14 052	23 653
- Unquoted equity instruments	39 314	70 031
Debt instruments measured at fair value through other comprehensive income:		
- Bonds	574 817	413 809
- Government Securities	27 335	145 636
Debt instruments at amortized cost:		
- Loans	3 330 287	3 350 000
- Cession receivables	50 863	48 188
- Receivables under repurchase agreements	499 202	448 044
- Debt instruments at amortized cost	1 548 256	1 341 679
- Receivables from related parties	65 917	74 046
- Trade receivables	104 432	110 647
- Others	760	1 393
Less: Impairment	(168 300)	(151 181)
- Cash and cash equivalents	2 263 788	2 180 578
	10 912 070	**10 237 879**

Financial liabilities	**2023 BGN'000**	**2023 BGN'000**
Financial liabilities measured at amortized cost:		
Liabilities to depositors	7 587 771	7 315 692
Borrowings	189 853	228 043
Bank deposits	14 749	10 247
Cession payables	42 976	60 245
Obligations under repo agreements	12 554	4 278
Lease obligations	419 668	305 454
Trade and other payables	89 604	75 027
Related party payables	73 099	85 654
	8 430 274	**8 084 640**
Derivatives designated as hedging instruments in cash flow (at fair value):		
Derivatives	-	677
	8 430 274	**8 085 317**

The accounting policy for each category of financial instruments is detailed described into consolidated financial statement.

Financial instruments risks

Risk management objectives and policies

Due to the use of financial instruments and as a result of its operating and investment activities, the Group is exposed to various risks – insurance risks, market risk, foreign currency risk, interest risk, as well as price risk. The Group's risk management is coordinated by the Managing board and focuses on actively securing the Company's short to medium-term cash flows by minimizing the exposure to risks. Long-term financial investments are managed to generate lasting returns.

The Group is exposed to different types of risk with regards to its financial instruments.

The most significant financial risks to which the Group is exposed to are described below.

Insurance risk

General insurance

Insurance risk is the risk of occurrence of insured events as a result of the portfolio of insurance contracts, in which case the amount of damages and the compensation due exceed the amount of the insurance reserves set aside. This depends on the frequency with which the insured events occur, the type of insurance portfolio, the amount of insurance claims. To mitigate this risk, the diversity of the insurance portfolio and probability theory is of great importance. The Group strives to make a relatively even distribution of insurance contracts, as well as to analyze the different types of insurance risks, which is reflected in the general terms and conditions. Through various methods of assessment and control, the Head of Internal Control Department carries out regular risk assessment and monitors the accumulation of insurance amounts by group of clients and regions. Risk management is carried out by the Internal Control Directorate in cooperation with the actuaries and management of the Group. The main factors on which the positive financial result of the Group depends are the damage quota, the quota of expenses and the income from investments.

Insurance-technical risk is the risk of occurrence of an insured event in which the amount of the insurance indemnity due exceeds the expectations for the manifestation of the risk, expressed by the amount of the formed insurance liabilities, i.e. the insurance-technical risk is present when the total loss for a certain period of time is greater than the calculated premium and the insurance liabilities. Insurance and technical risk is influenced by the frequency and severity of claims.

Every insurance undertaking shall endeavour to ensure that sufficient insurance liabilities are set aside to cover its commitments.

The group manages and equalises the risks assumed both within and outside the insurance population. Within the insurance population, this is achieved by equalizing the risks assumed at the time, in essence, by place in risk groups and by increasing the number of insured units, i.e. by manifesting the law of large numbers. The Group conducts a systematic analysis of the risks undertaken, their temporal and territorial diversification, offers new insurance products and strives to constantly include new units in the insurance population with a good expected risk manifestation.

Outside the insurance population, the Group equalises risk by using reinsurance contracts. According to the specifics of the specific insurance products, the choice of reinsurance contract and the respective limits of self-retention are determined. The management of insurance risk is also reflected in the application of restrictions in underwriting procedures – limits on liability are introduced, exclusion of risks that may be affected, use of appropriate methods to assess the necessary premiums and future obligations, implementation of a reinsurance program and monitoring of insurance business. Notwithstanding reinsurance protection, the Group shall not be exempted from its direct obligations to insured persons in respect of the risks transferred, with the result that there is credit risk to the extent consistent with the inability of the reinsurers under the relevant reinsurance contract to meet their financial obligations under it. In order to minimise the manifestation of this credit risk, the Group maintains a register of available data on quantifiable indicators of the financial position of its counterparties.

The Group offers over 70 types of insurance products, thus striving to achieve a diverse and balanced, aggregated insurance portfolio. Ten of the products offered cover risks in Motor Insurance; 18 cover risks in Property Insurance; 40 – in Liability Insurance, Accident and Travel Assistance; 10 are the insurances under Transport Insurance and Financial Risks and a number of other insurances in different areas of non-life insurance. The term of the contracts concluded in the aggregated insurance portfolio is mainly one-year, but there are also such contracts in it, which have a shorter or longer term than one year.

Motor Insurance covers mainly risks related to road accidents, natural disasters and illegal human activity. Risks are material and non-material. The risks covered cover to the fullest extent the insurance coverage needs of owners, users and holders of vehicles. The territorial scope of insurance includes the whole of Europe.

Property insurance covers mainly risks related to fire, natural disasters, accident of machinery and equipment, illegal human activity, etc. In the case of property insurance, the assessment and reinsurance protection with regard to catastrophic risks is essential. In the assessment of these risks, the emphasis is placed on the adequate determination of the sum insured, the prevention carried out, the periodic inspection of the insured objects. The provided territorial coverage for them is only for the territory of the Republic of Bulgaria.

In addition to Third Party Liability, a large number of Professional Liability are covered under Liability Insurance, which are largely mandatory by virtue of various regulations. The coverage under these insurances is provided only for the territory of the Republic of Bulgaria.

Accident and Travel Assistance Insurance cover risks related to: death, permanent and temporary disability of the insured persons as a result of an accident and assisted assistance in case of health risk conditions. The territorial coverage provided for different products in this group varies from coverage only for the Republic of Bulgaria to coverage for the whole world.

Annually, the range of insurance products offered is analyzed, depending on the results of each product, the risk interest of the Group, market needs and other factors, adaptation, supplementation of existing products or development of new products in order to meet specific needs. The latter is carried out after a thorough analysis of consumer demand and market segmentation.

The main assumption underlying the assessments of obligations is that the development of future claims against the Group will generally follow the experience of the development of claims in past years. This includes assumptions about the frequency and severity of each claim, as well as an assessment of the inflation factor for each year of insured events. In addition, a qualitative and quantitative assessment of the degree of bias that can be expected when applying trends from the past into the future is carried out. The group takes into account the impact of external factors, such as changes in legislation, development of case law, etc., on the amount of insurance liabilities.

In order to limit exposure to extreme adverse risk manifestations, in particular with regard to catastrophic events, appropriate reinsurance protection shall apply. Reinsurance contracts allocate risk and minimize the effect of significant losses, which guarantees the capitalization of the Group.

When selecting a reinsurer, the Group shall take into account the relative safety of the reinsurer, as assessed on the basis of public ratings and from studies carried out.

Insurance risk is reflected not only in the pricing process but also in the process of settling claims and setting aside reserves. The table below is an estimate of the provision for outstanding payments included in the financial statements on the basis of claims made and paid, spread over time by year of occurrence of the damage. The table provides a historical overview of the sufficiency of the constituted reserve for outstanding claims. Due to the inherent uncertainty in the reserve determination process, it cannot be assured with absolute certainty that these reserves will suffice as a final result.

	Before 2019	**2019**	**2020**	**2021**	**2022**	**2023**	**Total**
Claims assessment (gross, undiscounted)	582 481	86 801	77 797	81 112	90 858	107 316	1 026 365
At the end of the event year	-	101 879	85 448	76 784	103 679	107 316	-
After year 1	-	90 580	78 694	80 334	90 858	-	-
After year 2	-	86 663	77 792	81 112	-	-	-
After year 3	580 757	85 616	77 797	-	-	-	-
After year 4	571 259	86 801	-	-	-	-	-
After year 5	582 481	-	-	-	-	-	-
Paid claims	532 174	78 656	67 281	69 489	73 525	53 977	875 102
Undiscounted LIC	50 307	8 145	10 516	11 623	17 333	53 339	151 263
Discounting effect	(2 628)	(607)	(766)	(786)	(1 336)	(3 051)	(9 174)
Correction of non-financial risk	3 120	447	577	688	1 008	2 956	8 796
Liabilities for Incurred Claims (LIC)	50 799	7 985	10 327	11 525	17 005	53 244	150 885

In the calculation of insurance liabilities, certain assumptions are made. Assumption determination is the process of calculating neutral estimates of the most likely or expected outcome of insured events. The sources of information on which assumptions are made are based on in-depth studies of the Group's experience. In cases where there is insufficient inside information for the preparation of a reliable assessment of the development of insurance claims, market data acquired from own surveys or published by the Financial Supervision Commission may be used.

With regard to the liability for claims incurred, the expertise of the liquidation specialists is also essential. They review damages in relation to the circumstances of occurrence and right to compensation. On the basis of historically proven experience of the extent of such damage an estimate is made. This assessment shall be reviewed regularly and, where new information becomes available, updated.

To establish the liability for claims incurred, the Group uses various statistical methods based on the accumulated values of the claims paid and on the basis of historical claims. Own data for the period 2008-2023 are used. When large deviations in the development coefficients for a given year are obtained for a given year, not typical for the development of the claims, the respective period is not taken into account in the calculation of the development factors.

For insurances where due to low frequency of or low volume of activity there are no claims and on the basis of a chain-pillar method a zero value of the reserve for incurred but unsettled claims is obtained, the company uses the Bonhütter-Ferguson method, which is based on the volume of premiums earned and claims paid and filed for the period 2008 -2023.

The part of the reinsurers in the Claims Reserve is formed on the basis of the calculations of the reserves under each of the reinsurance contracts, following the methodology for direct business.

The remaining coverage liability is formed to cover claims and administrative expenses that are expected to arise under the relevant insurance or reinsurance contract after the reporting period. In its calculation, unearned premiums under insurance contracts are also taken into account, as well as the outstanding commission obligations of intermediaries.

The remaining coverage part of reinsurers in the liability side is formed on the basis of the reserve calculations for each of the reinsurance contracts, following the direct business methodology.

The adequacy of liabilities shall be ensured by periodic assessment and testing of sufficient reserves to cover all future payments. When assessing the adequacy of reserves, all expected cash flows of concluded insurance contracts are taken into account, such as: risk payments, administrative costs of servicing contracts, claims costs, etc. The adequacy of the remaining coverage liability and the liability for damage shall be established by appropriate tests.

The liability adequacy test for incurred claims was performed by means of a run-off analysis. The analysis of the development of liabilities as of 31.12.2022 shows an excess over the value of the claims paid in 2023 and the remaining at the end of 2023 reserve for damages on events occurring before 1.1.2023 of 10,156 thousand. representing 7% of the liability formed.

The impact of the development of insurance indicators on the capital adequacy of the Group is simulated in the sensitivity analysis. For the sensitivity analysis presented below, the indicators Liability for Remaining Coverage and Liability for incurred claims have been selected. The starting point for the analysis is the Group's capital position at the financial statement date.

	2023		
	Change in assumptions	Equity impact, gross from reinsurance	Equity impact, net from reinsurance
CostExpense increase	+10%	(6 276)	(6 027)
CostExpense decrease	-10%	6 276	6 027
Increase of loss ratio	+10%	(6 357)	(4 018)
Decrease of loss ratio	-10%	6 357	4 061
Increase in inflation rates	+1%	(1 719)	(1 359)
Decrease in inflation rates	-1%	1 423	1 069

Of the scenarios examined, the largest impact on the Group's capital is the one with a change in the amount of liability for claims incurred. This scenario reflects the inherent uncertainty in the measurement of the liability because it is a present assessment of expected future claims payments. This uncertainty is most valid with regard to claims that have occurred but not been filed and with regard to insurance characterized by a longer claims settlement process, such as compulsory motor third party liability insurance and other types of liability insurance.

Reinsurance strategy

The reinsurance campaign of the Group is aimed at preserving its financial stability and ensuring maximum protection of the interests of insured persons in the event of the occurrence of insurance events that carry the risk of sensitive losses as a result of the occurrence of single insurance events and those of a catastrophic nature. This objective shall be achieved through continuous analysis of the structure of the insurance portfolio, ensuring the accumulation of risks assumed for coverage in amounts not exceeding the financial capacity of the Group.

The reinsurance program:

- is a capital management tool aimed at reducing the cost of capital funds in the event of adverse events;
- is a measure to protect the Group's capital adequacy from the accumulation of risks, including catastrophic risks;
- covers almost all risks and classes of businesses recorded by the Group. The types of reinsurance protections and the limits of the contracts are fully consistent with the risk appetites of the Company, the type of portfolio and the underwriting rules of the Group;
- define precisely and clearly the specific risk transfer needs as well as the correct type of specific contracts;
- determines the levels of self-retention by individual classes of business;
- aims at the continuous optimisation of reinsurance contracts in order to alleviate capital pressures through the application of different reinsurance options that can partially or fully achieve optimisation of capital adequacy;
- reduces fluctuations in the event of insurance events;
- evaluates and equalizes the risks of different types of insurance coverage.

The Group reinforces some of its risks in order to control its exposures to losses and to protect its capital resources. All optional reinsurance contracts are approved in advance by management. Before concluding a reinsurance contract, the Group shall analyse the credit rating of the reinsurers concerned. Reinsurers with a high credit score are selected to control exposure to losses resulting from a single insured event. The Group shall periodically analyse the current financial situation of reinsurers with whom reinsurance commitments have been concluded.

Claims settlement process

In 2023, the gross liability ratio for the total activity is 42%, which, after taking into account the effect of reinsurance, amounts to 40% net amount.

The following table presents the gross and net claims ratio, which makes it possible to follow the development of risk during the reporting periods by separate types of insurance:

Types of insurance	2023 Loss ratio, gross	2023 Loss ratio, net	2022 Loss ratio, gross	2022 Loss ratio, net
Income protection insurance	44%	49%	21%	30%
Workers' compensation insurance	65%	60%	10%	24%
Motor Third Party Liability Insurance	37%	32%	42%	32%
Other motor vehicle insurance	43%	42%	45%	45%
Marine, aviation and transport insurance	17%	22%	5%	-186%
Fire and other damage to property insurance	52%	44%	24%	16%
General liability insurance	83%	85%	182%	167%
Credit and guarantees insurance	1%	1%	4%	4%
Assistance	24%	24%	7%	7%
Miscellaneous financial loss insurance	3%	3%	3%	3%
Total	**42%**	**40%**	**41%**	**40%**

The insurance with the largest relative share in the Group's portfolio – "Casco of Vehicles" is characterized by a favorable risk development in 2023 - 43% gross claims quota and 42% - net and compared to the previous year, when 45% of the premium earned was intended to cover payments related to the risk there is a decrease in damages.

The change in the net damage ratio for the overall activity: 49% - for 2010, 53% - for 2011, 59% - for 2012, 53% - for 2013, 59% - for 2014, 46% - for 2015, 56% - for 2016, 41% - for 2017, 43% - for 2018, 47% - for 2019, 46% - for 2020, 32% - for 2021 and 40% - for 2022 and 2023, shows a fluctuation of net damage between 32% and 59%, with a lasting trend of decrease in the indicator in recent years, which is also associated with a higher positive net result.

The following table presents the development of the average amount of paid claims by type of insurance:

Type of insurance	Number 2023	Amount in BGN	Average claims 2023	Number 2022	Amount in BGN	Average claims 2022
Accident	2 721	1 727 352	635	2 903	1 447 591	499
Other motor insurance	66 297	79 306 127	1 196	65 695	68 102 023	1 037
Aviation insurance	1	171 645	171 645	-	-	-
Marine insurance	7	126 106	18 015	5	52 133	10 427
Transport insurance	20	26 221	1 311	14	16 217	1 158
Fire and other disasters insurance	2 458	4 374 079	1 780	2 181	4 071 126	1 867
Property damage insurance	-	-	-	-	-	-
Motor Third Party Liability Insuran				5 385	21 849 345	4 057
Motor vehicle liability insurance	5 402	21 364 865	3 955			
Aviation liability insurance	-	-	-	-	-	-
Marine liability insurance	2	208 316	104 158	3	6 109	2 036
General liability insurance	32	635 924	19 873	39	268 875	6 894
Assistance	800	514 753	643	442	283 953	642
Total:	77 740	108 455 388	1 395	76 667	96 097 372	1 253

The average damage paid in 2022 is BGN 1,395. and compared to the same indicator for the previous years: BGN 1,253 for 2022, BGN 1,283 for 2021, BGN 1,137. – for 2020 and BGN 1 124 – for 2019 marks an increase for the last two years. The highest is the amount of average damage under insurance "Casco of aircraft" and the lowest - under "Accident" and "Travel Assistance" insurance.

Life insurance

Insurance risk is the risk of incurring events resulting from the portfolio of insurance contracts held in which the amount of damages and claims due exceeds the amount of the insurance reserves set aside.

This depends on the frequency with which insured events occur, the type of insurance portfolio, the amount of insurance claims. To mitigate this risk, the diversity of the insurance portfolio and probability theory are of great importance.

The main risks to which the Group is exposed are:

- Mortality – risk of loss as a result of increasing the mortality of the insured persons above the expected;
- Morbidity – risk of loss as a result increasing the morbidity of the insured persons above the expected;
- Survival – risk of loss as a result of survival of the insured persons with rent insurances above the expected;
- Risk associated with return on investments made - risk of loss when the return on investments differs from expected;
- Cost risk – risk of loss when costs differ from what is expected;
- Risk of loss for errors related to insured persons - when individuals terminate their insurance contracts.

For a portfolio of insurance contracts that are subject to the probability theory of pricing and provisioning, the main risk the Group faces in its insurance contracts is that actual claims and claims payments may exceed the book value of liabilities under insurance contracts. This may occur because the frequency or amount of claims and benefits or the amount of future costs is greater than expected. Insured events are incidental and the actual number and amount of claims and benefits vary from year to year from the level established using statistical techniques. The purpose of statistical methods is to minimize the deviation of real figures from those expected.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative volatility of the expected outcome will be. In addition, a less diversified portfolio is less likely to be affected by a change in any subset of the portfolio. The Group has developed its insurance strategy to diversify the type of insurance risks accepted and to achieve a large enough population of risks in each of these categories to reduce the variability of the expected outcome.

For contracts where death is the insured risk, the most important factors that could increase the overall frequency of claims are epidemics or widespread lifestyle changes such as poor diet, smoking and insufficient exercise, resulting in earlier or more claims than expected. Currently, these risks do not vary significantly depending on the location of the insured.

The Group strives to make a relatively even distribution of insurance contracts, as well as to analyze the different types of insurance risks, which is reflected in the general terms and conditions. Through various assessment and control methods, those performing the roles of key functions in the Group perform and assist in carrying out a regular risk assessment, as appropriate, and report promptly to the Group Management.. The main factors on which the positive financial result of the Group depends are the damage quota, the cost quota and investment income.

Claims Settlement Process

The claims table and, in particular, the relevant percentage of the claims quota makes it possible to obtain a more accurate picture of the development of risk during the reporting periods:

Types of insurance	2023		2022	
	Loss ratio, gross	Loss ratio, net	Loss ratio, gross	Loss ratio, net
	%	%	%	%
Risk insurances :				
„Life insurance “	43,23%	37,39%	56,69%	47,79%
Combined insurances:	147,94%	147,94%	118,77%	97,23%
„Life insurance “				
Risk insurances :				
„Life“ to borrowers	28,71%	27,63%	20,04%	17,57%
"Medical expense insurance"	74,38%	72,80%	106,17%	86,91%
Общо	**39,34%**	**36,64%**	**40,07%**	**33,93%**

Development of claims:

Development of claims	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**	**Year 6**	**Year 7**
2015	315	102	5	2	-	-	-
2016	430	168	26	11	11	1	-
2017	355	82	16	1	-	-	-
2018	516	223	49	37	2	-	-
2019	406	183	74	37	32	-	-
2020	396	187	35	21	-	-	-
2021	509	211	62	-	-	-	-
2022	772	339	-	-	-	-	-
2023	378	-	-	-	-	-	-
TOTAL	**4 077**	**1 495**	**267**	**109**	**45**	**1**	**-**

Foreign currency risk

The foreign currency risk is a potential cause for losses for the Group when the foreign currency rates fluctuate.

Group’s policy regarding other than banking activities

Most of the Group's transactions are carried out in BGN. The foreign transactions of the Group, denominated in US dollars, expose the Group to currency risk. The Group has long-term trade payables and short-term finance lease liabilities in US dollars, the greater part of which is related to the purchase of aircraft. These liabilities are stated at amortized cost. The Group has short-term and long-term US dollar loans. These receivables are classified as loans and receivables.

The foreign transactions of the Group denominated in euro do not expose the Group to currency risk as the exchange rate of the Bulgarian lev is fixed to the euro under the Currency Board Act.

In order for the foreign currency risk to be decreased, the non-BGN cash flows are monitored by the Group. Generally, the Group has different procedures for risk management for the short-term (due within 6 months) and long-term non-BGN cash flows. The Group's foreign transactions denominated in euros do not expose the Group to currency risk, as the exchange rate of the Bulgarian lev is fixed to the euro by virtue of the Foreign Exchange Board Law.

Group’s policies regarding the banking activities

In the Republic of Bulgaria, the exchange rate of the Bulgarian lev to the euro is fixed by the Currency Board Act, which is why the Group's long position in euro does not pose a risk to the Group.
The risk-weighted net currency position as at 31 December 2023 in financial instruments denominated in currencies other than leva or euro is less than 2% of the capital base and no foreign exchange risk capital requirements on the part of the Group with respect to banking activities. Due to the low size of this position, the potential effect of changes in exchange rate will not lead to significant effects on equity and therefore the risk-weighted effect on capital will be below the materiality threshold for the Group and the regulatory framework – EU Regulation 2013/575.
The currency structure of financial assets and liabilities at book value as of 31 December 2023 is as follows:

	BGN	EUR	USD	Other	Total
FINANCIAL ASSETS					
Cash and cash balances with the Central Bank	1 805 017	138 298	27 080	51 925	2 022 320
Provided resources and advances to banks	140	122 832	11 960	19 661	154 593
Receivables under repurchase agreements	404 405	37 315	-	-	441 720
Financial assets at fair value through profit or loss	193 154	15 803	4 227	8 213	221 397
Loans and advances to customers	2 605 524	415 483	29	239 477	3 260 513
Financial assets measured at fair value in other comprehensive income	420 468	178 713	8 178	831	608 190
Financial assets at amortized cost	418 128	1 020 214	44 577	65 336	1 548 255
TOTAL ASSETS	**5 846 836**	**1 928 658**	**96 051**	**385 443**	**8 256 988**
FINANCIAL LIABILITIES					
Deposits from banks	1 776	14 602	999	2 379	19 756
Liabilities to other depositors	5 288 511	1 847 024	202 699	308 533	7 646 767
Issued bonds	-	35 391	-	-	35 391
Other liabilities	28 389	13 069	-	9 347	50 805
TOTAL LIABILITIES	**5 318 676**	**1 910 086**	**203 698**	**320 259**	**7 752 719**
NET POSITION	**528 160**	**18 572**	**(107 647)**	**65 184**	**504 269**

The currency structure of financial assets and liabilities at book value as of 31 December 2022 is as follows:

	BGN	EUR	USD	Other	Total
FINANCIAL ASSETS					
Cash and cash balances with the Central Bank	1 805 378	98 630	21 589	58 346	1 983 943
Provided resources and advances to banks	161	35 847	11 175	43 293	90 476
Receivables under repurchase agreements	358 946	34 303	-	-	393 249
Financial assets at fair value through profit or loss	178 796	17 146	5 068	9 995	211 005
Loans and advances to customers	2 523 161	504 615	53	239 671	3 267 500
Financial assets measured at fair value in other comprehensive income	339 802	217 208	6 900	833	564 743
Financial assets at amortized cost	408 811	859 088	23 930	49 850	1 341 679
TOTAL ASSETS	**5 615 055**	**1 766 837**	**68 715**	**401 988**	**7 852 595**
FINANCIAL LIABILITIES					
Deposits from banks	3 471	10 348	1 616	2 238	17 673
Liabilities to other depositors	5 008 646	1 805 600	224 317	305 619	7 344 182
Issued bonds	-	35 370	-	-	35 370
TOTAL LIABILITIES	**5 012 117**	**1 851 318**	**225 933**	**307 857**	**7 397 225**
NET POSITION	**602 938**	**(84 481)**	**(157 218)**	**94 131**	**455 370**

Interest risk analysis

Group's policy regarding other than banking activities

The policy of the Group is aimed at minimizing interest rate risk on long-term financing. Therefore, long-term loans are usually with fixed interest rates. As at 31 December 2023, the Group is exposed to the risk of a change in market interest rates on its variable-rate bank loans. All other financial assets and liabilities of the Group have fixed interest rates. All investments in the Group's bonds are paid on a fixed interest rate basis.

Group's policies regarding the banking activities

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

For measuring and assessing interest rate risk, the Group uses the GAP-analysis method (mismatch / imbalance analysis). It identifies the sensitivity of the expected revenues and expenditures to the development of the interest rate.

The GAP analysis method aims to determine the Group's position, generally and by individual types of financial assets and liabilities, in terms of expected changes in interest rates and the impact of this change on net interest income. It assists in the management of assets and liabilities and is a tool to provide sufficient and stable net interest rate profitability.

The Group's imbalance between interest rate assets and interest-bearing liabilities as of 31 December 2023 is negative, amounting to BGN 1 700 790 thousand. The GAP coefficient, as an expression of this imbalance, compared to the Group's total profitable assets (interest-bearing assets, derivatives and investments in subsidiaries) is minus 28.34%.

	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
INTEREST-BEARING ASSETS	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
Provided resources and advances to banks	151 675	-	-	-	2 918	154 593
Receivables under repurchase agreements	133 379	138 232	170 109	-	-	441 720
Financial assets measured at fair value through profit or loss	-	-	-	3 334	4 479	7 813
Loans and advances to customers	43 125	119 099	333 475	1 567 377	1 197 437	3 260 513
Financial assets measured at fair value in other comprehensive income	-	-	20 024	154 725	413 481	588 230
Financial assets at amortized cost	185 168	61 667	76 915	557 240	667 265	1 548 255
TOTAL INTEREST-BEARING ASSETS	513 347	318 998	600 523	2 282 676	2 285 580	6 001 124
INTEREST-BEARING LIABILITIES						
Deposits from banks	19 756	-	-	-	-	19 756
Liabilities to other depositors	3 306 221	421 373	1 036 430	2 881 702	1 041	7 646 767
Issued bonds	-	168	-	9 760	25 463	35 391
Liabilities under leasing contracts	-	-	-	-	-	-
TOTAL INTEREST–BEARING LIABILITIES	3 325 977	421 541	1 036 430	2 891 462	26 504	7 701 914
IMBALANCE BETWEEN INTEREST BEARING ASSETS AND LIABILITIES, NET	(2 812 630)	(102 543)	(435 907)	(608 786)	2 259 076	(1 700 790)

The Group's imbalance between interest rate assets and interest-bearing liabilities as of 31 December 2022 is negative, amounting to BGN 1 809 468 thousand. The GAP coefficient, as an expression of this imbalance, compared to the Group's total profitable assets (interest-bearing assets, derivatives and investments in subsidiaries) is minus 32.08%.

In connection with the reform in the way of formation and use of interest rate indices (IBOR), in the Group such are not actively used, the main interest rate indices, which are introduced in the interest rates of the parent bank and the subsidiary bank are synthetic, with sources from the bank interest rate statistics (BNB / NBRSM) and in this sense the effect of the reform is insignificant on the value of the Group's cash flows.

	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
INTEREST-BEARING ASSETS	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
Provided resources and advances to banks	87 558	-	-	-	2 918	90 476
Receivables under repurchase agreements	115 756	122 951	154 542	-	-	393 249
Financial assets measured at fair value through profit or loss	-	-	-	-	2 192	2 192
Loans and advances to customers	46 231	110 562	295 920	1 549 257	1 265 530	3 267 500
Financial assets measured at fair value in other comprehensive income	-	-	6 021	222 681	317 059	545 761
Financial assets at amortized cost	9 779	204 648	100 386	450 807	576 059	1 341 679
TOTAL INTEREST-BEARING ASSETS	259 324	438 161	556 869	2 222 745	2 163 758	5 640 857
INTEREST-BEARING LIABILITIES						
Deposits from banks	17 673	-	-	-	-	17 673
Liabilities to other depositors	3 124 136	445 169	1 083 442	2 689 652	1 783	7 344 182
Issued bonds	-	168	-	9 752	25 450	35 370
Liabilities under leasing contracts	1 053	1 959	9 818	29 336	10 934	53 100
TOTAL INTEREST–BEARING LIABILITIES	3 142 862	447 296	1 093 260	2 728 740	38 167	7 450 325
IMBALANCE BETWEEN INTEREST BEARING ASSETS AND LIABILITIES, NET	(2 883 538)	(9 135)	(536 391)	(505 995)	2 125 591	(1 809 468)

Maintaining a negative imbalance exposes the Group to the risk of a decrease in net interest income when interest rates rise. The impact of the imbalance reported as of 31 December 2023 on net interest income, with a forecast of 2% increase in interest rates over a 1-year horizon, is a decrease in net interest income by BGN 6 030 thousand (2022: BGN 5 781).

In the tables above, part of the attracted funds on current accounts without residual maturity in the amount of BGN 2 806 239 thousand as of 31 December 2023 (2022: BGN 2 620 520 thousand) is presented in the range from 1 year to 5 years, as the Group considers this availability to be a reliable long-term resource based on the average daily availability on these accounts in 2023 and 2022.

Credit risk analysis

Group's policy regarding other than banking activities

Credit risk is the risk that counterparty fails to discharge an obligation to the Group. The Group is exposed to this risk for various financial instruments, for example by granting loans and receivables to customers, placing deposits etc. The Group's maximum exposure to credit risk is limited to the carrying amount of financial assets recognized at the reporting date, as summarized below:

	2023 BGN'000	2022 BGN'000
Financial assets – carrying amounts:		
Financial assets measured at fair value through profit or loss	2 561 347	2 181 356
Equity instruments measured at fair value through other comprehensive income	53 366	93 684
Debt instruments measured at fair value through other comprehensive income	602 152	559 445
Debt instruments measured at amortized cost	5 431 417	5 222 816
Cash and cash equivalents	2 263 788	2 180 578
Carrying amount	**10 912 070**	**10 237 879**

The Group continuously monitors defaults of customers and other counterparties, identified either individually or by group and incorporates this information into its credit risk controls. The Group's policy is to deal only with creditworthy counterparties. The Group's management considers that all the above financial assets that are not impaired or past due for each of the reporting dates under review are of good credit quality.

In respect of trade and other receivables, the Group is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. Trade receivables consist of a large number of customers in different industries and geographical areas. Based on historical indicators, the management considers that the trade receivables that are not past due are of good credit quality.

The credit risk related to cash and cash equivalents and financial market funds is considered immaterial as the contracting parties are banks with good reputation and good credit rating.

The carrying amounts presented above represent the maximum exposure to credit risk the Group might experience, regarding these financial instruments.

Group's policies regarding the banking activities

Credit risk is the probability of a loss arising from the non-performance of contractual obligations of the counterparty on financial assets held by the Group. The Group manages credit risk inherent in both the banking and trading book. The Group has structured credit risk monitoring and management units for individual business segments by applying individual credit policies. The credit risk of individual exposures is managed over the life of the exposure - from the decision to form the exposure to its full repayment. In order to minimize credit risk in the credit process, detailed procedures are applied for the analysis of the economic feasibility of each project, the control over the use of the funds allocated and the administration related to this activity.

To reduce credit risk, appropriate type and value collateral and guarantees are adhered to, in accordance with the Internal Rules, the approach used for calculating capital requirements and current banking legislation.

Cash, cash equivalents and cash balances in Central bank amounting to BGN 2 022 320 thousand are not carrying significant credit risk for the Group due to their nature and the Group's ability for disposal.

The provided resources and advances to banks amounting to BGN 154 593 thousand are primarily deposits with international and Bulgarian financial institutions with a maturity of up to 7 days.

Receivables under repurchase agreements of securities at the amount of BGN 441 720 thousand bear credit risk for the Group, depending on the risk inherent in the provided collateral. Part of the receivables amounting to BGN 39 415 thousand is secured by government securities issued by the Republic of Bulgaria and bear 0% risk. The remaining receivables amounting to BGN 402 305 thousand are secured by corporate securities and bear respectively: 100% risk depending on the issuer of the securities provided as collateral.

Financial assets carried at fair value through profit or loss amounted to BGN 221 397 thousand, represent: equity instruments (shares) in Bulgarian companies in the amount of BGN 82 014 thousand and in foreign credit institutions in the amount of BGN 7 585 thousand and foreign non-financial companies in the amount of BGN 20 630 thousand; shares in Bulgarian mutual funds in the amount of BGN 105 240 thousand - with a risk weight depending on the type of underlying asset; debt instruments issued by the Republic of Bulgaria in the amount of BGN 5 172 thousand; and derivatives - BGN 756 thousand.

Equity securities carried at fair value through other comprehensive income amounting to BGN 19 960 thousand represent shares in financial and non-financial entities that carry credit risk.

Debt securities carried at fair value through other comprehensive income and issued by the Republic of Bulgaria amounting to BGN 13 414 thousand.

Debt securities carried at fair value through other comprehensive income and issued by domestic and foreign companies amounting to BGN 574 816 thousand carry credit risk for the Group, the maximum exposure to which in percentage terms is 100% or BGN 574 816 thousand in absolute amount.

Debt securities valued at amortized cost and issued by the Republic of Bulgaria have a carrying amount of BGN 777 839 thousand and bear credit risk depending on the original currency of the issue. Debt securities reported at amortized cost and issued by other countries and central banks have a carrying amount of BGN 732 358 thousand and bear credit risk for the Group depending on the credit rating of the issuing country.

Debt securities carried at amortised cost and issued by domestic and foreign companies with a carrying amount of BGN 38 058 thousand carry credit risk for the Group, the maximum exposure to which is dependent on the credit rating of the issuer..

Loans and advances to customers with a carrying amount of BGN 3 260 513 thousand bear credit risk for the Group. To determine the amount of the Group's exposure to this risk, an analysis of the individual risk for the Group arising from each specific exposure is performed, the Group applying the criteria for assessment and classification of risk exposures set out in the banking legislation of the Republic of Bulgaria and IFRS. According to these criteria and the performed analysis, the maximum exposure of the Credit Risk Group amounts to BGN 1 965 218 thousand.

As of 31 December 2023, the amount of the provisions formed by the Group to cover expected credit losses on loans and advances is BGN 46 602 thousand.

In 2023, and at the date of these consolidated financial statements, the business has to deal with challenges related to high inflation, disrupted supply chains, shortages of certain types of raw materials, etc. related to the consequences of the ongoing war in the territory of Ukraine and the crisis in the Red Sea provoked by the military actions in the territory of Gaza. At the date of preparation of these consolidated financial statements, the changed monetary policy by the leading central banks as well as the expectations of recession have not been reflected in the macroeconomic indicators of the Republic of Bulgaria, the country of operation of the Parent Bank, and have not negatively affected the results of the business entities. The Group has limited its exposure to sectors affected by the trends described and as at 31 December 2023 and the date of this report has no exposure to sectors negatively affected by the economic and political factors described.

No changes have been made to the credit loss estimation models used by the Group in relation to specific macroeconomic, political and geopolitical trends insofar as their accuracy and adequacy depend on the risk parameters used to calculate the amount of expected credit losses and they participate with their actual values as reported by statistical and financial government authorities.

Based on the Group's assessment in 2023 the quality of the portfolio of exposures of the Bank remains stable and there is no increase in the share of non-performing exposures, the models used to assess credit losses have adequately assessed the size of the ECL.

In accordance with the current "Rules for the acceptance, valuation and management of collateral in credit transactions", collateral valuations, incl. Commercial real estate is updated every 12 months and residential real estate is updated every three years. If necessary, the Bank may require more frequent updates, e.g. when the parameters of a loan transaction change or when information available to it indicates that their value has fallen significantly relative to general market prices. Real estate valuations are performed by independent certified appraisers and reviewed by the Group.

Assets quality

In the tables below, the Group presents the structure and the change in the adjustment for expected credit losses.

Impairment loss - Loans and advances to banks at amortized cost	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	BGN '000	BGN '000	BGN '000	BGN '000
Impairment loss on 1 January 2023	27	-	-	27
Change in impairment loss	6	-	-	6
Accrued for the period	25	-	-	25
Derecognized for the period	(19)	-	-	(19)
Impairment loss on 31 December 2023	33	-	-	33

Impairment loss - Loans and advances to banks at amortized cost	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	BGN '000	BGN '000	BGN '000	BGN '000
Impairment loss on 1 January 2022	32	-	-	32
Change in impairment loss	(5)	-	-	(5)
Accrued for the period	27	-	-	27
Derecognized for the period	(32)	-	-	(32)
Impairment loss on 31 December 2022	27	-	-	27

Impairment loss – Receivables under repurchase agreements of securities	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	BGN '000	BGN '000	BGN '000	BGN '000
Impairment loss on 1 January 2023	1 336	-	-	1 336
Change in impairment loss	216	-	-	216
Accrued for the period	1 552	-	-	1 552
Derecognized for the period	(1 336)	-	-	(1 336)
Impairment loss on 31 December 2023	1 552	-	-	1 552

Impairment loss – Receivables under repurchase agreements of securities	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	BGN '000	BGN '000	BGN '000	BGN '000
Impairment loss on 1 January 2022	1 246	-	-	1 246
Change in impairment loss	90	-	-	90
Accrued for the period	1 336	-	-	1 336
Derecognized for the period	(1 246)	-	-	(1 246)
Impairment loss on 31 December 2022	1 336	-	-	1 336

Impairment loss – Loans and advances granted to customers at amortized cost	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	BGN '000	BGN '000	BGN '000	BGN '000
Impairment loss on 1 January 2023	15 051	358	25 275	40 684
Change in impairment loss recognized in Profit and loss	1 248	(7)	5 701	6 942
– Transfer to Stage 1	189	(114)	(75)	-
– Transfer to Stage 2	(13)	186	(173)	-
– Transfer to Stage 3	(5)	(9)	14	-
– Increase due to change in credit risk	21	145	445	611
– Decrease due to change in credit risk	(2 037)	(129)	(269)	(2 435)
– Increase due to originated or purchased assets	2 906	7	199	3 112
– Change in risk parameters	187	(93)	5 560	5 654
Decrease due to derecognition for uncollectibility	-	-	(839)	(839)
Decrease due to derecognition for transfer	-	-	(180)	(180)
Interest income adjustment	-	-	(5)	(5)
Currency differences and other adjustments	-	-	-	-
Impairment loss on 31 December 2023	16 299	351	29 952	46 602

Impairment loss – Loans and advances granted to customers at amortized cost	Stage 1 12-month ECL BGN '000	Stage 2 Lifetime ECL BGN '000	Stage 3 Lifetime ECL BGN '000	Total BGN '000
Impairment loss on 1 January 2022	12 943	420	25 380	38 743
Change in impairment loss recognized in Profit and loss	2 107	(61)	(105)	1 941
– Transfer to Stage 1	204	(89)	(115)	-
– Transfer to Stage 2	(11)	138	(127)	-
– Transfer to Stage 3	(4)	(56)	60	-
– Increase due to change in credit risk	1	58	471	530
– Decrease due to change in credit risk	(2 643)	(122)	(91)	(2 856)
– Increase due to originated or purchased assets	3 583	7	13	3 603
– Change in risk parameters	977	3	529	1 509
Decrease due to derecognition for uncollectibility	-	-	(845)	(845)
Impairment loss on 31 December 2022	15 050	359	25 275	40 684

Impairment loss – Investments in debt securities at amortized cost	Stage 1 12-month ECL BGN '000	Stage 2 Lifetime ECL BGN '000	Stage 3 Lifetime ECL BGN '000	Total BGN '000
Impairment loss on 1 January 2023	674	-	-	674
Change in impairment loss	1 586	-	-	1 586
Accrued for the period	1 652	-	-	1 652
Derecognized for the period	(66)	-	-	(66)
Impairment loss on 31 December 2023	2 260	-	-	2 260

Impairment loss – Investments in debt securities at amortized cost	Stage 1 12-month ECL BGN '000	Stage 2 Lifetime ECL BGN '000	Stage 3 Lifetime ECL BGN '000	Total BGN '000
Impairment loss on 1 January 2022	654	-	-	654
Change in impairment loss	20	-	-	20
Accrued for the period	960	-	-	960
Derecognized for the period	(940)	-	-	(940)
Impairment loss on 31 December 2022	674	-	-	674

Impairment loss – Investments in debt securities at FVTOCI	Stage 1 12-month ECL BGN '000	Stage 2 Lifetime ECL BGN '000	Stage 3 Lifetime ECL BGN '000	Total BGN '000
Impairment loss on 1 January 2023	4 529	-	-	4 529
Change in impairment loss	888	-	-	888
Accrued for the period	2 315	-	-	2 315
Derecognized for the period	(1 427)	-	-	(1 427)
Impairment loss on 31 December 2023	5 417	-	-	5 417

Impairment loss – Investments in debt securities at FVTOCI	Stage 1 12-month ECL BGN '000	Stage 2 Lifetime ECL BGN '000	Stage 3 Lifetime ECL BGN '000	Total BGN '000
Impairment loss on 1 January 2022	4 643	-	-	4 643
Change in impairment loss	(114)	-	-	(114)
Accrued for the period	1 774	-	-	1 774
Derecognized for the period	(1 888)	-	-	(1 888)
Impairment loss on 31 December 2022	4 529	-	-	4 529

Impairment loss – Loan commitments	Stage 1 12-month ECL BGN '000	Stage 2 Lifetime ECL BGN '000	Stage 3 Lifetime ECL BGN '000	Total BGN '000
Impairment loss on 1 January 2023	398	3	27	428
Change in impairment loss	(98)	-	(11)	(109)
Accrued for the period	737	10	33	780
Derecognized for the period	(843)	(10)	(36)	(889)
Currency and other movements	8	-	(8)	-
Impairment loss on 31 December 2023	300	3	16	319

Impairment loss – Loan commitments	Stage 1 12-month ECL BGN '000	Stage 2 Lifetime ECL BGN '000	Stage 3 Lifetime ECL BGN '000	Total BGN '000
Impairment loss on 1 January 2022	668	8	20	696
Change in impairment loss	(270)	(5)	7	(268)
Accrued for the period	614	19	49	682
Derecognized for the period	(893)	(19)	(37)	(949)
Currency and other movements	9	(5)	(5)	(1)
Impairment loss on 31 December 2022	398	3	27	428

Impairment loss – Financial guarantee contracts	Stage 1 12-month ECL BGN '000	Stage 2 Lifetime ECL BGN '000	Stage 3 Lifetime ECL BGN '000	Total BGN '000
Impairment loss on 1 January 2023	46	8	-	54
Change in impairment loss	(36)	(6)	-	(42)
Accrued for the period	12	2	-	14
Derecognized for the period	(48)	(8)	-	(56)
Impairment loss on 31 December 2023	10	2	-	12

Impairment loss – Financial guarantee contracts	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	BGN '000	BGN '000	BGN '000	BGN '000
Impairment loss on 1 January 2022	18	-	-	18
Change in impairment loss	28	8	-	36
Accrued for the period	44	8	-	52
Derecognized for the period	(16)	-	-	(16)
Impairment loss on 31 December 2022	46	8	-	54

In the tables below, the Group presents the structure and the change in the gross values of the asset categories as of 31.12.2023 and 31.12.2022 and their change until the end of the financial period.

Carrying amount before impairment – Loans and advances granted to banks at amortized cost	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	BGN '000	BGN '000	BGN '000	BGN '000
Gross carrying amount at 1 January 2023	90 503	-	-	90 503
Change in the gross carrying amount	64 123	-	-	64 123
Increase for the period	1 255 464	-	-	1 255 464
Decrease for the period	(1 191 341)	-	-	(1 191 341)
Gross carrying amount at December 31 December 2023	154 626	-	-	154 626
Impairment loss at 31 December 2023	(33)	-	-	(33)
Carrying amount at 31 December 2023	154 593	-	-	154 593

Carrying amount before impairment – Loans and advances granted to banks at amortized cost	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	BGN '000	BGN '000	BGN '000	BGN '000
Gross carrying amount at 1 January 2022	182 425	-	-	182 425
Change in the gross carrying amount	(91 922)	-	-	(91 922)
Increase for the period	359 898	-	-	359 898
Decrease for the period	(451 845)	-	-	(451 845)
Other changes	25	-	-	25
Gross carrying amount at December 31 December 2022	90 503	-	-	90 503
Impairment loss at 31 December 2022	(27)	-	-	(27)
Carrying amount at 31 December 2022	90 476	-	-	90 476

Carrying amount before impairment – Receivables under repurchase agreements of securities	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	BGN '000	BGN '000	BGN '000	BGN '000
Gross carrying amount at 1 January 2023	394 585	-	-	394 585
Change in the gross carrying amount	48 687	-	-	48 687
Increase for the period	443 272	-	-	443 272
Decrease for the period	(394 585)	-	-	(394 585)
Gross carrying amount at December 31 December 2023	443 272	-	-	443 272
Impairment loss at 31 December 2023	(1 552)	-	-	(1 552)
Carrying amount at 31 December 2023	441 720	-	-	441 720

Carrying amount before impairment – Receivables under repurchase agreements of securities	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	BGN '000	BGN '000	BGN '000	BGN '000
Gross carrying amount at 1 January 2022	358 228	-	-	358 228
Change in the gross carrying amount	36 357	-	-	36 357
Increase for the period	394 585	-	-	394 585
Decrease for the period	(358 228)	-	-	(358 228)
Gross carrying amount at December 31 December 2022	394 585	-	-	394 585
Impairment loss at 31 December 2022	(1 336)	-	-	(1 336)
Carrying amount at 31 December 2022	393 249	-	-	393 249

Loans and advances granted to customers at amortized cost	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	BGN '000	BGN '000	BGN '000	BGN '000
Gross carrying amount at 1 January 2023	3 214 564	15 289	78 331	3 308 184
Change in the gross carrying amount	36 905	(651)	(36 228)	26
– Transfer to Stage 1	26 627	(2 906)	(23 721)	-
– Transfer to Stage 2	(6 525)	7 277	(752)	-
– Transfer to Stage 3	(1 157)	(329)	1 486	-
– Increase due to change in credit risk	14	35	20	69
– Decrease due to change in credit risk	(298 683)	(2 400)	(398)	(301 481)
– Increase due to originated or purchased assets	565 674	664	7	566 345
– Change in risk parameters	(249 045)	(2 992)	(12 870)	(264 907)
– Decrease due to write-off for uncollectibility	-	-	(839)	(839)
– Decrease due to write-off for transfer	-	-	(256)	(256)
– Currency differences and other adjustments	-	-	-	-
Gross carrying amount at 31 December 2023	3 251 469	14 638	41 008	3 307 115
Impairment loss at 31 December 2023	(16 299)	(351)	(29 952)	(46 602)
Carrying amount at 31 December 2023	3 235 170	14 287	11 056	3 260 513

Loans and advances granted to customers at amortized cost	Stage 1 12-month ECL BGN '000	Stage 2 Lifetime ECL BGN '000	Stage 3 Lifetime ECL BGN '000	Total BGN '000
Gross carrying amount at 1 January 2022	3 058 196	23 147	78 038	3 159 381
Change in the gross carrying amount	155 873	(7 860)	1 131	149 144
– Transfer to Stage 1	7 656	(6 891)	(765)	-
– Transfer to Stage 2	(4 414)	4 971	(557)	-
– Transfer to Stage 3	(1 574)	(724)	2 298	-
– Increase due to change in credit risk	41	35	80	156
– Decrease due to change in credit risk	(481 315)	(2 568)	(1 686)	(485 569)
– Increase due to originated or purchased assets	815 228	175	131	815 534
– Change in risk parameters	(179 749)	(2 858)	1 630	(180 977)
– Decrease due to write-off for uncollectibility	-	-	(845)	(845)
– Decrease due to write-off for transfer	-	-	-	-
– Currency differences and other adjustments	494	4	6	504
Gross carrying amount at 31 December 2022	3 214 563	15 291	78 330	3 308 184
Impairment loss at 31 December 2022	(15 050)	(359)	(25 275)	(40 684)
Carrying amount at 31 December 2022	3 199 513	14 932	53 055	3 267 500

Carrying amount before impairment – Investments in debt securities at amortized cost	Stage 1 12-month ECL BGN '000	Stage 2 Lifetime ECL BGN '000	Stage 3 Lifetime ECL BGN '000	Total BGN '000
Gross carrying amount at 1 January 2023	1 341 738	-	-	1 341 738
Change in the gross carrying amount	208 777	-	-	208 777
Increase for the period	631 541	-	-	631 541
Decrease for the period	(422 764)	-	-	(422 764)
Gross carrying amount at 31 December 2023	1 550 515	-	-	1 550 515
Impairment loss at 31 December 2023	(2 260)	-	-	(2 260)
Carrying amount at 31 December 2023	1 548 255	-	-	1 548 255

Carrying amount before impairment – Investments in debt securities at amortized cost	Stage 1 12-month ECL BGN '000	Stage 2 Lifetime ECL BGN '000	Stage 3 Lifetime ECL BGN '000	Total BGN '000
Gross carrying amount at 1 January 2022	687 838	-	-	687 838
Change in the gross carrying amount	654 515	-	-	654 515
Increase for the period	919 681	-	-	919 681
Decrease for the period	(265 290)	-	-	(265 290)
Other changes	124	-	-	124
Gross carrying amount at 31 December 2022	1 342 353	-	-	1 342 353

Carrying amount before impairment – Investments in debt securities at FVTOCI	Stage 1 12-month ECL BGN '000	Stage 2 Lifetime ECL BGN '000	Stage 3 Lifetime ECL BGN '000	Total BGN '000
Gross carrying amount at 1 January 2023	564 743	-	-	564 743
Change in the gross carrying amount	43 447	-	-	43 447
Increase for the period	230 162	-	-	230 162
Decrease for the period	(186 715)	-	-	(186 715)
Gross carrying amount at 31 December 2023	608 190	-	-	608 190
Impairment loss at 31 December 2023	(5 417)	-	-	(5 417)

Carrying amount before impairment – Investments in debt securities at FVTOCI	Stage 1 12-month ECL BGN '000	Stage 2 Lifetime ECL BGN '000	Stage 3 Lifetime ECL BGN '000	Total BGN '000
Gross carrying amount at 1 January 2022	859 106	-	-	859 106
Change in the gross carrying amount	(294 363)	-	-	(294 363)
Increase for the period	102 739	-	-	102 739
Decrease for the period	(397 102)	-	-	(397 102)
Gross carrying amount at 31 December 2022	564 743	-	-	564 743
Impairment loss at 31 December 2022	(4 529)	-	-	(4 529)

Loan commitments	Stage 1 12-month ECL BGN '000	Stage 2 Lifetime ECL BGN '000	Stage 3 Lifetime ECL BGN '000	Total BGN '000
Total amount of loan commitments at 1 January 2023	88 704	319	228	89 251
Change in the amount of loan commitments	20 255	(83)	(92)	20 080
Increase for the period	42 247	64	39	42 350
Decrease for the period	(21 992)	(147)	(131)	(22 270)
Other movements	(93)	15	78	-
Total amount of loan commitments at 31 December 2023	108 866	251	214	109 331
ECL allowance at 31 December 2023	(300)	(3)	(16)	(319)

Loan commitments	Stage 1 12-month ECL BGN '000	Stage 2 Lifetime ECL BGN '000	Stage 3 Lifetime ECL BGN '000	Total BGN '000
Total amount of loan commitments at 1 January 2022	243 242	1 110	471	244 823
Change in the amount of loan commitments	(154 772)	(511)	(313)	(155 596)
Increase for the period	31 833	40	46	31 919
Decrease for the period	(186 605)	(551)	(359)	(187 515)
Other movements	235	(280)	70	25
Total amount of loan commitments at 31 December 2022	88 705	319	228	89 252
ECL allowance at 31 December 2022	(398)	(3)	(27)	(428)

Financial guarantee contracts	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	BGN ‘000	BGN ‘000	BGN ‘000	BGN ‘000
Total amount of guarantees at 1 January 2022	76 531	143	-	76 674
Change in the gross carrying amount	(23 574)	(131)	-	(23 705)
Increase for the period	18 615	12	-	18 627
Decrease for the period	(42 189)	(143)	-	(42 332)
Total amount of guarantees at 31 December 2022	52 957	12	-	52 969
ECL allowance at 31 December 2022	(10)	(2)	-	(12)

Financial guarantee contracts	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	BGN ‘000	BGN ‘000	BGN ‘000	BGN ‘000
Total amount of guarantees at 1 January 2022	52 665	-	-	52 665
Change in the gross carrying amount	23 866	143	-	24 009
Increase for the period	45 705	143	-	45 848
Decrease for the period	(21 851)	-	-	(21 851)
Other changes	12	-	-	12
Total amount of guarantees at 31 December 2022	76 531	143	-	76 674
ECL allowance at 31 December 2022	(46)	(8)	-	(54)

ECL by type of asset	**2023**	**2022**
	BGN ‘000	**BGN ‘000**
Loans and advances granted to banks at amortized cost	(33)	(27)
Receivables under repurchase agreements of securities	(1 552)	(1 336)
Loans and advances granted to customers at amortized cost	(46 602)	(40 684)
Investments in debt securities at amortized cost	(2 260)	(674)
Investments in debt securities at FVTOCI	(5 417)	(4 529)
	(55 864)	**(47 250)**

Loans and advances granted to customers	2023 Gross carrying amount	2023 Impairment loss	2022 Gross carrying amount	2022 Impairment loss
	BGN ‘000	BGN ‘000	BGN ‘000	BGN ‘000
0-29 days	3 261 998	(16 820)	3 224 746	(15 634)
30-59 days	4 562	(84)	5 819	(98)
60-89 days	776	(85)	1 268	(127)
90-180 days	725	(156)	837	(210)
Over 181 days	39 054	(29 457)	75 514	(24 615)
Total	**3 307 115**	**(46 602)**	**3 308 184**	**(40 684)**

	2023 BGN '000	2022 BGN '000
Loans and advances granted to customers at amortized cost	3 307 115	3 308 184
Less impairment for uncollectibility	(46 602)	(40 684)
Total loans and advances granted to customers	**3 260 513**	**3 267 500**

			31.12.2023			31.12.2022
	Gross carrying amount	ECL impairment	Carrying amount	Gross carrying amount	ECL impairment	Carrying amount
	BGN '000	BGN '000	BGN '000	BGN '000	BGN '000	BGN '000
Retail banking						
Mortgages	848 177	(582)	847 595	832 501	(551)	831 950
Consumer loans	755 867	(7 942)	747 925	670 686	(7 543)	663 143
Credit cards	16 621	(1 092)	15 529	16 727	(1 116)	15 611
Other	2 479	(2 479)	-	2 443	(2 443)	-
Total retail banking	1 623 144	(12 095)	1 611 049	1 522 357	(11 653)	1 510 704
Corporate lending	1 683 971	(34 507)	1 649 464	1 785 827	(29 031)	1 756 796
Total	3 307 115	(46 602)	3 260 513	3 308 184	(40 684)	3 267 500

		2023		
	Stage 1	Stage 2	Stage 3	
Placements with, and advances to, banks at amortized cost	12-month ECL	Lifetime ECL	Lifetime ECL	Total
	BGN '000	BGN '000	BGN '000	BGN '000
Category	154 626	-	-	154 626
Total gross carrying amount	154 626	-	-	154 626
Impairment loss	(33)	-	-	(33)
Carrying amount	154 593	-	-	154 593

		2022		
	Stage 1	Stage 2	Stage 3	
Placements with, and advances to, banks at amortized cost	12-month ECL	Lifetime ECL	Lifetime ECL	Total
	BGN '000	BGN '000	BGN '000	BGN '000
Category	90 503	-	-	90 503
Total gross carrying amount	90 503	-	-	90 503
Impairment loss	(27)	-	-	(27)
Carrying amount	90 476	-	-	90 476

Receivables under repurchase agreements of securities	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	2023 Total
	BGN '000	BGN '000	BGN '000	BGN '000
Category	443 272	-	-	443 272
Total gross carrying amount	443 272	-	-	443 272
Impairment loss	(1 552)	-	-	(1 552)
Carrying amount	441 720	-	-	441 720

Receivables under repurchase agreements of securities	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	2022 Total
	BGN '000	BGN '000	BGN '000	BGN '000
Category	394 585	-	-	394 585
Total gross carrying amount	394 585	-	-	394 585
Impairment loss	(1 336)	-	-	(1 336)
Carrying amount	393 249	-	-	393 249

Loans and advances to customers at amortized cost	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	2023 Total
	BGN '000	BGN '000	BGN '000	BGN '000
Category	3 251 469	14 638	41 008	3 307 115
Total gross carrying amount	3 251 469	14 638	41 008	3 307 115
Impairment loss	(16 299)	(351)	(29 952)	(46 602)
Carrying amount	3 235 170	14 287	11 056	3 260 513

Loans and advances to customers at amortized cost	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	2022 Total
	BGN '000	BGN '000	BGN '000	BGN '000
Category	3 214 563	15 291	78 330	3 308 184
Total gross carrying amount	3 214 563	15 291	78 330	3 308 184
Impairment loss	(15 050)	(359)	(25 275)	(40 684)
Carrying amount	3 199 513	14 932	53 055	3 267 500

Investments in debt securities at amortized cost	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	2023 Total
	BGN '000	BGN '000	BGN '000	BGN '000
Category	1 550 515	-	-	1 550 515
Total gross carrying amount	1 550 515	-	-	1 550 515
Impairment loss	(2 260)	-	-	(2 260)
Carrying amount	1 548 255	-	-	1 548 255

Investments in debt securities at amortized cost	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	2022 Total
	BGN '000	BGN '000	BGN '000	BGN '000
Category	1 342 353	-	-	1 342 353
Total gross carrying amount	1 342 353	-	-	1 342 353
Impairment loss	(674)	-	-	(674)
Carrying amount	1 341 679	-	-	1 341 679

Investments in debt securities at FVTOCI	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	2023 Total
	BGN '000	BGN '000	BGN '000	BGN '000
Category	608 190	-	-	608 190
Total gross carrying amount	608 190	-	-	608 190
Impairment loss	(5 417)	-	-	(5 417)

Investments in debt securities at FVTOCI	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	2022 Total
	BGN '000	BGN '000	BGN '000	BGN '000
Category	564 743	-	-	564 743
Total gross carrying amount	564 743	-	-	564 743
Impairment loss	(4 529)	-	-	(4 529)

Loan commitments	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	2023 Total
	BGN '000	BGN '000	BGN '000	BGN '000
Category	108 866	251	214	109 331
Total gross carrying amount	108 866	251	214	109 331
Impairment loss	(300)	(3)	(16)	(319)

Loan commitments	Stage 1 12-month ECL BGN '000	Stage 2 Lifetime ECL BGN '000	Stage 3 Lifetime ECL BGN '000	2022 Total BGN '000
Category	88 705	319	228	89 252
Total gross carrying amount	88 705	319	228	89 252
Impairment loss	(398)	(3)	(27)	(428)

Financial guarantee contracts	Stage 1 12-month ECL BGN '000	Stage 2 Lifetime ECL BGN '000	Stage 3 Lifetime ECL BGN '000	2023 Total BGN '000
Category	52 957	12	-	52 969
Total gross carrying amount	52 957	12	-	52 969
Impairment loss	(10)	(2)	-	(12)

Financial guarantee contracts	Stage 1 12-month ECL BGN '000	Stage 2 Lifetime ECL BGN '000	Stage 3 Lifetime ECL BGN '000	2022 Total BGN '000
Category	76 531	143	-	76 674
Total gross carrying amount	76 531	143	-	76 674
Impairment loss	(46)	(8)	-	(54)

Concentration risk

Concentration risk is the possibility of loss due to incorrect diversification of exposures to customers, groups of connected clients, customers in the same economic sector or geographic area.

The tables below represent a cross-section of the concentrations of the different asset classes of the Group by region and by economic sector.

Placements with, and advances to, banks at amortized cost	**2023** **BGN'000**	**2022** **BGN'000**
Concentration by sector		
Central banks	683	1 085
Bulgarian commercial banks	(11 862)	2 064
Foreign commercial banks	165 805	87 354
Total	**154 626**	**90 503**
Concentration by region		
Europe	137 150	73 496
America	10 529	12 717
Asia	6 947	4 290
Total	**154 626**	**90 503**

Receivables under repurchase agreements of securities	2023 BGN'000	2022 BGN'000
Corporate		
Construction	71 282	66 978
Commerce and finance	266 569	243 400
Transport and communications	26 013	22 700
Industry	28 289	15 358
Other	51 119	46 149
Total	**443 272**	**394 585**
Concentration by region		
Europe	443 272	394 585
Total	**443 272**	**394 585**

Investments in debt securities at amortized cost	2023 BGN'000	2022 BGN'000
Concentration by sector		
States	1 504 660	1 308 140
Bank	18 805	13 767
Concentration by region		
Commerce and finance	24 790	19 772
Total	**1 548 255**	**1 341 679**
Concentration by region		
Europe	1 504 505	1 313 282
Asia	9 695	9 684
America	34 055	18 713
Total	**1 548 255**	**1 341 679**

Investments in debt securities at FVTOCI	2023 BGN'000	2022 BGN'000
Concentration by sector		
States	13 414	131 952
Banks	8 539	18 189
Corporate		
Construction	168 287	147 723
Industry	11 380	16 469
Commerce and finance	309 766	200 955
Transport and communications	7 911	9 119
Agriculture and forestry	30 120	-
Other	38 813	21 354
Total	**588 230**	**545 761**
Concentration by region		
Europe	588 230	545 761
Total	**588 230**	**545 761**

Credit risk concentration

Loans and advances at amortized cost granted to customers	**2023**	**2022**
Concentration by sector		
Retail banking:	**1 623 143**	**1 522 358**
Mortgage	848 177	832 501
Consumer	755 867	670 686
Credit cards	16 620	16 728
Other	2 479	2 443
Corporate	**1 683 972**	**1 785 826**
Agriculture and forestry	82 748	102 994
Industry	47 529	57 174
Construction	473 373	455 296
Commerce and finance	891 111	960 669
Transport and communications	95 059	104 406
Other	94 152	105 287
Total	**3 307 115**	**3 308 184**
Concentration by region		
Europe	3 306 979	3 308 106
America	76	6
Asia	60	72
Total	**3 307 115**	**3 308 184**

Credit commitments	2023	2022
Concentration by sector		
Retail banking	**53 298**	**49 363**
Mortgage	1 288	883
Consumer	13 066	11 641
Credit cards	38 944	36 839
Corporate	**56 033**	**39 889**
Agriculture and forestry	4 425	4 372
Industry	4 173	1 227
Construction	26 433	15 560
Commerce and finance	13 876	11 957
Transport and communications	6 444	5 080
Other	682	1 693
Total	**109 331**	**89 252**
Concentration by region		
Europe	109 309	89 226
America	-	-
Middle East and Africa	22	26
Total	**109 331**	**89 252**

Financial guarantee contracts	2023	2022
Concentration by sector		
Retail banking	**43**	**33**
Other	43	33
Corporate	**52 926**	**76 641**
Agriculture and forestry	398	1 191
Industry	6 893	6 925
Construction	8 253	16 922
Commerce and finance	25 114	24 592
Transport and communications	7 994	5 720
Other	4 274	21 292
Total	**52 969**	**76 674**
Concentration by regions		
Europe	52 969	76 674
Total	**52 969**	**76 674**

Credit exposures with restructuring measures

As exposures with restructuring measures the Group accepts credit exposures that have modified the original terms of the contract caused by a deterioration in the financial condition of the debtor leading to the inability to repay the full amount of the debt in due time and which discounts the Group would not circumstances.

Amendments to the original terms of the contract in connection with the implementation of the restructuring measures may include:

- Postponing or rescheduling the payment of principal interest or where applicable fees resulting in a reduction in the amount of the financial commitment;
- Partial or total refinancing of a troubled debt contract which is only allowed when the debtor is in financial difficulties;

- Partial or total debt write-off, which write-off leads to a reduction in the amount of the financial liability:
- An amendment involving repayments resulting from a collateral acquisition by the Group is treated as a restructuring measure when the debtor is in financial difficulty;
- Granted rebates to a debtor who is in default before granting the rebates;
- A reduction in the contract interest rate, except for a change in the agreed interest rate caused by changes in market interest rates.

Decrease in the interest rate under the contract except for a change in the agreed interest rate resulting from changes in market interest rates.:

2023	**Corporate customers BGN'000**	**Individuals BGN'000**
Amount before impairment	13 122	1 361
Impairment	(8 656)	(277)
Amount after impairment	**4 466**	**1 084**

2022	**Corporate customers BGN'000**	**Individuals BGN'000**
Amount before impairment	43 597	2 646
Impairment	(6 669)	(461)
Amount after impairment	**36 928**	**2 185**

Collaterals on loans granted

Housing mortgage loans to individuals

The table below presents the carrying amount of reported housing mortgage loans to individuals based on loan-to-value ratio. The ratio is calculated as a correlation of the gross amount of loan exposure to the collateral value. Collateral value on housing mortgage loans is determined upon loan granting and is updated in case of significant changes in the prices of real estate market.

Loan-to-value	**2023 BGN '000**	**2022 BGN '000**
Below 50%	308 895	255 324
From 50% to 75%	310 149	314 820
From 75% to 90%	166 201	199 782
From 90% to 100%	1 386	1 456
Above 100%	1 934	1 883
Total	**788 565**	**773 265**

Loans granted to legal entities

With respect to loans to legal entities the Group identifies the creditworthiness of each individual client as the most appropriate risk exposure indicator. For this the Group has adopted an approach to individual credit assessment and impairment testing of loans to corporates. To ensure additional security in addition to regular monitoring of the financial position of borrowing enterprises the Group also requires collateral to be set up in the credit exposures. The Group accepts collateral for loans to legal persons mortgages on real estate a pledge of a commercial enterprise a special pledge of tangible assets as well as other guarantees and rights of ownership. The Group periodically analyses and updates the value of the collateral taking into account significant changes in the market environment the regulatory framework or other occurring circumstances. In the event that there is a decrease in the value of the collateral as a result of which the

Group considers that it is not sufficient the Group requires that the debtor be constituted additional collateral by setting a certain period within which the supplementation will be fulfilled.

Capital risk

Capital risk measures the coverage of a Group risk assets with capital in order to meet the regulatory requirements for the Group operations, strategic development and planned growth.

The minimum capital ratios for the Group are set by BNB and Regulation No. 575/2013, with the Group historically maintaining higher capital ratios than the minimum threshold.

In accordance with the requirements of the regulatory body in the Republic of Bulgaria - Bulgarian National Bank, parent Bank makes separate public disclosure of the elements of the capital for supervisory purposes and the supervisory indicators for capital coverage of the risks in its activity, within the relevant terms, required by the supervisory body

Liquidity risk analysis

Liquidity risk is the risk that the Group cannot meet its liabilities. The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash in- and outflows due to day-to-day business. Liquidity needs are monitored in various time bands on a day-to-day and week-to-week basis as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a 180-day and a 360-day lookout period are identified monthly. The need for cash is compared to the available loans in order to determine shortage or surplus. This analysis determines whether the loans available will be enough to cover the Group's needs for the period. The Group holds cash to meet its liquidity needs for periods of up to 30 days. Funds for long-term liquidity needs are provided through loans in the appropriate amount and sale of long-term financial assets. As at 31 December 2023, the maturities of the Group's contractual obligations (containing interest payments, where applicable) are summarized as follows:

	Current	Non-current	
	Within 12 months BGN'000	From 2 to 5 years BGN'000	Over 5 years BGN'000
Bank and other loans	49 416	127 645	12 792
Related party payables	56 385	16 714	-
Lease liabilities	58 112	180 180	181 376
Liabilities to other depositors	4 724 590	2 862 148	1 033
Deposits from banks	14 749	-	-
Obligations under repo agreements	12 554	-	-
Liabilities under cession agreements	29 803	13 173	-
Trade and other payables	88 665	939	-
Derivatives	-	-	-
Total	**5 034 274**	**3 200 799**	**195 201**

As at 31 December 2022 Group's liabilities (including interest payables where applicable) have contractual maturities summarized below:

	Current	Non-current	
	Within 12 months BGN'000	From 2 to 5 years BGN'000	Over 5 years BGN'000
Bank and other loans	57 622	155 056	15 365
Related party payables	71 288	14 366	-
Lease liabilities	37 881	130 200	137 373
Liabilities to other depositors	4 640 141	2 673 775	1 776
Deposits from banks	10 247	-	-
Obligations under repo agreements	4 278	-	-
Liabilities under cession agreements	30 473	29 772	-
Trade and other payables	74 005	1 022	-
Derivatives	677	-	-
Total	**4 926 612**	**3 004 191**	**154 514**

The amounts disclosed in this obligation maturity analysis represent the undiscounted cash flows under the contracts that may differ from the carrying amounts of the liabilities at the reporting date.

Group's policies regarding the banking activities

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

Adequate liquidity is achieved when the Group is able to provide sufficient funds for these purposes, by increasing liabilities or converting assets as quickly as possible at relatively low cost, by selling liquid assets or attracting additional funds from the money, capital or foreign exchange markets. The preventive function in liquidity risk management is to maintain an acceptable level of liquidity to provide protection against possible losses in case of unforeseen sale of assets. The specialized collective body for liquidity management in the Group is the Assets and Liabilities Management Committee. The Committee implements the liquidity risk management policy adopted by the Group's management.

Quantitative measure of the liquidity risk according to the regulations of the BNB and EBA is the Liquid Coverage Ratio - the LCR indicator. This ratio represents the excess of the liquidity buffer (liquid assets) of the Group over net outflows.

The Group's liquidity coverage ratio as at 31.12.2023 amounted to 565.56% (31.12.2022: 390.88%) and exceeded the statutory requirement of 100%.

The allocation of the Group's financial liabilities as at 31 December 2023 based on their residual maturity is as follows:

	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
FINANCIAL ASSETS	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
Cash and cash balances with the Central Bank	2 022 320	-	-	-	-	2 022 320
Placements with, and advances to banks	151 692	-	-	-	2 934	154 626
Receivables under repurchase agreements	133 765	138 753	170 754	-	-	443 272
Financial assets at fair value through profit or loss	19 694	-	191 773	3 333	6 597	221 397
Loans and advances to customers, net	44 304	120 532	335 577	1 606 316	1 200 386	3 307 115
Financial assets measured at fair value in other comprehensive income	755	-	20 024	173 930	413 481	608 190
Financial assets at amortized cost	185 170	61 671	77 007	558 167	668 500	1 550 515
TOTAL FINANCIAL ASSETS	2 557 700	320 956	795 135	2 341 746	2 291 898	8 307 435
FINANCIAL LIABILITIES						
Deposits from banks	19 756	-	-	-	-	19 756
Liabilities to other depositors	3 306 221	421 373	1 036 430	2 881 702	1 041	7 646 767
Issued bonds	-	168	-	9 760	25 463	35 391
Provisions for liabilities	-	-	332	-	-	332
Other liabilities	10 341	2 014	8 770	23 753	5 947	50 825
TOTAL FINANCIAL ASSETS	3 336 318	423 555	1 045 532	2 915 215	32 451	7 753 071

The allocation of the Group's financial liabilities as at 31 December 2022 based on their residual maturity is as follows:

	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
FINANCIAL ASSETS	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
Cash and cash balances with the Central Bank	1 983 943	-	-	-	-	1 983 943
Placements with, and advances to banks	87 559	-	-	-	2 934	90 493
Receivables under repurchase agreements	116 103	123 349	155 133	-	-	394 585
Financial assets at fair value through profit or loss	23 169	-	177 249	3 158	7 429	211 005
Loans and advances to customers, net	46 634	111 145	297 543	1 558 920	1 292 172	3 306 414
Financial assets measured at fair value in other comprehensive income	755	-	6 021	240 908	317 059	564 743
Financial assets at amortized cost	9 779	204 307	100 598	450 702	583 767	1 349 153
TOTAL FINANCIAL ASSETS	2 267 942	438 801	736 544	2 253 688	2 203 361	7 900 336
FINANCIAL LIABILITIES						
Deposits from banks	17 673	-	-	-	-	17 673
Liabilities to other depositors	3 124 136	445 169	1 083 442	2 689 652	1 783	7 344 182
Issued bonds	-	168	-	9 752	25 450	35 370
Provisions for liabilities	-	-	481	-	-	481
Other liabilities	8 517	1 853	9 342	27 493	9 478	56 683
TOTAL FINANCIAL ASSETS	3 150 326	447 190	1 093 265	2 726 897	36 711	7 454 389

Financial liabilities of the Group are formed mainly by borrowing from other depositors – deposits of natural persons and legal entities.

Financial assets as a means of managing liquidity risk

When assessing and managing liquidity risk, the Group takes into account expected cash flows from financial instruments, in particular available cash and trade receivables. Available cash resources and trade and other receivables significantly exceed current cash outflow needs. According to the concluded contracts, all cash flows from trade and other receivables are due within 1 year.

Fair value measurement

Fair value measurement of financial instruments

Financial assets and liabilities at fair value in the consolidated financial statements of financial position are grouped into three levels according to the fair value hierarchy

This hierarchy groups are based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3: inputs for the asset that are not based on observable market data.

A financial asset or liability is classified to the lowest level of significant input information used to determine its fair value.

31 December 2023	Level 1 BGN'000	Level 2 BGN'000	Level 3 BGN'000	Total BGN'000
Assets				
Financial assets measured at fair value through profit or loss	2 029 188	74 095	458 064	2 561 347
Equity instruments at fair value through other comprehensive income	14 052	-	39 314	53 366
Debt instruments measured at fair value through other comprehensive income	440 764	92	161 296	602 152
Total assets	**2 484 004**	**74 187**	**658 674**	**3 216 865**
Liabilities				
Derivatives	-	-	-	-
Total liabilities	**-**	**-**	**-**	**-**

31 December 2022	Level 1 BGN'000	Level 2 BGN'000	Level 3 BGN'000	Total BGN'000
Assets				
Financial assets measured at fair value through profit or loss	1 735 379	70 617	375 360	2 181 356
Equity instruments at fair value through other comprehensive income	23 653	-	70 031	93 684
Debt instruments measured at fair value through other comprehensive income	474 656	-	84 789	559 445
Total assets	**2 233 688**	**70 617**	**530 180**	**2 834 485**
Liabilities				
Derivatives	-	677	-	677
Total liabilities	**-**	**677**	**-**	**677**

There have been no transfers between levels 1 and 2 during the reporting period.

Measurement of fair value

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period.

a) Listed equity instruments

All listed equity investments are denominated in BGN and are publicly traded on the Bulgarian Stock Exchange. Fair values have been determined by reference to their quoted bid prices at the reporting date.

b) Non-listed equity instruments

The fair value of these instruments is based on observed rates of recent market transactions with shares of similar companies adjusted for specific factors.

c) Derivatives

When derivative financial instruments are traded on stock markets or liquid OTC markets the Group uses the closing prices on the stock markets at the reporting date. When derivative financial instruments are not traded on active markets the fair value of these contracts is determined by using valuation techniques using observable market data (Level 2).

All significant inputs to the model are based on observable market prices namely market interest rates on similar loans with similar risk.

d) loans in BGN

The fair value of loans is determined using valuation techniques.

All significant inputs for the model are based on observed market prices - market interest rates on similar loans with similar risk.

Fair value measurement of non-financial assets

The following table shows the levels within the hierarchy of non-financial assets measured at fair value on a recurring basis at 31 December 2023:

31 December 2023	**Level 1 BGN '000**	**Level 2 BGN '000**	**Level 3 BGN '000**	**Total BGN '000**
Investment property:				
- Land, building, machines and equipment	-	-	575 080	575 080
Right of use assets:				
- aircrafts	-	-	425 269	425 269

31 December 2022	**Level 1 BGN '000**	**Level 2 BGN '000**	**Level 3 BGN '000**	**Total BGN '000**
Investment property:				
- Land, building, machines and equipment	-	-	546 637	546 637
Right of use assets:				
- aircrafts	-	-	320 105	320 105

Fair value of the Company's main property assets is estimated based on appraisals performed by independent qualified appraisers.

Capital management policies and procedures

The Group's capital management objectives are:

- To ensure the Group's ability to continue as a going concern; and
- To provide an adequate return to the shareholders by pricing products and services commensurately with the level of risk.

The Group monitors capital on the basis of the correlation between capital to net debt.

The Group determines the capital based on the carrying amount of the equity presented in the statement of financial position.

Net debt is calculated as total liabilities less the carrying amount of the cash and cash equivalents.

Group's goal is to maintain a capital-to-net-debt ratio in a reasonable range which would ensure relevant and conservative ratio of financing.

The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure the Group may adjust the amount of dividends paid to shareholders return capital to shareholders issue new shares or sell assets to reduce debt.

The capital for the presented reporting periods is summarized as follows:

	2023 BGN'000	2022 BGN'000
Shareholders' equity	1 785 889	1 682 344
Equity	**1 785 889**	**1 682 344**
Debt	10 847 896	10 170 507
- Cash and cash equivalents	(2 263 788)	(2 180 578)
Net debt	**8 584 108**	**7 989 929**
Capital to net debt	**1:4.81**	**1:4.75**

In 2023, the change in the ratio is minimal. The Group has complied with its contractual obligations including the maintenance of certain capital ratios.

CONSOLIDATED CORPORATE GOVERNANCE STATEMENT

The consolidated corporate governance statement of the Group of Chimimport AD is prepared pursuant the Bulgarian legislation requirements and principles of good corporate management, set out in the National Corporate Governance Code, the Commercial Act (CA), the Public Offering of Securities Act (POSA), the Accountancy Act (AA), the Independent Financial Audit Act (IFAA) and other laws and regulations and internationally recognized standards. The declaration of corporate management is prepared in accordance with the requirements of Article 39 of the Accountancy Act and Article 100n of POSA.

The Corporate governance statement of the Chimimport Group applies to public companies in the Group. The Separate Corporate Governance Statements are integral part of the separate company activity reports for 2023 and have been published at 01.04.2024.

1. **Information under Article 100m, paragraph 8, subparagraphs 1 and 2 of POSA**

Implementation, enforcement and compliance, as appropriate, by Chimimport AD of the principles of the National Corporate Governance Code.

As of 18 January 2008, Chimimport AD embraced the National Corporate Governance Code and conducts its activity in accordance with the set principles and provisions. All public companies in the Group comply with the National Corporate Governance Code.

In its activities the Group of Chimimport AD is governed by the national corporate governance principles recommended for application by the National Committee on Corporate Governance, reflecting the international standards of good corporate governance and best practices. The management of Chimimport AD aims at strengthening the principles of good corporate governance, enhancing the confidence of shareholders, investors and other stakeholders interested in the management and operations of the Group. The management of Chimimport AD considers that the effective application of the good corporate management practices, contribute to sustainable growth and reaching the long-term goals of the Group, and to establish transparent and honest relationships with all stakeholders.

Information on corporate governance practices applied by the issuer in addition to the corporate governance code approved by the Deputy Chairperson or any other corporate governance code

The Group of Chimimport AD does not apply other corporate management practices in addition to the National Corporate Governance Code.

Explanation by the issuer as to which parts of the corporate management code, approved by the Deputy Chairperson or any other corporate governance code the issuer does not comply with and to what was the ground for the non-compliance when the issuer opted not to refer to any of the rules of the corporate management code

The basic principle of the National Corporate Governance Code is the principle of "**comply or explain**". The companies in the group aim to comply with the recommendations of the Code and in case of deviation, the management provides explanations on the reasons for the non-compliance.

Chimimport AD presents the current information regarding compliance with the Code, and the same will be published on the website of the Parent Company.

<u>INFORMATION REGARDING CORPORATE MANAGEMENT</u>

Chimimport AD is a listed company with two-tier management system. All members of the Managing Board and the Supervisory Board comply with the legal requirements for their appointment.

The managing bodies of the Parent Company comprise: General meeting of the shareholders, Supervisory Board and Managing Board.

Members of the Supervisory Board:
1. Invest Capital AD
2. CCB Group EAD;
3. Mariana Bazhdarova.

Members of the Managing Board:
1. Alexander Kerezov
2. Ivo Kamenov
3. Marin Mitev
4. Nikola Mishev
5. Miroljub Ivanov
6. Tsvetan Botev

Key functions, responsibilities, structure and competence

The Supervisory Board of Chimimport AD consists of three members. It conducts regular control over the Managing Board, concerning the management of the Parent Company by ensuring that the actions of the MB increase the interest of shareholders and facilitate the application of good corporate governance principles within the Parent Company. The Supervisory Board, if necessary, may take the necessary steps to facilitate their duties through consultations with experts. The Supervisory Board shall appoint and dismiss members of the Managing Board delimiting the powers delegated to them, the application of their powers and the frequency with which they are to report to the SB. The Supervisory Board assesses the overall performance the Parent Company, paying special attention to the information received by the Managing Board and periodically reconciles and analyses the difference between the achievements and goals. The Supervisory Board monitors and controls the process of disclosing information by the Parent Company.

The Supervisory Board has included restrictions in its internal rules on the maximum number of companies in which members of the Managing and the Supervisory Board of Chimimport AD can sit on the managing and supervisory bodies, participation in which is considered acceptable in view of the requirement for effective implementation of obligations as a member of the boards of the Parent company. The Supervisory Board has set criteria that distinguish participations in other companies, depending on the position held and the time that each of the positions requires for the relevant obligations.

Following the requirements of the POSA and the Statute of the Parent Company, the Supervisory Board, if necessary, reassesses the structure of the Managing Board, the division of duties, powers and the remuneration of each member of the MB.

In carrying out its activities, the Supervisory Board members are obliged to perform their duties with due diligence in a manner that reasonably believed is in the interest of all shareholders and by using only information that they reasonably believe is reliable and complete and show loyalty to the Parent company under POSA.

The Supervisory Board of the Parent company is supported by the Audit Committee. The structure and functions of the Committee are set out in the Internal rules of operation of the Audit Committee of Chimimport AD.

The Managing Board of Chimimport AD consists of six members. The competence, rights and obligations of the Managing Board are conducted in accordance with the legal requirements, the requirements of the current Parent company's Statute and the rules for its operation as approved by the Supervisory Board. The Managing Board reports on its activities, to the Supervisory Board at least quarterly. The Managing Board shall immediately notify the chairman of the Supervisory Board of any circumstances that are essential for the Parent company. The Managing Board provides to the Supervisory Board the Annual Financial Statements, the Annual Activity Report and the Independent Auditor's Report, together with proposal for profit distribution, which will be brought to the General Meeting of Shareholders.

The Managing Board governs in accordance with the established vision, goals and strategy of Chimimport AD.

The Board members are guided in their activities by the generally accepted principles of integrity and management and professional competence.

Appointment and dismissal of board members

Members of the Supervisory Board are appointed and dismissed by the General Meeting of the Shareholders, in accordance with the Parent Company's Statute.

Members of the Managing Board are appointed by the Supervisory Board, which also determines their remuneration and can dismiss them at any point in time.

Remunerations of the Managing and Supervisory Boards

The General Meeting of the Shareholders has affirmed the remuneration policy of the Managing and Supervisory Boards of the Parent company, developed by the Supervisory Board.

The remuneration paid to the members of the Managing and Supervisory Boards of the Parent company, may be permanent (fixed) or variable in the form of premiums, bonuses, retirement benefits and other incentives, based on assessment criteria of the conducted activities. The proportion of the fixed remuneration in the total amount of the remuneration shall allow the implementation of flexible policy by the Parent company on the variable remuneration of the members of the Managing and Supervisory Boards of the Parent company.

In 2023, the Parent company shall update the policy with the recommendation of the Code, namely the remuneration of the members of the SB to conform their activities and obligations and not be bound to the results of the Parent company operations and will present it to the General Meeting of the Shareholders for approval.

The remuneration policy observes the following principles and criteria:

- Consistency of the remunerations with the business goals and development strategy of the Parent Company, the protection of the interests and promotion of the values of Chimimport AD;
- Providing remuneration that allows attraction, retention and motivation of board members with the necessary skills for successful management and development of the Parent Company.
- Excluding discrimination, conflict of interest and unequal treatment of members of the Supervisory Board of the Parent company in setting and negotiating remunerations;
- Appreciation of the duties and input of each member of the Managing Board in the performance and results of the Parent Company.

The Management discloses the remunerations of the Managing Board in accordance with the legal requirements and Parent Company's policies regularly within the quarterly financial statements. Shareholders are provided easy access to information on remunerations.

Conflict of interest

The members of the Supervisory and Managing Boards avoid any real or potential conflict of interest.

Procedures for preventing and detecting conflicts of interest are regulated by the statutes of the Parent company.

Committees

The Parent company has set Audit Committee in accordance with the requirements of the Independent Financial Audit Act of public interest companies.

At the General Meeting of Shareholders held on 30 November 2023, under the proposal of the Managing Board, the shareholders of Chimimport AD elected the following Audit Committee members: Prof. Evgeni Evgeniev- Chair, James Jolovski PhD and Magdalena Ilkova – pursuant to Art. 107 of Independent Financial Audit Act (promulgated SG, issue 95 of 29.11.2016).

<u>INFORMATION REGARDING CONDUCT OF AUDIT AND INTERNAL CONTROL</u>

The Companies from the group have developed and implemented internal control system that ensures the proper identification of risks associated with the Parent company's operations and supports their effective management, and adequate operation of the reporting systems and disclosure of information.

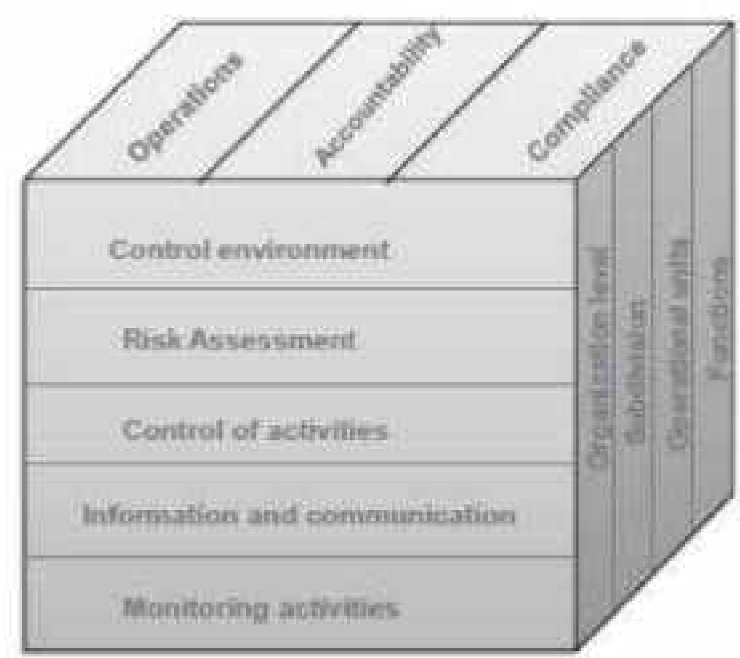
Internal control and risk management are dynamic and iterative processes carried out by management and supervisory bodies designed to provide a reasonable degree of certainty in terms of achieving the organization's objectives in terms of efficiency and effectiveness of operations; Reliability of financial statements; Compliance and enforcement of existing legal and regulatory frameworks.

The main components of internal control systems are:

- Control environment
- Risk Assessment
- Activity control

- Information and communication
- monitoring activities

These components are relevant to the overall organization and to its individual levels and subdivisions, or to individual operational units, functions or other structural elements thereof, and this relationship is represented by the “COSO” Cube[1]



One of the main objectives of the internal control and risk management system is to assist the management of the companies and other stakeholders in assessing the reliability of the financial statements of the companies.

Audit committees apply the requirements of the Code of Ethics of professional accountants for the rotation of registered auditors when preparing proposals and recommendations for the selection of external auditors. Provide oversight of internal audit activities and monitor the overall relationship with the external auditor, including the nature of non-audit services provided by the auditor to the parent company.

Registered auditors are elected by the individual general meetings of the shareholders of the various companies, to carry out an independent financial audit of the annual financial statements of the companies for 2023 in accordance with the requirements of the Independent Financial Audit Act.

The independent financial audit covers procedures to achieve a reasonable level of security:

- compliance with the accounting principles according to the applicable accounting basis;
- whether the accounting policy of the audited entity is appropriate for its operations and is consistent with the applicable accounting and accounting policies used in the industry concerned;
- the consistency of the application of the disclosed accounting policy under the applicable accounting basis;
- the effectiveness of the internal control system limited to the achievement of the audit objectives;
- the process of accounting closure and preparation of the financial statements
- the reliability and user-friendliness of the information presented and disclosed in the financial statements according to the applicable accounting basis.

[1] The Committee of Sponsoring Organizations of the Treadway Commission (COSO) – Basic Concept of Internal Control

- the consistency between the information in the financial statements and that in the management report of the audited entity as well as any other information that the management of the entity provides with the audited financial statement

To ensure the effectiveness of the external auditors of Chimimport AD, the Managing Board implements measures to ensure effective implementation of the obligations of auditors of the Parent company based on the requirements of the Independent Financial Audit Act.

The registered auditor, appointed by the General Meeting of the Shareholders of Chimimport AD, to perform independent financial audit of the annual financial statements of the Parent company for 2023, is RSM BG OOD auditing Parent company, registered under number 173 in the register of the CPOSA.

INFORMATION ON PROTECTION OF THE RIGHTS OF SHAREHOLDERS

The management of Chimimport AD guarantees equal treatment of all shareholders of the Parent company, including minority and international.

The Parent company applies established rules of the organization and conduct of regular and extraordinary General Meetings of Shareholders.

The protection of shareholders' rights is ensured through:

- facilitation of the shareholders' effective participation in the work of the General Meetings of shareholders through timely disclosure of all materials for the GMS, on the following websites: www.x3news.com, www.investor.bg and www.chimimport.bg.
- transparent procedures regarding organization and conduct of regular and extraordinary General Meetings of Shareholders;
- established procedures on representation of shareholders at the GMS, including templates of letter of attorney both in Bulgarian and English;
- providing opportunity for participation in the profit distributions to the Parent company, if the General Meeting of Shareholders adopts a specific resolution for dividend distribution;
- implementing a policy to assist shareholders in exercising their rights.

INFORMATION ON PROCEDURES FOR DISCLOSURE OF INFORMATION

The Parent company has adopted rules for internal personnel and internal information, that regulate the obligations, order and responsibility for the public disclosure of inside information for Chimimport AD, prohibit insider trading and market manipulation of financial instruments. The public information regarding the activities of Chimimport AD is presented to the Financial Supervisory Commission, the Bulgarian Stock Exchange - Sofia AD and the investing community, distributed through the information agency X3 NEWS - www.x3news.com. Chimimport AD regularly updates its corporate website www.chimimport.bg both in Bulgarian and English, consistent in structure and volume with the information provided with the recommendations of the National Code and established good practices on systems of disclosure of information. The website provides general information about the Parent company and the segments of operations of all companies within the economic group, current data on the financial and economic situation of the Parent company, including interim and annual financial statements of Chimimport AD on an individual and consolidated basis, as well as information on the Group structure, corporate governance and management of the Parent company, corporate documents prepared and approved by the Managing Board of the Parent company and the securities issued. All shareholders, investors and interested parties can obtain information about upcoming and already held important corporate events, meetings of the General Meeting of Shareholders and the planned investment policy of the Parent company.

INFORMATION ABOUT INTERESTED PARTIES AND RECOGNITION OF THEIR RIGHTS AND INTERESTS

The Parent company has not developed its own rules on accounting for the interests of stakeholders, but for all matters that directly or indirectly affect them, coordination procedures are carried out.

Chimimport AD identifies as stakeholders with respect to its activities all persons who are not shareholders and who have an interest in the economic prosperity of the Parent company:

- bondholders,
- employees,
- clients,
- suppliers,
- bank – creditors;
- the public, in general.

Within its policy towards stakeholders, the Parent company complies with the legal requirements and principles of transparency, accountability and business ethics. The Stakeholders are provided with the necessary information about the Parent company's current data of the financial situation and everything that would help correct their orientation and make an informed and reasoned decision.

2. **Information under Article 100m, paragraph 8, subparagraph 3 of the POSA**

Characteristics of the internal control and risk management systems

Internal control and risk management

The Managing Board is responsible for the internal control and risk management systems and monitors their effectiveness. These systems are created to manage but cannot fully eliminate the risk from falling behind the set business objectives. They can only provide reasonable, but not absolute assurance on the lack of any substantial inaccuracies or errors. The Managing Board has established an ongoing process for identifying, evaluating and managing significant risks for the Parent company.

Internal control

Every year, the Parent Company reviews and confirms the degree of compliance with the policies of the National Corporate Governance Code.

All major plans and programs of the Parent Company require approval by the Managing Board. There are limits to the authority to ensure that the appropriate approvals are obtained if the Board is not required to verify the segregation of duties.

Financial policies, controls and procedures are enforced within the Parent Company and are reviewed and updated regularly.

The main activities comprised within the system of internal control of the Parent Company are:

- Control over the functioning of the current reporting and documentation of the Parent Company;
- Maintaining the high competence of personnel with financial and reporting functions;
- Control over the content, accuracy and timeliness of financial statements;
- Completeness of the range and reliability of the financial information system;
- Lawful implementation of tax and social security obligations;
- Protection and preservation of assets;
- Control over disposal of assets and resources.

A system of internal control and risk management operates to ensure the effective functioning of the reporting and disclosure of information. The internal control system is built and functions to identify inherent risks of the Parent company and support their effective management.

The code of conduct of employees of Chimimport AD, determining the required levels of ethics and conduct, is communicated to all employees and any amendments to it are included in the employee training.

Management has overall responsibility of ensuring proper maintenance of accounting data and processes to ensure that financial information is relevant, reliable, consistent with applicable law and the financial statements and management reports are prepared and published by the Parent company in due course. The Parent company's management reviews and approves the financial statements to ensure that the financial position and results of the Parent company are presented fairly and correctly.

The financial information published by the Parent company is subject for approval by the Supervisory Board.

Annual review of the internal control environment is carried out by the Managing Board, with the assistance of the Audit Committee.

Analysis and risk management

The Managing Board determines the main risks of the Parent company regularly and monitors throughout the year the measures to address those risks, including through internal control and monitoring. The risk analysis includes business and operational risks, health and safety of employees, financial, market and operational risks, reputation risks, which may affect the Parent company, as well as specific areas identified in the business plan and the budget process.

All significant plans relating to the acquisition of assets or realization of operating income include consideration of relevant risks and appropriate action plans.

Inherently the risk management is a set of processes to identify, assess and control the risks that ensure that the objectives of the Group of Chimimport AD are met, and effective management is achieved. Risk management is systematic, structured and in due time and thus facilitates continuous improvement of the organization.

The risk management system comprises the following activities:

- identification of the different groups of risks (indicated in the reports on the activities of the group);
- evaluation and risk analysis (indicated in the reports on the activities of the group);
- monitoring and procedures that will be applied to prevent or reduce the effects of onset risks.

Risk management is part of the internal control system. The goal of management is to detect risks that cast doubt on the functioning of the Parent company, to assess and reduce critical risks. Well-managed risk-taking is a prerequisite for sustainable improvement of the organization. The Parent company management seeks to develop an active risk management by introducing a risk management system and directing efforts to improve it in line with international best practices.

The risk management system defines the duties and responsibilities in the structural divisions of the Parent company, organization, and procedure for interaction in risk management, analysis, and evaluation of information related to risks, preparing periodic reporting on risk management.

The internal control system and the risk management system are continuously improved following the legislative requirements and best practices. Their goals may be summarized as follows: compliance with the strategies, plans, internal regulations and procedures for the implementation of the activities to ensure effective and efficient operations, reliable financial reporting, storage and protection of assets. Risk management in Chimimport AD is performed by employees at all levels of management and is an integral part of operations and the corporate governance of the Parent company.

Statement by the directors on the Annual Activity Report and the Financial Statements

Pursuant to the requirements of the Code, the directors confirm their responsibility for preparing the annual activity report and the annual financial statements and consider the Annual Activity Report is transparent, balanced and understandable and provides the necessary information to shareholders, to assess the Parent company's position and operations, its business model and strategy.

Responsibilities and interaction between the Supervisory Board, the Audit Committee and the external auditor of the Parent company

As a public Parent company, according to the Independent Financial Audit Act and the National Corporate Governance Code, Chimimport AD has established an Audit Committee, which is responsible for monitoring of the financial reporting and the independent financial audit as well as the effectiveness of the internal audit function and control and risk management systems of the Parent company.

At the General Meeting of Shareholders held on 30 November 2023, under the proposal of the Managing Board, the shareholders of Chimimport AD elected the following Audit Committee members: Prof. Evgeni Evgeniev- Chair, James Jolovski PhD and Magdalena Ilkova – pursuant to Art. 107 of Independent Financial Audit Act (promulgated SG, issue 95 of 29.11.2016).

The Committee recommends the registered auditor to conduct an independent financial audit of the Parent company and monitor its independence in accordance with the law and the International Code of Ethics for Professional Accountants.

The mandate and the number of members of the Audit Committee shall be determined by the General Meeting of Shareholders. The functions and responsibilities of the Audit Committee are regulated by the Rules of the Audit Committee.

Committee members have unlimited access to the members of the Supervisory Board, the Managing Board and the senior management personnel directly responsible for the activities falling within the scope of the delegated competence of the Committee.

The Audit Committee reports its activity to the General Meeting of Shareholders annually.

The main functions of the Audit Committee include:

- to monitor the financial reporting processes;
- to monitor the effectiveness of internal control systems;
- to monitor the effectiveness of risk management systems;
- to monitor the independent financial audit on the Parent company;
- to oversee the independence of the registered auditor of the Parent company in accordance with the IFAA and monitor the provision of ancillary services by the auditor.

3. **Information in accordance with Article 10, paragraph 1, items “c”, “d”, “f”, “h”, and “i” of Directive 2004/25/EC of the European Parliament and of the Council of 21 April 2004**

3.1 Information in accordance with Article 10, paragraph 1, item “c” of Directive 2004/25/EC on takeover bids regarding significant direct and indirect shareholdings (including indirect shareholdings through pyramid structures and cross-shareholdings) within the meaning of Article 85 of Directive 2001/34/EC.

In 2023, no changes have been made relating to the acquisition or sale of shares of the Parent company that reach, exceed or fall below one of the thresholds of 10%, 20%, 1/3, 50% and 2/3 of the voting rights of the Parent company for the period as defined in Article 85 of Directive 2001/34/EC.

The share capital of the Parent company as of 31 December 2023 consists of 239 646 267 ordinary shares with par value of BGN 1 per share. The ordinary shares of the Parent company are dematerialized, registered and freely transferable and entitle to one (1) vote and liquidation share.

The list of major shareholders holding more than 5% of the shares of the Parent company is as follows:

	Ordinary shares As a t 31.12.2023 number	**Ordinary shares As a t 31.12.2023 %**
Invest Capital AD	173 487 247	72.39%
Other legal entities not exceeding 5%	46 439 942	19.38%
Other individuals and trustees, not exceeding 5%	19 719 078	8.23%
TOTAL	**239 646 267**	**100.00%**

3.2 Information in accordance with Article 10, paragraph 1, item “d” of Directive 2004/25/EC on takeover bids regarding the holders of any securities with special control rights and a description of those right

Chimimport AD has no shareholders with special control rights.

3.3 Information in accordance with Article 10, paragraph 1, item “f” of Directive 2004/25/EC on takeover bids regarding any restrictions on voting rights, such as limitations of the voting rights of holders of a given percentage or number of votes, deadlines for exercising voting rights, or systems whereby, with the Parent company’s cooperation, the financial rights attaching to securities are separated from the holding of securities.

There are no restrictions on voting rights, such as limitations of the voting rights of holders of a given percentage or number of votes, deadlines for exercising voting rights, or systems whereby, with the Parent company’s cooperation, the financial rights attaching to securities are separated from the holding of securities.

3.4 Information in accordance with Article 10, paragraph 1, item "h" of Directive 2004/25/EC on takeover bids regarding the rules governing the appointment and replacement of board members and the amendment of the articles of association

The management bodies of the Parent company are:

- General Meeting of the Shareholders;
- Supervisory Board;
- Managing Board.

The General Meeting of the Shareholders elects and dismisses members of the Supervisory Board and determines their compensation and bonuses.

The members of the Managing board are appointed by the Supervisory Board, which can replace them at any time. One individual cannot be both a member of the Managing and Supervisory Board. Members of the Managing Board may be re-elected without limitation.

Members of the Managing Board of "Chimimport" AD are elected only if they meet the following legal requirements:

- be either individuals or legal entities;
- at the moment of election have not been convicted of crimes against property, economy or against the fiscal, tax and insurance authorities of the Republic of Bulgaria or abroad, unless rehabilitated;
- are not members of the managing or supervisory body of a Parent company terminated due to bankruptcy in the past two years preceding the date of the declaration of insolvency, if any unsatisfied creditors remain;

Amendments to the Articles of Association of the Parent company are approved by General Meeting of the Shareholders.

3.5 Information in accordance with Article 10, paragraph 1, item "i" of Directive 2004/25/EC on takeover bids regarding the powers of board members, and in particular the power to issue or buy back shares

The amount of capital may be amended in the manner provided by the law and the Statutes of the Parent company. The decision to amend shall contain all the details required by law.

The decision to increase the capital is taken by the General Meeting of the Shareholders or the Managing Board, within the mandate under Article 17 of the Statute of the Parent company.

If new shares are sold at a price higher than nominal, their issue price is determined with the decision to increase the capital.

Each shareholder is entitled to acquire part of the new shares, which corresponds to its share capital before the increase, unless that right is limited by law (Article 113, paragraph 2, subparagraph 2 of the Public Offering of Securities Act).

In the event of a capital increase through the capitalization of retained earnings and other assets by issuing new shares, the latter shall be acquired by the shareholders in proportion to shares already owned.

In its decision for capital increase under Article 17, the Managing Board sets the amount and purpose of the increase; the number and type of the new shares, their rights and privileges, deadline and conditions of transfer of rights under § 1, p. 3 of POSA issued against existing shares; the deadline and conditions for subscription of new shares; the amount of the issue price and terms and conditions for its payment; the investment intermediary entrusted with the implementation of the subscription; as well as determines any other terms and conditions provided for in the regulations or necessary to make the corresponding increase in equity.

Capital decrease

The capital reduction is carried out by decision of the General Meeting of Shareholders by decreasing the nominal value of shares or through cancellation of shares.

Cancellation of shares shall be allowed only through the purchase of Parent company's own shares under the conditions and according to the Commercial Code.

4. Composition and functions of the administrative, management and supervisory bodies

The Supervisory Board of Chimimport consists of 3 members who are elected by the General Meeting of the Shareholders for a term of five years.
The Supervisory Board performs its activities in conformity with the Statute of Chimimport AD and the Internal rules of the Supervisory Board.
The Managing Board of Chimimport AD consists of six members who are elected by the Supervisory Board for a term of five years.

The Managing Board performs its activities in conformity with the Statute of Chimimport AD and the Internal rules of the Managing Board.

In carrying out their duties and responsibilities the members of the Managing and Supervisory Boards are governed by the legal requirements, by-laws of the Parent company and the standards of integrity and competence.

The Managing Board:

- governs and represents Chimimport AD;
- manages the operating activities of the Parent company;
- approves plans and programs for the Parent company's activities;
- approves the organizational and managerial structure of the Parent company;
- approves decisions that are not in the express competence of the General Meeting of the Shareholders and the Supervisory Board;
- decides on capital increase or decrease under the Articles of Association.

The Managing Board, with the approval of the Supervisory Board:

- approves and proposes for approval to the General Meeting of Shareholders the annual financial statements and the activity report of the Parent company;
- based on the financial performance of the Parent company at the end of the reporting year, makes a proposal on the appropriation of the profit.

Members of the Managing Board are guided in their activities by the generally accepted principles of integrity and management and professional competence.

Members of the Supervisory and Managing Board apply the principle of avoidance and prevention of actual or potential conflict of interest. Any conflict of interest should be disclosed to the Supervisory Board. Members of the Managing Board should inform the Supervisory Board about whether directly, indirectly or on behalf of third parties have a significant interest in any transactions or matters that have a direct impact on the Parent company.

5. Description of the diversity policy

Chimimport AD, appoints and recommends for election by the Supervisory Board, candidates for members of the Management Board, taking into account the balance of professional knowledge and skills, the various qualifications and professional experience of the members of the board, necessary for the management of the Parent company.