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# MESSAGE FROM THE MANAGEMENT

Ladies and Gentlemen,

We, the Executive Directors and Procurator of Central Cooperative Bank Plc, would like to use this opportunity to inform you about our achievements and accolades in 2022. Central Cooperative Bank Plc is a universal commercial bank with a pronounced focus on retail banking. As at 31.12.2022 the Bank assets are BGN 7,8 billion, shareholders' equity amounts to BGN 646 million and the net profit is BGN 38 million.

Last year was our 15th year as a member of the European Union and we ranked on the 7th place among Bulgarian banks in terms of total assets.

Among our goals for 2023 are: increasing the total assets of the Bank, respectively the market share; developing and defending the leadership position in the use of the most contemporary channels of distributing the bank products; streamlining and constant adaptation of the client model of the operative organization with the aim of maintaining the high quality of the bank servicing; deploying the positions in retail banking; increasing the volume and the relative share in the loan portfolio of loans to individuals – consumer and mortgage loans; profiting from the synergy in rendering services to the insurance companies, the pension companies, the health insurance companies and the investment companies from the group of Chimimport – the main shareholder of the Bank; offering services and financing of projects of agricultural producers – under the programs of the structural funds of EU and increasing the qualification of the employees and streamlining the mechanisms for stimulating employees.

We make our clients feel important. The Bank management and staff have committed their efforts to defending the already achieved position and further improving in the banking field. We look forward to continue working with you and sharing best practices and recommendations.

Sincerely yours

**Gerogi Kostov**
Executive Director

**Nikola Kedev**
Executive Director

**Sava Stoynov**
Executive Director

**Tihomir Atanassov**
Procurator

# FINANCIAL HIGHLIGHTS AS AT 31.12.2022

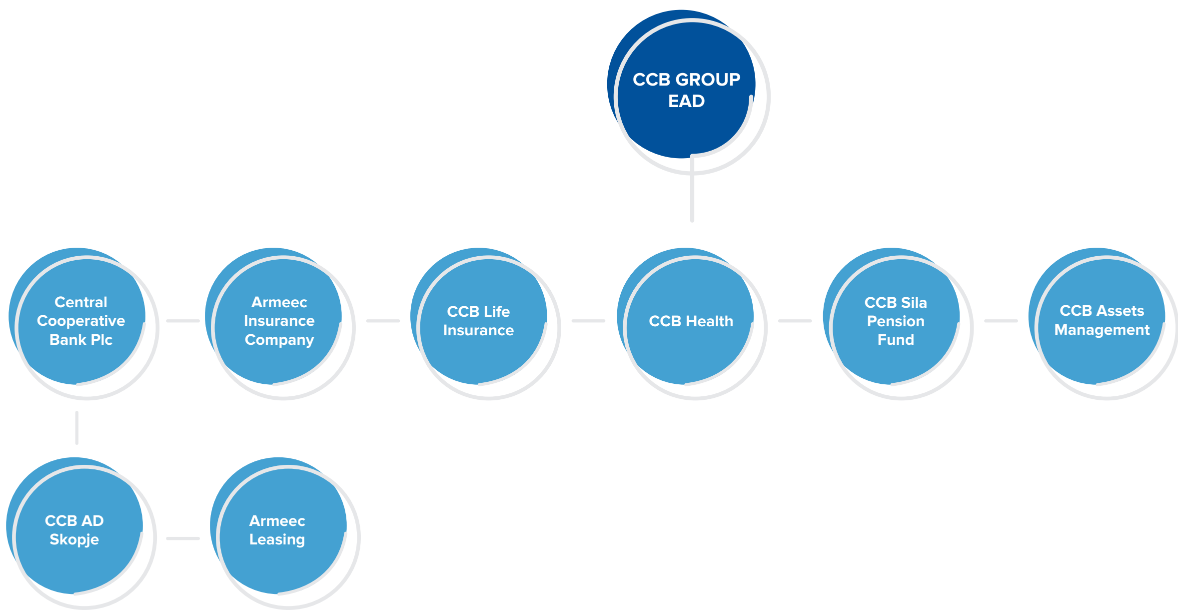
| Main indicators from the Balance Sheet and the Income Statement | As at 31.12.2022<br>Thousand BGN | As at 31.12.2021<br>Thousand BGN |
|---|---|---|
| Total assets | 7,794,503 | 7,388,488 |
| Share capital | 127,130 | 127,130 |
| Shareholders' equity | 645,988 | 608,852 |
| Total deposits | 7,062,986 | 6,692,582 |
| Deposits from non-financial institutions | 7,045,300 | 6,639,742 |
| Advanced loans and advances to customers, net | 3,031,140 | 2,888,459 |
| Net interest income | 126,698 | 105,366 |
| Non-interest income | 61,255 | 63,284 |
| Total income | 187,953 | 168,650 |
| Operating expenses | 144,141 | 133,967 |
| Net profit | 38,142 | 26,218 |

| Financial highlights | As at 31.12.2022 | As at 31.12.2021 |
|---|---|---|
| ROaE % | 6.15% | 4.32% |
| ROaA % | 0.50% | 0.37% |
| Shareholders' equity / total assets % | 8.28% | 8.19% |
| Operating expenses / total assets % | 1.84% | 1.82% |
| Operating expenses / total income % | 76.68% | 79.67% |
| Loans to customers / total assets % | 38.88% | 39.11% |
| Total deposits / total assets % | 90.61% | 90.63% |
| Deposits from non-financial institutions / total assets % | 90.38% | 89.92% |
| Total capital adequacy | 18.11% | 15.89% |

| Recourses | As at 31.12.2022<br>Number | As at 31.12.2021<br>Number |
|---|---|---|
| Number of customers | 1,921,728 | 1,897,140 |
| Foreign correspondents | 184 | 192 |
| Nostro accounts | 16 | 16 |
| Locations, including branches | 293 | 295 |
| Personnel | 1754 | 1789 |

# TODAY

Central Cooperative Bank Plc is a universal commercial bank, belonging to the financial structure of CCB Group EAD. Together with the remaining companies, the bank comprises the full array of services in the field of financial intermediation, products and services with an emphasis on SME lending and retail banking for its clients.




As a universal commercial bank CCB Plc offers an array of financial products and services, which correspond to the competitive requirements of the dynamically changing market environment. The Bank constantly strives to deploy the spectrum of financial intermediation and works hard to create new and develop the known products and services.

CCB Plc. is a full member of the International Cooperative Banking Association and the European Association of Cooperative Banks.

The Bank is a full member of MasterCard Europe and Visa International, offers the Maestro and MasterCard cards and the family of Visa cards.

Central Cooperative Bank Plc is an indirect member of EBA STEP2 SCT and a direct member of TARGET2.

The Bank is an indirect member of International Swaps and Derivatives Association, Inc – ISDA.

CCB Plc maintains good relationships with a number of correspondent banks, improving the business contacts with them. The Bank has over 184 correspondents and 16 Nostro accounts, as well as a number of lines for documentary operations for various amounts and trade finance for the import of investment products, made in EU. Through the MM and FX limits, the bank maintains the wide spectrum of the offered products and services.

CCB Plc has a license to carry out transactions as an investment intermediary on the Bulgarian capital market, acting on its behalf and at its expense, as well as on behalf and at the expense of its clients.

CCB Plc. is a primary dealer of government securities on the Bulgarian domestic market.

The Bank provides an easy access to all range of its products via a well-developed branch network, offering quick and modern solutions to its customers. At present the Bank has 293 branches and offices all over the country and abroad.

# BRIEF HISTORY

On 28 March 1991 Central Cooperative Bank was registered with a resolution of the Sofia City Court. At first the Bulgarian National Bank Management Board issued a license to CCB Plc for carrying out bank activity on the territory of the country.

The founders of the bank were Central Cooperative Union, the regional cooperative unions and more than 1100 cooperative organizations. In the beginning its mission was to contribute to the development of the cooperative system in Bulgaria. Passing through different development periods, the Bank established itself as a universal commercial bank nowadays.

Since 12 March 1993 the Bank is authorized to carry out operations abroad as well.

Since July 1993 CCB Plc is an associate member of the European Association of Cooperative Banks, domiciled at Brussels.

On 4 March 1999 CCB Plc received the statute of a publicly listed company, and in this way became one of the two Bulgarian banks, the shares of which were traded on the Bulgarian Stock Exchange - Sofia.

Up to 2001 CCB Plc shareholders included: Central Cooperative Union, Bulbank AD, the State Agricultural Fund, the Bank Consolidation Company etc.

At the beginning of 2002 the share of Bank Consolidation Company AD amounting to 32.77% was acquired through bidding by Chimimport JSC, which became the main shareholder of Central Cooperative Bank Plc.

In 2002 CCB Plc received a license from MasterCard Europe – a prestigious international card organization for the issuance and acceptance of the international Maestro debit cards and Mastercard credit cards.

In 2003 CCB Plc acquired a license for a Bulgarian agent of Western Union, the international fast money transfer company.

In September 2004 Central Cooperative Bank Plc became a member of the Management Board of the International Cooperative Banking Association, together with over 52 credit institutions from 36 countries.

At the end of 2004 CCB Plc increased its capital from BGN 16 169 564 to BGN 32 338 128 via the issuance of 16 168 564 shares, having a par and issue value of BGN 1. The Bank's main shareholder is CCB Group Assets Management EAD, which is 100% property of Chimimport Plc.

On 27 May 2005 the Bank became a principal member of Visa International and at the beginning of 2006 we started offering the family of Visa cards.

In September 2005 CCB Plc took a decision to increase its share capital by 50% and as of the end of the year it amounted to BGN 48 507 186, and the shareholders' equity was BGN 80,928 thousand.

In December 2005 CCB Plc received a permit from the Central Bank of Cyprus to open its first foreign branch in Nicosia.

On 11 May 2006 CCB Plc signed a second Syndicated Term Loan Facility, whereas the initial amount of EUR 11.000.000 was increased to EUR 27.500.000 with the participation of 12 foreign banks. The syndicated loan was arranged by HSH Nordbank AG and Raiffeizen Zentralbank Österreich AG.

At the end of June 2006 the General Meeting of Shareholders of CCB Plc took a decision to increase the capital by 50% and at the end of the year the Bank share capital amounted to BGN 72 760 779.

Since 1 January 2007, with Bulgaria's accession to EU, CCB Plc has acquired the statute of a full member of the European Association of Cooperative Banks.

In June 2007 the General Meeting of Shareholders of CCB Plc. took a decision to increase the capital and at the end of the year it amounts to BGN 83 155 092.

In September 2007 the first foreign branch of CCB Plc. was opened in Nicosia, Cyprus.

On 28 February 2008 CCB Plc acquired the Macedonian bank Sileks Bank AD Skopje, which was renamed to Central Cooperative Bank AD Skopje on 22 October 2008. At present CCB Plc has 82.63 % of the voting shares of the capital of CCB AD Skopje.

On 15 August 2008 Central Cooperative Bank Plc joined ISDA - International Swaps and Derivatives Association as a user.

In October 2008 CCB Plc became an indirect member of EBA STEP2 SCT.

In February 2010 CCB Plc became an direct member of TARGET2.

In December 2010 the Bulgarian Credit Rating Agency awarded to Central Cooperative Bank Plc a long-term credit rating, grade: BBB, outlook: stable and a short-term rating: A-2.

As at 31.12.2010 CCB Plc ranks among the first 10 Bulgarian banks in terms of total assets according to the BNB classification.

On 3 January 2011 "Stater Banka" AD, Kumanovo, the Republic of Macedonia merged with CCB Plc, Skopje.

At the beginning of 2011 CCB Plc became the main shareholder of ZAO AKB Tatinvestbank, Kazan, the Republic of Tatarstan, Russian Federation.

On 28 March 2011 CCB Plc celebrated twenty years of its establishment.

On 21.07.2011 the Management Board of CCB Plc took a decision for a company capital increase from BGN 83 155 092 to BGN 113 155 092, whereas as at 31.12.2011 the total equity of the Bank amounts to BGN 332,781 thousand.

In the second quarter of 2012 CCB Plc started the issuance of international Visa Platinum credit cards.

In 2012 CCB Plc continued implementing the project for the establishment of a second foreign branch on the territory of EU.

In 2013 CCB introduced new products and services in retail banking and the card business, among which the Mobb service and promotional conditions for the product “Home for you”.

At the end of 2013 CCB ranked on the eight place among Bulgarian banks in terms of total assets.

In 2014 the Bank started offering contactless Visa payWave debit and credit cards and contactless Maestro PayPass debit cards.

In October 2014 CCB started offering the CashM service to its clients.

In 2014 CCB Plc preserved the eight place among Bulgarian banks according to total assets.

Since February 2015 the Bank started the offering of debit cards of high class Visa Debit.

April 2015 Successfully and on time we finalized the process of the full migration of all IT systems to move the head-office of the Bank to the new administrative building (former Pliska Hotel) at: the city of Sofia, 87 Tsarigradsko shose blvd; The administration of the Bank carries out its activity in the new office building at 87 Tsarigradsko shose blvd.

In May 2015 the Bank started issuing Emotion contactless cards, where the client is entitled to choose the design of his/her card.

In July 2015 the Bank started offering a new type of credit card of exceptionally high class, intended for the most special clients - World MasterCard.

In 2015 new traders, offering rebates to the clients with club cards joined the CCB Club loyalty program.

In 2015 during the whole year there continued the update of the parameters and the conditions of the credit products for individuals.

As at 31.12.2016 the financial result of CCB Plc increases 4 times compared to the previous year.

As at 31.12.2017 the assets of the Bank increased by 9% and the financial result increased by 38% compared to 2016.

In 2018 the Bank offered new products and services in the field of retail banking, as well as more advantageous conditions for consumer and mortgage loans.

In October 2019 CCB joined the initiative of SWIFT “GPI – Global Payments Innovation” and in this way it became the second bank, which implemented GPI in Bulgaria.

In 2020, despite the COVID-19 crisis, CCB Plc realized a net profit of 20 million BGN and total assets of 6,6 billion BGN.

In 2022 the Bank offered new products and services in the field of retail banking, as well as more advantageous conditions for consumer and mortgage loans.

# MANAGERIAL TEAM

Central Cooperative Bank Plc has a two-tier system of management, which consists of a Supervisory Board and a Management Board.

The Supervisory Board consists of three members and elects the Management Board and a Procurator. The Management Board on its part elects the Executive Directors with the approval of the Supervisory Board.

At present the following members are included in the Supervisory Board and the Management Board:

1. Supervisory Board:

| | |
|---|---|
| Chairperson: | Ivo Kamenov |
| Members: | Marin Mitev<br>Rayna Kuzmova<br>Central Cooperative Union<br>Represented by Peter Stefanov |

2. Management Board:

| | |
|---|---|
| Chairperson: | Prof. Dr. Aleksander Vodenicharov |
| Members: | Tsvetan Botev – Deputy-Chairperson<br>Nikola Kedev – Executive Director<br>Sava Stoynov - Executive Director<br>Georgi Kostov - Executive Director<br>Aleksander Kerezov<br>Prof. Dr. Bisser Slavkov |

3. Procurator: Tihomir Atanassov

# SHARE CAPITAL AND SHAREHOLDERS

On 21.07.2011 the Management Board of Central Cooperative Bank Plc took a decision for a company capital increase from BGN 83 155 092 to BGN 113 155 092 via the issuance of 30 000 000 ordinary book-entry voting shares with a nominal value BGN 1 and an issue value of BGN 1,50.

Till the end of the subscription 29 999 199 shares were subscribed and paid. As a result of this the amount of BGN 44 998 798.50 was credited to the capital raising account of CCB Plc.

The capital of the Bank to the amount of BGN 113 154 291 after the increase was entered in the Companies Register on 15.12.2011.

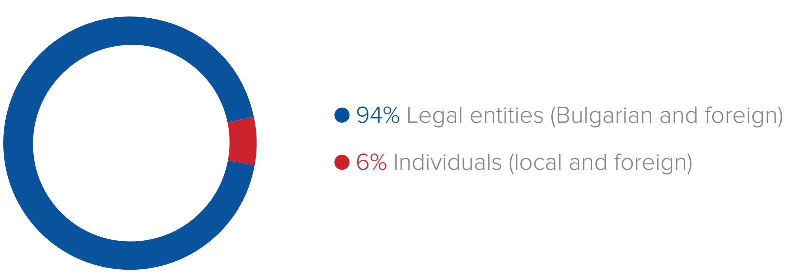
As at 31 December 2022 the shareholders' equity amounts to BGN 645,988 thousand. The capital adequacy is 18.11 %, which is above the requirements according to Ordinance No. 8 of BNB on the capital adequacy of Banks.

| Shareholders of CCB Plc as at 31 December 2022 | Share (%) |
|---|---|
| CCB Group EAD, Sofia | **61.05 %** |
| Armeec insurance company JSC | **7.07 %** |
| UPF Suglasie | **6.98 %** |
| Chimimport JSC | **8.24 %** |
| Other | **16.66 %** |

As at December 31, 2022 the shareholders of CCB Plc are 4,902 individuals and 1,110 legal entities.

The shares of CCB Plc are traded at the Bulgarian Stock Exchange since 4 March 1999. In the last 24 years the CCB Plc shareholders' structure has significantly changed three times – in June 1999, when Bulbank AD sold to the State Agricultural Fund its share of 35%; in June 2001 when the share of the State Agricultural Fund, which had been acquired by the Bank Consolidation Company, was purchased by "Chimimport" JSC and at the end of 2004, when the shares of Central Cooperative Union were acquired by "Chimimport" JSC through CCB Group EAD.

### Breakdown of share capital



# ACTIVITY OVERVIEW

Central Cooperative Bank Plc is a universal commercial bank, offering a broad spectrum of financial products and services. The Bank endeavors to follow the competitive requirements of the constantly changing environment and deploys its array of products and services in the field of financial intermediation, putting an emphasis on financing SMEs and servicing its retail clients.

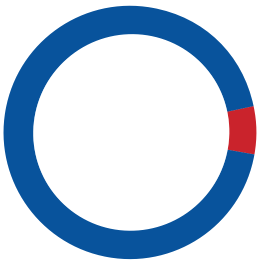
The Bank is one of the leaders on the market in rendering services to the agricultural sector and the related production activities. In 2022 CCB Plc continued to offer the array of credit products and services in the field of consumer lending, as well as lending to SMEs. Following the set goals, the Bank deployed its activity as a “retail bank” and achieved good positions in the market of SMEs, attracting more and more clients in this sector.

## CLIENT STRUCTURE

A considerable contribution for the success and established market positions of the Bank belongs to its clients. For this reason CCB Plc attracted more clients, especially individuals, households, SMEs. The Bank’s portfolio is entirely subordinated to the needs and desires of clients. The efforts are concentrated on offering competitive and attractive products.

| Sector | 31.12.2022 | 31.12.2021 |
|---|---|---|
| Individuals | 1,802,248 | 1,780,147 |
| Commerce | 65,196 | 64,367 |
| Transport and communications | 6,167 | 6,055 |
| Industry and construction | 11,791 | 11,543 |
| Agriculture and forestry, hunting and fishing | 5,796 | 5,547 |
| Finance, loans and insurance | 2,441 | 2,396 |
| Education | 3,584 | 3,375 |
| Healthcare, sports and tourism | 2,561 | 2,486 |
| Other | 21,944 | 21,224 |
| **Total:** | **1,921,728** | **1,897,140** |

The clients of the Bank again increased and reached 1,921,728 at the end of 2022. Compared to the previous year the increase is in the amount of 1,29 %, whereas the results take into consideration mainly the increase in individuals. Their share increased by 24,588 compared to 2021. The positive growths that is observed in the last several years is mainly due to the ambition of the Bank to develop in one of the most competitive for the banking sector segment, namely retail banking. There is a growth in lending to SMEs.




# RETAIL BANKING

## Card products

In 2022 CCB AD retained its position as one of the major issuers of card products in the country. The Bank issues international Mastercard and Visa credit cards, the co-branded Visa CCB-Bulgaria Air credit card and the Visa Platinum credit card. The portfolio of debit cards, offered by the Bank, consists of high-end international World Debit Mastercard debit cards, Debit Mastercard debit cards and Visa Debit debit cards and the co-branded Debit Mastercard cards with A1 Bulgaria EAD, as well as the local debit card Bcard. Customers are also offered EMOTION debit and credit cards, the opportunity to choose the vision of their card from a proposed gallery with more than 50 designs. The Bank makes it possible for customers to benefit from the advantage of extremely fast contactless payments with all major card brands.

CCB provides favorable conditions for its most important clients, by offering gold Visa and Mastercard credit cards at the annual interest rate — 12 %. The standard and business Visa and Mastercard cards, issued by the Bank, have an interest rate of 15 % per year in BGN, EUR and USD. For its special clients the Bank offers a Visa platinum credit card with an exclusive interest rate of 10 %, as well as a very high-end credit card — World Mastercard at an annual interest rate of 9 %. The competitive advantage of CCB credit cards is the grace period for all transactions. The cardholders of Standard/Classic and Business cards use a grace period of up to 45 days, both when paying for goods and services, as well as when withdrawing cash. The grace period for the premium cards (Gold Favorite, Platinum, World) is up to 60 days for all transactions.

The Bank makes it possible for its customers to benefit from the advantage of fast contactless payments with all major card brands.

The Bank offers two card products, designed specifically for companies — contactless Visa Debit Commercial debit cards and Debit Mastercard Commercial debit cards. The cards are of a high class, with a wide application and additional features to meet the needs of business customers. Corporate clients can also benefit from a special package offer, which includes preferential terms for basic banking services, Commercial debit cards and use of e-banking with QES.

For the Mastercard Business clients CCB AD offers the service — multicasting personal assistant. The clients of CCB AD with business Mastercard cards can take advantage of information and recommendations for everyday services in support of their business life, by calling or e-mailing as a courier, orders and deliveries, assistance in organising events and projects.

In the segment of the products, offered to individuals, CCB strengthens its positions with the issued debit cards of a higher class — World Debit Mastercard. They have been designed for clients with good financial capabilities, valuing the high level of service, the additional privileges and having a significant resource in the Bank. The use of a credit product of large size is also a condition for issuing the higher class debit cards. Their main advantage is that with them customers receive a free travel insurance policy, similar to that for credit cards — free medical assistance and protection from over 20 types of insurance events, as well as higher discounts for some of the merchants in the CCB Club program.

The Bank offers an extremely high-end World Mastercard credit card, designed for significant and solvent customers. The World Mastercard credit card is a premium Mastercard product that is positioned at a higher level even than the Platinum credit cards. Besides the extremely attractive financial parameters of the World Mastercard card, it also brings a number of additional perks and privileges to its owners:

- A free membership in the Priority Pass program — provides access to over 700 business lounges at airports in over 100 countries around the world;
- Special discounts from Bulgaria Air;
- A free access to the Vitosha and Preslav business lounges at the Sofia Airport, the business lounges of the Varna and Burgas Airports and Sky Lounge and Jet Lounge in Vienna;
- A travel insurance policy with Armeec company JSC — 22 insurance coverages with a maximum amount of the coverage of USD 50,000;
- An additional insurance policy, which provides protection against theft of the card together with personal belongings and documents, protection in case of accident or theft of goods, purchased with the card, as well as the best price when shopping;
- Discounts in the CCB Club program;
- Discounts upon shopping at selected traders in Bulgaria, included in the CCB World Offers catalogue;
- Additional attractive discounts abroad at hotels, famous shops and rent-a-car companies, provided by Mastercard;
- Many more discounts upon shopping at the outlets, included in the CCB Bonus program.

All individuals, holding credit cards, issued by CCB may benefit from the Cash Back Promotion of A1 and Lukoil. The aim of the campaign is to promote the Bank’s credit cards and encourage the cards’ active use. The Cash back promotion of A1 is a monthly refund of part of the amount spent with these partners with the credit card, the refund on the card, and for purchases at Lukoil, customers receive the refund within two working days after the transaction. The portion that is refunded is formed as a percentage of the amount of transactions, effected with the card. For A1 a cash back discount of 3 % is charged for purchases at devices, made solely in the online store of A1 with a credit card from CCB. For Lukoil a discount is charged only for the purchase of fuel at petrol stations, owned by Lukoil-

Bulgaria, whereas for Visa Classic and Mastercard Standard cards the rebate is 1 % and for Visa Gold, Mastercard Gold, Visa Platinum and Mastercard World it is 1.5 %.

For the Premium cardholders CCB offers additional services: Concierge and LoungeKey. The Concierge service is implemented for World Mastercard debit and credit cards. The service provides customers with the opportunity to take advantage of the privilege of a personal assistant — with one phone call they can get recommendations, advice or make a reservation for restaurants, hotels, airline tickets, concert tickets, etc. For customers with Visa Platinum a free access is available for 5 cardholder visits and 5 visits for his/her companion to business lounges, participating in the Lounge Key program. The program provides access to over 1,300 airport business lounges around the world.

MasterCard launched an additional service for the Premium Mastercard cardholders — AskPleez! – a free mobile app in Appstore and Google Play store with artificial intelligence and human attitude. Customers have the opportunity to benefit 24/7 from the help of AskPLEEZ! — a virtual personal assistant specifically for the Premium Mastercard cardholders: Mastercard Gold and World Mastercard debit and credit cards.

In collaboration with Mastercard, CCB offers the premium Mastercard cardholders (Gold credit cards, including for business customers, World Mastercard debit and credit cards) Airport Security Fast Track by Dragon pass, enabling them to avoid queues at more than 70 airports around the world and substitute them for more free time in recreation and shopping areas. Airport Security Fast Track provides a fast track that ensures priority passage through airport inspections and check-in.

CCB offers to its clients the CashM service, enabling all CCB cardholders to order money transfers through their bank cards at an ATM. The recipient of the transfer also withdraws the amount at an ATM, and there is no need to hold a bank account or card.

# Development of the CCB card products in 2022

The following strategic innovative projects have been successfully implemented at CCB, which is indicative that the digitisation of the Bank is a priority, as well as the care to clients and the responsibility to protect the environment, namely:

- Mastercard's method of biometric authentication IDCM (Identity Check Mobile) in the mobile payments for cardholders, using debit and credit cards with the Mastercard and VISA logos for iOS and Android operating systems.

By doing so, CCB fully meets the requirements of the European Union Directive 2015/2366 (PSD 2) and Delegated Regulation 2018/389 on the application of the method of strong customer authentication in e-commerce.

IDCM has proven to work incomparably faster and more conveniently for our customers than all other solutions, implemented on the Bulgarian market.

1. Apple Pay's mobile wallet (E-Wallet) for cardholders, holding debit and credit cards with the Mastercard and Visa logos.

Apple Pay makes it possible for the Bank's cardholders to make payments via mobile phone by adding a Mastercard® card to Apple Wallet.

- Apple Pay is a digital wallet that offers an easy and secure way to make transactions through iPhone, iPad, Apple Watch and Mac devices.

- to make payments, customers need to add their bank card to Apple Pay's digital wallet.

- Adding a card to Wallet is called digitisation and practically replaces the physical plastic card with a digital card.

The priority in implementing Apple Pay is to protect the personal information of cardholders, which is guaranteed, because when a payment is made, Apple Pay uses a special number and a unique transaction code. In this way, the information is encrypted and never stored on the customer's device or Apple servers, and during the transaction process, the card data is not shared by Apple with the merchant; that is, every time a customer makes a payment with a debit or credit card, Apple Pay does not store any information that could be related to him/her.

Apple Pay is accepted at merchants where there is a contactless POS terminal in the country and abroad and the corresponding designation. All payments at POS terminal are subject to confirmation with Touch ID or Face ID.

2. Google Pay mobile wallet (E-Wallet) for bank cardholders, holding debit and credit cards with the Mastercard and Visa logo.

Google Pay allows you to make payments via a mobile phone by adding a Mastercard or Visa card to Google Pay, running under the Android operating system. The features that Google Pay offers are identical to those, specified for Apple Pay.

With the implementation of the E-Wallet projects of Apple Pay and Google Pay Central Cooperative Bank AD ranks among the leading banks on the Bulgarian banking market in terms of digitising the offered services and optimising the customer experience, while at the same time we managed to stop the decrease in the issued cards and transactions respectively.

CCB successfully implemented jointly with Mastercard the Ethoca Project, which in the mobile banking and the digital wallet of clients provides information of the merchant's name, logo and location of the executed transactions.

Ethoca is a secure and convenient way to track transactions and provides the following advantages to customers:

- Detailed information in mobile banking for each payment that will improve the customer experience;
- By giving access to detailed information, our cardholders have the opportunity to see the location through the commercial logo, which inevitably minimises the cases of unnecessary filing of a request for contested payments.

Advantages for CCB merchants that register on Ethoca's website:

- Peace of mind for their clients and businesses;
- Transparency and visualisation of the commercial brand;
- Avoiding cases of unmotivated contested payments, which inevitably entail unnecessary costs for them and their servicing bank;
- The logo is associated with the specific transaction, which in turn will give cardholders the opportunity to visualise for themselves any purchase made on site in the store or on the merchant's website in compliance with the highest standards of confidentiality of information for all parties, involved in the payment process.

By offering all these products, the Bank strives to further satisfy the needs of its customers, enabling them to benefit from the advantage of extremely fast contactless payments with all major card brands.

## Market Positions and Statistics

In 2022 CCB AD affirmed its good market position in the issuance of bank cards, with the total number of cards, issued by the Bank as at 31.12.2022, amounting to 465,072.

CCB AD managed to maintain good market shares in terms of the development of its network of ATMs and POS terminals. The number of virtual POS terminals in 2022 reached 646. At the end of 2022 the total number of ATMs of CCB was 512. The total number of CCB POS terminals at the end of 2022 is 5,066, including POS terminals in bank rooms. All new POS terminals at the merchants that the Bank installs have the new functionality for acquiring contactless payments.

The total number of international credit cards, issued at the end of December 2022 was 22 837, of which Mastercard — 12 257 and Visa — 10 635.

The following table presents synthesised information of the card products and services, offered by CCB AD.

| ATMs, POS terminals, credit and debit cards | 31.12.2021 | 31.03.2022 | 30.06.2022 | 30.09.2022 | 31.12.2022 |
|---|---|---|---|---|---|
| **ATMs** | | | | | |
| ATM devices (ATMs) | 561 | 561 | 542 | 538 | 512 |
| **POS terminals** | | | | | |
| POS terminals at the trade shops | 4,848 | 4,831 | 4,999 | 5,078 | 5,066 |
| POS terminals at the Bank branches | 279 | 279 | 276 | 276 | 276 |
| Virtual POS terminals | 630 | 630 | 608 | 627 | 646 |
| Total POS | 5,757 | 5,740 | 5,883 | 5,981 | 5,988 |
| **Credit cards** | | | | | |
| MasterCard Standard | 13,070 | 12,667 | 12,256 | 11,932 | 11,678 |
| MasterCard Gold | 383 | 381 | 375 | 381 | 373 |
| MasterCard World | 167 | 171 | 178 | 179 | 206 |
| MasterCard Business | 50 | 49 | 45 | 47 | 45 |
| Visa Classic | 9,878 | 9,571 | 9,309 | 9,127 | 8,941 |
| Visa Gold | 1,224 | 1,197 | 1,164 | 1,146 | 1,126 |
| Visa Platinum | 436 | 426 | 425 | 423 | 420 |
| Visa Business | 65 | 60 | 53 | 52 | 48 |
| Total credit cards | 25,273 | 24,522 | 23,805 | 23,287 | 22,837 |

| Debit cards | | | | | |
|---|---|---|---|---|---|
| Debit MasterCard | 291,632 | 290,487 | 286,692 | 282,566 | 275,958 |
| Debit MasterCard Commercial | 3,043 | 3,107 | 3,199 | 3,258 | 3,287 |
| Gold Debit MasterCard | 2,309 | 2,145 | 1,973 | 1,796 | 1,437 |
| World Debit MasterCard | 21,171 | 21,753 | 22,309 | 23,005 | 24,586 |
| Visa Debit | 139,695 | 139,780 | 137,846 | 135,515 | 133,037 |
| Visa Debit Commercial | 3,139 | 3,193 | 3,239 | 3,298 | 3,350 |
| Visa Electron | 3,401 | 572 | 0 | 0 | 0 |
| Bcard | 629 | 634 | 626 | 597 | 580 |
| Total debit cards | 465,019 | 461,671 | 455,884 | 450,035 | 442,235 |

## Promotions for the CCB cardholders with Visa and Mastercard debit and credit cards

In 2022 CCB again carried out advertising campaigns with Visa and Mastercard card organisations, aimed at stimulating the CCB card payments at merchants in the country. The holders of CCB international cards had the opportunity to participate in promotions with attractive prizes and additional incentives. CCB AD participated in the following campaigns:

- Joint Spring National Campaign with Visa. Any cardholder with a Visa debit or credit card, who registers a payment made to cover liabilities for taxes or utility bills in the period of the promotion from 1.3.2022 to 30.4.2022, participates in a prize lottery — 72 prizes, each worth BGN 500;

- All newly issued Mastercard cards in the period from 15.11.2021 to 28.2.2022 and received by the clients until 14.3.2022 were with promotional conditions: 0 % interest rate for the first 6 months of the card activation and an annual fee from the second year;

- A joint campaign of Visa and Spark, in the period from 01.11.2020-31.01.2022. Upon registration of a Visa card on the website of Spark, eGo bonus points accrue for each card payment and you can win a free trip for one day;

- A joint campaign of Visa and Glovo, in the period from 1.4.2022 to 30.4.2022. All cardholders with a Visa debit or credit card, including a business card, who made 3 payments worth more than BGN 25 through the application participate in the campaign;

- A Visa campaign, aimed at the Premium cardholders, which took place in the period from 15 April 2022 to 17 May 2022. For any payment abroad at a restaurant, made with a Visa Gold or a Platinum card, cardholders will receive a 5 % discount in the form of cash back. The maximum amount that can be refunded for one calendar month for Visa Gold and Visa Platinum is BGN 50;

- A Visa campaign to promote the service for buying tickets with a card in the city transport in Sofia, in the period from 4.4.2022 to 30.6.2022. With each BGN 5 or more, paid in the public transport or subway with a Visa card within a weekly subperiod of the promotion you automatically participate in the lottery for the respective monthly subperiod;

- A Visa campaign, aimed at business customers during the period 1.05.2022-31.07.2022. Upon payment with a Visa Business debit or credit card for stay at a hotel abroad until 31 July, the cardholder automatically receives 5 % back on the card, but not more than BGN 50 (fifty) for the whole period of the promotion;

- A campaign, aimed at stimulating the mobile payments, “Pay with Visa with your mobile device”, valid in the period 01.06.2022-31.08.2022. Only mobile payments with mobile devices (with a mobile phone, a smart watch or other device) made in a contactless manner with a Visa card via a POS terminal at trade shops in Bulgaria, allowing payments with Google Pay or Apple Pay, are considered valid;

- A joint campaign with Mastercard, aimed at stimulating card payments in the Sofia City Transport. In case of payment with a Mastercard debit or credit card in the period from 1.6.2022 to 30.11.2022 for every BGN 10, paid with Mastercard in the city transport of Sofia, the cardholder receives back BGN 1, if he is among the first 8000 each month;

- A Mastercard campaign, aimed at stimulating payments with Premium Mastercard. Any cardholder of Premium Mastercard®, who makes 5 or more transactions in one of the three stages from June 15th to September 15th, including at a hotel, gas station, restaurant and travel agency in Bulgaria and/or abroad participates in a prize lottery;

- A Visa campaign, aimed at business clients in the period 1.05.2022-31.07.2022. Upon payment with a Visa Business debit or credit card for stay at a hotel abroad until 31 July, the cardholder automatically receives 5 % back on the card, but not more than BGN 50 (fifty) for the whole period of the promotion;

- A campaign, aimed at stimulating the mobile payments, “Pay with Visa with your mobile device”, valid in the period 1.06.2022-31.08.2022. Only mobile payments with mobile devices (with a mobile phone, smart watch or other device) made in a contactless manner with a Visa card via a POS terminal at trade shops in Bulgaria, allowing payments with Google Pay or Apple Pay are considered valid;

- The promotional campaign of CCB AD and Mastercard “Convert the everyday life into adventure”, which took place in the period 1.07.2022-30.09.2022. The first 1000 clients each month until 30 September, who made 10 transactions with their Mastercard® card, receive back on their card BGN 30 cash back. The campaign includes payments in Bulgaria and abroad, at physical and virtual POS with all personal Mastercard debit and credit cards;

- A Visa and Glovo campaign. From 1.07.2022 to 14.8.2022. In order to participate it is necessary for a cardholder with a Visa card to register it at Glovo, to pay one order with it, in order to receive BGN 10 gift for the next order;

- Promotion of Mastercard, aimed at stimulating mobile payments with Mastercard cards, valid during the period 15.08.2022-15.11.2022. In order to participate, a cardholder with a Mastercard card is required to make one or more mobile payments for at least BGN 100 with a Mastercard cards in one of the three stages of the campaign by 15 November. At the end of the campaign a lottery for Volkswagen ID electric van is being held. The first 5,000 participants each month, fulfilling the condition of the campaign, will receive cash back in the amount of BGN 10. Each cardholder can receive cash back only once within one period of the campaign;

- A joint campaign of CCB and Visa for mobile payments in the period from 1.8.2022 to 30.9.2022. To participate in the campaign, customers should digitise their Visa card from CCB, make at least one mobile payment with the card and can win: holiday on the Maldives, an iPhone 13 or a smartwatch;

- A promotion of Mastercard & Metro — upon payment with a Mastercard card for at least BGN 50 in all METRO stores until November 13, 2022, registration of the POS slip on the website of the store and customers can win a prize related to sports, art, science or music, as well as a weekend trip with sports, art, science or music professionals;

- A joint Visa promotion with Billa stores, valid from 1 October to 18 December 2022. Payments in Billa stores give a chance to win one in five refrigerators or one in 100 branded bottles of Visa and Qatar 2022 (World Football Championship);

- A campaign for shopping and contactless payment in IKEA stores or online at www.IKEA.bg with a Mastercard card for at least 50 BGN, between 1 November 2022 and 31 January 2023, customers can win a prize — one out of 100 festive kits for the whole period;

- When buying MacBook Pro 13,3', 256 GB, M2 chip, between 1 September and 11 November 2022 directly in iSTYLE stores or online at www.istyle.bg and payment with a Mastercard card you receive a discount from the price of the device, amounting to BGN 150;

- A Visa promotion, from 15 November to 18 December 2022 for all payments in Bulgaria with Visa debit and credit cards for individuals and legal entities, issued before 14 November 2022. Campaign award — Kia Niro EV electric car;

- New travel opportunities for Premium and Business Mastercard cardholders — Mastercard® Airport Security Fast Track Dragon pass — provides access to a network of recreational areas services in over 70 airports around the world and a priority pass through airport inspections and check-in. The price of Mastercard® Airport Security Fast Track varies between EUR 3.15 and EUR 17.

## CCB Club Loyalty Program

In 2021 the CCB Club programme maintained its sustainable development.

The CCB Club program includes 11 partners, who provide the following discounts:

• Bulgaria Air provides to clients an attractive discount of 5 % on the price of airplane tickets, to which is added the discount for payment with the CCB-Bulgaria Air co-branded credit card. Clients highly appreciate the preference, which is given in the form of free transport of additional luggage on each flight of Bulgaria Air;

• Armeec insurance company AD provides the opportunity for the accrual of bonus points under the program in combination with the use of various other discounts by the insurance company;

• Lukoil, due to the nature of its business, provides the highest frequency of bonus sales:
  - CCB Club gold card— 4 % discount;
  - CCB Club silver card— 3.5 % discount;
  - CCB Club business card— 3.5 % discount;
  - CCB Club standard card — the discount of 3 % is preserved;

• HomeMax chain stores — 5 % discount;

• COOP retail chain — 3 % discount;

• BM Market food chain— 3 % discount;

• Grand Optics & Joy Optics chain optics — 20 % discount;

• Frant men’s fashion stores — 10 % discount;

• Hush Puppies shoes stores— 5 % discount;

• Special A1 proposals for CCB Club members;

At the end of 2022, the number of customers, participating in the CCB Club loyalty program, reached 578,831, with the bonus amount of sales exceeding BGN 58 million.

## CCB Bonus Program

CCB AD continues to develop the CCB Bonus program. Its main purpose is to direct the Bank’s cardholders to the trade shops of selected partners, where they have the opportunity to benefit from special discounts. The CCB Bonus program is an important advantage for customers in the choice of a bank, not only for credit, but also for debit cards. It is oriented towards stimulating card payments and creating relationships of lasting partnership with both customers and merchants. The mobile version of CCB Bonus enables customers to access the catalog via mobile devices and at any time to be informed about trade shops, where they can benefit from the discount.

# CONSUMER AND MORTGAGE LENDING

The main priority in the activities of Central Cooperative Bank AD in 2022 was mortgage lending to individuals, and in this segment CCB AD ranked on the 7th place in absolute volume of the portfolio. The Bank continued attracting customers with a good profile and high income. The mortgage and consumer loans market was characterized with increased activity dynamics, with banks greatly improving the parameters of their products in order to attract new customers.

In 2022 the Bank emphasized the segmentation of customers and their division into several target groups, for which to offer highly competitive offers. The Bank worked moderately actively to attract corporate and institutional clients with attractive conditions for servicing the salaries of their employees. The Bank relies on a personal approach and the offering of special, individual for the distinct client parameters of the transaction. The Bank continued the offering of credit products with special conditions for the employees of well-known and stable companies with which there is no contract for the payment of salaries. The Bank's employees maintain a close contact with key employers in the different regions and periodically make presentations of the Bank's products to the employees.

The trend that began three years ago to increase the mortgage loans portfolio and preserve the consumer loans portfolio continued. Retail lending conditions were updated and improved periodically throughout the year. The focus of lending to individuals this year was mortgage loans.

In 2022 the Bank offered the following mortgage loans to individuals:

- "Home for you" — a residential mortgage, designed for the purchase and finishing of construction works of new and existing real estates, as well as for the refinancing of mortgage loans for the purchase of a home, granted by other banks. The maximum amount of the loan is up to BGN 300 000 or the equivalent in EUR and up to BGN 500 000 the equivalent in EUR for collateral, located on the territory of the provinces — Sofia City, Plovdiv, Varna and Burgas, with a repayment term of up to 30 years.

- "Opportunity" — mortgage loans, granted to finance current needs — repair and furnishing, holiday expenses, education, family events, etc., as well as the refinancing of loans, granted by other banks. The maximum amount of the loan is up to BGN 300 000 or the equivalent amount in EUR and up to BGN 400 000 the equivalent amount in EUR for collateral, located on the territory of the provinces — Sofia City, Plovdiv, Varna and Burgas, with a repayment term of 30 years.

Depending on the form of the credit instrument and the way of repayment, consumer lending is divided into several main types of loans — consumer loans, goods on credit, credit cards and overdraft of individuals.

- "Today" consumer loan — a loan, intended for individuals with a permanent employment contract or persons, exercising a freelance profession, requiring high qualifications. The loan is granted to clients, who receive their salary or part of it on an account with CCB AD. The maximum amount of the loan is BGN 60 000 with a repayment term of up to 10 years. Depending on the amount of the loan, the Bank may require the guaranteeship of individuals as collateral.

- “Trust” consumer loan— consumer loan for civil servants and employees with an institutional employer, as well as for employees of companies, approved in advance by the Bank. Borrowers receive preferential terms from the Bank for this loan. The maximum amount of the loan is BGN 60 000, and the term is up to 10 years.

- “Asset” loan — intended for individuals, who carry out an economic activity and have income other than the remuneration under the employment contract. The amount of the loan is up to BGN 50 000 and the term — up to 10 years.

- “Start” loan— it is intended for individuals. The amount of the loan is up to BGN 30 000 and the term — up to 7 years

- Consumer loan for pensioners — intended for clients, whose income comes from pension. The maximum amount of the loan is BGN 20 000 with a maximum term of 7 years and an additional condition for the maximum age of the borrower on the maturity date.

- Consumer loan for students — a consumer loan, intended for students, who study in public or private higher education institutions and are up to 35 years old at the time of applying for loan. The maximum amount of the loan is BGN 20 000, and for the purpose of a traineeship or work abroad, the amount is up to BGN 5 000. Borrowers are entitled to a grace period for the duration of their studies, with the maximum term of the loan 5 years after the grace period. Student loans are offered without state financial support.

- Consumer loan with cash collateral — it is intended for individuals, who for securing the granted loan block amounts on an account with CCB AD, for which they conclude a pledge agreement, certified by notary public on the date. The maximum amount is up to BGN 100 000 and the maximum term is up to 5 years. The amount of the collateral should cover the full amount of principal and interest due for at least 6 months, and in the case of collateral in a currency other than the currency of the loan, there is an additional limiting condition — the loan, together with interest due for a 6-month period should not exceed 90 % of the collateral.

- Overdraft Standard — intended for individuals, employed under an employment contract, whose salary is paid on accounts with CCB AD. The maximum period is one year, with the possibility of an automatic renewal. The maximum limit is BGN 5000 (up to four net monthly salaries). For employees with an institutional employer and employees of approved private first-class companies, the maximum limit is BGN 12,000 (up to four net monthly salaries).

- “Today” overdraft— it is intended for individuals, working under an employment relationship and their profession requires high qualification and higher education and whose salary is paid on accounts with CCB AD. The maximum period is 1 year, with the possibility of a renewal. The amount of the overdraft is from BGN 5 000 to BGN 30 000, but not more than 15 net salaries. According to the amount of the loan, a guaranteeship of one or two individuals is required.

- Trust Overdraft — intended for individuals — civil servants, employees of the Ministry, which has concluded a contract with CCB AD for the transfer of the salaries of its employees to accounts with the Bank or employees of companies that are correct and loyal clients of the Bank. The amount of the overdraft is from BGN 5 000 to BGN 20 000, but not more than 15 net salaries. The Bank requires as collateral the guaranteeship of one individual.

• Overdraft with cash collateral — intended for individuals, who to secure the granted loan, block amounts on an account with CCB AD, for which they conclude a pledge agreement, certified by notary public on the date. The maximum amount is BGN 50 000 and the term is 1 year, and there is a possibility for renewal. The amount of the collateral is an amount equal to 100 % of the amount of the limit and the interest due for 6 months, and in the case of a difference between the currency of the loan and the currency of the collateral — 80 %.

As at 31.12.2022 CCB provided new retail loans for **BGN 402 million**, of which:
- **BGN 256.1 million** new mortgage loans;
- **BGN 145.9 million** new consumer loans, credit cards and overdraft.

**Newly granted mortgage and consumer loans for a period in million BGN**

| PORTFOLIO: | For the entire year 2020 | | For the entire year 2021 | | For the entire year 2022 | |
|---|---|---|---|---|---|---|
| | number | utilised loans | number | utilised loans | number | utilised loans |
| MORTGAGE LOANS | **1465** | **147.7** | **2506** | **314.8** | **1894** | **256.1** |
| CONSUMER LOANS | **9729** | **108.0** | **10188** | **136.2** | **8850** | **145.9** |
| TOTAL | **11194** | **255.6** | **12694** | **451.0** | **10744** | **402.0** |

## CCB Cyprus branch

In December 2005 the Bank obtained a banking license, issued by the Central Bank of Cyprus, by virtue of which the Bank is authorized to perform banking operations as a legally licensed bank branch on the territory of the Republic of Cyprus, in compliance with the requirements of the Cyprus Banking Law. The Branch started its banking activities on the territory of Cyprus on 1 September 2007. One of the main purposes of opening the first branch of the Bank overseas, apart from going abroad, is to grasp the big Bulgarian community that lives and works on the island. Unofficial sources inform that there are more than 30 000 Bulgarians in Cyprus at present. CCB Plc is a long established bank with traditions, expertise and extremely good reputation and Bulgarians have complete trust in it.

The core competence of the Bank is retail banking. The Cyprus Branch offers maintaining and transactions on current and deposit accounts in Euro, USD and BGN, transferring funds from the Cyprus branch to the rest of the 271 locations in Bulgaria at the most favourable rate on the island, granting of both consumer and mortgage loans to physical and legal persons, debit and credit cards, payment of consumables in Bulgaria, payment to numerous suppliers of a variety of services in Bulgaria, Internet banking facilities, cash in Bulgarian leva and others.

The Branch joined the local payment system JCC Transfer, as well as the check clearing house in Cyprus, which allowed a broader assortment of services. Moreover, the wish of numerous clients who would like to deposit their salaries into their accounts is a reality.

All staff are highly educated and speaking several languages, amongst which are Bulgarian, Greek, English, Russian and Persian. Two of the staff have previous experience in serving the Cyprus International Business Companies, which increases the array of offered services.

Last but not least, the Cyprus Branch is conveniently located at the main artery of Nicosia – Makarios Avenue, which facilitates the clients, arriving from other towns and villages in Cyprus.

# INTERNATIONAL PAYMENTS

The outgoing and incoming customer wire transfers, the local payments in foreign currency and the transit transfers (where neither the ordering customers, nor the beneficiaries are clients of CCB Plc) are processed by a department at the Bank head-office, which consists of highly qualified professionals, specialized in several directions:
- Transfers
- Documentary operations and trade finance
- Western Union

Credit transfers are the most common form of payment, used by clients individuals and by our business clients. For their quality and efficient performance in 2022 the Bank maintained 16 correspondent Nostro accounts in 14 of the currencies most used by business and the population - EUR, USD, GBP, CHF, DKK, SEK, NOK, JPY, CAD, PLN, CZK, RON, RUB, TRY and MKD. The correspondent banks, where CCB maintains its Nostro accounts are some of the most reputable and stable international financial institutions, including Bank of New York Mellon, New York, UniCredit S.p.A., Milan, Landesbank Baden-Wuerttemberg, Stuttgart, PostFinance AG, Berne, Sumitomo Mitsui Banking Corporation, Tokyo, DnB NOR Bank ASA, Oslo, PKO Bank Polski SA, Warsaw. Besides, by virtue of special negotiations with Bank of New York Mellon, CCB effects transfers in over 120 rarely used currencies, such as Australian and New Zealand dollars, Hungarian Forints, Chinese renminbi, Indian rupee, Indonesian rupee, South African Rand, Israeli shekel, Korean Republic Won, Malaysian ringgit, Philippine peso, etc.

**Breakdown of the cross-border customer transfers at CCB Plc in 2022 according to currencies**

| Currency | percentage share in the value of transactions | percentage share in the number of transactions |
|---|---|---|
| EUR | **86.63%** | **91.66%** |
| USD | **11.15%** | **3.24%** |
| GBP | **1.08%** | **1.82%** |
| CHF | **0.25%** | **0.44%** |
| Scandinavian currencies | **0.12%** | **2.22%** |
| Other currencies | **0.78%** | **0.62%** |

Besides via the classical correspondent banking channels, CCB Plc performs and receives its customer transfers via several payment systems for EUR, in which the Bank has the statute of a direct participant.

- Since February 2010 CCB Plc is a direct participant in the Trans-European Automated Real-time Gross settlement Express Transfer system **TARGET2**.

- Since **December 2020 CCB Plc is a direct participant in the Pan- European payment system for SEPA credit transfers EBA STEP2**, and became the second bank in Bulgaria with direct participation in the biggest payment system for SEPA transfer in Europe. (Previously, since 2009 CCB Plc was an indirect participant via a correspondent bank in the EURO Zone).

- CCB Plc is a member of the local SEPA payment system for transfers in **EUR BISERA7-EUR** since its inception at the beginning of 2010.

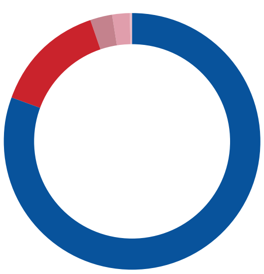
In October 2019 CCB joined the initiative of SWIFT "GPI – Global Payments Innovation" and in this way it became the second bank in Bulgaria that implemented GPI. The integration of GPI within the CCB system was the subsequent serious step for improving the speed and quality of the cross-border transfers of the Bank's clients. GPI provides additional possibilities for tracking the transfers in real time, and also guarantees transparency with respect to the bank charges and FX rates in the performance of the wire transfers via SWIFT.

## Outgoing wire transfers at CCB Plc for 2022 according to geographic regions

Regarding the outgoing customer transfers in foreign exchange in 2022 the most important countries were Germany, Netherlands, North Macedonia, Lithuania, Greece, Spain, Italy, Great Britain, Austria, Belgium, France and Poland. During the year transfers were ordered to 108 countries.

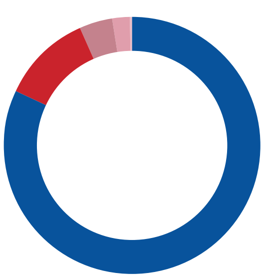
The diagram below presents the share of the distinct geographic economic regions all over the world with respect to the received transfers in terms of number and value.

**Breakdown of the outgoing wire transfers according to number of transactions**



- 80.61% European Economic Area (EEA)
- 14.23% Countries in Europe outside EEA
- 2.58% North America
- 2.33% Asia
- 0.14% Africa
- 0.08% Australia and Oceania
- 0.04% South America

**Breakdown of the outgoing wire transfers according to value of the transactions**

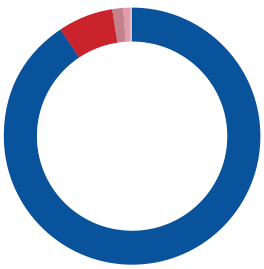


- 81.56% European Economic Area (EEA)
- 11.77% Countries in Europe outside EEA
- 4.20% North America
- 2.35% Asia
- 0.05% Africa
- 0.04% South America
- 0.03% Australia and Oceania

# Breakdown of the incoming wire transfers according to number of transactions

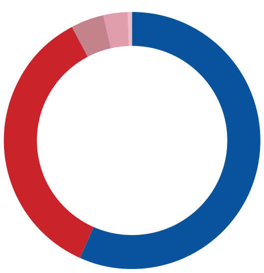
The main countries for incoming customer transfers in 2022 were Germany, Netherlands, Belgium, France, Spain, Great Britain, Austria, Italy, Ireland, Greece, Cyprus and Lithuania. In 2022 CCB received customer transfers from 110 countries.

**Breakdown of the incoming wire transfers according to number of transactions**



- 90.74% European Economic Area (EEA)
- 6.77% Countries in Europe outside EEA
- 1.53% North America
- 0.83% Asia
- 0.05% Australia and Oceania
- 0.05% Africa
- 0.03% South America

**Breakdown of the incoming wire transfers according to value of the transactions**



- 56.51% European Economic Area (EEA)
- 35.45% Countries in Europe outside EEA
- 4.37% North America
- 3.05% Asia
- 0.31% Australia and Oceania
- 0.16% South America
- 0.15% Africa

The transactions concerning documentary operations (documentary LCs and documentary collections) have significantly smaller share compared to the credit transfers, due to the greater complexity and higher price. In 2022 our corporate clients many times used the services of the documentary payments and trade finance department of CCB, which in addition to the quality processing of the documentary transactions, provided expert consulting for import and export LCs and bank guarantees.

Since 2003 CCB Plc is a licensed agent for Bulgaria of the American company Western Union – one of the global leaders in the fast money transfers. The Bank offers the services of Western Union in its 265 offices, and for its individual clients with checking accounts with CCB– also via the platform for Internet banking. The Western Union money transfers enjoy great popularity among the population – especially in the regions with great migration and for this reason in 2022 thousands of Bank clients received and sent money from and to their relatives abroad at CCB locations.

# FINANCIAL MARKETS

In 2022 financial markets continued to be one of the important segments in the activity of CCB Plc. The Bank affirmed its position as one of the most active banks on the interbank FX market and banknote trade. Being a primary dealer of government securities on the domestic primary market, CCB Plc. effects transactions on its behalf and at its expense and also at the expense of its clients. It maintains excellent relationships with first class foreign banks and places a huge amount of deposits on the Bulgarian and the international markets.

## Foreign exchange

In the field of foreign exchange the Bank offers a number of products and consulting services to investors and corporate clients, as well as to correspondent banks – spot, forward and swap transactions, options, derivatives, hedging, etc. The Bank actively uses the existing FX lines from big European banks. In 2022 CCB Plc continued to use the full capacity of its trading lines, provided by leading financial institutions. The Bank has ISDA agreements with leading European financial institutions, which make it possible for the Bank to provide a wider spectrum of services to its clients.

The Bank has lines for margin and netting trade with several leading financial and brokerage houses, such as Sucden Financial, Man Financial and LaSalle Investment Management. In this way the Bank gives the opportunity to its clients to trade on the international financial markets, concluding contracts for margin trade. These lines allow the Bank to conclude speculative transactions at its expense upon limited risk.

## Securities

In 2022 CCB Plc continued to actively participate in the primary and secondary market of government securities. In the commerce with government securities of leading importance to the Bank was the acquisition of securities at higher yield, whereas income generating alternatives were sought. During last year the Bank increased its portfolio of securities. Besides the commerce with government securities, CCB Plc was active in the commerce with government bonds, issued by member countries of the European Union.

## Capital markets

CCB Plc has a full license of an investment intermediary since 1997 and offers the following investment services:

- effecting orders for the purchase or sale of securities at the expense of clients or at its own expense;
- preparing prospectuses for initial public offering of securities;
- accepting securities issues.

## INFORMATION TECHNOLOGY

The Bank services its customers on the basis of contemporary banking information technologies. The IT experts within CCB Plc endeavor to assist the business units to keep and extend the market share of the Bank in the country and abroad. In 2022 the Bank information technologies were concentrated on the following main aspects:

- Deploying the features of the centralized information system "AIS 2" used at CCB Plc, a development of "Datamax" AD. Using the advantages of "AIS 2", the Bank offers to its customers complete bank servicing. From intrabank payments in BGN and foreign currency in real time, international payments, lending, card payments, depositing funds, payments between clients without the requirement for customers to have opened bank accounts, etc, to participation on the stock exchange.

- Implementation of a system for analysis and generation of reports of the DWH data warehouse type.

- Development of a system for analyzing the clients' behaviour and prevention of unregulated payments AML.

- Development of the electronic channels for banking, including mobile banking and under PSD2.

- CCB Plc is a licensed agent of the Western Union fast money transfer system and there are over 200 positions for Western Union transactions within the Bank information network.

- CCB Plc is a licensed agent of the EasyPay fast money transfer system, whereas in the information network of the Bank there are over 100 positions for working with EasyPay.

- CCB Plc is a registration operator of the Info notary universal electronic signatures system, whereas in the information network of the Bank there are over 200 positions for working with Info notary.

- CCB Plc is an operator of the system for loyal clients "CCB Club". In the system there are leading companies from various sectors of the country economy.

- Increasing the average accessibility of the information services via an automatisation of the processes for the services reserving.

## PERSONNEL

CCB Plc human resource is the main pillar for effecting the Bank policy and strategy. At the same time via a proper selection, evaluation, qualification, payment and stimulation, the necessary staff is provided for the performance of tasks with regard to the bank's competitiveness. Considering the specifics of the business of CCB Plc, the requirements to the quality of the work of the employees are especially high with the aim of reaching the goals set by the Bank. The Bank management aims at creating the conditions for improving the quality of personnel, the personnel professional growing up and development. The ultimate goal is motivating qualified and loyal personnel, unsparing to the objectives of the institution. High-quality experts with the necessary educational background and linguistic qualification work at the Bank.

As at 31.12.2022 the Bank branches of CCB Plc are 48, including a foreign branch in Cyprus. The Bank representative offices and outlets are 245, compared to 247 as at 31.12.2021.

The total staff number of CCB Plc as at 31.12.2022 is 1783 people. In 2021 the total staff number was 1824 people.

The total number of staff at the head-office in 2022 is 439 people, compared to 443 people in 2021.

In 2022 the staff at the bank branches is 1344 people, compared to 1381 people in 2021.

As at 31.12.2022 the total number of the employees /without cleaners, drivers and kitchen workers/ at the head-office and the branches is 1754 people.

Within the Bank in 2022 the employees /without cleaners, drivers and kitchen workers/ at the age up to 40 years old are 540 people or 30.8 % of the total number /without cleaners, drivers and kitchen workers/. These are the employees at the most vital and creative age and with a certain potential for results in work, also employees, working directly with clients of the Bank, for whom care and efforts are rendered for their motivation for future work at the Bank.

The total number of Bank's employees aged between 40 and 50 years old as at 31.12.2022 is 591 or 33.7 %. The Bank's employees above 50 years old are 623 or 35.5 %.

The employees /without cleaners, drivers and kitchen workers/ with bank work experience up to 5 years are 218 people or 12.4%. These are mainly employees, servicing clients and cashiers.

As at 31.12.2022 the employees with work experience 5-15 years in the bank system are 816 people /without security guards, cleaners, drivers and kitchen workers/ or 46.6 % of all employees, compared to 899 in 2021. These are mainly management staff at the head-office and the branches, employees of the head-office with methodological functions, managers and sales experts, loan officers, heads front office and other employees with high bank qualification at the branches.

In 2022 the employees with work experience above 15 years in the bank system are 720 employees or 41 % of the total bank staff.

CCB Plc pays special attention to the education of employees. The share of the employees /without security guards, cleaners, drivers and kitchen workers/ with university education in all its degrees is especially big – 1300 people or 74.1 %. A basic approach upon appointing employees with the proper education and high professionalism is the proper selection of candidates.

In 2022 the Bank employees women /without security guards, cleaners, drivers and kitchen workers/ are 1445 or 82.4 %. Among them 113 women are at managerial positions.

The financial stimulus is dominant in creating and maintaining the interest and motivation of employees. With determining the remuneration at CCB Plc we aim at reaching even better relationship between the labor results and the individual remuneration and stimulate the initiative and the ideas of employees, reach better technological and employment discipline, as well as responsibility in the performance of their work functions. The main aspects in determining the employment remuneration consist of the objective evaluation of the labor of employees and determining their individual work salaries. Under the CCB Social activities program since October 2022 the Bank provides food vouchers to all employees, which is additional income and stimulus for them.

The long-term Concept for Training and Development of the Bank Personnel is the basis for carrying out the training and qualification of employees. On these grounds we developed a Program for Training and Qualifying Employees within the Bank System for 2022, with the following emphasis: loan operations and credit risk, retail banking, international payments, card operations, money markets and securities; information technologies, client servicing, sales skills, etc.

In 2022 training took place mainly online via the International Banking Institute, different centres for qualification and training of staff, as well as other Bulgarian and international institutions. The Bank employees participated in seminars with regard to the changed requirements of the European Union in the field of banking and changes in the national legislation.

## BRANCH NETWORK

During last year, via the huge branch network, CCB Plc managed to offer competitive financial products and services to its clients, not only in Bulgaria, but also in Cyprus. In 2022 the Bank put an emphasis on increasing the efficiency and functionality of the built up network, the good servicing of its clients and an easy access to the array of products.

Via its branch network the Bank aims to be at the disposal of its clients to a maximum extent, to be able to provide to them convenient, quick and quality servicing.

| Structural units | 31.12.2022 | 31.12.2021 | 31.12.2020 |
|---|---|---|---|
| Bank locations | 293 | 295 | 297 |

## THE BANK IN THE FUTURE

Central Cooperative Bank Plc has always endeavored to increase the number of its clients via maintaining an optimum level of risk and excellent financial results.

The goals of the Bank for the future are:

- Increasing the total assets of the Bank, respectively the market share.

- Development and streamlining the control systems and the systems harmonization with the changes in the BNB regulations.

- Developing and defending the leadership position in the use of the most contemporary channels of distributing the bank products.

- Streamlining and constant adaptation of the client model of the operative organization with the aim of maintaining the high quality of the bank servicing.

- Optimizing the branch network of the Bank.

- Deploying the positions in retail banking. Increasing the volume and the relative share in the loan portfolio of loans to individuals – consumer and mortgage loans.
- Deploying the operations with debit and credit cards. Profiting from the full membership and the accepting rights in the two card associations – Mastercard and Visa International. Optimizing the Bank network of POS terminals and ATMs. Defending the third place in the card business.

- Profiting from the synergy in rendering services to the insurance companies, the pension companies, the health insurance companies and the investment companies from the group of Chimimport – the main shareholder of the Bank.

- Offering services and financing of projects of agricultural producers – under the programs of the structural funds of EU.
- Deploying the volume of the loan portfolio of SMEs.
- Attracting the servicing of new budgetary and municipal structures and companies.
- Development of the subsidiary banks in the Republic of Macedonia and Russia.
- Increasing the qualification of the employees and streamlining the mechanisms for stimulating employees.

# FINANCIAL REVIEW FOR 2022

## MARKET SHARE AND POSITION OF CCB PLC*

According to the classification of BNB, Bulgarian banks are divided into three groups in terms of the amount of the assets: the first group includes the first five banks with the biggest total assets, the second group includes the next 19 banks, and the third group includes the branches of the foreign banks in Bulgaria. At the end of 2022 in terms of total assets CCB Plc occupies the 7th place among all banks, operating on the territory of Bulgaria.

As at 31.12.2022 the total assets of CCB Plc are BGN 7,794,503 thousand respectively. Compared to the same period of last year the total assets increase by BGN 410,560 thousand or 5.56 %.

The table below presents the main financial highlights of CCB Plc:

| Ratio | CCB Plc |
|---|---|
| Return On Average Equity /ROaE/ | **6.15%** |
| 'Return On Average Assets /ROaA/ | **0.50%** |
| Liquidity Coverage Ratio | **390.88%** |
| Total capital adequacy ratio | **18.11%** |
| Tier I capital adequacy ratio | **17.42%** |

## RISK MANAGEMENT

The system for risk management has preventative functions to prevent losses and control the amount of losses and includes:

• policy for risk management;

• rules, methods and procedures for the evaluation and management of the risks;

• organizational structure for risk management;

• parameters and limits for making transactions and  operations;

• procedures for reporting, evaluation, information and subsequent control of the risks.

The main principles within the policy of Central Cooperative Bank Plc for risk management are:

• the principle of sharing responsibilities among those who assume risk and those who manage risk;

• the precautionary principle, which assumes the reporting of the simultaneous occurrence of the most unfavourable case for each of the risk weighted assets;

**source: data, published on the web site of BNB for supervisory purposes, as well as data of banks, participating in BISERA*

• the principle of managing risk at the source.

The organizational structure for risk management is centralized and has been structured according to the levels of competence as follows:

• **Management Board** – determines the acceptable levels of risk of the Bank within the adopted strategy for development;

• **Specialised collective authorities** – affirm the frameworks and parameters of the bank activity in risk management;

• **Executive Directors and Procurator** – control the process of approval and implementation of adequate policies and procedures within the Strategy for risk management, adopted by the Bank;

• **Directors of the structural units at the bank** – apply the adopted policy for risk management in organizing the activity of the respective organizational units.

Risk concerns the probability for the factual revenues of a given investment not to correspond to the expected revenues. The specifics of the banking necessitate the implementation of adequate systems for the timely identification and management of the various types of risk. Of special significance are the procedures for managing the risks, the mechanisms for maintaining risks in acceptable boundaries, via an evaluation of the external and internal environment, optimum liquidity, diversification of the portfolio, profitability of the operations. In the activity associated with risk management, CCB Plc applies the new agreement Basel II with the principally new requirements for the management of credit risk and the capital coverage of operational risk.

**Credit risk** – the probability for the counterparty or borrower not to be able to perform the assumed commitments under contracts with the bank under the conditions and terms specified in the contracts. Detailed procedures are applied in the process of lending concerning the analysis of the economic soundness of each project, the type of collateral, acceptable to the Bank, control over the use of the advanced funds and the associated administration. Every month the Bank makes an evaluation of the risk exposure, stemming from the loan portfolio, classifying and making provisions for loans in the portfolio, according to the requirements of Ordinance N° 9 of BNB. The big loan exposures under Ordinance N° 7 of BNB are subject to constant supervision and reporting. The Bank has adopted and follows the compliance of limits for credit exposure according to regions and branches. The above limits aim at limiting the concentration of the loan portfolio in one or another region and branch, which could lead to an increased credit risk.

**Liquidity risk** – the probability of a difficulty in the payments due to a mismatch in time of the incoming and outgoing cash flows. The Bank manages its assets and liabilities in a way, which guarantees to it that it can regularly and without any delay perform its everyday commitments, in the normal banking environment and in the conditions of a crisis.

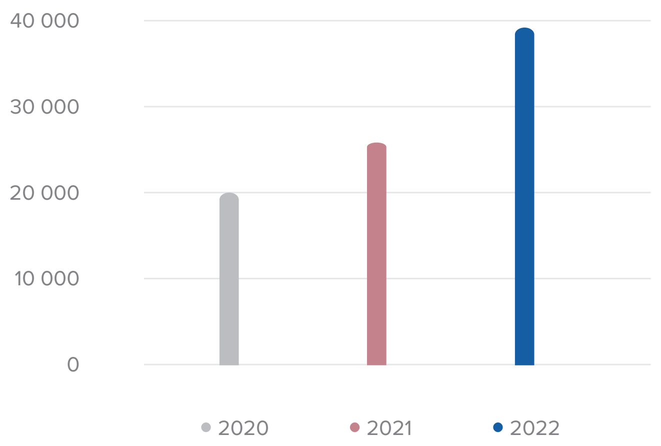
**Market risk** – the probability of the occurrence of a loss for the Bank as a result of the unfavorable change of the exchange rates, market prices and interest rates;

**Operational risk** – the probability of direct or indirect losses, stemming from the inadequate functioning or termination of the activity of the processes, systems or staff, internal to the Bank.

# INCOME STATEMENT

In 2022 the net profit of Central Cooperative Bank Plc amounts to BGN 38,142 thousand. In 2021 an audited net profit to the amount of BGN 26,218 thousand was realized.

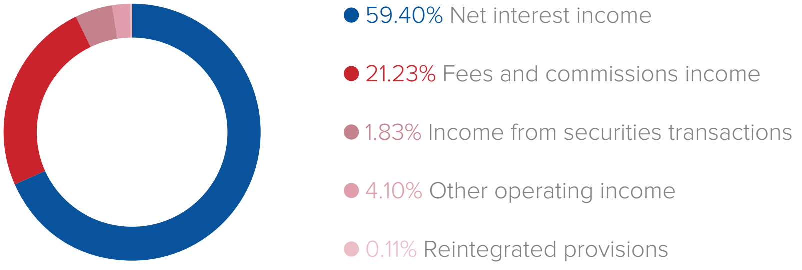
**Net profit**




The financial indicators for return on average equity and the return on average assets are 6.15 % and 0.50 % respectively. The total capital adequacy of the Bank is 18.11 %.

In 2022 the net interest income of CCB Plc remains the main source of income and it amounts to BGN 126,698 thousand. The share of the net interest income in total income is 59.40%. The fees and commissions income has a share of 21.23% in total income, and the income from securities transactions with a share of 1.83 %. The other operating income to the amount of 4.10 % includes income from dividend, cession contracts, the sale of fixed tangible assets, etc.

**Income breakdown**




The interest expenses in 2022 are to the amount of BGN 8,348 thousand, compared to their amount of BGN 12,719 thousand in 2021. The decrease of these expenses amounts to - 34,36 %. The net fees and commissions income increase compared to 2021 and reach BGN 54,682 thousand.

At the end of 2022 there is a decrease in the realized net profit from transactions in securities, which is to the amount of BGN 3,907.

The operating expenses of CCB Plc in 2022 increase by 7.59 % compared to their level at the end of 2021 and reach the absolute value of BGN 144,141 thousand.

The ratio operating expenses / total income decreases to 76.68% compared to 79.67% in 2021.

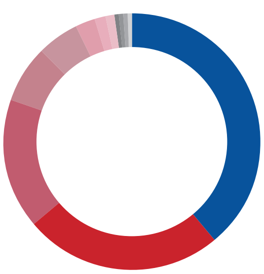
# AN ANALYSIS OF THE ASSETS AND LIABILITIES

## Assets

As at 31 December 2022 the book value of the assets of CCB Plc is BGN 7,794,503 thousand, whereas a year earlier they amount to BGN 7,388,488 thousand. Compared to 31 December 2021 the assets increase by BGN 406,015 thousand or 5.49 %.

The assets breakdown during last year has been reflected in the table below:

**Assets breakdown**



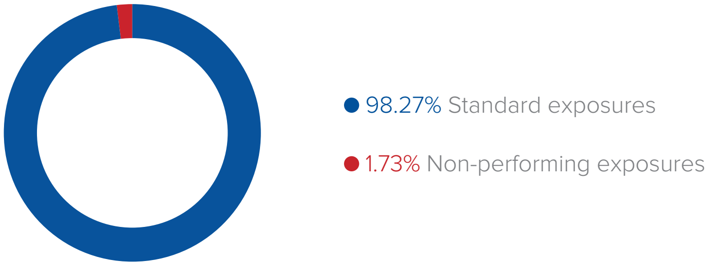
- 38.89% Loans and advances to customers, net
- 25.07% Cash and balances with the Central Bank
- 16.57% Debt instruments evaluated at amortised value
- 7.23% Financial assets, evaluated at fair value in other comprehensive income
- 5.05% Receivables under repurchase agreements
- 2.67% Financial assets, evaluated at fair value through the profit or loss
- 1.35% Fixed assets
- 1.01% Placements with and advances to banks
- 0.63% Investments in subsidiaries
- 0.63% Assets with use right
- 0.60% Other assets
- 0.30% Investment properties

The cash and balances with BNB amount to BGN 1,954,354 thousand and are 25.07 % of total assets, compared to 26.10 % in 2021. The funds with first-class banks, correspondent accounts and short-term deposits have a weight of 1.01 % of the Bank assets, compared to 2.31 % a year earlier.

The investments in securities, including government securities, corporate bonds, shares and compensation instruments are an instrument for improving the profitability of the Bank. Their amount has 5.05 % of total assets, compared to 4.83 % in 2021. Central Cooperative Bank Plc maintains a diversified portfolio, the main purpose of which is increasing the gains and profits from the traded securities, as well as the provision of a high degree of liquidity.

The greatest share in total assets have the loans and advances granted to clients. As at 31.12.2022 the loan portfolio of the Bank amounts to BGN 3,031,140 thousand, compared to BGN 2,888,459 thousand one year earlier. In 2022 total loans have 38.89 % of the assets, whereas a year earlier they amount to 39.09 % of total assets. The Bank constantly aims at improving its market positions in retail banking, as well as financing SMEs.

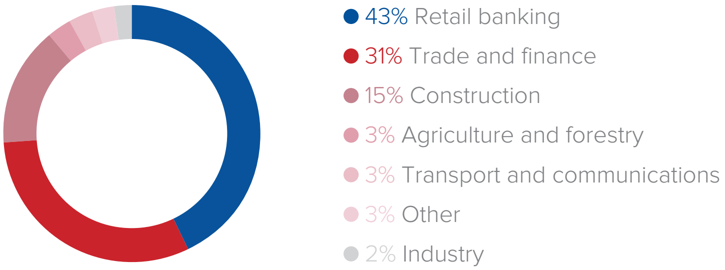
**Breakdown of the loan portfolio according to the classification of credit risk**




The quality of the loan portfolio is very good, the regular exposures are 98.27 %, and the non-performing exposures have a share of 1.73 %.

As at 31.12.2022 the breakdown of the granted loans and advances to clients at amortised value has been reflected in the table below, as follows:

**Granted loans and advances to clients**




## Liabilities

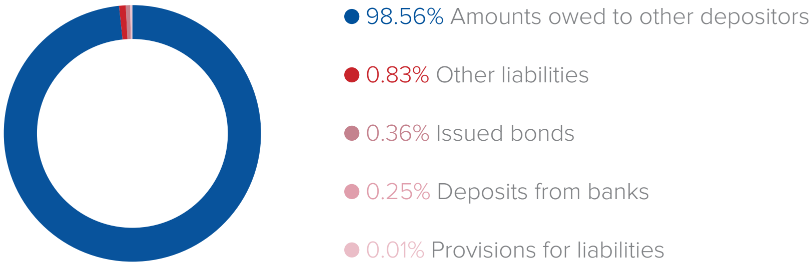
CCB Plc maintains a stable structure of the attracted funds, which allows it not to be dependent on external financing.

As at 31.12.2022 the total liabilities of CCB Plc are BGN 7,148,515 thousand. They have 91.71 % of the total liabilities, whereas their increase compared to the previous year is by 5.44 %.

The main source of attracted funds for CCB Plc are the attracted funds from other depositors – individuals, companies and other institutions. Their amount reaches BGN 7,045,300 thousand, which is 98.56 % of the total liabilities. In 2021 they were BGN 6,639,742 thousand.

The breakdown of the Bank liabilities has been illustrated in the following graph:

**Liabilities breakdown**

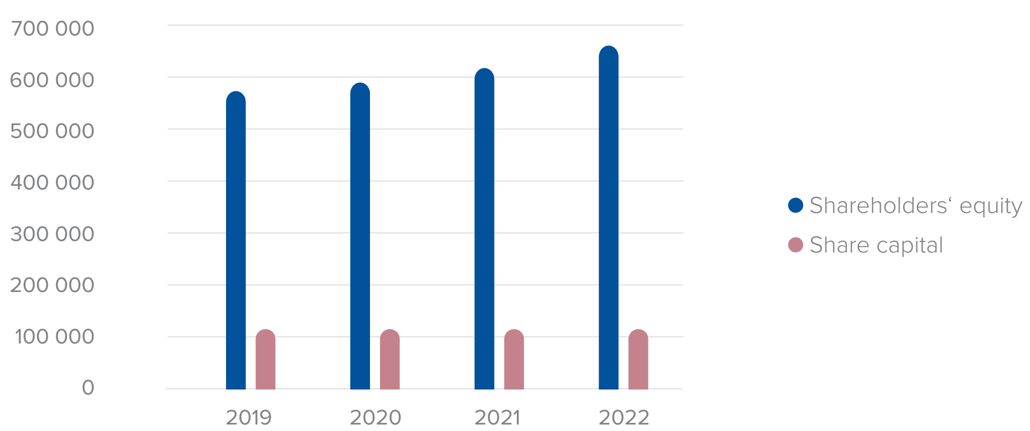



The considerable share of the funds attracted from the population is an important and stable source for the Bank. This is due to the strategy chosen by the Bank to concentrate on retail banking.

## Shareholders’ equity

At the end of 2022 shareholders’ equity of CCB Plc amounts to BGN 645,988 thousand. The increase in shareholders’ equity compared to the previous year is 6 % and is mostly the result of the capitalized profit and the increased reserves. As at 31 December 2022 the issued, called and paid in share capital of the Bank consists of 127,129,970 ordinary voting shares, with a nominal value of BGN 1 for each share. The net profit in 2022 is to the amount of BGN 38,142 thousand, whereas at the end of 2021 it was BGN 26,218 thousand.

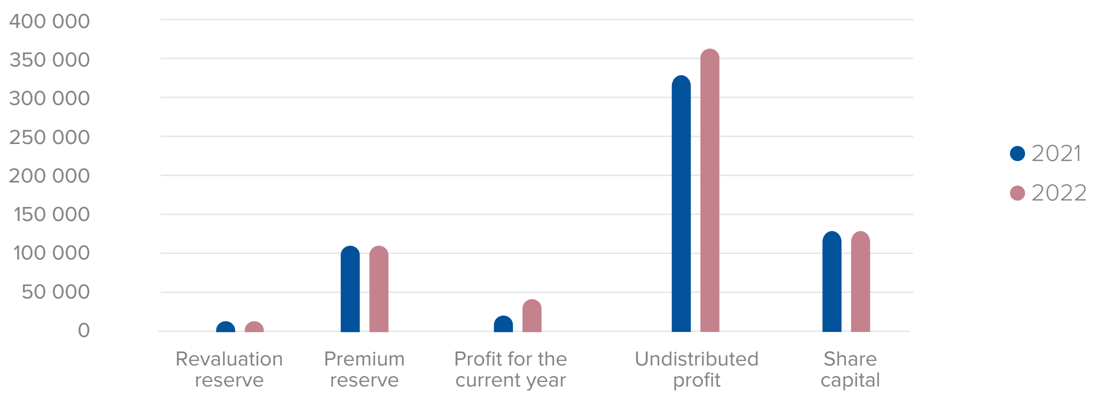
**Increase in shareholders’ equity and share capital**



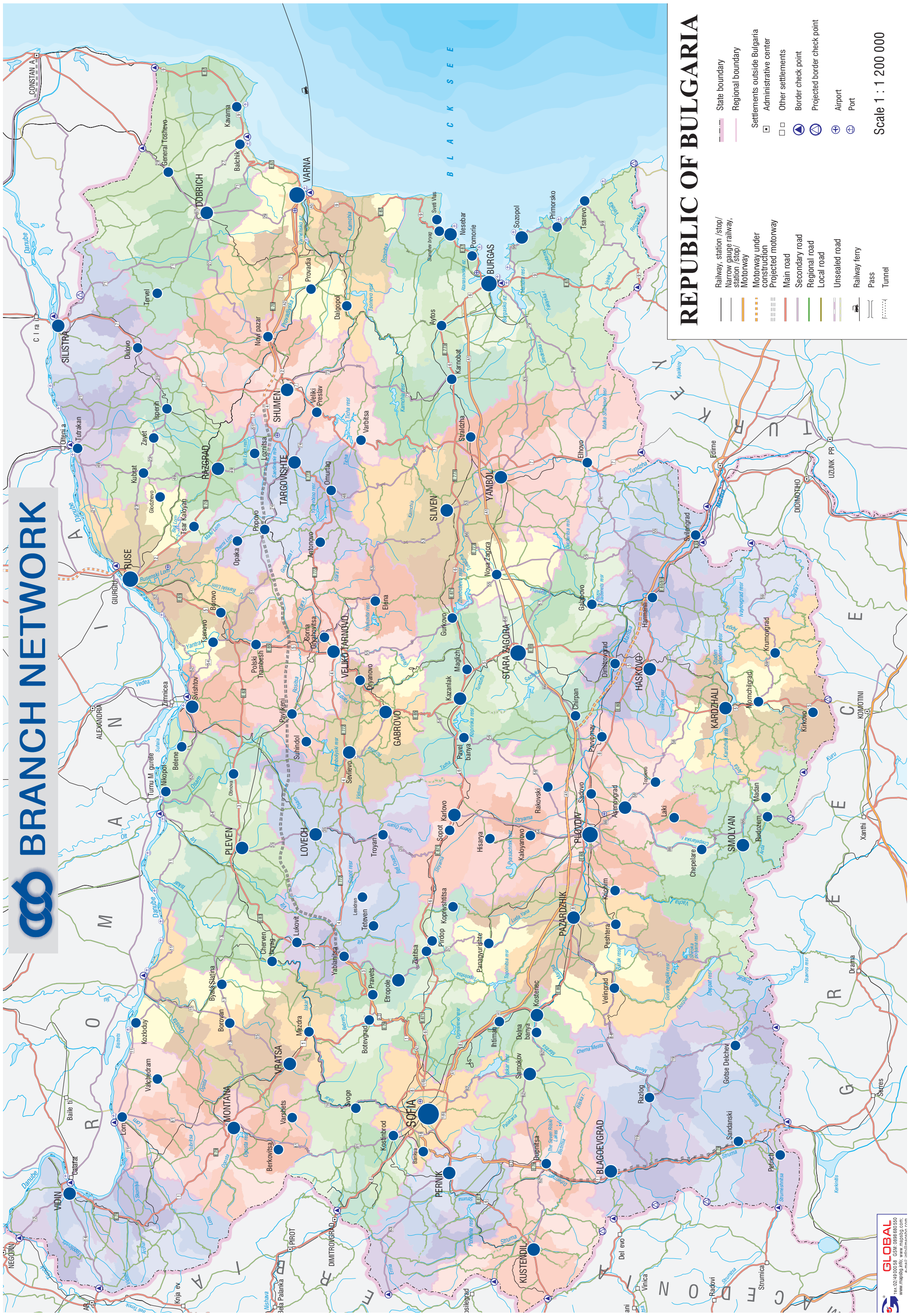

During this year the Bank continues its present policy via capitalization of the profits to assist the capital increase and its assets.

## Shareholders' equity

Central Cooperative Bank Plc is a public company, the share of which are traded on the Bulgarian Stock Exchange since March 1999.



# APPENDIX N°1: BRANCH NETWORK



# BRANCH NETWORK OF CENTRAL COOPERATIVE BANK

**Pernik Branch**
4, Krakra Pernishki Str.
2300 Pernik
phone: +359 76 688 330

**Pleven Branch**
150, Vasil Levski Str.
5800 Pleven
phone: +359 64 882 310

**Plovdiv Branch**
5, Beethoven Str.
4000 Plovdiv
phone: +359 32 654 950

**Plovdiv-Bulgaria Branch**
31, Bulgaria Blvd.
4003 Plovdiv
phone: +359 32 921 111

**Razgrad Branch**
7, Stefan Karadzha Str
7200 Razgrad
phone: +359 84 661 290

**Ruse Branch**
1, Han Kubrat Sq.
7000 Ruse
phone: +359 82 826 070

**Samokov Branch**
33, Targovska Str.
2000 Samokov
phone: +359 722 68 910

**Svishtov Branch**
104, Tsar Osvoboditel Str.
5250 Svishtov
phone: +359 631 61 251

**Sevlievo Branch**
70, Stara planina Str.
5400 Sevlievo
phone: +359 675 85 050

**Silistra Branch**
1, G. S. Rakovski Str.
7500 Silistra
phone: +359 86 821 236

**Sliven Branch**
1, Aleksander Stamboliyski Sq.
8800 Sliven
phone: +359 44 662 945

**Smolyan Branch**
1, Bulgaria Blvd.
1470 Smolyan
phone: +359 301 62 163

**Sofia City Branch**
103, G. S. Rakovski Str.
1000 Sofia
phone: +359 2 9 266 114

**Sofia West Branch**
442, Pancho Vladigerov Blvd.
1359 Sofia
phone: +359 2 9 238 022

**Sofia South Branch**
23, Emine Str., Hipodruma District
1612 Sofia
phone: +359 2 8 188 081

**Stara Zagora Branch**
54, Kolyo Ganchev Str.
6000 Stara Zagora
phone: +359 42 220 369

**Targovishte Branch**
5, Vasil Levski Str.
7700 Targovishte
phone: +359 601 69 111

**Haskovo Branch**
1, Skopie Str.
6300 Haskovo
phone: +359 38 607 830

**Central Branch**
18, Gurgulyat Str.
1463 Sofia
phone: +359 2 9 263 062

**Head Office Branch**
87, Tsarigradsko shose Blvd.
1113 Sofia
phone: +359 2 923 47 54

**Cherno more Branch**
17, Apolonia Str.
8130 Sozopol
phone: +359 550 26 372

**Shumen Branch**
13A, Slavyanski Blvd.
9700 Shumen
phone: +359 54 868 930

**Yambol Branch**
7, Osvobozhdenie Sq.
8600 Yambol
phone: +359 46 662 045

**Nicosia (Cyprus)**
69, Arch. Makarios III Ave.,
Tlais Tower
1070 Nicosia,Cyprus
phone: +357 22 447 757

# APPENDIX N°2: NOSTRO ACCOUNTS

| Bank | BIC | Currency | Account N° |
|---|---|---|---|
| UniCredit SPA, Milan | UNCRITMM | EUR | 0995 172 |
| Landesbank Baden-Wuerttemberg, Stuttgart | SOLADEST | EUR | 2809474 |
| The Bank of New York Mellon, New York, USA | IRVTUS3N | USD | 8901366536 |
| PostFinance AG, Berne, Switzerland | POFICHBE | CHF | 91-160-3 |
| The Bank of New York Mellon (International) Limited, London, UK | IRVTGB2X | GBP | 3506738260 |
| The Bank of New York Mellon, New York, USA | IRVTUS3N | CAD | 8033062320 |
| The Bank of New York Mellon, New York, USA | IRVTUS3N | DKK | 8033062304 |
| The Bank of New York Mellon, New York, USA | IRVTUS3N | SEK | 8033062312 |
| DnB NOR Bank ASA, Oslo | DNBANOKK | NOK | 7001.02.05172 |
| Sumitomo Mitsui Banking Corporation, Tokyo | SMBCJPJT | JPY | 4280 |
| PKO BANK POLSKI SA | BPKOPLPW | PLN | PL09102000161201110000005877 |
| Central Cooperative Bank AD Skopje | CECBMK22 | MKD | BBAN 320-9100030020-62 |
| T.C. ZIRAAT BANKASI A.S., Ankara | TCZBTR2A | TRY | 99902050-5001 |
| Raiffeisen Bank SA, Bucharest, Romania | RZBRROBU | RON | RO26RZBR8000000202309461 |
| Raiffeisen Bank S.A., Prague | RZBCCZPPXXX | CZK | 9010010852 |
| JSC IC Bank | CECBRU2K | RUB | 30111810000000000001 |

Deloitte.

Grant Thornton

# INDEPENDENT AUDITORS' REPORT

To the shareholders of Central Cooperative Bank AD

## REPORT ON THE AUDIT OF THE SEPARATE FINANCIAL STATEMENTS

### Opinion

We have audited the accompanying separate financial statements of Central Cooperative Bank AD (the "Bank"), which comprise the separate statement of financial position as at December 31, 2022, and the separate statement of profit and loss and other comprehensive income, the separate statement of changes in equity and the separate statement of cash flows for the year then ended, and notes to the separate financial statements, including significant accounting policies and other explanatory information.

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the separate financial position of the Bank as at December 31, 2022, and its separate financial performance and its separate cash flows for the year then ended in accordance with International Financial Reporting Standards („IFRS"), as adopted by the European Union ("EU").

### Basis for opinion

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

### Key audit matters

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

*This document is a translation of the original Bulgarian text, in case of divergence the Bulgarian text shall prevail.*

| Key audit matter | How our audit addressed the key audit matter |
|---|---|

### Impairment of loans and advances to customers

Loans and advances to customers represent significant part (39%) of Bank's total assets as of December 31, 2022 and their gross carrying amount is BGN 3,070,054 thousand and accumulated impairment amounts to BGN 38,914 thousand. The Bank applies impairment model based on the expected credit losses in accordance with the requirements of IFRS 9 Financial Instruments (see note 3 and 8 to the separate financial statements).

The measurement of impairment allowances for loans and advances to customers requires Bank management to exercise a significant level of judgment, especially in regard identifying impaired receivables and assessing the amount of loan impairment. To assess the amount of allowances for expected credit losses, the Bank applies statistical models with input parameters obtained from internal and external sources.

In accordance with the requirements of IFRS 9 Financial Instruments, the Bank distinguishes three stages of impairment, where the criteria for classification to individual stages are based on an assessment of the objective characteristics of loans and the relevant debtors and judgments of the Bank.

The classification of financial instruments to impairment stages is a result of combination of quantitative and qualitative factors.

The expected credit losses are calculated using available historical data and expected future development determined using macroeconomic indicators.

The statistical models used are based on the probability of default (PD), the estimated amount of the loss given default (LGD) and the exposure at default (EAD). Input data for the model and the calculation logic and its comprehensiveness depend on judgment of Bank management.

As described in note 8 to the separate financial statements, the Bank has reported as at December 31, 2022 accumulated impairment on loans and advances to customers amounting to BGN 38,914 thousand.

Due to:
1. the significance of the valuation of loans and advances to customers for the separate financial statements
2. the fact that the assumptions in determining the impairment allowances include significant estimates and application of professional judgment

we identified impairment of loans and advances to customers as a key audit matter.

### To address this matter our audit procedures, among others, included:

- Understanding of the processes of calculation of impairment of loans and advances to customers, applied by the Bank.
- Assessment about the adequacy of the policies, procedures and implemented controls in the process, in order to design our procedures in such manner as to be able to address the risks of material misstatement in this area.
- Involvement in the audit of our experts in the areas, which required specific expertise.
- Review of the quality of the historical data used in the computation of the risk parameters.

On a sample of exposures we:
- Assessed the appropriateness of impairment methodology and its application.
- Formed an independent expectation on the levels of impairment allowances required by examining available external and internal information. We have developed independent expectation regarding impairment of loans and advances to customers as at December 31, 2022 and comparison of this expectation to actual impairment accounted by the management and reported in the separate financial statements.
- Assessed the appropriateness of staging classification for a sample of loans, taking into consideration whether there are factors indicating a significant increase in credit risk.
- Applied our professional judgment to assess the inputs used in the calculation of impairment losses and compared our assessment to the estimates applied by the Bank.
- Analyzed the financial condition of the borrowers and inquired about any breaches of contracts and/or changes from the original terms and conditions of the contract.
- Analyzed the key assumptions and judgments of the Bank's management including assessment of the applied scenarios, as well as expected cash flow recoveries.
- Considered the impact of the current and forecasted economic conditions, the valuation of collaterals, and other factors that may affect the recoverability of loans.
- Assessed the adequacy of management assumptions and judgments related to macroeconomic variables and the impact of the military conflict in Ukraine.
- Recalculated the impairment on a sample of exposures based on the risk parameters resulted from the models.

We have assessed the completeness, appropriateness and adequacy of the disclosures in the Bank's separate financial statements with regard to the measurement of loans and advances to customers.

## Information other than the separate financial statements and Auditors' Report thereon

The Management Board of the Bank ("the Management") is responsible for the other information. The other information comprises the annual report on activities, the corporate governance statement, the non-financial declaration and report on the implementation of the remuneration policy, prepared by the management in accordance with Chapter Seven of the Accountancy Act, but does not include the separate financial statements and our auditors' report thereon.

Our opinion on the separate financial statements does not cover the other information and we do not express any form of assurance conclusion thereon, unless it is not specifically stated in our auditors' report and to the extent it is specifically stated.

In connection with our audit of the separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the separate financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

## Responsibilities of Management and those, charged with the governance of the separate financial statements

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

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

The Supervisory Board and the Audit Committee of the Bank ("Those charged with governance") are responsible for overseeing the Bank's financial reporting process.

## Auditors' responsibilities for the audit of the separate financial statements

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

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

- Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

We are jointly responsible for the performance of our audit and the audit opinion expressed by us, in accordance with the requirements of the IFAA, applicable in Bulgaria. In accepting and performing the joint audit engagement, in respect to which we are reporting, we have considered the Guidelines for Performing Joint Audits, issued on June 13, 2017 by the Institute of Certified Public Accountants in Bulgaria and the Commission for Public Oversight of the Registered Auditors in Bulgaria.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Reporting in relation to the compliance with the electronic format of the separate financial statements, included in the annual separate financial report on activities under Art. 100m, para 4 of the Public Offering of Securities Act (POSA) with the requirements of the European Single Electronic Format (ESEF) Regulation

In addition to our reporting responsibilities according to ISAs described in the section above "Auditors' Responsibilities for the Audit of the separate financial statements", we performed the procedures in accordance with the "Guidelines on the issuing of audit opinion with respect to the application of the European Single Electronic Format (ESEF) to the financial statements of companies which securities are admitted to trading on a regulated market in the European Union (EU)" by the Professional Organization of the Registered Auditors in Bulgaria - Institute of Certified Public Accountants (ICPA)". These procedures are related to the verification of the structure and whether the human readable part of this electronic format corresponds to the audited separate financial statements and issuing an opinion on the compliance of the electronic format of the Bank's separate financial statements for the year ending on December 31, 2022, attached in the electronic file „5299002142DS5ONT5540-20221231-BG-SEP.xhtml", with the requirements of the Commission Delegated Regulation (EU) 2019/815 from 17 December 2018 supplementing Directive 2004/109 / EC of the European Parliament and of the Council by means of regulatory technical standards to define the European Single Electronic Format for reporting ("ESEF Regulation"). Based on these requirements, the electronic format of the separate financial statements included in the annual separate financial report on activities under Art. 100m, para. 4 of POSA, should be presented in XHTML format.

The Management of the Bank is responsible for the application of the requirements of the ESEF Regulation in preparing the electronic format of the financial statements in XHTML.

Our report covers only the electronic format of the separate financial statements, attached in the electronic file "5299002142DS5ONT5540-20221231-BG-SEP.xhtml" and does not cover the other information, included in the annual separate financial report on activities under Art. 100m, para. 4 of the POSA.

Based on the procedures performed in our opinion, the electronic format of the separate financial statements of the Bank for the year ended December 31, 2022, contained in the attached electronic file "5299002142DS5ONT5540-20221231-BG-SEP.xhtml", has been prepared in all material respects in accordance with the requirements of the ESEF Regulation.

## Additional matters, required to be reported by the Accountancy Act and Public Offering of Securities Act

In addition to our reporting responsibilities according to ISAs described in section "Information Other than the separate financial statements and Auditors' Report Thereon", with respect to the annual report on activities, the corporate governance statement, the non-financial declaration and report on the implementation of the remuneration policy, we have also performed the procedures, together with the required under ISA, in accordance with the "Guidelines regarding new extended reports and communication by the auditor" of the Professional Organization of Registered Auditors in Bulgaria - Institute of Certified Public Accountants (ICPA). These procedures include tests over the existence, form and content of the other information in order to assist us in forming an opinion as to whether the other information includes the disclosures and reporting as required by Chapter Seven of the Accountancy Act and the Public Offering of Securities Act (Art. 100m, paragraph 10 of POSA in relation to Art. 100m, paragraph 8, p. 3 and 4 of POSA, as well as Art. 100m, paragraph 13 of POSA in relation to Art. 116c, paragraph 1 of POSA), applicable in Bulgaria.

## Opinion under Art. 37, paragraph 6 of the Accountancy Act

Based on the procedures performed, in our opinion:

- The information included in the annual report on the activities for the financial year for which the separate financial statements have been prepared, is consistent with the separate financial statements.

- The separate annual report on the activities has been prepared in accordance with the requirements of Chapter Seven of the Accountancy Act and of Art. 100m, paragraph 7 of the Public Offering of Securities Act.

- The information required by Chapter Seven of the Accountancy Act and Art. 100m, paragraph 8 of the Public Offering of Securities Act is presented in the corporate governance statement covering the financial year for which the separate financial statements have been prepared.

- The non-financial Declaration, covering the financial year for which the separate financial statements have been prepared, has been provided and prepared in accordance with the requirements of Chapter Seven of the Accountancy Act.

- The report on the implementation of the remuneration policy, covering the financial year for which the separate financial statements have been prepared, has been provided and meets the requirements defined in the Ordinance referred to in Art. 116c, paragraph 1 of the Public Offering of Securities Act.

## Opinion under Art. 100m, paragraph 10 in relation to Art. 100m, paragraph 8, p. 3 and 4 of the Public Offering of Securities Act

Based on the procedures performed and as a result of the acquired knowledge and understanding of the Bank and the environment in which it operates, acquired during our audit, in our opinion, the description of the main features of the Bank's internal control and risk management systems in relation to the financial reporting process as part of the annual report on activities (as element of the content of the corporate governance statement) and the information under Art. 10, paragraph 1, letter "c", "d", "f", "h" and "i" of the Directive 2004/25/EC of the European Parliament and of the EU Council of April 21, 2004 related to takeover bids, included in the corporate governance statement do not contain cases of material misrepresentations.

## Additional reporting in relation to the audit of the separate financial statements under Art. 100m, paragraph 4, p. 3 of the Public Offering of Securities Act

*Reporting in relation to Art. 100m, paragraph 4, p. 3, l. "b" of the Public Offering of Securities Act*

Information on related party transactions is disclosed in Note 37 to the accompanying separate financial statements. Based on the procedures performed on related party transactions in the context of our audit of the separate financial statements as a whole, nothing has come to our attention indicating that the related party transactions are not disclosed in the accompanying separate financial statements for the year ended December 31, 2022, in all material respects, in accordance with the requirements of IAS 24 Related Party Disclosures. We have considered the results of our audit procedures on related party transactions in forming our opinion on the separate financial statements as a whole and not for the purpose of providing a separate opinion on the related party transactions.

*Reporting in relation to Art. 100m, paragraph 4, p. 3, l. "c" of the Public Offering of Securities Act*

Our responsibilities for the audit of the separate financial statements described in section "Auditors' Responsibilities for the Audit of the separate financial statements" include evaluating whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation. Based on the procedures performed on the material transactions underlying the separate financial statements for the year ended December 31, 2022, nothing has come to our attention indicating any instances of material unfair presentation and disclosure under the applicable IFRS as adopted by the European Union. We have considered the results of our audit procedures on the material transactions underlying the separate financial statements in forming our opinion on the separate financial statements as a whole and not for the purpose of providing a separate opinion on these material transactions.

## Additional reporting related to Ordinance 58/2018 of the Financial Supervisory Commission (FSC)

*Statement in connection with Art. 11 of Ordinance No 58/2018 of FSC outlining the requirements for protection of the customers' financial instruments and cash, for product management and for providing or receiving considerations, commissions, other cash and non-cash benefits*

Based on the performed audit procedures and the acquired knowledge for and understanding of the activity of the Bank ("Investment intermediary") in the context and the course of our audit of its separate financial statements as a whole, the established and applied organization related to the keeping of clients' assets complies with the requirements of Art. 3-10 of Ordinance 58 of FSC and Art. 92-95 of Markets in Financial Instruments Act regarding the Investment intermediary's activity.

## Reporting in accordance with Art. 10 of Regulation (EU) No 537/2014 in connection with the requirements of Art. 59 of the Independent Financial Audit Act

In accordance with the requirements of the Independent Financial Audit Act in connection with Art. 10 of Regulation (EU) No 537/2014, we hereby additionally report the information stated below.

- Deloitte Audit OOD and Grant Thornton OOD were appointed as statutory auditors of the separate financial statements of the Bank for the year ended December 31, 2022 by the general meeting of shareholders held on June 28, 2022 for a period of one year.

- The audit of the separate financial statements of the Bank for the year ended December 31, 2022 represents twenty-fifth total consecutive statutory audit engagement for that entity carried out by Deloitte Audit OOD and sixth total consecutive statutory audit engagement for that entity carried out by Grant Thornton OOD.

- We hereby confirm that the audit opinion expressed by us is consistent with the additional report, provided to the Bank's audit committee, in compliance with the requirements of Art. 60 of the Independent Financial Audit Act.

- We hereby confirm that no prohibited non-audit services referred to in Art. 64 of the Independent Financial Audit Act were provided.

- We hereby confirm that in conducting the audit we have remained independent of the Bank.

- For the period to which our statutory audit refers, we have not provided other services to the Bank in addition to the statutory audit, which have not been disclosed in the Bank's separate report on the activities or separate financial statements.

On behalf of Deloitte Audit OOD

**Rositsa Boteva**
Statutory Manager
Registered Auditor, responsible for the audit

103, Al. Stambolijski Blvd
1303 Sofia, Bulgaria

On behalf of Grant Thornton OOD

**Zornitza Djambazka**
Registered Auditor, responsible for the audit

**Mariy Apostolov**
Statutory Manager

26, Cherni Vrah Blvd.
1421 Sofia, Bulgaria

May 30, 2023

# CENTRAL COOPERATIVE BANK AD

## SEPARATE ANNUAL ACTIVITY REPORT,
## INDEPENDENT AUDITORS' REPORT,
## AND ANNUAL SEPARATE FINANCIAL STATEMENTS

December 31, 2022

*Unofficial translation from Bulgarian*

# SEPARATE STATEMENT OF FINANCIAL POSITION

| ASSETS | Note | As of 31.12.2022 | As of 31.12.2021 | As of 01.01.2021 |
|---|---|---|---|---|
| | | | Restated | Restated |
| Cash and balances with the Central Bank | 4 | 1,954,354 | 1,927,865 | 1,881,446 |
| Placements with and advances to banks | 5 | 78,584 | 170,300 | 182,350 |
| Receivables under repurchase agreements | 6 | 393,249 | 356,982 | 359,672 |
| Financial assets at fair value through profit or loss | 7 | 208,270 | 302,045 | 276,698 |
| Loans and advances to customers | 8 | 3,031,140 | 2,888,459 | 2,556,846 |
| Other assets | 9 | 46,980 | 45,780 | 42,923 |
| Financial assets at fair value through other comprehensive income | 10 | 563,481 | 857,786 | 714,737 |
| Debt instruments at amortised cost | 11 | 1,291,829 | 631,021 | 420,668 |
| Investments in subsidiaries | 12 | 49,416 | 49,416 | 49,416 |
| Non-current tangible and intangible assets | 13 | 104,852 | 85,256 | 86,673 |
| Right-of use assets | 14 | 48,851 | 55,327 | 55,330 |
| Investment property | 15 | 23,497 | 18,251 | 18,632 |
| **TOTAL ASSETS** | | **7,794,503** | **7,388,488** | **6,645,391** |
| **LIABILITIES AND SHAREHOLDERS' EQUITY LIABILITIES** | | | | |
| Deposits from banks | 16 | 17,686 | 52,840 | 66,092 |
| Amounts owed to other depositors | 17 | 7,045,300 | 6,639,742 | 5,909,095 |
| Issued bonds | 18 | 25,450 | 25,450 | 25,451 |
| Provisions for liabilities | 19 | 454 | 688 | 978 |
| Other liabilities | 20 | 59,625 | 60,916 | 56,299 |
| **TOTAL LIABILITIES** | | **7,148,515** | **6,779,636** | **6,057,915** |
| **SHAREHOLDERS' EQUITY** | | | | |
| Issued capital | 21.1 | 127,130 | 127,130 | 127,130 |
| Premium reserve | 21.2 | 110,470 | 110,470 | 110,470 |
| Other reserves, including retained earnings | 21.3 | 359,451 | 333,232 | 312,768 |
| Revaluation reserve | 21.4 | 10,795 | 11,802 | 16,728 |
| Profit for the year | | 38,142 | 26,218 | 20,380 |
| **TOTAL SHAREHOLDERS' EQUITY** | | **645,988** | **608,852** | **587,476** |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | | **7,794,503** | **7,388,488** | **6,645,391** |

*All amounts are in thousand Bulgarian Levs, unless otherwise stated.*

*The accompanying notes from 1 to 39 are an integral part of these separate financial statements.*
*This document is a translation of the original Bulgarian text, in case of divergence the Bulgarian text shall prevail.*

These separate financial statements have been approved by the Management Board and signed on behalf of Central Cooperative Bank AD on May 30, 2023 by:

Georgi Kostov
Executive Director

Nikola Kedev
Executive Director

Sava Stoynov
Executive Director

Tihomir Atanassov
Procurator

Yordan Hristov
Chief Accountant

With Auditors' Report
Deloitte Audit OOD, audit company, Reg. No 033

Rositsa Boteva
Statutory Manager
Registered Auditor,
responsible for the audit

Grant Thornton OOD, audit company, Reg. No 032

Zornitza Djambazka
Registered Auditor,
responsible for the audit

Mariy Apostolov
Statutory Manager

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# SEPARATE STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| | Note | Year ended 31.12.2022 | Year ended 31.12.2021 Restated |
|---|---|---|---|
| Interest income, calculated using the effective interest method | 22 | 134,914 | 117,889 |
| Other interest income | 22 | 132 | 196 |
| Interest expense | 22 | (8,348) | (12,719) |
| **Net interest income** | | **126,698** | **105,366** |
| Fees and commissions income | 23 | 73,724 | 66,698 |
| Fees and commissions expense | 23 | (19,042) | (15,099) |
| **Net fees and commissions income** | | **54,682** | **51,599** |
| Gains from transactions with securities, net | 24 | 3,907 | 8,115 |
| Foreign exchange losses, net | 25 | (6,072) | (2,122) |
| Other operating income, net | 26 | 8,738 | 5,692 |
| Operating expenses | 27 | (144,141) | (133,967) |
| Reversed provisions for liabilities | | 234 | 291 |
| Credit loss expense on financial assets | 28 | (2,606) | (6,513) |
| **Profit before taxes** | | **41,440** | **28,461** |
| Income tax expense | 29 | (3,298) | (2,243) |
| **PROFIT FOR THE YEAR** | | **38,142** | **26,218** |
| **Other comprehensive loss** | | | |
| Items reclassified to profit or loss: | | | |
| Losses on debt instruments at fair value through other comprehensive income, net of taxes | 21.4 | (25,483) | (4,982) |
| Items not reclassified in the profit or loss: | | | |
| Revaluation of non-financial assets, net of taxes | 21.4 | 22,182 | - |
| Gains on equity instruments at fair value through other comprehensive income, net of taxes | 21.4 | 2,300 | 210 |
| Revaluation of payables under defined benefit plans | 21.4 | (6) | (154) |
| **Total other comprehensive loss** | | **(1,007)** | **(4,926)** |
| **TOTAL COMPREHENSIVE INCOME FOR THE YEAR** | | **37,135** | **21,292** |
| **Earnings per share** | | | |
| Earnings per share (in BGN) | 30 | 0.30 | 0.21 |
| Diluted earnings per share (in BGN) | 30 | 0.29 | 0.20 |

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These separate financial statements have been approved by the Management Board and signed on behalf of Central Cooperative Bank AD on May 30, 2023 by:

Georgi Kostov
Executive Director

Nikola Kedev
Executive Director

Sava Stoynov
Executive Director

Tihomir Atanassov
Procurator

Yordan Hristov
Chief Accountant

With Auditors' Report
Deloitte Audit OOD, audit company, Reg. No 033

Rositsa Boteva
Statutory Manager
Registered Auditor,
responsible for the audit

Одиторско дружество
София
Рег. № 033
Делойт Одит ООД

Grant Thornton OOD, audit company, Reg. No 032

Zornitza Djambazka
Registered Auditor,
responsible for the audit

Mariy Apostolov
Statutory Manager

Одиторско дружество
София
Рег. № 032
Грант Торнтон ООД

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# SEPARATE STATEMENT OF CASH FLOWS

| | Year ended 31.12.2022 | Year ended 31.12.2021 Restated |
|---|---|---|
| **Cash flows from operating activities:** | | |
| Profit before taxes | 41,440 | 28,461 |
| **Change in operating assets** | | |
| (Increase)/ decrease in receivables on repurchase agreements | (36,357) | 2,689 |
| Decrease/ (increase) in financial assets at fair value through profit or loss | 96,006 | (17,513) |
| Decrease/ (increase) of financial assets at fair value in other comprehensive income, net | 294,305 | (150,472) |
| Increase in loans and advances to customers | (145,293) | (335,788) |
| Reclassification of investment property | (1,017) | - |
| Increase in revaluation of buildings, used in banking activities | (22,182) | - |
| Increase in other assets | (1,200) | (2,857) |
| **Total change in operating liabilities** | **184,262** | **(503,941)** |
| **Change in operating liabilities:** | | |
| Decrease in deposits from banks | (35,155) | (13,252) |
| Increase in amounts owed to other depositors | 405,559 | 730,647 |
| Changes in liabilities for provisions | (234) | (291) |
| Increase in other liabilities | 4,003 | 2,504 |
| **Total change in operating liabilities** | **374,173** | **719,608** |
| **Other non-cash transactions, included in profit before tax** | | |
| Net gain from investing activities | (2,231) | (7,834) |
| Change in fair value of investment property | (4,229) | 381 |
| Decrease of adjustment for impairment of loans and advances to banks | (7) | (3) |
| Increase of adjustment for impairment of repurchase transactions | 90 | 1 |
| Increase of adjustment for impairment of loans and advances to clients | 2,612 | 4,175 |
| Increase of adjustment for impairment of financial assets at amortised cost | 24 | 432 |
| (Decrease)/ increase of adjustment for impairment of financial assets at fair value through other comprehensive income | (113) | 1,908 |
| Change in provision of liabilities | 234 | 291 |
| Depreciation and amortization | 21,327 | 23,829 |
| Changes in the carrying amount of assets written-off | (418) | (539) |
| Effects from amortization of financial liability | - | (1) |
| **Total other non-cash transactions, included in profit before tax** | **17,289** | **22,640** |

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# SEPARATE STATEMENT OF CASH FLOWS (CONTINUED)

| | | |
|---|---|---|
| Change in deferred taxes | (2,867) | (42) |
| Income tax paid | (1,872) | (1,868) |
| **NET CASH FLOW FROM OPERATING ACTIVITIES** | **612,425** | **264,858** |
| **Cash flows from investing activities:** | | |
| Acquisition of financial assets at amortised cost, net | (660,832) | (210,785) |
| Payments for purchase of non-current assets | (3,704) | (6,739) |
| Proceeds from sale of non-current assets | 405 | 624 |
| **NET CASH FLOWS USED IN INVESTING ACTIVITIES** | **(664,131)** | **(216,900)** |
| **Cash flows from financing activities:** | | |
| Interest paid on issued bonds (Note 33) | (699) | (698) |
| Lease payments (Note 33) | (12,807) | (12,891) |
| **NET CASH FLOWS USED IN FINANCING ACTIVITIES** | **(13,506)** | **(13,589)** |
| CHANGE IN CASH AND CASH EQUIVALENTS, NET | (65,212) | 34,369 |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR | 2,095,231 | 2,060,862 |
| **CASH AND CASH EQUIVALENTS AT THE END OF YEAR** | **2,030,019** | **2,095,231** |

| **Operating cash flows, related to interest and commissions** | **Year ended 31.12.2022** | **Year ended 31.12.2021** |
|---|---|---|
| Proceeds from interest | 144,053 | 111,143 |
| Interest payments | (13,170) | (11,409) |
| Proceeds from commissions | 73,724 | 66,698 |
| Payments for commissions | (19,042) | (15,099) |

*All amounts are in thousand Bulgarian Levs, unless otherwise stated.*

These separate financial statements have been approved by the Management Board and signed on behalf of Central Cooperative Bank AD on May 30, 2023 by:

Georgi Kostov
Executive Director

Nikola Kedev
Executive Director

Sava Stoynov
Executive Director

Tihomir Atanassov
Procurator

Yordan Hristov
Chief Accountant

*The accompanying notes from 1 to 39 are an integral part of these separate financial statements.*
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With Auditors' Report
Deloitte Audit OOD, audit company, Reg. No 033

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Statutory Manager
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responsible for the audit

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Mariy Apostolov
Statutory Manager

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# SEPARATE STATEMENT OF CHANGES IN EQUITY

| | Issued capital | Premium reserve | Other reserves, including retained earnings | Revaluation reserves | Profit for the year | Total |
|---|---|---|---|---|---|---|
| **BALANCE AS OF JANUARY 1, 2021** | **127,130** | **110,470** | **308,968** | **16,728** | **20,380** | **583,676** |
| Effect of change in accounting policy (note 3.5) | - | - | 3,800 | - | - | 3,800 |
| **BALANCE AS OF J ANUARY 1, 2021 (restated)** | **127,130** | **110,470** | **312,768** | **16,728** | **20,380** | **587,476** |
| Profit for the year | - | - | - | - | 26,218 | 26,218 |
| Other comprehensive loss for the year | - | - | - | (4,926) | - | (4,926) |
| **TOTAL COMPREHENSIVE INCOME FOR THE YEAR** | **-** | **-** | **-** | **(4,926)** | **26,218** | **21,292** |
| Transfer of profit from previous periods | - | - | 20,380 | - | (20,380) | - |
| Other movements | - | - | 84 | - | - | 84 |
| **BALANCE AS OF DECEMBER 31, 2021** | **127,130** | **110,470** | **333,232** | **11,802** | **26,218** | **608,852** |
| Profit for the year | - | - | - | - | 38,142 | 38,142 |
| Other comprehensive loss for the year | - | - | - | (1,007) | - | (1,007) |
| **TOTAL COMPREHENSIVE INCOME FOR THE YEAR** | **-** | **-** | **-** | **(1,007)** | **38,142** | **37,135** |
| Transfer of profit from previous periods and other movements | - | - | 26,219 | - | (26,218) | 1 |
| **BALANCE AS OF DECEMBER 31, 2022** | **127,130** | **110,470** | **359,451** | **10,795** | **38,142** | **645,988** |

*All amounts are in thousand Bulgarian Levs, unless otherwise stated.*

These separate financial statements have been approved by the Management Board and signed on behalf of Central Cooperative Bank AD on May 30, 2023 by:

Georgi Kostov
Executive Director

Nikola Kedev
Executive Director

Sava Stoynov
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With Auditors' Report

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# NOTES TO THE SEPARATE FINANCIAL STATEMENTS

## 1. CORPORATE INFORMATION

Central Cooperative Bank AD, Sofia (the "Bank") is a joint stock company established in 1991, UIC 831447150, seat and management address at 87, Tsarigradsko shose, Sofia 1086, Bulgaria.

The Bank's activities and operations are governed by the Law on Credit Institutions. The Bank currently operates under a banking license issued by the Bulgarian National Bank (BNB), pursuant to which it may accept deposits in local and foreign currency, extend loans in local and foreign currency, open and maintain nostro accounts in foreign currency abroad, deal with securities and foreign currency and perform all other banking activities and transactions, permitted by the Law on Credit Institutions.

In December 2005 the Bank obtained a bank license, issued by the Central Bank of Cyprus, under which the Bank is authorized to perform bank activity through a legally licensed bank branch on the territory of the Republic of Cyprus, in compliance with the requirements of the Cyprus Law on Banks. The Bank started its banking activity on the territory of Cyprus in 2007 through its bank branch.

The Bank is a public entity and is listed on the Bulgarian Stock Exchange AD with BSE code CCB (4CF). The Bank is a member of the European Association of Cooperative Banks. The Bank has a primary dealer status for transactions with Bulgarian government securities.

The Bank provides services as investment intermediary under the provisions of the Public Offering of Securities Act (POSA). As an investment intermediary, the Bank complies with specific requirements for protection of clients' interests under the Markets in Financial Instruments Act (MFIA) and Ordinance 38 issued by the Financial Supervision Commission (FSC). The Bank implements organization related to the conclusion and execution of contracts with customers involving requesting customer data, keeping records and clients' assets in accordance with the reporting requirements for keeping clients' assets under art. 122-126 of Ordinance 38/21.05.2020 on the Requirements to the Activities of Investment Intermediaries and Chapter II, art. 3-10 of Ordinance 58 as of 28.02.2018 outlining the requirements for protection of the customers' financial instruments and cash, for product management and for providing or receiving considerations, commissions, other cash and non-cash benefits.

As of December 31, 2022 the Bank's operations are conducted through a head-office located in Sofia, Bulgaria, 47 branches and 245 remote offices throughout the country and one branch in the Republic of Cyprus.

The ultimate parent company of the Bank, whose shares are listed on the Bulgarian Stock Exchange AD, is Chimimport AD – a public entity.

*All amounts are in thousand Bulgarian Levs, unless otherwise stated.*

# 2. BASIS FOR PREPARATION OF THE SEPARATE FINANCIAL STATEMENTS

## 2.1. General framework for financial reporting

Tcoidhese financial statements are separate financial statements prepared for the year ended December 31, 2022. These separate financial statements have been prepared for general purposes under the going concern principle.

The Bank's functional currency is Bulgarian lev. The amounts in the separate financial statements are stated in thousand Bulgarian levs (BGN'000).

The separate financial statements of the Bank have been prepared in accordance with the International Financial Reporting Standards (IFRS), developed and published by the International Accounting Standards Board (IASB) and approved by the European Union (EU) (IFRS as approved by the EU). Within the meaning of para. 1, item 8 of the Supplementary Provisions to the Accountancy Act, applicable in the Republic of Bulgaria, the term "IFRS as approved by the EU" stands for the International Accounting Standards (IAS), adopted in compliance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council.

The Bank controls the subsidiaries Central Cooperative Bank AD Skopje, the Republic of Macedonia and CCB Assets Management EAD, Sofia, the Republic of Bulgaria.

These financial statements are separate financial statements. The Bank also prepares consolidated financial statements in accordance with IFRS, developed and published by IASB and approved by the EU, where the investments in subsidiaries are reported and disclosed in accordance with IFRS 10 Consolidated financial statements and which will be published after the date of issuance of these separate financial statements.

## 2.2. Basis for preparation

The separate financial statements are prepared under the historical cost, modified with the fair value of financial assets and liabilities at fair value through profit or loss, and at fair value through other comprehensive income, as well as fair value of investment property and revalued amount of buildings, used in banking activities. All other financial assets and liabilities are measured at amortised cost or at cost.

**Macroeconomic framework, Covid-19 and the military conflict in Ukraine**
The economic environment in 2022 has been shaped by the recovery from the Covid-19 pandemic, the war in Ukraine, the sharp rise in prices and the reversal of the interest rate cycle. Due to the recovery from the Covid-19 pandemic and the war in Ukraine, oil and commodity prices have risen. The war in Ukraine caused new interruptions and restrictions on a global scale on the supply of goods, food and raw materials, which caused further price increases.

Inflation with subsequent monetary tightening and the energy crisis are the basis of the economic slowdown in the European Union in the last quarter. Pressure on prices intensified and widened in 2022, with inflation hitting record highs for the recent decades. Key central banks have begun tightening after a very long period of loose monetary policy. In July 2022, the European Central Bank (ECB) raised the deposit facility rate from minus 0.50% to 0%, making the deposit facility rate non-negative for the first time since 2013. With decisions from September, November and December, the interest rate on the deposit facility reached 2%. The ECB also decided to increase the rate from 0% to 2.50% for refinancing operations.

The Bulgarian economy slowed down its growth after the middle of 2022 and the annual growth decreased quarter by quarter as follows 3.7%, 4.3%, 3.1% and 2.1%. Under the influence of external demand, the recovery of the Bulgarian economy in the first half of 2022 exceeded expectations. At the end of 2022, the share of government debt to GDP is 22.9% (2021: -23.4%), and according to preliminary data, the budget deficit on an accrued basis is 2.9%. The labor market in the country is stable with a low unemployment rate of 4.7%.

Bulgaria has an open economy and inflationary processes are rapidly entering, with the annual change in harmonised index of consumer prices (HIPC reaching a peak of 15.6% in September 2022, and as of December it was 14.3%. The consumer price index, reflecting the specific Bulgarian consumer basket, for these periods was 18.7% and 16.9%, respectively. The Bulgarian government implemented measures to help households and businesses mitigate the energy shock.

The long-term credit rating for Bulgaria of SP Global Ratings agency is BBB with a stable outlook, confirmed in November 2022.

In 2022, the Covid-19 pandemic has gradually subsided and its economic consequences are being overcome. As of December 31, 2022 the deferral period for all loans for which there was a deferral under the private moratorium in previous years at CCB AD has expired.

In these circumstances, the Bank's management analysed and assessed the ability of the Bank to continue its activities as a going concern on the basis of the information available for the foreseeable future. Management expects that Bank has sufficient financial resources to continue its operational activities in the near future and continues to apply the going concern principle in preparing the separate financial statement.

## 2.3. Climate-related issues

The Bank takes into account the importance of environmental issues and climate risk, striving to perform its activities in a way that guarantees the protection of the environment and to comply with all laws and regulations aimed at ecological balance. Banks in general can play an important role in minimizing the impact on climate change, through their customers, with CCB AD making efforts to minimize its direct impact on the environment and prioritizing the rational consumption of natural resources.

During the year, the Bank started a process of revising its strategy, aiming at including a section related to green lending.

The Bank will set targets for exposures in the main business segments that meet the requirements for "green" lending. As of the end of 2022, an analysis of the customers and the corporate credit portfolio is underway, with the Bank examining and classifying customers with economic activity that meets the requirements of "contributing significantly to the mitigation of climate change or to adaptation to climate change” according to Regulation (EU) 2021/2139 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council.

As of December 31, 2022, the Bank discloses the data in accordance with the requirements of Art. 10 (3) of Delegated Regulation (EU) 2021/2178 on Taxonomy Eligible Economic Activities in its Non-Financial Declaration.

Undoubtedly, dealing with the risks arising from climate change and environmental degradation and achieving goals for a sustainable economy will be among the main challenges for the Bank in the coming years in the context of a changing regulatory framework that has placed even greater emphasis on the topic of climate risk and sustainable reporting requirements.

Following the adoption by the EU of a sustainability-related reporting framework, including ecology, the Bank will work on developing and implementing a methodology aimed at assessing exposures to risks, associated with the climate and environment, the loan portfolio and operations as a whole.

The first step towards this is the collection of detailed information and data on borrowers needed to assess the vulnerabilities of exposures to climate and environmental risks related to sustainability in the sectors and segments most affected by climate change. The second step is to develop appropriate limits to efficiently manage climate and environmental risks in accordance with regular monitoring and escalation rules and integrate them into the overall risk management framework.

The Bank is expected to develop and establish appropriate internal stress tests and scenario analyses, as tools targeted at climate and environmental risks, taking into account the uncertainty surrounding the future development of climate change and society’s response to it.

The Bank will define climate and environmental risks in its risk appetite framework, setting indicators to track the achievement of specific targets.

In 2023, the Bank will continue its work on developing and adapting its internal systems to comply with the requirements of the Taxonomy Regulation for classifying economic activities as environmentally sustainable. In this way, compliance of the taxonomy with the main economic activities and directions of development will be achieved, so that the Bank can prepare in a timely manner and adequately for the increased reporting and disclosure requirements that will come into force in 2024.

## 2.4. Comparative data

The Bank presents comparative data in these separate financial statements for two comparable periods in the statement of financial position due to a change in the accounting policy, as stipulated in note 3.5.

Where necessary, the comparative data is reclassified (and restated) in order to achieve comparability against changes in presentation in the current year. During the period the Bank changed the presentation of the statement of financial position, the statement of profit or loss and the statement of cash flows.

## 2.5. Changes in IFRS

**Initial application of new amendments to the existing standards effective for the current reporting period**

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

- Amendments to IAS 16 Property, Plant and Equipment - Proceeds before Intended Use adopted by the EU on June 28, 2021 (effective for annual periods beginning on or after January 1, 2022);

- Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets - Onerous Contracts - Cost of Fulfilling a Contract adopted by the EU on June 28, 2021 (effective for annual periods beginning on or after January 1, 2022);

- Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework with amendments to IFRS 3 adopted by the EU on 28 June 2021 (effective for annual periods beginning on or after January 1, 2022);

- Amendments to various standards due to Improvements to IFRSs (cycle 2018 -2020) resulting from the annual improvement project of IFRS (IFRS 1, IFRS 9, IFRS 16 and IAS 41) primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU on June 28, 2021 (The amendments to IFRS 1, IFRS 9 and IAS 41 are effective for annual periods beginning on or after January 1, 2022. The amendment to IFRS 16 only regards an illustrative example, so no effective date is stated.);

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

**Standards and amendments to the existing standards issued by IASB and adopted by the EU but not yet effective**

At the date of authorisation of these financial statements, the following amendments to the existing standards were issued by IASB and adopted by the EU and which are not yet effective:

- IFRS 17 Insurance Contracts including amendments to IFRS 17 adopted by the EU on November 19, 2021 (effective for annual periods beginning on or after January 1, 2023);

- Amendments to IFRS 17 Insurance contracts - Initial Application of IFRS 17 and IFRS 9 – Comparative Information (effective for annual periods beginning on or after January 1, 2023);

- Amendments to IAS 1 Presentation of Financial Statements: Disclosure of Accounting policies adopted by the EU on March 2, 2022 (effective for annual periods beginning on or after January 1, 2023);

- Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates adopted by the EU on March 2, 2022 (effective for annual periods beginning on or after January 1, 2023);

*All amounts are in thousand Bulgarian Levs, unless otherwise stated.*

- Amendments to IAS 12 Income Taxes - Deferred Tax related to Assets and Liabilities arising from a Single Transaction adopted by the EU on 11 August 2022 (effective for annual periods beginning on or after January 1, 2023).

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

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except for the following new standards and amendments to the existing standards, which were not endorsed for use in EU as at the date of publication of these financial statements (the effective dates stated below is for IFRS as issued by IASB):

- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (effective for annual periods beginning on or after January 1, 2023);

- IFRS 14 Regulatory Deferral Accounts (effective for annual periods beginning on or after January 1, 2016) - the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard;

- Amendments to IAS 1 Presentation of Financial Statements - Non-current Liabilities with Covenants (effective for annual periods beginning on or after 1 January 2024);

- Amendments to IFRS 16 Leases - Lease Liability in a Sale and Leaseback (effective for annual periods beginning on or after 1 January 2024);

- IFRS 14 Regulatory Deferral Accounts (effective for annual periods beginning on or after 1 January 2016) - the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard;

- Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date deferred indefinitely until the research project on the equity method has been concluded).

The Bank anticipates that the adoption of these new standards and amendments to the existing standards will have no material impact on the financial statements of the Bank in the period of initial application.

# 3. ACCOUNTING POLICY

## 3.1. Scope and objective

The accounting policy comprises principles and basic assumptions, concepts, rules, practices, bases and procedures, adopted by management for reporting the activity of the Bank, and the preparation and presentation of the financial statements.

The purpose of the accounting policy is to provide the necessary organizational and methodological uniformity in the process of financial reporting of the Bank's activities, aimed at providing a true and fair presentation of the Bank's financial position and result of operations in the annual financial statements.

## 3.2. Significant accounting policies

### 3.2.1. Interest income and expenses

The interest income and interest expenses are recognized by taking into account the effective interest of the respective financial asset or liability in all its material aspects. Interest income and interest expense include amortization of discount, premium and other differences between the initial book value and the value at maturity of interest-bearing instruments calculated by the effective interest rate (for financial assets measured at amortised cost, financial assets measured at fair value through other comprehensive income and financial liabilities at amortised cost).

The effective interest rate is the rate that exactly discounts the estimated future cash flows of the financial instrument over its expected life, or if applicable, for a shorter period, to the net book value of the financial asset or financial liability. The future cash flows are estimated by taking into account the contractual terms of the instrument.

The interest income and interest expenses presented in the statement of profit or loss and other comprehensive income, include:

- calculated based on the effective interest rate;
    - interest from financial assets and liabilities at amortised cost;
    - interest on debt instruments at fair value through other comprehensive income (FVTOCI);
    - payables on lease agreements;

- calculated on other bases;
    - interest from financial assets at fair value through profit or loss;
    - negative interest on assets

The Bank holds investments in financial assets and placements issued at negative interest rates. The Bank discloses interest on these financial assets as interest expense, with additional disclosures presented in note 22.

The Bank calculates interest income and expenses on financial assets, other than those considered credit impaired, by applying the interest income to the gross book value of the financial asset.

*All amounts are in thousand Bulgarian Levs, unless otherwise stated.*

### 3.2.2. Fees and commissions income/expense

Fees and commissions income and expenses are recognized in profit or loss when the respective service is performed or received. All fees and commissions that are not an integral part of the effective interest rate of the financial instrument are accounted for in accordance with IFRS 15.

The following five-step model is used to determine whether and how revenue should be recognized in accordance with IFRS 15 Revenue from contracts with customers:

1. Identify the contract with a customer
2. Identify all the performance obligations
3. Determine the transaction price
4. allocate the transaction price to each performance obligation
5. recognise revenue when a performance obligation is satisfied.

Revenue is recognized over time when or until the Bank fulfils its obligations when it transfers the promised services to its customers.

The Bank recognizes as contract liabilities consideration received for unfulfilled performance obligations and presents them as other liabilities in the statement for financial position. Prepaid fees on issued bank guarantees and undrawn credit commitments are recognized under Other liabilities in the Statement of Financial Position. In note 20, the indicated amounts are presented as Deferred Income.

Similarly, if the Bank fulfils a performance obligation before it receives the consideration it recognizes in the statement of financial position either a contract asset or receivable depending on whether or not something other than a certain time to obtain the consideration is required.

Fees and commissions consist mainly of fees for bank transfers in Bulgaria and abroad, fees for servicing accounts, fees related to loan exposures, servicing off- balance sheet commitments and revenue as disclosed in note 23.

In all cases the total transaction price for a certain contract is allocated between the various performance obligations based on the relatively separate sales prices of the separate products and services. The consideration which the Bank receives is determined in the various Bank's tariffs and does not include variable component. The transaction price under the contract excludes all amounts collected on behalf and at the expense of third parties. Fees and commissions income is recognized over time. Significant part of the fees and commissions income is recognized after the service is provided and the consideration is collected from the customer.

Commissions arising from foreign currency transactions are reported in the statement of profit or loss and other comprehensive income on their receipt. Fees and commissions for granting and management of loans when considered to be part of the effective income are amortised during the loan term and are recognized as current financial income during the period by applying the effective interest method.

### 3.2.3. Foreign currency transactions

Transactions denominated in foreign currency are converted into BGN at the exchange rates set by BNB for the transaction date. Receivables and liabilities denominated in foreign currency are converted into BGN as of the date of statement of financial position preparation at the exchange rates of BNB for the same date.

Net foreign exchange rate gains or losses, arising from translation at the rates of BNB as of the transaction date, are included in profit or loss and other comprehensive income for the period, when they arise.

The Bank carries out daily revaluation of all currency assets and liabilities and off-balance sheet positions at the official BNB rate for the respective day, with the exception of non-monetary positions in foreign currency within the meaning of IAS 21, which are reported at exchange rate as of the transaction date. The net gains and losses, arising from revaluation of balance sheet currency positions, are reported in profit or loss for the period, in which they arise.

As of 2002 the Bulgarian Lev is fixed to the Euro at the rate of EUR 1 = BGN 1.95583.

The exchange rates of USD and the Bulgarian Lev as of December 31, 2022 and 2021 are as follows:

| December 31, 2022 | December 31, 2021 |
|---|---|
| USD 1 = BGN 1.83371 | USD 1 = BGN 1.72685 |

The functional currency of the Bank's branch in the Republic of Cyprus is EUR.

From March 1, 2022, ECB and BNB suspended the publication of the Euro-Ruble exchange rate, respectively. Lev-Ruble. For the purposes of applying the requirements of IAS 21 for its exposures denominated in Russian rubles, the Bank has applied the closing Ruble-Euro-Lev cross rate published by the Central Bank of the Russian Federation. This derivative exchange rate has been benchmarked against several foreign exchange markets in EU and non-EU countries to which the Bank has access, where it has been found to be as close as possible to available market quotations.

### 3.2.4. Dividend income

Dividend is recognized by the Bank in profit or loss only when:

a) the right of the Bank to receive payment of a dividend is established;
b) there is probability that the Bank will receive economic benefit related to the dividend;
c) the amount of the dividend may be reliably measured.

### 3.2.5. Net profits from securities transactions

Net gains from securities transactions include gains and losses on the sale or change in fair value of these assets, exchange differences resulting from the revaluation of these assets and liabilities denominated in foreign currency. Additional information is presented in Note 24.

*All amounts are in thousand Bulgarian Levs, unless otherwise stated.*

### 3.2.6. Financial assets and liabilities

#### 3.2.6.1. Initial recognition of financial instruments

Financial assets and financial liabilities are initially recognized in the Bank's statements of financial position only when the Bank becomes a party under the contract provisions of the instrument. Their initial accounting recognition is based on the settlement date.

Except for trade receivables, upon initial recognition, the Bank measures a financial asset or financial liability at its fair value, plus or minus, in the case of a financial asset or financial liability not measured at fair value through profit or loss, transaction costs that are directly related to the acquisition or issue of the financial asset or financial liability. The transaction costs included in the acquisition cost are fees, commissions and other fees paid to agents, brokers, consultants, dealers and others directly involved in the transaction, taxes, fees, permits and other paid at exchanges and regulatory authorities. All other costs are reported as current for the period in which they arise. The cost of acquisition does not include interest in the financial asset that was not paid at the acquisition date

#### 3.2.6.2. Classification of financial instruments

Financial assets
The Bank classifies the financial assets as subsequently measured at amortised cost, at fair value through other comprehensive income or fair value through profit or loss on the basis of two conditions:

a) business model for managing the financial assets; and
b) contractual cash flow characteristics of the financial assets (check for principal and interest payments only – SPPI test).

When the cash flows meet the SPPI test and the business model for holding the instruments is to receive the contractual cash flows, the Bank classifies the debt instruments at amortised cost. When the business model for holding the financial instruments is for trading purposes and holding the assets to receive principal and interest, upon initial recognition, the Bank classifies these assets as debt instruments at fair value through other comprehensive income.

Defining the business model for the management of the financial assets
The business model refers to the way in which the Bank manages its financial assets for generating cash flows, i.e. the business model of the Bank determines whether the cash flows will be generated for collecting contractual cash flows, sale of financial assets or for both.

The business models applied by the Bank are as follows:

- business model whose objective is to collect the contractual cash flows
- business model whose objective is both to collect contractual cash flows and to sell financial assets
- other business model of fair value measurement through profit or loss, through which the Bank manages the financial assets for the objective of realizing cash flows through sale of assets.

Characteristics of the contractual cash flows of the financial asset

Contractual cash flows that are solely payments of principal and interest on the principal amount outstanding

The Bank classifies a financial asset based on the characteristics of its contractual cash flows. The contractual cash flows and the chosen business model that represent solely payments of principal and interest on the principal amount outstanding, correspond to the basic lending agreement. In the basic lending agreement, the main elements that determine the interest are the time value of money and the credit risk. Interest may also include consideration for assuming other basic risks – liquidity risk, price of borrowings and amounts for covering administrative expenses for the loan, related to holding the financial asset for a certain period of time and profit margin.

Financial liabilities

The Bank's financial liabilities include deposits received, liabilities under bonds, lease contracts liabilities, commercial and other financial liabilities.

Financial liabilities are initially measured at fair value and, where applicable, adjusted for transaction costs, unless the Bank has designated a financial liability as measured at fair value through profit and loss.

The Bank classifies all financial liabilities as subsequently measured at amortised cost, with the exception of the derivative liabilities, which are measured at fair value through profit or loss.

### 3.2.6.3. Subsequent designation of financial instrument

Financial assets

After initial recognition, classification and measurement the Bank measures a financial asset at: a) amortised cost; b) fair value through other comprehensive income; or c) fair value through profit or loss.

The Bank applies the requirements for impairment of IFRS 9 regarding debt financial assets that are measured at amortised cost, debt financial assets at fair value through other comprehensive income, as well as issued financial guarantees, credit commitments and other financial receivebles.

Financial assets at amortised cost

The Bank measures a financial asset – debt instrument at amortised cost, if the following two conditions are met: a) a financial asset is held within a business model whose objective is to collect the contractual cash flows; and b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Amortised cost is the asset's original carrying amount minus principal repayments plus or minus the accumulated amortization of the difference between that initial value and the maturity value calculated using the effective interest method and adjusted for each loss allowance.

Expected credit losses

For the purpose of determining the expected credit losses, the Bank groups the financial assets at the debtor level in one of the following stages:

Stage 1 – which comprises newly originated financial assets as well as assets whose credit risk has not significantly increased since initial recognition;

Stage 2 – which comprises financial assets whose credit risk has significantly increased since initial recognition

*All amounts are in thousand Bulgarian Levs, unless otherwise stated.*

Stage 3 – which comprises financial assets at default.

Purchased or originated financial assets with credit impairment

For these financial assets, the entity applies the credit loss-adjusted effective interest rate to the amortised cost of the financial asset upon initial recognition.

Credit risk on a financial asset can be defined as low on the basis of an external credit rating and the Bank's ability to meet its obligations in the short term, and any adverse changes to economic and business conditions in the long run could, but are not necessarily reduce the debtor's ability to perform his duties. Exposures with no significant deterioration in credit quality after their initial recognition include exposures where the delay of agreed payments are up to 30 days and no significant credit risk increases are identified.

The estimate for determining exposures with significant increase of credit risk is based on a combination of automatic and other internally determined indicators. The Bank has assumed that there is a significant increase in credit risk on a financial asset when the delay of the agreed payments are between 31 and 90 days or the delay is over 90 days, but is not significant in amount, according to the thresholds defined in Art. 28 of Ordinance No. 7 of BNB dated 24.04.2014 on the organization and management of risks in banks; and when concessions are granted to a debtor due to financial difficulties and these rebates do not lead to a significant reduction of the financial obligation (under 1%), respectively until classification of exposures as non-performing or the debtor is in a period of testing after the Bank has granted rebates / exposures with restructuring measures/. The estimate for determining exposures with significant increase of credit risk includes other indicators such as changes in the payment status of debtors, for example, any changes in the debtor's financial position (income decrease of over 30%, loss of a major customer with over 50% of sales, accumulated loss, etc.) that are expected to lead to a significant change in his ability to perform his duties; established unfavourable data and market information related to a debtor that significantly increase credit risk; change in the Bank's approach to exposure management, etc.

For defaulted exposures, the Bank uses the guidelines of Regulation (EU) No 575/2013 and Guideline EBA/GL/2016/07 on the application of the definition of non-compliance under Article 178 of Regulation (EU) 575/2013. The Bank has assumed that a default has occurred in respect of a particular debtor where the overdue payment is over 90 days for a substantial portion of the credit obligation of the debtor, and / or it is considered that the debtor is unlikely to fully repay its credit obligations without taking enforcement action of the collateral. When determining the materiality of the overdue credit obligation, the Bank applies the thresholds defined in Art. 28 of Ordinance No. 7 of BNB dated 24.04.2014 on the organization and management of risks in banks. All financial assets classified as non-performing exposures under regulatory requirements are considered to be non-performing financial assets.

The review of the indicators and the assessment of the exposures is performed on a monthly basis, under the control of the Risk Management Directorates of the Bank's Central Unit, and the respective decisions are taken by the Bank's management.

For financial assets in Stage 1 the 12-month expected credit loss is applied, while for financial assets in Stage 2 and Stage 3 – the full lifetime expected credit loss of the financial asset is applied. Financial assets in Stage 3 are assets with objective evidence for impairment.

For the purpose of determining the impairment of financial assets, the Bank applies models of calculating the expected credit losses on collective or individual basis. The impairment models for individual measurement of financial assets are applied for debt financial instruments such as debt securities, bank balances and deposits, as well as for exposures, representing "Project financing" or exposures with unique characteristics, regardless of their amount. Impairment models for individually measured exposures, are based on discounted cash flows and reflect the different scenarios of expected cash flows, including available reasonable and supportable information without undue cost or effort, which concerns future events /including macroeconomic forecasts/. For the purpose of determining the impairment of exposures in default /Stage 3/ or credit –impaired financial assets, the Bank applies a model for individual impairment of assets above a certain amount.

The impairment model for collectively measured financial assets is based on determining amounts for the probability of default /PD/ and for the loss given default /LGD/ for each collectively measured asset, by applying amortization through the effective interest rate /EIR/ when calculating the exposure at default /EAD/. The impairment models of the financial assets collectively measured are applied for debt securities, bank balances and deposits, repurchase agreements and exposures as a result of the Banks's loan activity – loans and off-balance exposures of individuals and legal entities. The models include available reasonable and supportable information, accessible without undue costs or efforts, for external credit rating of the counterparties, as well as 3–year scenarios for the macroeconomic development of the state, prepared by external sources /MF, BNB, NSI, WB, IMF/. The macroeconomic indicators used by the Bank are: growth of the gross domestic product /GDP/, harmonized consumer price index /HCPI/, Level of unemployment and index of prices of apartments. The Bank updates the values of the forecast indicators used in its model once per year, when the 3-year forecast data is published and disclosed by the respective institutions.

The Bank recognizes in profit or loss – the gain or loss from impairment, the amount of the expected credit losses (or reversal), arising in the period, measured by the difference between the credit loss adjustment as of the date of the review or prior review date. The loss allowance for expected credit losses is presented as a decrease of the carrying amount of the financial asset in the statement of financial position.

Financial assets at fair value through other comprehensive income

Debt instruments

The Bank designates a debt financial asset at fair value through other comprehensive income, if the following conditions are met:

a) the financial asset is held within a business model whose objective is to collect the contractual cash flows and for selling financial assets, and
b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Gain or loss on a debt financial asset at fair value through other comprehensive income is recognized by the Bank through other comprehensive income, with the exception of gains and losses on impairment, gains and losses on foreign currency operations, interest income until the moment of derecognition or reclassification of a financial asset.

The Bank complies with the requirements for impairment of financial assets that are designated at fair value through other comprehensive income.

*All amounts are in thousand Bulgarian Levs, unless otherwise stated.*

The Bank recognizes in profit or loss – the gain or loss from impairment, the amount of the expected credit losses (or reversal), by providing a loss allowance, which is recognized through other comprehensive income and does not decrease the carrying amount of the financial asset in the statement of financial position.

Equity instruments
The Bank may make an irrevocable election at initial recognition for particular investments that are not held for trading, in equity instruments that would otherwise be measured at fair value through profit or loss to present subsequent changes in fair value through other comprehensive income. This measurement is performed for each asset (for each instrument). Equity instruments are not subject to review for impairment.

When equity instruments measured at fair value through other comprehensive income are derecognised, the cumulative effect of the change in fair value is recognised directly in the Bank's retained earnings without reclassification through profit or loss.

Financial assets at fair value through profit or loss
The Bank measures the financial assets at fair value through profit or loss, if they are not held within a business model, whose objective is to collect the contractual cash flows or within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments. This category is also applied to instruments that do not meet the solely payments of principal and interest criteria. Gains and losses on financial assets at fair value through profit or loss are recognized by the Bank in profit or loss.

Reclassification of financial instruments
The Bank reclassifies all affected financial assets only when it changes its business model for financial asset management. The Bank does not reclassify financial liabilities.

The Bank reclassifies financial assets prospectively. The Bank does not restate any gains or losses recognized previously (including gain and loss on impairment losses) or interest.

Modification of contractual cash flows of a financial asset
Modification of a contractual cash flow of a financial asset occurs when the contractual cash flows of a financial asset are renegotiated or otherwise altered and those amendments have not been contracted at the initial recognition of the financial asset. When determining the existence of a modification of a financial asset, the factors for its occurrence are analyzed, as well as the accounting reflection of the effect of modification. When the contractual cash flows of a financial asset are renegotiated or modified and the renegotiation or modification does not result in the derecognition of that financial asset in accordance with the policy of the Bank, the entity recalculates the gross carrying amount of the financial asset and recognizes profit or loss from modifying the gain or loss.

### 3.2.6.4. Derecognition of financial instruments

The Bank derecognizes a financial asset when the contractual rights for the cash flows for this financial asset have expired; or the Bank transfers the financial asset and the transfer meets the derecognition requirements. The Bank derecognises the existing financial asset and recognises the modified financial asset as a new financial asset when the contractual cash flows of a financial asset are renegotiated or otherwise modified and the change in contractual terms is significant. The

Bank applies 10 % test as threshold for derecognition and modification of financial assts. ‘10% test’ is calculation of the net present value of the cash flows under the new terms discounted at the original effective interest rate (EIR) is at least 10% different from the carrying amount of the original debt.

The Bank derecognizes a financial liability (or part of the financial liability) from its statement of financial position when it has been extinguished - i.e. when the obligation, indicated in the contract has been fulfilled, cancelled or has expired. The Bank applies 10 % test as threshold for derecognition and modification of financial liabilities. ‘10% test’ is calculation of the net present value of the cash outflows under the new terms discounted at the original effective interest rate (EIR) is at least 10% different from the carrying amount of the original debt.

### 3.2.7. Investments in subsidiaries

Subsidiaries are all entities under the Bank’s control. Control is present, if the Bank is exposed or entitled to the variable return on investment in the enterprise, and is able to influence this return on the investment through its power over the enterprise, invested in.

In the separate financial statements of the Bank, the shares and interests in the subsidiaries are initially recognized at cost.

Subsequently, the Bank performs reviews periodically to determine whether there are indications for impairment. Impairment is recognized in the statement of comprehensive income as impairment losses of investments in subsidiaries.

Dividends in subsidiaries are recognized and reported in the statement of comprehensive income, when the right of the Bank for receiving dividend is established according to IFRS 9.

### 3.2.8. Receivables and liabilities under repurchase agreements

Receivables and liabilities under repurchase agreements are recognized as financial assets and liabilities at amount, which is equal to the fair value of the funds placed/obtained by the Bank, secured by the value of the securities. Interest due on the fair value of the funds placed/obtained for the term of the agreement is accounted and recognized as interest income/expense in the period of its occurrence.

Securities pledged as collateral on repurchase agreements are not derecognized in the separate statement of financial position of the Bank in cases when the risks and rewards of ownership are not transferred.

Securities received as collateral under repurchase agreements are not recorded in the statement of financial position of the Bank in cases when the risks and rewards of ownership are not transferred.

### 3.2.9. Cash and cash equivalents

Cash and cash equivalents, for the purpose of the cash flows statement preparation, include cash, balances with the Central Bank (BNB) and nostro accounts, which are unrestricted demand deposits at other banks, as well as placements with, loans and advances to other banks with a maturity up to 3 months.

IFRS 7 “Financial Instruments: Disclosure” provides for the disclosure in the notes to the financial statements of information about the fair value of the financial assets and liabilities. IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date. Fair value under IFRS 13 is an exit price, regardless of whether that price is directly observable or estimated using another valuation technique.

**3.2.10. Fair value hierarchy**

IFRS 13 defines fair value as the price for selling an asset or transferring a liability in an orderly transaction in a principal (or most advantageous) market under current market conditions. Fair value under IFRS 13 is an exit price, regardless of whether that price is directly observable or estimated using another valuation technique.

It is the policy of the Bank to disclose fair value information on those assets and liabilities, for which published market information is readily available and whose fair value significantly differs from their carrying amounts. The fair value of cash and cash equivalents, deposits and loans, granted by the Bank, other receivables, deposits, borrowings and other current liabilities approximates their carrying amount, in case they mature in a short period of time. In the opinion of the management, under these circumstances, the reported recoverable amounts of the financial assets and liabilities are the most reliable for the purposes of the separate financial statements.

For the assets and liabilities recognized at fair value in the statement of financial position the Bank discloses for each class financial instruments the hierarchy level of fair value to which the measurements of fair value are categorized in their full scope, each significant transfer between level 1 and 2 of the fair value hierarchy and the respective reasons, as well as reconciliation of opening and closing balances for the level 3 measurements.

The Bank uses the following hierarchy to measure and disclose the fair value of financial instruments through evaluation technique:

- Level 1: quoted (unadjusted) prices of active markets for identical assets or liabilities;
- Level 2: other techniques for which the whole incoming information that has significant impact on the reported fair value is subject to direct or indirect monitoring;
- Level 3: techniques, which use unobservable incoming information that has material effect on the reported fair value and are not based on monitored market data.

Fair value of financial assets and liabilities that are traded on active markets is based on quoted prices of stock or dealer markets. For all other instruments the Bank determines their fair value using other valuation techniques.

Other valuation techniques include models based on the present value and discounted cash flows, comparison to other similar instruments for which observable market prices exist, options valuation models and other valuation models. Assumptions and input data used in valuation techniques include risk-free and reference interest rates, credit spreads and other premiums used in determining discount rates, debt and equity securities prices, exchange rates and prices of equity indices and expected fluctuations and price correlations.

The purpose of valuation techniques is to determine the fair value that reflects the price that would have been obtained when an asset was sold or paid when a liability was transferred in a normal transaction between market participants at the valuation date.

There is an analysis in note 36 of the assets measured at fair value as of December 31, 2022 and 2021 using fair value hierarchy by which the measurement of fair values is categorised. The values are based on the amounts recognised in the statement of financial position.

### 3.2.11. Set-off

The financial assets and liabilities are set-off, and the net value is presented in the statement of financial position when the Bank is entitled by law to net the recognized values, and the transactions are intended to be settled on a net basis.

### 3.2.12. Retirement and short-term employee benefits

The Bank recognizes short-term payables on compensated leaves arising from unused paid annual leave in cases where they are expected to be used within 12 months of the date of the reporting period in which the employees worked for these leaves. Short-term payables to employees include wages and social security contributions.

According to the requirements of the Labour Code upon termination of the employment, after the employee has acquired the right to a retirement pension, the Bank is obliged to pay him compensation up to six gross salaries. The Bank has accrued a legal obligation to pay benefits to employees upon retirement in accordance with the requirements of IAS 19 Employee Benefits, assessed once a year at the date of preparation of the financial statements with the help of a licensed actuary in order to assess future payables for pensions due. The Bank has decided to report in the financial statements the calculated effect for a 10-year period.

The period after the 10-th year is very remote in time, therefore there is considerable uncertainty about the realization of assumptions about future events and circumstances, which gives rise to insufficient reliability of the effect determined for this period. The financial assumptions used by the Bank are applied in forecasting the development of cash flows over time and affect the amount of the future liability and the determination of its present value by setting interest rates for discounting and increasing benefits. The evaluation also uses demographic assumptions about probability of withdrawal and mortality.

Actuarial gains or losses are recognized in other comprehensive income and are not subsequently reclassified to profit or loss.

Net interest expense related to pension liabilities is included in the statement of profit or loss and comprehensive income under “Interest expense”. Expenses for work length are included in “Employee benefits”.

Short-term employee benefits, including payable leaves, are included in current liabilities under “Other payables” at an undiscounted value that the Bank expects to pay.

### 3.2.13. Provisions for liabilities

The amount of provisions for liabilities is recognized as an expense and a liability when the Bank has current legal or constructive obligations, which have occurred as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle that obligation and a reasonable estimate of the amount of the liability can be made. Any loss resulting from recognition of provisions for liabilities is reported in profit or loss for the respective period.

### 3.2.14. Derivatives

Derivatives are measured at fair value and recognized in the statement of financial position as derivatives for trading. The fair value of derivatives is based on the market price or relevant valuation models. Derivative assets are presented as part of the financial assets held for trading, while the derivative liabilities are presented as part of other liabilities. Any change in the fair value of derivatives for trade is recognized as a part of the net trading income in profit or loss for the period. The Bank does not apply hedge accounting under IFRS 9 or IFRS 39.

### 3.2.15. Property, plant and equipment and intangible assets, right-of-use assets

Property, plant and equipment and intangible assets are identifiable non-monetary assets acquired and possessed by the Bank and held for use in the production and/or rendering of services, for renting, administrative and other purposes. They are stated at acquisition cost, less charged depreciation and amortization and accumulated impairment losses, excluding buildings, used by the Bank.

The subsequent valuation of buildings used by the Bank is carried at revalued amount, which is equal to the fair value at the date of the revaluation, reduced by subsequently accumulated depreciation and impairment losses. The revaluations made are disclosed in the statement of profit or loss and other comprehensive income under item Revaluation of non-financial assets, net of taxes and are reported against equity (as part of revaluation reserves) if they are not preceded by previously accrued expenses. Upon sale or write-off of the revalued asset, the remaining revaluation reserve is reflected against retained earnings. Information on the fair value of buildings used in banking activities is disclosed in note 36.

Depreciation of property, plant and equipment and amortization of intangible assets are calculated by using the straight-line method designed to write off the assets value over their estimated useful life. The annual depreciation and amortization rates are as follows:

| | | |
|---|---|---|
| Buildings | 4% | 25 years |
| Fixtures and fittings | 15% | 7 years |
| Motor vehicles | 15% | 7 years |
| Other assets, incl. Intangible assets | 15% | 7 years |
| Special equipment, cable networks and security systems | 4% | 25 years |
| Equipment, including hardware and software | 20% | 5 years |
| Right-of-use assets | | according to the legal term of use but no less than 12 months |

*All amounts are in thousand Bulgarian Levs, unless otherwise stated.*

Land, assets for resale, assets under construction, assets to be disposed and fully depreciated assets to their residual value are not subject to depreciation.

Depreciation costs are included in the separate statement of profit or loss and other comprehensive income under item Operating expenses.

The Bank does not have intangible assets with unlimited useful life.

As of the date of preparation of the annual separate financial statements the Bank's management has performed a review for impairment of property, plant and equipment and intangible assets measured at cost. No evidence of impairment of property, plant and equipment and intangible assets has been identified; therefore, they have not been impaired.

### 3.2.16. Assets acquired as collateral

Real estate and movable property acquired by the Bank as a mortgage creditor on granted and not serviced loans is classified as assets acquired from collateral and are stated initially at cost. The acquisition cost of assets acquired from collateral is the amount of all direct costs of acquiring the assets and other costs incurred in bringing them to their present location and condition.

After initial recognition, these assets are reported at the lower of their current carrying amount or net realizable value. The amount of any impairment of these assets to their net realizable value is recognized as an expense for the impairment period. No depreciation is accrued for these assets.

### 3.2.17. Investment property

Investment properties are initially measured at cost, which includes the purchase price and any costs directly attributable to the investment property, such as legal fees, property transfer taxes and other transaction costs.

The Bank reports as investment properties land and/or buildings that are held to receive rental income and/or for capital increase based on the fair value model.

Investment properties are revalued on an annual basis and are included in the statement of financial position at their market values. They are determined by independent appraisers with professional qualifications and significant professional experience depending on the nature and location of the investment properties, taking into account evidence of market conditions.

Any gain or loss from changes in the fair value or from the sale of an investment property is recognized immediately in gain or loss under item "Other operating income, net".

### 3.2.18. Lease contracts

#### 3.2.18.1. The Bank as lessee

The Bank assesses whether a contract is or contains a lease, at inception of the contract. The

Bank recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Bank recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:
- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a part of “Other liabilities” in the separate statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Bank remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:
- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used.
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is premeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Bank did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Bank incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Bank expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The Bank applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment and Intangible assets' policy.

Variable rents that do not depend on an index or rate are not included in the measurement the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line 'Other expenses' in profit or loss (see note 27).

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Bank has used this practical expedient.

#### 3.2.18.2. The Bank as a lessor

The Bank enters into lease agreements as a lessor with respect to some of its investment properties.

Leases for which the Bank is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

When a contract includes both lease and non-lease components, the Company applies IFRS 15 to allocate the consideration under the contract to each component.

### 3.2.19. Income tax

Corporate income tax is calculated on the basis of profit for the period and includes current and deferred taxes. Taxes due are calculated in accordance with the Bulgarian tax legislation.

Current income tax is calculated on the basis of the taxable profit by adjusting the statutory financial result for certain income and expenditure items, not approved for tax purposes, as required under

*All amounts are in thousand Bulgarian Levs, unless otherwise stated.*

Bulgarian accounting legislation, applicable for banks.

Deferred income taxes are calculated using the balance sheet liability method. Deferred income taxes represent the net tax effect of all temporary differences between the tax basis of assets and liabilities and their carrying amount for financial reporting purposes. Deferred tax assets and liabilities are calculated at the tax rates, which are expected to apply to taxable profit for the period, when the temporary differences are expected to be recovered or settled. The measurement of deferred tax liabilities and deferred tax assets reflects the tax consequences that would follow from the manner in which the Bank expects, at the date of the statement of financial position to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets and liabilities are recognized regardless when the temporary difference is likely to reverse.

Any tax effect, related to transactions or other events, recognized in the statement of profit or loss and other comprehensive income, is also recognized in the statement of profit or loss and other comprehensive income and tax effect, related to transactions and events, recognized directly in equity, is also recognized directly in equity.

A deferred tax liability is recognized for all taxable temporary differences, unless it arises from the initial recognition of an asset or liability in a transaction, which at the time of the transaction affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognized for all deductible temporary differences to the extent that taxable profit is probable, against which the deductible temporary difference can be utilized, unless the deferred asset arises from the initial recognition of an asset or liability in a transaction, which at the time of the transaction affects neither accounting profit nor taxable profit (tax loss).

### 3.2.20. Operating segments

In 2022 and 2021, the Bank is organized into one operating segment and respectively does not disclose information by operating segments, because it does not prepare such information. Business activities, which constitute its bank activities, possess similar economic characteristics, lack material difference in the essence of products offered and the regulatory environment where they take place. The operating result from the activities is reviewed and evaluated as a whole by the Bank's Management on a regular basis. The Bank does not identify separate segments meeting the requirements set out in IFRS 8 Operating segments.

Information on products, services, income and expenses, as well as assets of the Banking segment of CCB AD are presented in the explanatory notes to these separate financial statements.

In 2022 and 2021, there is no revenue from transactions with a single external customer or counterparty amounting to 10% or more of the Bank's total revenue. Information on revenue and profitability by country is presented in note 38.

## 3.3. Accounting estimates, assumptions and key areas of uncertainty

The presentation of financial statements requires Bank's management to apply certain accounting estimates and reasonable assumptions that affect some of the carrying amounts of assets and liabilities, revenues and expenses for the reporting period and disclosures of contingent assets and liabilities. Although these estimates and assumptions are based on the best estimate as of the date of the preparation of the separate financial statements, they may differ from the future actual results.

The most significant areas of uncertainty, which require estimates and assumptions in applying the accounting policies of the Bank, are as follows:
- Fair value of financial instruments;
- Expected credit losses measurement;
- Useful life of the depreciable assets;
- Fair value of investment property;
- Revalued amount of buildings, used in banking activities;
- Revenue from contracts with customers;
- Term of lease contracts and incremental borrowing rate;
- Recognition of deferred taxes in relation to lease contracts.

<u>Fair value of financial instruments</u>
When the fair value of financial assets in the statement of financial position cannot be determined on the basis of an active market, it is determined using different valuation methods (pricing models) that include mathematical models. Information on the fair values of the financial statements is presented in the note 36.

<u>Debt instruments measured at amortised cost</u>
Management's analysis and intentions are confirmed by the business model of holding debt instruments that meet the requirements for receiving principal and interest payments only and holding the assets until the collection of contractual cash flows from assets classified as debt instruments measured at amortised cost. This decision takes into account the current liquidity and risk tendency of the Bank. Further information on sources of uncertainty is provided in note 3.2.6.

<u>Expected credit losses measurement</u>
The recoverability of the loans and the adequacy of the recognized impairment losses, as well as the maintaining of the Bank's liquidity ratios depend on the financial position of the borrowers and their ability to settle their obligations at contracted maturity in subsequent reporting periods. Bank's management applies the necessary procedures to manage these risks, as disclosed in note 35.

<u>Fair value of investment property</u>
The fair value of investment property can be significantly affected by the assumptions used by the Bank's experts regarding profitability, bid prices and selected analogues. The management of the Bank reviews and selects the expert appraisers to be engaged - and accepts their work, ensuring that the assumptions applied are as objective and impartial as possible.

<u>Revalued amount of buildings used in banking</u>
The revalued amount of buildings used in the banking activities can be significantly affected by the assumptions used by the Bank's experts regarding profitability, bid prices and selected analogues.

*All amounts are in thousand Bulgarian Levs, unless otherwise stated.*

The management of the Bank reviews and selects the expert appraisers to be engaged - and accepts their work, ensuring that the assumptions applied are as objective and impartial as possible.

Revenue from contracts with customers

The Bank is bound by numerous contracts for the maintenance and servicing of bank accounts. The remuneration for the services provided is determined according to the Bank's tariff. All services provided are recognised over time. For this reason, management assesses when to recognise revenue from the contract for maintenance and servicing of bank accounts and payment transactions. Further information on sources of uncertainty is provided in note 3.2.2.

Term of the lease contracts

When determining the term of the lease contracts, the management shall consider all relevant facts and circumstances that create an economic incentive to exercise an option to extend a lease, or not to exercise an option to terminate a lease. Options for extending (or the periods after the options for termination) are included in the contract term only if it is certain that the lease contract will be extended (or not terminated). Most options for contract extending leases for offices are included in lease liabilities since the Bank relies on long-term relationship with its tenants.

The term of the lease is reassessed if the option is being exercised (or not) or the Bank is required to exercise it (or not). The assessment of the reasonable assurance is reassessed upon the occurrence of either a significant event or a significant change in circumstances, which affects this assessment and is under the control of the lessee.

Determination of the appropriate discount rate for the valuation of lease liabilities

Where the Bank cannot easily determine the interest rate included in the lease, it uses its incremental borrowing rate (IBR) to determine the value of lease liabilities. IBR is the interest rate which the Bank would have to pay in order to borrow a loan for such a period and with a similar guarantee in order to obtain the funds necessary for the acquisition of an asset of similar value and characteristics of the right-of-use asset in such an economic environment. The IBR therefore reflects what the Bank 'should pay', which requires an assessment where observable interest rates are not available (e.g. for subsidiaries that do not enter into financing transactions) or where they need to be adjusted to reflect the lease terms and conditions. The Bank evaluates the IBR using available data (such as market interest rates) when available and it is required to make certain Bank specific assessments.

Recognition of deferred taxes in respect of assets and liabilities arising from leases

Where assets and liabilities arise as a result of a lease which result in the initial recognition of a taxable temporary difference relating to the right-of-use asset and an equal in value deductible temporary difference under the lease liability, this results in a net temporary difference of zero. Consequently, the Bank does not recognise deferred taxes in relation to those lease transactions to the extent that within the useful life of the asset and the maturity of the liability, the net tax effects will be zero. However, deferred tax will be recognised when temporary differences arise in subsequent periods provided that the general conditions for the recognition of tax assets and liabilities under IAS 12 are met.

## 3.4. Capital management

The Bank defines its risk-bearing capacity as the amount of financial resources that are available for absorbing losses, which may be incurred due to the risk profile of the Bank. Financial resources are classified into Tiers of risk capital according to their ability to cover losses, ability to defer payments, and permanence.

The Bank monitors the allocation of financial resources to risk capital levels through Asset and Liability Management Committee. The Bank's capital management policy is regularly reviewed by the Bank's Management Board.

The Bank calculates, monitors and reports its risk capital for all major risk categories – credit, market and operational risk. In managing its risk capital, the Bank follows the legal framework, as well as its own objectives. For 2022 and 2021, the Bank is in compliance with the regulatory requirements for minimum capital adequacy, as the bank's capital adequacy levels exceed the regulatory requirements. The Bank annually publishes on its site Annual disclosure on consolidated base related to the requirements of art. 70 of Credit Institutions Act and Regulation (EU) No 575, Part eight – Disclosure by Institutions, in which the Bank describes its risk-weighted assets, capital requirements and capital buffers.

The Bank must meet external capital requirements imposed by the activity and in this industry. The imposed capital requirements can be presented as follows:

Effective as of 28.06.2021 the reporting requirements for credit institutions are regulated in Implementing Regulation (EU) 2021/451 which replaces Implementing Regulation (EU) No 680/2014. The Bank complies with the requirements of Implementing Regulation (EU) 2021/451 when preparing the supervisory reporting on capital adequacy requirements.

Regulation (EU) No 575/2013 of the European Parliament and of the Council of June 26, 2013 and Regulation (EU) 2019/876 of the European Parliament and of the Council of May 20, 2019 amending Regulation (EU) N° 575/2013 on prudential requirements for credit institutions and investment firms regulate the capital adequacy requirements of banks.

The Bank's equity for regulatory purposes consists of the following elements:
- Tier 1 capital (the total amount is classified as common equity Tier 1 capital), which consists of issued capital, premium reserves and total reserves reduced by the following deductions – goodwill, intangible assets and other regulatory adjustments related to items that are included in the Bank's accounting capital or assets but are treated differently to regulate capital adequacy.
- Tier 2 capital: convertible debt instrument.

The Bank calculates the total capital adequacy ratio as a percentage of own (regulatory) capital and risk-weighted assets for credit, market and operational risk.

In determining the capital requirements for credit risk the bank applies the revised ratio for supporting Small and Medium-sized enterprises (SMEs) and adjusts the amount of risk weighted exposures to SMEs according to art. 501 of the Regulation.

According to art. 500a of the Regulation, by derogation of art. 114, paragraph 2, until December 31, 2022 risk weight of 0% is applied for exposures to central governments and central banks of member states when these exposures are denominated and funded in local currency of another member state.

Regulation (EU) No 575/2013 of the European Parliament and of the Council establishes, together with Directive 2013/36/EU of the European Parliament and of the Council, the prudential regulatory framework for credit institutions and investment firms operating in the Union.

The Bank maintains regulatory equity for capital adequacy purposes in the form of Tier 1 capital consisting of Common Equity Tier 1 capital and Tier 2 capital.

The minimum regulatory capital requirements for banks are as follows:
• capital adequacy ratio of 8 %.;
• tier 1 capital ratio of 6 %.

Central Cooperative Bank AD has been designated as other systemically important institution (O-SII), therefore pursuant to Art. 11, para. 1 and 2 of Ordinance No 8 and taking into account the change in the systemic importance of each of the banks for the period from June 2020 to June 2021 BNB determined a buffer level for Central Cooperative Bank AD on separate and consolidated base of 0.50% applicable to the total amount of risk exposures. In 2022 the national regulator has not changed the buffer for other systemically important institutions (O-SII buffer).

## 3.5. Effect from the change in accounting policy

### 3.5.1. Change in accounting policy regarding subsequent measurement of investment property

During the reporting period, the Bank made a change in its accounting policy and adopted the fair value model for its investment property. The policy on subsequent measurement is disclosed in note 3.2.17.

As a result of the change, the Bank has restated its financial statements as of 01.01.2021 and 31.12.2021 as follows:

| ASSETS | As of 01.01.2021 | Change in accounting policy | As of 01.01.2021 Restated |
|---|---|---|---|
| Cash and balances with the Central Bank | 1,881,446 | - | 1,881,446 |
| Placements with and advances to banks | 182,350 | - | 182,350 |
| Receivables under repurchase agreements | 359,672 | - | 359,672 |
| Financial assets at fair value through profit or loss | 276,698 | - | 276,698 |
| Loans and advances to customers | 2,556,846 | - | 2,556,846 |
| Other assets | 42,923 | - | 42,923 |
| Financial assets at fair value through other comprehensive income | 714,737 | - | 714,737 |
| Debt instruments at amortised cost | 420,668 | - | 420,668 |
| Investments in subsidiaries | 49,416 | - | 49,416 |
| Non-current tangible and intangible assets | 142,003 | - | 142,003 |
| Investment property | 14,409 | 4,223 | 18,632 |
| **TOTAL ASSETS** | **6,641,168** | **4,223** | **6,645,391** |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | | |
| **LIABILITIES** | | | |
| Deposits from banks | 66,092 | - | 66,092 |
| Amounts owed to other depositors | 5,909,095 | - | 5,909,095 |
| Issued bonds | 25,451 | - | 25,451 |
| Provisions for liabilities | 978 | - | 978 |
| Other liabilities | 55,876 | 423 | 56,299 |
| **TOTAL LIABILITIES** | **6,057,492** | **423** | **6,057,915** |
| **SHAREHOLDERS' EQUITY** | | | |
| Issued capital | 127,130 | - | 127,130 |
| Premium reserve | 110,470 | - | 110,470 |
| Other reserves, including retained earnings | 308,968 | 3,800 | 312,768 |
| Revaluation reserve | 16,728 | - | 16,728 |
| Profit for the year | 20,380 | - | 20,380 |
| **TOTAL SHAREHOLDERS' EQUITY** | **583,676** | **3,800** | **587,476** |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | **6,641,168** | **4,223** | **6,645,391** |

*All amounts are in thousand Bulgarian Levs, unless otherwise stated.*

The total effect on the Bank's equity as of January 1, 2021 is as follows:

| | 01.01.2021 |
|---|---|
| Recognition of change in fair value of investment property | 4,223 |
| Recognition of deferred tax liability | (423) |
| **Total effect – equity increase** | **3,800** |

In order to achieve comparability of its financial data, the Bank also presents a restatement of the statement of profit or loss and other comprehensive income for the period ending on 31.12.2021.

The following tables show the adjustments recognized for each individual financial statement item:

| ASSETS | As of 31.12.2021 | Change in accounting policy | As of 31.12.2021 Restated |
|---|---|---|---|
| Cash and balances with the Central Bank | 1,927,865 | - | 1,927,865 |
| Placements with and advances to banks | 170,300 | - | 170,300 |
| Receivables under repurchase agreements | 356,982 | - | 356,982 |
| Financial assets at fair value through profit or loss | 302,045 | - | 302,045 |
| Loans and advances to customers | 2,888,459 | - | 2,888,459 |
| Other assets | 45,780 | - | 45,780 |
| Financial assets at fair value through other comprehensive income | 857,786 | - | 857,786 |
| Debt instruments at amortised cost | 631,021 | - | 631,021 |
| Investments in subsidiaries | 49,416 | - | 49,416 |
| Non-current tangible and intangible assets | 140,583 | - | 140,583 |
| Investment property | 13,706 | 4,545 | 18,251 |
| **TOTAL ASSETS** | **7,383,943** | **4,545** | **7,388,488** |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | | |
| **LIABILITIES** | | | |
| Deposits from banks | 52,840 | - | 52,840 |
| Amounts owed to other depositors | 6,639,742 | - | 6,639,742 |
| Issued bonds | 25,450 | - | 25,450 |
| Provisions for liabilities | 688 | - | 688 |
| Other liabilities | 60,461 | 455 | 60,916 |
| **TOTAL LIABILITIES** | **6,779,181** | **455** | **6,779,636** |
| **SHAREHOLDERS' EQUITY** | | | |
| Issued capital | 127,130 | - | 127,130 |
| Premium reserve | 110,470 | - | 110,470 |
| Other reserves, including retained earnings | 329,432 | 3,800 | 333,232 |
| Revaluation reserve | 11,802 | - | 11,802 |
| Profit for the year | 25,928 | 290 | 26,218 |
| **TOTAL SHAREHOLDERS' EQUITY** | **604,762** | **4,090** | **608,852** |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | **7,383,943** | **4,545** | **7,388,488** |

*All amounts are in thousand Bulgarian Levs, unless otherwise stated.*

| | Year ended 31.12.2021 | Change in accounting policy | Year ended 31.12.2021 Restated |
|---|---|---|---|
| Interest income | 118,085 | - | 118,085 |
| Interest expense | (12,719) | - | (12,719) |
| Net interest income | 105,366 | - | 105,366 |
| Fees and commissions income | 66,698 | - | 66,698 |
| Fees and commissions expense | (15,099) | - | (15,099) |
| Net fees and commissions income | 51,599 | - | 51,599 |
| Gains from transactions with securities, net | 8,115 | - | 8,115 |
| Foreign exchange losses, net | (2,122) | - | (2,122) |
| Other operating income, net | 6,073 | (381) | 5,692 |
| Operating expenses | (134,670) | 703 | (133,967) |
| Reversed provisions for liabilities | 291 | - | 291 |
| Impairment expense, net | (6,513) | - | (6,513) |
| Profit before taxes | 28,139 | 322 | 28,461 |
| Income tax expense | (2,211) | (32) | (2,243) |
| **PROFIT FOR THE YEAR** | **25,928** | **290** | **26,218** |
| Other comprehensive loss | | | |
| *Items reclassified to profit or loss:* | | | |
| Losses on debt instruments at fair value through other comprehensive income, net of taxes | (4,982) | - | (4,982) |
| *Items not reclassified in the profit or loss:* | | | |
| Revaluation of non-financial assets, net of taxes | 210 | - | 210 |
| Gains on equity instruments at fair value through other comprehensive income, net of taxes | (154) | - | (154) |
| Total other comprehensive loss | (4,926) | - | (4,926) |
| **TOTAL COMPREHENSIVE INCOME FOR THE YEAR** | **21,002** | **290** | **21,292** |
| Earnings per share (in BGN) | 0.20 | | 0.21 |
| Diluted earnings per share (in BGN) | 0.20 | | 0.20 |

Basic earnings per share and diluted earnings per share for 2021 have been restated. The adjustment of basic earnings per share and diluted earnings per share is an increase of BGN 0.01 and BGN 0.00 per share, respectively.

### 3.5.2. Change in accounting policy regarding subsequent measurement of buildings, used in banking activities

As of December 31, 2022, the Bank has made a change in its accounting policy and adopted the revaluation model for buildings used in banking activities. According to par. 17 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors upon initial adoption of a policy on measuring assets at revalued amount in accordance with IAS 16 Property, Plant and Equipment constitutes a change in accounting policy, but it is treated as a restatement in accordance with IAS 16, without restating the financial data for the comparable periods. The policy for subsequent measurement of property, plant and equipment is disclosed in note 3.2.15.

*All amounts are in thousand Bulgarian Levs, unless otherwise stated.*

# 4. CASH AND BALANCES WITH THE CENTRAL BANK

| | As of 31.12.2022 | As of 31.12.2021 |
|---|---|---|
| **Cash in hand:** | | |
| In BGN | 235,888 | 268,278 |
| In foreign currency | 125,835 | 103,778 |
| **Cash in transit:** | | |
| In BGN | 29 | 34 |
| In foreign currency | 20 | 6 |
| **Cash in Central Bank:** | | |
| Current account in BGN | 1,553,175 | 1,530,252 |
| Current account in foreign currency | 23,122 | 15,951 |
| Reserve guarantee fund for RINGS settlement system | 16,285 | 9,566 |
| **TOTAL CASH AND BALANCES WITH THE CENTRAL BANK** | **1,954,354** | **1,927,865** |

The current account with BNB is used for direct participation in the government securities and money market, as well as for the purposes of interbank settlement in the country.

Commercial banks in Bulgaria are required to maintain minimum required reserves at BNB.

The minimum obligatory reserve, periodically set by BNB, is interest-free and is calculated as a percentage ratio based on the attracted funds in BGN and foreign currency. These reserves are regulated on a monthly basis as any deficit incurs interest penalties. No restrictions are imposed by the Central Bank for using the minimum reserves, as daily fluctuations within the one-month regulation period are allowed.

In compliance with the Ordinances of the Central Bank, the Bank allocates reserve guarantee fund to ensure the settlement of payments by means of the Real Time Gross Settlement system RINGS.

# 5. PLACEMENTS WITH AND ADVANCES TO BANKS

| | As of 31.12.2022 | As of 31.12.2021 |
|---|---|---|
| **Term deposits with local banks** | | |
| In foreign currency | - | 55,590 |
| Term deposits with foreign banks in foreign currency | 13,756 | 6,216 |
| **Nostro accounts with local banks** | | |
| In BGN | 162 | 152 |
| In foreign currency | 1,185 | 2,016 |
| Nostro accounts with foreign banks in foreign currency | 42,811 | 106,350 |
| Reserve guarantee fund for STEP 2-T settlement system | 20,687 | - |
| Adjustment for expected credit losses (note 35.1) | (17) | (24) |
| **TOTAL PLACEMENTS WITH, AND ADVANCES TO BANKS** | **78,584** | **170,300** |

*All amounts are in thousand Bulgarian Levs, unless otherwise stated.*

During the reporting period, the Bank joined the STEP 2 settlement system for direct processing of transfers in euros within the Single Euro Payments Area (SEPA). In accordance with the regulations for participation, the Bank sets up a reserve guarantee fund to secure payments through the STEP 2 system.

## 6. RECEIVABLES UNDER REPURCHASE AGREEMENTS

| | As of 31.12.2022 | As of 31.12.2021 |
|---|---|---|
| Corporate securities held as collateral | 352,707 | 309,890 |
| Bulgarian government securities held as collateral | 41,878 | 48,338 |
| Adjustment for expected credit losses (note 35.1/) | (1,336) | (1,246) |
| **TOTAL RECEIVABLES UNDER REPURCHASE AGREEMENTS** | **393,249** | **356,982** |

The collateral coverage ratio for repurchase agreements on which Bulgarian government securities are held as collateral is minimum 100%. The collateral coverage ratio for repurchase agreements which are secured by holding of corporate securities as collateral is minimum 120%. The maturity date of these agreements is between January and June 2023 (2021: between January and June 2022).

## 7. FINANCIAL ASSETS AT FAIR VALUE IN PROFIT OR LOSS

Financial assets at fair value in profit or loss are as follows:

| | Към 31.12.2022 | Към 31.12.2021 |
|---|---|---|
| Bulgarian corporate securities | 170,418 | 231,312 |
| Foreign corporate securities | 32,181 | 65,834 |
| Long-term Bulgarian government securities | 2,501 | 2,838 |
| Medium-term Bulgarian government securities | 3,158 | 1,991 |
| Derivatives, held for trading | 12 | 70 |
| **TOTAL FINANCIAL ASSETS AT FAIR VALUE IN PROFIT OR LOST** | **208,270** | **302,045** |

**Bulgarian corporate securities**
As of December 31, 2022, financial assets measured at fair value in profit or loss consist of corporate securities of non-financial and financial institutions. Bulgarian corporate securities consist of shares in the capital of companies amounting to BGN 78,902 thousand (2021: BGN 88,579 thousand) and units in contractual funds amounting to BGN 91,516 thousand (2021: BGN 142,733 thousand).

**Foreign corporate securities**
As of December 31, 2022 foreign corporate securities consist of shares in the capital of credit institutions amounting to BGN 9,475 thousand (2021: BGN 32,637 thousand), shares in the capital of a non-financial corporation amounting to BGN 22,706 thousand (2021: BGN 18,416 thousand).

As of December 31, 2021, the Bank held a bond in a credit institution at the amount of BGN 9,947 thousand and shares in mutual funds ate the amount of BGN 4,834 thousand.

*All amounts are in thousand Bulgarian Levs, unless otherwise stated.*

**Derivatives held for trading**
As of December 31, 2022 derivatives, held for trading, at the amount of BGN 12 thousand (2021: BGN 70 thousand), are carried at fair value and include sale-purchase transactions of foreign currency, forward agreements, currency swaps on the open market and options.

# 8. LOANS AND ADVANCES TO CUSTOMERS

### (a) Analysis by type of clients

| | Към 31.12.2022 | Към 31.12.2021 |
|---|---|---|
| **Individuals:** | | |
| In BGN | 1,252,295 | 1,135,195 |
| In foreign currency | 55,860 | 52,337 |
| **Enterprises:** | | |
| In BGN | 1,298,301 | 1,184,772 |
| In foreign currency | 463,598 | 552,934 |
| | 3,070,054 | 2,925,238 |
| Impairment loss (note 35.1) | (38,914) | (36,779) |
| **TOTAL LOANS AND ADVANCES TO CUSTOMERS** | **3,031,140** | **2,888,459** |

Loans and advances to customers as of December 31, 2022 include deposits with international financial institutions on margin transactions with derivatives amounting to BGN 1,555 thousand (2021: BGN 1,556 thousand) including result of transactions.

The effect of sale of loans and advances to customers, when such occurs, is disclosed in note 26 Other operating income, net.

The policy in relation to credit risk on granted loans and advances and the respective collateral is disclosed in Note 35.1.

### (b) Interest rates

Loans denominated in BGN and foreign currency carry interest at floating rates. Under the terms of these loans, the interest rate is calculated as the Bank base interest rate or interest index for loans in foreign currency, plus a margin. The interest rate margin on performing (regular) loans varies from 2% to 5% based on the credit risk associated with the borrower, and an additional margin on the agreed interest rate is charged as penalty on overdue loans.

The risks, associated with interest rates are disclosed in note 35.3.1.

*All amounts are in thousand Bulgarian Levs, unless otherwise stated.*

## 9. OTHER ASSETS

| | As of 31.12.2022 | As of 31.12.2021 |
|---|---|---|
| Foreclosed assets | 31,968 | 32,195 |
| Deferred expenses | 3,900 | 3,882 |
| Deferred tax assets | 570 | 480 |
| Current tax assets | 1,545 | 264 |
| Other assets | 8,997 | 8,959 |
| **TOTAL OTHER ASSETS** | **46,980** | **45,780** |

Deferred expenses represent prepaid amounts for advertising, rent, insurance, etc.

The Bank has performed its annual analysis for the presence of indications for impairment up to the net realizable value of the assets acquired from collateral. The conclusion from the performed procedures is that no facts and circumstances have been identified, which would indicate that the net realizable value of the assets acquired from collateral is lower than their book value.

Current tax assets represent excess corporate tax for the respective years reported in the financial statements. Information on deferred tax assets recognized by the Bank is disclosed in detail in Note 29.

## 10. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Financial assets at fair value through other comprehensive income consist of equity and debt securities, including the amount of accrued interest and discount/premium, based on their original maturity, as follows:

| | As of 31.12.2022 | As of 31.12.2021 |
|---|---|---|
| Bulgarian corporate securities | 408,344 | 396,569 |
| Long-term Bulgarian government bonds | 13,436 | 262,023 |
| Foreign government bonds | 118,232 | 141,516 |
| Medium-term Bulgarian government bonds | - | 27,049 |
| Foreign corporate securities | 5,242 | 16,475 |
| **Total debt securities** | **545,254** | **843,632** |
| Equity investments in non-financial institutions | 18,224 | 14,151 |
| Equity investments in financial institutions | 3 | 3 |
| **Total equity securities** | **18,227** | **14,154** |
| **TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME** | **563,481** | **857,786** |

As of December 31, 2022 for financial assets measured at fair value through other comprehensive income were allocated expected credit losses in the amount of BGN 4,529 thousand (2021: BGN 4,643 thousand), which is recognized in equity and has not decreased the carrying amount of assets.

*All amounts are in thousand Bulgarian Levs, unless otherwise stated.*

**Bulgarian corporate securities**
As of December 31, 2022 the Bulgarian corporate securities at the amount of BGN 408,344 thousand (2021: BGN 396,569 thousand) represent bonds of Bulgarian corporate issuers. None of these investments is in a subsidiary or in an associated company.

**Bulgarian securities**
As of December 31, 2022 government bonds issued by the Bulgarian government are pledged as collateral for servicing of budget accounts based on Art. 152 of the Public Finance Act (2021: BGN 153,546 thousand – pledged as collateral).

**Foreign government bonds**
As of December 31, 2022 foreign government bonds at the amount of BGN 118,232 thousand (2021: BGN 141,516 thousand) represent government bonds of EU member states in the amount of BGN 55,801 thousand and of non-EU member states in EUR in the amount of BGN 62,431 thousand.

**Foreign corporate securities**
As of December 31, 2022 and 2021 foreign corporate securities represent bonds in foreign commercial companies.

**Equity investments in non-financial institutions**
As of December 31, 2022 equity investments in non-financial institutions at the amount of BGN 18,224 thousand (2021: BGN 14,151 thousand) comprise shares in commercial companies.

**Equity investments in financial institutions**
As of December 31, 2022 equity investments in financial institutions comprise shares in a commercial bank and amount to BGN 3 thousand (2021: BGN 3 thousand).

**Equity instruments classified as carried at fair value through OCI**

The Bank has classified as equity instruments classified as subsequently measured at fair value through other comprehensive income, shares of companies that are considered strategic to the Bank's operations. The most significant investments included in this category are shares of Borica plc, Visa Inc. and Roy Property Fund REIT, among others.

The Bank has classified these investments with the above alternative presentation is due to their critical importance to the Bank's operations and Management's decision to hold these instruments on a long-term basis.

The fair values of the significant equity investments subsequently accounted for in this category can be presented as follows:

| | As of 31.12.2022 | As of31.12.2021 |
|---|---|---|
| Visa Inc | 6,379 | 4,411 |
| Borica AD | 5,960 | 4,353 |
| Roy Propery Fund REIT | 2,191 | 1,206 |
| Other | 3,697 | 4,184 |
| | **18,227** | **14,154** |

*All amounts are in thousand Bulgarian Levs, unless otherwise stated.*

During the reporting period, the Bank did not make any material sales of investments in equity instruments measured at fair value through other comprehensive income. There were no transfers of revaluation reserves to retained earnings.

The Bank's policy on management of market risk on financial assets measured at fair value through other comprehensive income are disclosed in note 35.3.

## 11. DEBT INSTRUMENTS AT AMORTISED COST

Debt instruments at amortised cost represent Bulgarian government bonds, foreign government bonds, mainly from EU member states, Bulgarian corporate securities and foreign corporate securities, including the amount of accrued interest and discount/premium, based on their original maturity, as follows:

| | As of 31.12.2022 | As of 31.12.2021 |
|---|---|---|
| Long-term Bulgarian government bonds | 570,702 | 293,704 |
| Medium-term Bulgarian government bonds | 199,727 | 114,710 |
| Foreign government bonds | 494,400 | 212,299 |
| Foreign corporate bonds | 19,651 | 2,935 |
| Bulgarian corporate bonds | 7,964 | 7,964 |
| Expected credit loss (note 35.1) | (615) | (591) |
| **TOTAL FINANCIAL ASSETS AT AMORTISED COST** | **1,291,829** | **631,021** |

Bulgarian government bonds are divided into categories according to the original maturity of the issues held. During the reporting period, the Bank did not sell financial assets at amortised cost.

**Bulgarian securities pledged as collateral**
As of December 31, 2022 government bonds issued by the Bulgarian government amounting to BGN 538,556 thousand (2021: BGN 223,269 thousand) are pledged as collateral for servicing budget accounts based on Art. 152 of the Public Finance Act.

## 12. INVESTMENTS IN SUBSIDIARIES

| Subsidiary | Country of incorporation | Scope of activities | 31.12.2022 | Participation % | 31.12.2021 | Participation % |
|---|---|---|---|---|---|---|
| Central Cooperative Bank AD, Skopje | Republic of North Macedonia | Banking activity | 46,216 | 87.35% | 46,216 | 87.35% |
| Management company CCB Assets Management EAD | Bulgaria | Financial sector | 3,200 | 100.00% | 3,200 | 100.00% |
| | | | **49,416** | | **49,416** | |

Investments in subsidiaries are disclosed in the Bank's financial statements using the cost method. In 2022, the Bank received dividends in the amount of BGN 1,116 thousand. In 2021, no dividends were received. The Bank has no contingent liabilities or other commitments related to investments in subsidiaries.

*All amounts are in thousand Bulgarian Levs, unless otherwise stated.*

**12.1. Investment in subsidiary Central Cooperative Bank AD, Skopje, Republic of Northern Macedonia**

As of December 31, 2022 Central Cooperative Bank AD Sofia owns 483,121 ordinary shares in the equity of Central Cooperative Bank AD Skopje (2021: 483,121 shares), which represent 87.35% of the share capital of the subsidiary. As of December 31, 2022 the Bank's investment in the subsidiary amounts to BGN 46,216 thousand (2021: BGN 46,216 thousand).

**12.2. Investment in subsidiary Management Company CCB Assets Management EAD, Sofia, Bulgaria**

As of December 31, 2022 the Bank owns 500,000 ordinary shares of Management Company CCB Assets Management EAD, which represents 100% of the share capital of the subsidiary. As of December 31, 2022 the Bank's investment in the subsidiary amounts to BGN 3,200 thousand (2021: BGN 3,200 thousand).

*All amounts are in thousand Bulgarian Levs, unless otherwise stated.*

# 13. NON-CURRENT TANGIBLE AND INTANGIBLE ASSETS

| | Land | Buildings | Equipment | Motor vehicles | Fixtures and fittings | Cost for acquisition of non-current assets | Other non-current assets | Total |
|---|---|---|---|---|---|---|---|---|
| January 1, 2021 | 9,947 | 72,974 | 40,140 | 11,387 | 28,082 | 5,743 | 28,548 | 196,821 |
| Additions | - | - | 146 | - | 455 | 6,129 | 169 | 6,899 |
| Transfers | - | - | 1,078 | 980 | 251 | (4,286) | 1,977 | - |
| Disposals | - | - | (255) | (111) | (523) | (477) | (6) | (1,372) |
| **December 31, 2021** | **9,947** | **72,974** | **41,109** | **12,256** | **28,265** | **7,109** | **30,688** | **202,348** |
| Additions | - | - | 134 | - | 346 | 3,305 | 189 | 3,974 |
| Transfers | - | - | 4,747 | 128 | 57 | (5,915) | 983 | - |
| Disposals | | - | (1,586) | (749) | (440) | (22) | (219) | (3,016) |
| Transfers to investment property | (1,017) | - | - | - | - | - | - | (1,017) |
| Revaluation | - | 24,647 | - | - | - | - | - | 24,647 |
| **December 31, 2022** | **8,930** | **97,621** | **44,404** | **11,635** | **28,228** | **4,477** | **31,641** | **226,936** |
| Depreciation January 1, 2021 | - | 15,963 | 34,916 | 7,307 | 24,859 | - | 27,103 | 110,148 |
| Net charge for the period | - | 2,919 | 1,752 | 1,298 | 1,326 | - | 532 | 7,827 |
| Depreciation on disposals | - | - | (256) | (102) | (521) | - | (4) | (883) |
| **December 31, 2021** | **-** | **18,882** | **36,412** | **8,503** | **25,664** | **-** | **27,631** | **117,092** |
| Net charge for the period | - | 2,919 | 1,732 | 1,212 | 1,051 | - | 913 | 7,827 |
| Depreciation on disposals | - | - | (1,586) | (748) | (439) | - | (62) | (2,835) |
| **December 31, 2022** | **-** | **21,801** | **36,558** | **8,967** | **26,276** | **-** | **28,482** | **122,084** |
| Net book value | | | | | | | | |
| **December 31, 2021** | **9,947** | **54,092** | **4,697** | **3,753** | **2,601** | **7,109** | **3,057** | **85,256** |
| **December 31, 2022** | **8,930** | **75,820** | **7,846** | **2,668** | **1,952** | **4,477** | **3,159** | **104,852** |

The costs for acquisition of non-current assets include repair works carried out by the Bank for the reconstruction of leased premises into bank offices, which were not completed as of the date of preparation of the separate statement of financial position.

*All amounts are in thousand Bulgarian Levs, unless otherwise stated.*

The Bank's assets under the Buildings category were revalued on December 31, 2022. The valuations were carried out by an independent appraiser. For information on determining the fair value of assets of the Buildings category, see note 36.2.

If the acquisition cost model had been applied, the book values of revalued buildings would have amounted to BGN 51,173 thousand (2021: BGN 54,092 thousand). The revalued amount includes a revaluation reserve before taxes in the amount of BGN 24,647 thousand (2021: BGN 0), which is not subject to distribution to the owners of the Bank.

All depreciation costs are included under item Operating expenses in the statement of profit or loss and other comprehensive income.

As of December 31, 2022 the Bank has no pledged non-current assets as collateral and no contractual commitments have been made for the acquisition of non-current tangible and intangible assets.

## 14. RIGHT-OF-USE ASSETS

Right-of-use assets recognized by the Bank in accordance with the application of IFRS 16 Lease, can be presented as follows:

| | **Buildings** | **Motor vehicles** | **Total** |
|---|---|---|---|
| January 1, 2021 | | | |
| Additions | 15,514 | 1,504 | 17,018 |
| Disposals | (7,249) | (1,123) | (8,372) |
| **December 31, 2021** | **76,974** | **2,543** | **79,517** |
| Additions | 7,109 | - | 7,109 |
| Disposals | (5,027) | - | (5,027) |
| **December 31, 2022** | **79,056** | **2,543** | **81,599** |
| Depreciation | 7,109 | - | 7,109 |
| January 1, 2021 | 14,581 | 960 | 15,541 |
| Charged for the period | 15,120 | 882 | 16,002 |
| Depreciation on disposals | (6,230) | (1,123) | (7,353) |
| **December 31, 2021** | **23,471** | **719** | **24,190** |
| Charged for the period | 12,657 | 843 | 13,500 |
| Depreciation on disposals | (4,942) | - | (4,942) |
| **December 31, 2022** | **31,186** | **1,562** | **32,748** |
| Net book value | 12,657 | 843 | 13,500 |
| **December 31, 2021** | **53,503** | **1,824** | **55,327** |
| **December 31, 2022** | **47,870** | **981** | **48,851** |

Lease liabilities corresponding to right-of-use assets are disclosed in note 20 Other liabilities and note 34 Leases. The maturity structure of liabilities under lease contracts is disclosed in note 34 Lease.

All depreciation costs of right-of-use assets are included under item Operating expenses in the statement of profit or loss and other comprehensive income.

*All amounts are in thousand Bulgarian Levs, unless otherwise stated.*

# 15. INVESTMENT PROPERTY

| | As of 31.12.2022 | As of 31.12.2021 Restated |
|---|---|---|
| **Book value as of January 1** | **18,251** | **18,632** |
| Transfers from property used by the owner to investment property | 1,017 | - |
| Net profit / (loss) from change in fair value | 4,229 | (381) |
| **Book value as of December 31** | **23,497** | **18,251** |

The Bank's investment properties as of December 31, 2022 and December 31, 2021 consist of land and commercial buildings, some of which are leased out for a period of 10 years. The rental income from the of investment properties for the year ending on December 31, 2022, amounts to BGN 176 thousand (2021: BGN 176 thousand). During the reporting periods, the Bank did not make any direct costs in relation to the investment properties. All direct costs related to the investment properties are covered by the lessees.

Information on the fair value of investment property is disclosed in note 36.2.

# 16. DEPOSITS FROM BANKS

| | As of 31.12.2022 | As of 31.12.2021 |
|---|---|---|
| On-demand deposits – local banks: | | |
| - in BGN | 3,424 | 21,119 |
| - in foreign currency | 4,279 | 17,564 |
| On-demand deposits – foreign banks in foreign currency | 7,002 | 11,175 |
| On-demand deposits – foreign banks in BGN | 47 | 48 |
| Term deposits – foreign banks in foreign currency | 489 | 489 |
| Term deposits – local banks in foreign currency | 2,445 | 2,445 |
| **TOTAL DEPOSITS FROM BANKS** | **17,686** | **52,840** |

*All amounts are in thousand Bulgarian Levs, unless otherwise stated.*

# 17. AMOUNTS OWNED TO OTHER DEPOSITORS

### (a) Analysis by term and currency

| | As of 31.12.2022 | As of 31.12.2021 |
|---|---|---|
| On-demand deposits | | |
| In BGN | 2,528,588 | 2,227,937 |
| In foreign currency | 238,534 | 191,173 |
| | **2,767,122** | **2,419,110** |
| Term deposits | | |
| In BGN | 1,258,885 | 1,238,954 |
| In foreign currency | 1,266,606 | 1,217,944 |
| | **2,525,491** | **2,456,898** |
| Savings accounts | | |
| In BGN | 1,206,604 | 1,204,527 |
| In foreign currency | 529,637 | 547,578 |
| | **1,736,241** | **1,752,105** |
| Other deposits | | |
| In BGN | 15,133 | 11,145 |
| In foreign currency | 1,313 | 484 |
| | **16,446** | **11,629** |
| **TOTAL AMOUNTS OWED TO OTHER DEPOSITORS** | **7,045,300** | **6,639,742** |

### (b) Analysis by customer and currency type

| | As of 31.12.2022 | As of 31.12.2021 |
|---|---|---|
| Deposits of individuals | | |
| In BGN | 3,509,525 | 3,274,414 |
| In foreign currency | 1,828,236 | 1,772,948 |
| | **5,337,761** | **5,047,362** |
| Deposits of enterprises | | |
| In BGN | 1,498,179 | 1,397,004 |
| In foreign currency | 207,791 | 183,747 |
| | **1,705,970** | **1,580,751** |
| Deposits of other institutions | | |
| In BGN | 1,506 | 11,145 |
| In foreign currency | 63 | 484 |
| | **1,569** | **11,629** |
| **TOTAL AMOUNTS OWED TO OTHER DEPOSITORS** | **7,045,300** | **6,639,742** |

The liquidity structure of amounts owed to depositors is presented in note 35.2.

*All amounts are in thousand Bulgarian Levs, unless otherwise stated.*

## 18. ISSUED BONDS

In December 2013 the Bank issued through public offering convertible bonds in the amount of EUR 36,000,000, distributed in 36,000 bonds with a nominal value of EUR 1,000. The bonds are subordinated, unsecured, interest bearing, freely transferable, dematerialised, convertible into ordinary shares of the Bank. Debenture loan is signed for a period of 7 years at 4.5% annual interest rate and the principal of the loan is paid off at initial maturity of the issue – 10.12.2020. Under the terms of issue, bond holders are not entitled to early collection of interest and principal on the bond loan, including in case of default of the issuer, except under certain conditions at the time of payment and subject to prior authorization by BNB. Amendments and supplements to the conditions of the bond issue can be made only with the prior written permission of BNB.

In December 2016 after the granted permission of BNB, changes were made to the terms of the debenture issue according to which: the maturity date is changed from 7 years after the issue date to 10 years after the issue date, the maturity date of the debenture issue after the change is 10.12.2023 and the interest due is changed from 4.5% to 3.6% effective from 11.12.2016.

On February 25, 2019, the increase in the Bank's capital through the issuance of new shares as a result of conversion of bonds was entered into the Commercial Register in the Bank's lot. The capital increase resulting from the conversion of bonds of BGN 45,002 thousand amounts to 13,975,679 ordinary voting shares, with a par value of BGN 1 each. Following the increase, the issued share capital of the Bank consists of 127,129,970 ordinary voting shares with a par value of BGN 1 each. All shares are entitled to receive dividend and liquidation share and represent one vote at the General Meeting of Shareholders of the Bank.

At the General Meeting of bondholders held on 12.08.2020, a decision was made to change the terms of the debenture loan as follows, which include changing the principal maturity date from 10.12.2023 to 10.12.2028, reduction of the interest rate from 3.60% to 2.75% per annum, as of 11.12.2020. The Bank has not recognized effect of modification of financial liability.

In December 2021, another interest payment on the bond issue at the amount of EUR 357 thousand occurred, which was paid to the bondholders.

In December 2022, another interest payment on the bond issue at the amount of EUR 357 thousand occurred, which was paid to the bondholders.

The liability on bonds as of December 31, 2022, amounts to BGN 25,450 thousand (2021: BGN 25,450 thousand).

## 19. PROVISIONS

The provision for expected credit losses in accordance with IFRS 9 for off-balance sheet exposures - guarantees, letters of credit and credit commitments was determined by the Bank as of December 31, 2022 in the amount to BGN 454 thousand (2021: BGN 688 thousand).

*All amounts are in thousand Bulgarian Levs, unless otherwise stated.*

# 20. OTHER LIABILITIES

| | As of 31.12.2022 | As of 31.12.2021 Restated |
|---|---|---|
| Lease liabilities (note 34) | 44,768 | 48,912 |
| Deferred income | 2,723 | 3,275 |
| Liabilities for unused paid leave | 3,101 | 2,652 |
| Liabilities for retirement benefits | 1,671 | 1,634 |
| Deferred tax liabilities | 3,682 | 725 |
| Derivatives, held for trading | 677 | 118 |
| Other liabilities | 3,003 | 3,600 |
| **TOTAL OTHER LIABILITIES** | **59,625** | **60,916** |

### 20.1. Liabilities for retirement benefits

As of December 31, 2022 and 2021 the Bank calculates the effect of future liabilities for retirement benefits and allocates and recognizes the relevant provision for the effect determined for a 10-year period. The periods after the 10th year are considerably remote in time, therefore considerable uncertainty exists regarding the realization of the assumptions of the future events and circumstances, giving rise to insufficient reliability of the effect determined for the relevant period. The financial assumptions used by the Bank are applied in forecasting the development of cash flows in time and are reflected in the amount of future liability and the calculation of its current value by determining the discount interest rates and income increase rates. When determining the liabilities for retirement benefits the Bank applies 4.5% discount rate and 1% annual increase in remuneration. In the process of determining the liabilities for retirement benefits, the Bank employs consultancy services, provided by a licensed actuary.

Changes in provisions for retirement benefits under the Labour Code during the year are presented as follows:

| | As of 31.12.2022 | As of 31.12.2021 |
|---|---|---|
| Amount of the payable at the beginning of the period January 1 | 1,634 | 1,413 |
| Interest expense | 74 | 27 |
| Expenses for current length of labour | 112 | 111 |
| Paid benefits | (155) | (71) |
| Actuarial losses | 6 | 154 |
| **AMOUNT OF THE PAYABLE AT THE END OF THE PERIOD DECEMBER 31** | **1,671** | **1,634** |

### 20.2. Derivatives held for trading

As of December 31, 2022 derivatives held for trading at the amount of BGN 677 thousand (2021: BGN 118 thousand are presented at fair value and include sale and purchase transactions of foreign currency, forward contracts and foreign currency swaps on the open market.

*All amounts are in thousand Bulgarian Levs, unless otherwise stated.*

# 21. EQUITY

### 21.1. Issued capital

As of December 31, 2022 and 2021 the issued, called-up and fully paid-in share capital of the Bank comprises of 127,129,970, respectively, ordinary voting shares with a nominal value of BGN 1 each. Each of the shares has dividend and liquidating dividend rights and represent one vote at the general meeting of the shareholders of the Bank.

The Bank's Parent company CCB Group EAD is a subsidiary of Chimimport AD, which is a public company and its shares are traded on the Bulgarian Stock Exchange AD.

| Principal shareholders | 2022 | | 2021 | |
|---|---|---|---|---|
| | Share capital | Percentage | Share capital | Percentage |
| CCB Group EAD | 77,610 | 61.05 | 77,610 | 61.05 |
| Chimimport AD | 10,475 | 8.24 | 10,475 | 8.24 |
| ZAD Armeec AD | 8,992 | 7.07 | 8,992 | 7.07 |
| Universal Pension Fund Saglasie | 8,872 | 6.98 | 8,872 | 6.98 |
| Other | 21,181 | 16.66 | 21,181 | 16.66 |
| | **127,130** | **100** | **127,130** | **100** |

### 21.2. Premium reserve

The premium reserve of the Bank as of December 31, 2022 and December 31, 2021 amounts to BGN 110,470 thousand.

### 21.3. Other reserves, including retained earnings

Other reserves, including retained earnings, as of December 31, 2022 include undistributable portion of BGN 7,059 thousand (2021: BGN 7,059 thousand) and distributable portion of BGN 352,392 thousand (2021: BGN 326,173 thousand).

*All amounts are in thousand Bulgarian Levs, unless otherwise stated.*

### 21.4. Revaluation reserves

| | Revaluation reserve of equity assets, measured at fair value through other comprehensive income | Revaluation reserve of debt assets, measured at fair value through other comprehensive income | Revaluation reserve of defined benefits plans in relation to retirement liabilities to employees | Revaluation reserve of non-financial assets, net of taxes | Total |
|---|---|---|---|---|---|
| **Balance as of January 1, 2022** | **314** | **12,152** | **(664)** | **-** | **11,802** |
| Change in fair value of equity instruments at fair value through other comprehensive income | 2,556 | - | - | - | 2,556 |
| Change in fair value of debt instruments at fair value through other comprehensive income | - | (20,345) | - | - | (20,345) |
| Reclassification in profit or loss as a result of disposal of debt instruments at fair value through other comprehensive income | - | (8,070) | - | - | (8,070) |
| Change in amount of expected credit losses | - | 113 | - | - | 113 |
| Revaluation of defined benefits plans | - | - | (6) | - | (6) |
| Revaluation of non-financial assets | - | - | - | 24,647 | 24,647 |
| **Other comprehensive income for the year before taxes** | **2,556** | **(28,302)** | **(6)** | **24,647** | **(1,105)** |
| Tax benefit/(expense) | (256) | 2,819 | - | (2,465) | 98 |
| **Other comprehensive income for the year after taxes** | **2,300** | **(25,483)** | **(6)** | **22,182** | **(1,007)** |
| **Balance as of December 31, 2022** | **2,614** | **(13,331)** | **(670)** | **22,182** | **10,795** |

*All amounts are in thousand Bulgarian Levs, unless otherwise stated.*

# 22. INTEREST INCOME/INTEREST EXPENSE

| | Year ended 31.12.2022 | Year ended 31.12.2021 |
|---|---|---|
| **Interest income by source:** | | |
| **Interest income, calculated using the effective interest method** | | |
| Loans | 86,785 | 82,220 |
| Debt instruments measured at fair value through other comprehensive | 18,589 | 16,281 |
| Receivables under repurchase agreements of securities | 14,635 | 13,455 |
| Debt instruments measured at amortised cost | 10,104 | 5,589 |
| Deposits in banks | 4,801 | 344 |
| **Other interest income** | | |
| Financial assets measured at fair value in profit or loss | 132 | 196 |
| **TOTAL INTEREST INCOME** | **135,046** | **118,085** |
| **Interest income by classification groups:** | | |
| Financial assets at amortised cost | 116,325 | 101,608 |
| Financial assets at fair value through other comprehensive income | 18,589 | 16,281 |
| Financial assets at fair value through profit or loss | 132 | 196 |
| **TOTAL INTEREST INCOME** | **135,046** | **118,085** |

The increase of interest income is due to an increase of interest-bearing assets and the total rise in interest rates worldwide.

| | Year ended 31.12.2022 | Year ended 31.12.2021 |
|---|---|---|
| **Interest expense by types of sources:** | | |
| **Interest expenses, calculated using the effective interest method** | | |
| Deposits from clients | (1,783) | (2,520) |
| Lease interest | (1,586) | (1,719) |
| Issued bonds | (699) | (698) |
| Deposits from banks | (385) | (329) |
| Other | (74) | (34) |
| **Other interest expenses** | | |
| Negative interest on excess reserves at BNB | (2,389) | (5,375) |
| Negative interest on placements to banks and other assets | (1,432) | (2,044) |
| **TOTAL INTEREST EXPENSES** | **(8,348)** | **(12,719)** |
| **Interest expense by classification groups:** | | |
| Negative interest on assets | (3,821) | (7,419) |
| Financial liabilities measured at amortised cost | (4,527) | (5,300) |
| **TOTAL INTEREST EXPENSE** | **(8,348)** | **(12,719)** |

*All amounts are in thousand Bulgarian Levs, unless otherwise stated.*

## 23. INCOME FROM/EXPENSES FOR FEES AND COMMISSIONS

| | Year ended 31.12.2022 | Year ended 31.12.2021 |
|---|---|---|
| **Income from fees for services, which are provided over time:** | | |
| Bank transfers - domestic and international | 32,374 | 28,410 |
| Servicing of accounts | 17,294 | 16,903 |
| Fees related to loan exposures | 6,377 | 6,166 |
| Servicing of off-balance sheet commitments | 828 | 828 |
| Other income | 16,851 | 14,391 |
| **TOTAL FEES AND COMMISSIONS INCOME** | **73,724** | **66,698** |
| Bank transfers - domestic and international | (15,361) | (11,756) |
| Clearing valuable consignments | (1,982) | (1,556) |
| Servicing of accounts | (826) | (1,168) |
| Securities transactions | (351) | (205) |
| Other expenses | (522) | (414) |
| **TOTAL FEES AND COMMISSIONS EXPENSES** | **(19,042)** | **(15,099)** |

## 24. GAINS FROM DEALING WITH SECURITIES, NET

| | Year ended 31.12.2022 | Year ended 31.12.2021 |
|---|---|---|
| (Loss)/ gain from revaluation with securities measured at fair value in profit or loss, net | (14,113) | 9,288 |
| Gain from dealing with securities measured at fair value through other comprehensive income, net | 3,403 | 934 |
| (Loss)/gain from dealing with securities measured at fair value in profit or loss, net | (1,998) | 313 |
| Loss from revaluation of securities held for trading, net | (3,612) | (1,455) |
| Gain/(loss) from dealing with securities held for trading, net | 271 | (965) |
| Compensation received in relation to change of fair value of securities, measured at fair value through profit or loss | 19,956 | - |
| **TOTAL GAIN FROM DEALING WITH SECIRITIES, NET** | **3,907** | **8,115** |

The Bank has concluded contracts and Annex to them for sale of investments in equity instruments, measured at fair value through profit or loss, which includes a clause for compensation for damages upon change in fair value of the instrument. As of December 31, 2022, this clause has been triggered due to fulfilment of the conditions indicated in the agreement. As a result, income from compensation is recognized in the amount of BGN 19,956 thousand.

*All amounts are in thousand Bulgarian Levs, unless otherwise stated.*

## 25. FOREIGN EXCHANGE RATE LOSSES, NET

Net loss from foreign exchange rate differences is the result of:

| | Year ended 31.12.2022 | Year ended 31.12.2021 |
|---|---|---|
| Loss from foreign currency transactions, net | (828) | (3,686) |
| (Loss) / gain on foreign currency revaluation, net | (5,244) | 1,564 |
| **TOTAL FOREIGN EXCHANGE LOSS, NET** | **(6,072)** | **(2,122)** |

The result from currency transactions represents the net loss arising from purchase and sale of foreign currencies. Gain/(loss) from revaluation represents the gain/(loss) from revaluation of assets and liabilities denominated in foreign currency into Bulgarian levs.

## 26. OTHER OPERATING INCOME, NET

| | Year ended 31.12.2022 | Year ended 31.12.2021 Restated |
|---|---|---|
| Income from dividends | 2,221 | 3,680 |
| Income from cession contracts | 20 | 104 |
| Income from sale of property, plant and equipment | 66 | 11 |
| Income from sale of collateral acquired assets | 16 | 74 |
| Change in fair value of investment properties | 4,229 | (381) |
| Other operating income | 2,186 | 2,204 |
| **TOTAL OTHER OPERATING INCOME, NET** | **8,738** | **5,692** |

The income from cession contracts in 2022 originates from transferred by the Bank through cession of financial assets at amortised cost - loans and advances to customers. In 2022 income from cession contracts amounted to BGN 20 thousand (2021: BGN 104 thousand).

## 27. OPERATING EXPENSES

| | Year ended 31.12.2022 | Year ended 31.12.2021 Restated |
|---|---|---|
| Salaries and other personnel expenses | (53,025) | (47,665) |
| Administrative and marketing expenses | (40,786) | (37,004) |
| Depreciation/amortization | (21,327) | (23,829) |
| Other expenses | (26,054) | (22,806) |
| Materials and repair works | (2,949) | (2,663) |
| **TOTAL OPERATING EXPENSES** | **(144,141)** | **(133,967)** |

The operating expenses include the amounts for performance of independent financial audit for 2022 and 2021 by registered auditors in the amount of BGN 1,678 thousand for 2022, including BGN 1,473 thousand for independent financial audit and BGN 205 thousand for other services and BGN

*All amounts are in thousand Bulgarian Levs, unless otherwise stated.*

1,512 thousand for 2021, including BGN 1,197 thousand for independent financial audit and BGN 315 thousand for other services.

## 28. CREDIT LOSS EXPENSE ON FINANCIAL ASSETS

Impairment allowances for 2022 as per IFRS 9 are as follows:

| 2022 | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| Placements and advances to banks | 7 | - | - | 7 |
| Receivables under repurchase agreements of securities | (90) | - | - | (90) |
| Loans and advances to customers | (1,889) | 123 | (846) | (2,612) |
| Financial assets reported at fair value in other comprehensive income | 113 | - | - | 113 |
| Debt instruments measured at amortised cost | (24) | - | - | (24) |
| **Total net impairment expenses** | **(1,883)** | **123** | **(846)** | **(2,606)** |

Impairment costs for 2021 as per IFRS 9 are as follows:

| 2021 | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| Placements and advances to banks | 2 | - | - | 2 |
| Receivables under repurchase agreements of securities | (1) | - | - | (1) |
| Loans and advances to customers | (588) | 88 | (3,673) | (4,173) |
| Financial assets reported at fair value in other comprehensive income | (1,909) | - | - | (1,909) |
| Debt instruments measured at amortised cost | (432) | - | - | (432) |
| **Total net impairment expenses** | **(2,928)** | **88** | **(3,673)** | **(6,513)** |

Detailed information on the expected credit losses is presented in note 35.1.

## 29. INCOME TAXES

Income tax expenses are presented as follows:

| | Year ended 31.12.2022 | Year ended 31.12.2021 Restated |
|---|---|---|
| Current tax expenses | (333) | (1,542) |
| Deferred taxes expenses, related to the origination or reversal of temporary differences | (402) | 42 |
| Tax effect from reclassification in other comprehensive income from debt instruments | (2,819) | (766) |
| Tax effect from reclassification in other comprehensive income from capital instruments | 256 | 23 |
| **TOTAL INCOME TAX EXPENSES** | **(3,298)** | **(2,243)** |
| Tax expense recognized directly in other comprehensive income | (2,465) | - |

*All amounts are in thousand Bulgarian Levs, unless otherwise stated.*

Current tax expenses represent the amount of the tax due according to Bulgarian legislation and the applicable tax rates of 10% for 2022 and 2021. Deferred tax income and expenses result from the change in the carrying amount of deferred tax assets and liabilities. The deferred tax assets and liabilities as of December 31, 2022 and 2021 are calculated based on the tax rate of 10%, effective for 2023 and 2022.

Deferred tax assets and liabilities are as follows:

| | As of 31.12.2021 | Recognised in profit and loss | Recognised in other comprehensive income | As of 31.12.2022 |
|---|---|---|---|---|
| Deferred tax assets: | | | | |
| Other liabilities (unused paid leave) | 251 | 45 | - | 296 |
| Liabilities for retirement benefits | 97 | 3 | - | 100 |
| Leases | 126 | 32 | - | 158 |
| Property, plant and equipment and intangible assets | 6 | 10 | - | 16 |
| Merger of companies in 2010 | (209) | - | - | (209) |
| Merger of companies in 2016 | (61) | - | - | (61) |
| Revaluation of investment property | (455) | (492) | - | (947) |
| Revaluation of buildings used in banking activity | - | - | (2,465) | (2,465) |
| **Recognised as:** | | | | |
| DEFERRED TAX ASSETS | 480 | 90 | - | 570 |
| DEFERRED TAX LIABILITIES | (725) | (492) | (2,465) | (3,682) |
| RECOGNISED IN TOTAL COMPREHENSIVE INCOME | - | (402) | (2,465) | - |

The deferred tax assets are presented in line “Other assets” in the statement of financial position.

The deferred tax liabilities are presented in line “Other liabilities” in the statement of financial position.

The relationship between tax expense in the statement of profit or loss and other comprehensive income is as follows:

| | Year ended 31.12.2022 | Year ended 31.12.2021 Restated |
|---|---|---|
| Profit before taxes | 41,440 | 28,461 |
| Taxes at applicable tax rates: 10% for 2022 and 10% for 2021 | (4,144) | (2,846) |
| Tax effect on non-taxable income/non-taxable deductible expenses from transactions with shares on a regulated local exchange, dividends and other, net | 846 | 603 |
| **TAX EXPENSES** | **(3,298)** | **(2,243)** |
| **EFFECTIVE TAX RATE** | **7.96%** | **7.88%** |

*All amounts are in thousand Bulgarian Levs, unless otherwise stated.*

# 30. BASIC EARNINGS PER SHARE (IN BGN)

| | Year ended 31.12.2022 | Year ended 31.12.2021 Restated |
|---|---|---|
| Net profit after taxation in thousand BGN | 38,142 | 26,218 |
| Weighted average number of shares | 127,129,970 | 127,129,970 |
| **BASIC EARNINGS PER SHARE (IN BGN)** | **0.30** | **0.21** |

The basic earnings per share is determined by dividing the net profit for the period, attributable to ordinary shareholders, by the weighted average number of ordinary shares outstanding during the years ended December 31, 2022 and 2021. The weighted average number of shares is calculated as the sum of the number of regular shares in circulation at the beginning of the period, adjusted by the number of redeemed or newly issued regular shares during the period multiplied by the average time factor. The average time factor is equal to the number of days the specific shares were in circulation to the total number of days during the period.

| | Year ended 31.12.2022 | Year ended 31.12.2021 Restated |
|---|---|---|
| Adjusted net profit after taxation (thousand BGN) | 38,841 | 26,916 |
| Weighted average number of shares | 135,020,711 | 135,020,711 |
| **DILUTED EARNINGS PER SHARE (IN BGN)** | **0.29** | **0.20** |

| | Year ended 31.12.2022 | Year ended 31.12.2021 Restated |
|---|---|---|
| Weighted average number of shares used for earnings per share | 127,129,970 | 127,129,970 |
| Potential number of shares from issued convertible bonds | 7,890,741 | 7,890,741 |
| **WEIGHTED AVERAGE NUMBER OF SHARES USED FOR DILUTED EARNINGS PER SHARE (BGN)** | **135,020,711** | **135,020,711** |

The adjusted net profit for the purpose of determining the diluted earnings per share is calculated through adjustment of the net profit for the period with the interest expenses on issued bond issue, disclosed in note 18.

| | Year ended 31.12.2022 | Year ended 31.12.2021 Restated |
|---|---|---|
| Нетна печалба след данъчно облагане (в хил. лв.) | 38,142 | 26,218 |
| Разходи за лихви по емитирани конвертируеми облигации | 699 | 698 |
| **ADJUSTED NET PROFIT AFTER TAXATION (BGN'000) USED FOR DILUTED EARNINGS PER SHARE (BGN)** | **38,841** | **26,916** |

*All amounts are in thousand Bulgarian Levs, unless otherwise stated.*

# 31. CONTINGENT LIABILITIES

To meet the financial needs of customers, the Bank enters into various irrevocable commitments and contingent liabilities. These consist of financial guarantees and other irrevocable commitments to lend. Even though these obligations may not be recognised on the statement of financial position, they contain credit risk and, therefore, form part of the overall risk of the Bank.

Bank guarantees commit the Bank to make payments on behalf of customers in the event of a specific act. Guarantees carry a similar credit risk to loans. The nominal values guarantees, and irrevocable commitments are listed below:

| | As of 31.12.2022 | As of 31.12.2021 |
|---|---|---|
| **Bank guarantees** | | |
| In BGN | 50,746 | 34,032 |
| In foreign currency | 20,090 | 12,544 |
| Provisions for expected credit loss | (40) | (10) |
| **Total bank guarantees, net** | **70,796** | **46,566** |
| **Irrevocable commitments** | **78,895** | **233,154** |
| **Provisions for expected credit loss** | **(414)** | **(678)** |
| **Total irrevocable commitments, net** | **78,481** | **232,476** |
| **TOTAL CONTINGENT LIABILITIES** | **149,731** | **279,730** |
| **TOTAL PROVISIONS FOR EXPECTED CREDIT LOSS** | **(454)** | **(688)** |
| **TOTAL CONTINGENT LIABILITIES, NET** | **149,277** | **279,042** |

As of December 31, 2022 and 2021 the Bank has signed contracts for granting loans to customers at the total amount of BGN 78,895 thousand and BGN 233,154 thousand, respectively. The future utilization of these amounts depends on the customers' ability to meet certain criteria, including no record of overdue payments on previously granted loans, provided collateral of suitable quality and liquidity, etc.

# 32. CASH AND CASH EQUIVALENTS PRESENTED IN THE CASH FLOW STATEMENT

| | As of 31.12.2022 | As of 31.12.2021 |
|---|---|---|
| Cash | 361,772 | 372,096 |
| Cash balances with Central Bank | 1,592,582 | 1,555,769 |
| Placements with, and advances to banks with maturity up to 3 months | 75,665 | 167,366 |
| **TOTAL CASH AND CASH EQUIVALENTS AS OF 31 DECEMBER, PRESENTED IN THE CASH FLOW STATEMENT** | **2,030,019** | **2,095,231** |

During the presented reporting periods, the Bank has carried out the following investment and financial transactions in which no cash or cash equivalents have been used and which are not reflected in the cash flow statement:

- The Bank acquired right-of-use assets in the amount of BGN 7,109 thousand (2021: BGN 17,018 thousand).

*All amounts are in thousand Bulgarian Levs, unless otherwise stated.*

# 33. RECONCILIATION OF LIABILITIES, ARISING FROM FINANCING ACTIVITY

Changes in liabilities of the Bank, arising from financing activity can be classified as follows:

| | Issued bonds | Lease liabilities | Total |
|---|---|---|---|
| **1 January 2022** | **25,450** | **48,912** | **74,362** |
| **Cash flows:** | | | |
| Principal payments | - | (11,221) | (11,221) |
| Interest payments | (699) | (1,586) | (2,285) |
| **Non-monetary changes:** | | | |
| Interest accrued | 699 | 1,586 | 2,285 |
| Acquired right-of-use assets | - | 7,109 | 7,109 |
| Derecognized liabilities | - | (32) | (32) |
| **31 December 2022** | **25,450** | **44,768** | **70,218** |
| **1 January 2021** | **25,451** | **43,946** | **69,397** |
| Cash flows: | | | |
| Principal payments | - | (11,172) | (11,172) |
| Interest payments | (698) | (1,719) | (2,417) |
| **Non-monetary changes:** | | | |
| Interest accrued | 698 | 1,719 | 2,417 |
| Acquired right-of-use assets | - | 17,018 | 17,018 |
| Derecognized liabilities | - | (880) | (880) |
| Other movements | (1) | - | (1) |
| **31 December 2021** | **25,450** | **48,912** | **74,362** |

# 34. LEASING

## 34.1. Leasing as a lessee

### 34.1.1. Lease payments recognized as liability

| | As of 31.12.2022 | As of 31.12.2021 |
|---|---|---|
| **Classified as:** | | |
| Non-current | 33,851 | 38,418 |
| Current | 10,917 | 10,494 |
| | **44,768** | **48,912** |

The Bank rents numerous office premises in which it operates through banking offices. The Bank is also a party to leasing contracts for vehicles. Except for short-term leases and leases of low value assets, each lease is recognized in the statement of financial position as an asset with a right-of-use and a lease liability. Variable lease payments that are not index-dependent or variable percentages (for example, lease payments based on a percentage of the Bank's sales) are excluded from the initial measurement of the lease liability and asset. The Bank classifies its right-of-use assets in a consistent manner in its property, plant and equipment (Note 14).

*All amounts are in thousand Bulgarian Levs, unless otherwise stated.*

Each lease usually imposes a restriction that the right-of-use assets can only be used by the Bank unless the Bank has a contractual right to lease the asset to a third party. Leases either cannot be cancelled or can only be cancelled upon payment of significant early termination penalties.

Some lease contracts include the option to purchase the underlying lease asset directly at the end of the contract or to extend the lease contract for the next term. It is forbidden for the Bank to sell or pledge the leased assets as collateral. According to the lease contract for the office building, the Bank must maintain the leased properties in good condition and return the properties to their original condition after the lease expires. The Bank is obliged to insure the leased property, plant and equipment and to pay maintenance fees in accordance with the lease contracts.

Liabilities under lease contracts are presented in Note 20 and in “Other liabilities” item in the separate statement of financial position.

The future minimum lease payments as of December 31, 2022, are as follows:

| | Minimum lease payments due | | | | | | |
|---|---|---|---|---|---|---|---|
| | Up to 1 year | From 1 to 2 years | From 2 to 3 years | From 3 to 4 years | From 4 to 5 years | Over 5 years | Total |
| **31 December 2022** | | | | | | | |
| Lease payments | 12,195 | 10,226 | 7,583 | 5,228 | 4,385 | 9,478 | 49,095 |
| Finance costs | (1,278) | (993) | (718) | (528) | (380) | (430) | (4,327) |
| **Net present value** | **10,917** | **9,233** | **6,865** | **4,700** | **4,005** | **9,048** | **44,768** |

The future minimum lease payments as of December 31, 2021, are as follows:

| | Minimum lease payments due | | | | | | |
|---|---|---|---|---|---|---|---|
| | Up to 1 year | From 1 to 2 years | From 2 to 3 years | From 3 to 4 years | From 4 to 5 years | Over 5 years | Total |
| **31 December 2021** | | | | | | | |
| Lease payments | 11,944 | 10,208 | 8,464 | 6,212 | 4,742 | 12,758 | 54,328 |
| Finance costs | (1,450) | (1,180) | (892) | (659) | (493) | (742) | (5,416) |
| **Net present value** | **10,494** | **9,028** | **7,572** | **5,553** | **4,249** | **12,016** | **48,912** |

### 34.1.2. Lease payments that are not recognized as liability

The Bank has chosen not to recognize lease liabilities if they are short-term (leases with an expected term of 12 months or less) or if they are lease assets of low value. Payments made under these lease contracts are recognized as an expense on a straight-line basis. In addition, some variable lease payments cannot be recognized as lease liabilities and are recognized as an expense when incurred. Expenses for 2022 related to payments not included in the estimation of lease liabilities arising from short-term lease contracts amount to BGN 2,450 (2021:  BGN 1,787 thousand).

As of December 31, 2022, the Bank has committed to short-term lease contracts and lease of low-value assets and the total amount of commitments as at that date is BGN 1,063 thousand (2021: BGN 999 thousand).

*All amounts are in thousand Bulgarian Levs, unless otherwise stated.*

### 34.1.3. Amounts recognized in profit or loss

| | Year ended 31.12.2022 | Year ended 31.12.2021 |
|---|---|---|
| Depreciation charge on right-of-use assets | (13,500) | (16,002) |
| Interest expense on leasing liabilities | (1,586) | (1,719) |
| Costs related to short-term lease contracts and lease contracts with low-value assets | (2,450) | (1,787) |

| | Minimum lease payments due | | | | | | |
|---|---|---|---|---|---|---|---|
| | Up to 1 year | 1-2 years | 2-3 years | 3-4 years | 4-5 years | Over 5 years | Total |
| **31 December 2022** | | | | | | | |
| Lease payments under contracts for which right-of-use asset is not recognized | 797 | 121 | 54 | 20 | 12 | 59 | 1,063 |
| **31 December 2021** | | | | | | | |
| Lease payments under contracts for which right-of-use asset is not recognized | 694 | 135 | 57 | 22 | 17 | 74 | 999 |

The Bank is not exposed to significant liquidity risk with respect to its lease liabilities. The lease liabilities are monitored within the framework of the Bank's Financial and Accounting Directorate. Lease liabilities are denominated in BGN and EUR.

### 34.2. Operating lease as a lessor

The Bank leases two office buildings and some small parts of buildings used by the Bank in its business. This business is not core to the Bank's operations.

Future minimum payments under operating lease agreements, which the Bank has entered into as lessor for rental of real estate, and other property, plant and equipment, are stated as follows:

| | Minimum lease payments due | | | | | | |
|---|---|---|---|---|---|---|---|
| | Up to 1 year | 1-2 years | 2-3 years | 3-4 years | 4-5 years | Over 5 years | Total |
| **31 December 2022** | 962 | 853 | 712 | 213 | 167 | 797 | 3,704 |
| **31 December 2021** | 968 | 832 | 789 | 690 | 192 | 713 | 4,184 |

Lease payments recognized as income for the period amount to BGN 1,101 thousand (2021: BGN 1,193 thousand). The Bank has no individually significant leasing commitments.

*All amounts are in thousand Bulgarian Levs, unless otherwise stated.*

# 35. FINANCIAL INSTRUMENTS RISK MANAGEMENT

The risk inherent to the Bank's operations with financial instruments is the possibility that actual proceeds from owned financial instruments could differ from the estimated ones. The specifics of banking necessitate adequate systems for timely identification and management of different types of risk, whereas emphasis is put on risk management procedures, mechanisms for maintaining risk in reasonable limits, optimal liquidity and portfolio diversification. The main risk management goal is to present and analyse the types of risks, which the Bank is exposed to, in a convincing and comprehensive manner.

The risk management system has preventive functions for loss prevention and control of the amount of incurred loss and includes:
• risk management policy;
• rules, methods and procedures for assessment and risk management;
• risk management organizational structure;
• parameters and limits for transactions and operations;
• procedures for reporting, assessment, notification and subsequent control of risks.

The main underlying principles in the Bank's risk management policy are:
• separation of responsibilities between those taking the risk and those managing risk;
• the principle of caution, which presumes the consideration of the worst-case scenario for each of the risk-weighted assets;
• the principle of source risk management.

The risk management organizational structure is centralized and structured in terms of competency levels as follows:
• Management Board - determines the acceptable levels of risk for the Bank within the adopted development strategy;
• Special collective bodies – prepare proposals to MB, the Executive directors and the Procurator regarding the Bank's risk management framework and activity parameters;
• Executive directors and Procurator – fulfil the general control, organize and manage the approval process and application of adequate policies and procedures within the frameworks of the risk management strategy, adopted by the Bank;
• Heads of structural units within the Bank - implement the adopted risk management policy in the organization of the activities of the respective organizational units.

The Bank's exposures in derivative financial instruments are presented at fair value and constitute transactions for the purchase and sale of foreign currency, forward contracts, foreign currency swaps on the open market and option transactions with main assets financial instruments. These transactions traded by the Bank for its own account are insignificant in amount and maturity less than 1 year and the Bank is not exposed to significant risks originating from these instruments.

The nature and the essence of the risks, inherent to financial instruments of the Bank are as follows:
• Credit risk
• Liquidity risk
• Market risk
  - Interest rate risk
  - Currency risk
  - Price risk

*All amounts are in thousand Bulgarian Levs, unless otherwise stated.*

### 35.1. Credit risk

Credit risk is the likelihood of a loss arising from a counterparty's failure to perform their contractual obligations on financial assets held by the bank. The bank manages the credit risk inherent for both the banking and commercial portfolio. The bank has structured credit risk monitoring and management units for the individual business segments and applies individual credit policies. The credit risk of individual exposures is managed over the lifetime of the exposure - from the decision to create the exposure to its full repayment. In order to minimize credit risk in the lending process, detailed procedures are applied for the analysis of the economic feasibility of each project, the control over the use of the allocated funds and the administration related to this activity.

To mitigate credit risk, respective collaterals and guarantees are required according to the internal credit rules, the applied approach for calculating the capital requirements and the Bulgarian legislation in effect.

Cash and balances with the Central Bank at the amount of BGN 1,954,354 thousand do not bear credit risk to the Bank due to their nature and the fact that they are at the Bank's disposal.

Risk management policies in accordance with IFRS 9 are presented in note 3.2.6.3.

The credit risk, estimated as the probability of non-payment of loans, included in the model for collective provisioning, as of 31.12.2022, can be presented as follows:

| Min PD | Max PD | Consumer | Mortgage | Corporate | Total |
|---|---|---|---|---|---|
| 1.49% | 9.08% | 326,183 | 961,890 | 1,400,571 | 2,688,644 |
| 2.77% | 99.00% | 1,130 | 2,643 | 7,745 | 11,518 |
| | 100.00% | 936 | 1,315 | - | 2,251 |
| | | **328,249** | **965,848** | **1,408,316** | **2,702,413** |

The credit risk, estimated as the probability of non-payment of loans, included in the model for collective provisioning, as of 31.12.2021, can be presented as follows

| Min PD | Max PD | Consumer | Mortgage | Corporate | Total |
|---|---|---|---|---|---|
| 1.13% | 5.79% | 321,370 | 840,871 | 1,314,572 | 2,476,813 |
| 1.94% | 99.00% | 2,738 | 4,447 | 11,868 | 19,053 |
| | 100.00% | 1,661 | 1,908 | 45 | 3,614 |
| | | **325,769** | **847,226** | **1,326,485** | **2,499,480** |

Notes 35.1.1 and 35.1.2 present analyses performed by the Bank with regard to credit risk in accordance with IFRS 9.

In addition to the Bank's policies in accordance with IFRS 9, to manage its credit risk the Bank uses the risk weights set out in the regulatory requirements to determine risk-weighted assets under EU Regulation 2013/575. The percentages indicated below correspond to the credit quality groups relevant to the specific asset types set out in the tables in the Annexes to Regulation EU 2013/575.

Placements with, and advances to banks at the amount of BGN 78,584 thousand comprise mostly deposits in international and Bulgarian financial institutions with maturity up to 7 days. These financial assets bear some credit risk as its maximum exposure as per the Bank's policy can be 0%,20%, 50% and

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100%, whereas the percentage is defined based on the quality characteristics of the financial institution.

Receivables under repurchase agreements of securities at the amount of BGN 393,249 thousand bear credit risk for the Bank depending on the risk inherent in the provided collateral. Part of the receivables amounting to BGN 41,878 thousand is secured by government securities issued by the Republic of Bulgaria and bear 0% risk. The remaining receivables amounting to BGN 351,477 thousand are secured by corporate securities and bear respectively: 100% risk depending on the issuer of the securities provided as collateral.

Financial assets at fair value in profit or loss at the amount of BGN 208,270 thousand represent equity instruments - shares in financial and non-financial corporations in the amount of BGN 78,902 thousand, and foreign credit institutions in the amount of BGN 9,475 thousand and foreign non-financial institutions in the amount of BGN 22,706 thousand, whose maximum exposure in percentage is 100% risk; units in Bulgarian mutual funds in the amount of BGN 91,516 thousand – with risk weight from 0% to 1250% depending on the type of the underlying asset; debt instruments, issued by the Republic of Bulgaria, in the amount of BGN 5,659 thousand with 0% risk weight; and derivatives – BGN 12 thousand with credit risk from 20 %.

Equity securities at FVTOCI amounting to BGN 18,227 thousand represent shares in financial and non-financial enterprises bearing credit risk with a maximum exposure of 100% or BGN 18,227 thousand in absolute amount.

Debt securities at FVTOCI and issued by the Republic of Bulgaria amounting to BGN 13,436 thousand bear 0% credit risk for the Bank. Debt securities at FVTOCI and issued by other countries amounting to BGN 118,232 thousand bear 50% and 100%, credit risk to the Bank depending on the credit quality of the issuer of the securities.

Debt securities at FVTOCI and issued by local and foreign commercial companies amounting to BGN 413,586 thousand, bear credit risk for the Bank, whose maximum exposure is 100% or BGN 413,586 thousand in absolute amount.

Debt securities at amortised cost and issued by the Republic of Bulgaria, have a carrying amount of BGN 770,429 thousand and bear 0% credit risk. Debt securities at amortised cost and issued by other countries have a carrying amount of BGN 494,400 thousand and bear credit risk for the Bank, depending on the issuer’s credit rating.

Debt securities at amortised cost and issued by local and foreign commercial companies with carrying amount of BGN 27,615 thousand, bear credit risk for the Bank, whose maximum exposure is from 20% to 100% depending on the credit rating of the issuer.

Investments in the subsidiaries of the Bank, Central Cooperative Bank AD, Skopje, Republic of Northern Macedonia and CCB Assets Management EAD, Sofia, Republic of Bulgaria in total amount of BGN 49,416 thousand bear credit risk, whose maximum exposure is 100% or BGN 49,416 thousand in absolute amount.

Loans and advances to customers with carrying amount of BGN 3,031,140 thousand bear credit risk to the Bank. To determine the exposure of the Bank to this risk, an analysis of the individual risk for the Bank arising from each particular exposure is performed and the Bank applies the criteria for the assessment and classification of risk exposures set out in the banking legislation of the Republic of Bulgaria and IFRS. Pursuant to these criteria and the performed analysis, the Bank’s maximum

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exposure to credit risk amounts to BGN 1,924,979 thousand.

As of December 31, 2022 the allocated ECL allowances for loans and advances are in the amount of BGN 38,914 thousand.

In 2022, and as at the date of these financial statements, businesses have 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 global pandemic and the war that broke out on the territory of Ukraine. As of the date of the preparation of these financial statements, the changed monetary policy by the leading central banks, as well as the expectations of a recession, are not reflected in Bulgaria's macroeconomic indicators, nor have they negatively affected the results of economic entities, but on the contrary, the reported results and growth indicators of GDP is a record for the EU. The Bank has limited its exposure to the impacted sectors from the geopolitical turbulences and has terminated one significant exposure to a state company trading in gas and as of 31.12.2022 and the date of the preparation of these financial statements it has no exposures to sectors, negatively impacted by the described economic and political factors.

No changes were made to the credit loss assessment models used by the Bank due to the onset of the global Covid-19 pandemic, high inflation and the war in Ukraine, as their accuracy and adequacy depend on the risk parameters used to calculate the amount of the expected credit losses and they participate with their actual values as reported by the statistical and financial state authorities.

Based on the Bank's assessment in 2022 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 "Rules for acceptance, evaluation and management of collateral in credit transactions" in force in the Bank, collateral valuations, including commercial real estate, are updated every 12 months and residential real estate – every three years. If necessary, the Bank may also require a more frequent update, e.g. in case of a change in the parameters of a credit transaction or where the information available indicates that their value has fallen significantly compared to total market prices. Real estate valuations are carried out by independent certified appraisers.

### 35.1.1. Quality of assets

The tables below present the structure and change of allowance for ECL:

| Impairment loss – Placements with and advances to banks at amortised cost | Stage 1<br>12-month ECL | Stage 2<br>Lifetime ECL | Stage 3<br>Lifetime ECL | Total |
|---|---|---|---|---|
| **Impairment loss at January 1, 2022** | **24** | **-** | **-** | **24** |
| Change in impairment loss | (7) | - | - | (7) |
| Released during the period | (7) | - | - | (7) |
| **Impairment loss at December 31, 2022** | **17** | **-** | **-** | **17** |
| **Impairment loss at January 1,2021** | **26** | **-** | **-** | **26** |
| Change in impairment loss | (2) | - | - | (2) |
| Charged for the period | 8 | - | - | 8 |
| Released during the period | (10) | - | - | (10) |
| **Impairment loss at December 31, 2021** | **24** | **-** | **-** | **24** |

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| Impairment loss – Receivables under repurchase agreements of securities | Stage 1<br>12-month ECL | Stage 2<br>Lifetime ECL | Stage 3<br>Lifetime ECL | Total |
|---|---|---|---|---|
| **Impairment loss at January 1, 2022** | **1,246** | **-** | **-** | **1,246** |
| Change in impairment loss | 90 | - | - | 90 |
| Charged for the period | 1,336 | - | - | 1,336 |
| Released during the period | (1,246) | - | - | (1,246) |
| **Impairment loss at December 31, 2022** | **1,336** | **-** | **-** | **1,336** |
| **Impairment loss at January 1, 2021** | **1,245** | **-** | **-** | **1,245** |
| Change in impairment loss | 1 | - | - | 1 |
| Charged for the period | 1,246 | - | - | 1,246 |
| Released during the period | (1,245) | - | - | (1,245) |
| **Impairment loss at December 31, 2021** | **1,246** | **-** | **-** | **1,246** |

| Impairment loss – Loans and advances to customers at amortised cost | Stage 1<br>12-month ECL | Stage 2<br>Lifetime ECL | Stage 3<br>Lifetime ECL | Total |
|---|---|---|---|---|
| **Impairment loss at January 1, 2022** | **12,648** | **140** | **23,991** | **36,779** |
| **Change in impairment loss recognised in profit and loss** | **2,184** | **(52)** | **3** | **2,135** |
| – Transfer to Stage 1 | 159 | (48) | (111) | - |
| – Transfer to Stage 2 | (7) | 118 | (111) | - |
| – Transfer to Stage 3 | (4) | (5) | 9 | - |
| – Increase due to change in credit risk | 1 | 11 | 299 | 311 |
| – Decrease due to change in credit risk | (2,537) | (114) | (58) | (2,709) |
| – Increase due to originated or purchased assets | 3,507 | 1 | 13 | 3,521 |
| – Change in risk parameters | 1,065 | (15) | 439 | 1,489 |
| – Decrease due to derecognition for uncollectibility | - | - | (477) | (477) |
| **Impairment loss at December 31, 2022** | **14,832** | **88** | **23,994** | **38,914** |
| **Impairment loss at January 1, 2021** | **12,069** | **228** | **21,176** | **33,473** |
| **Change in impairment loss recognised in profit and loss** | **579** | **(88)** | **2,815** | **3,306** |
| – Transfer to Stage 1 | 260 | (43) | (217) | - |
| – Transfer to Stage 2 | (20) | 182 | (162) | - |
| – Transfer to Stage 3 | (6) | (21) | 27 | - |
| – Increase due to change in credit risk | 1 | 22 | 638 | 661 |
| – Decrease due to change in credit risk | (2,404) | (166) | (333) | (2,903) |
| – Increase due to originated or purchased assets | 2,371 | 9 | 80 | 2,460 |
| – Change in risk parameters | 386 | (71) | 3,642 | 3,957 |
| – Decrease due to derecognition for uncollectibility | - | - | (769) | (769) |
| – Decrease due to derecognition due to sale | (9) | - | (90) | (99) |
| – Currency differences and other adjustments | - | - | (1) | (1) |
| **Impairment loss at December 31, 2021** | **12,648** | **140** | **23,991** | **36,779** |

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| Impairment loss – Investments in debt securities at amortised cost | Stage 1<br>12-month ECL | Stage 2<br>Lifetime ECL | Stage 3<br>Lifetime ECL | Total |
|---|---|---|---|---|
| **Impairment loss at January 1, 2022** | **591** | **-** | **-** | **591** |
| **Change in impairment loss** | **24** | **-** | **-** | **24** |
| Charged for the period | 901 | - | - | 901 |
| Released during the period | (877) | - | - | (877) |
| **Impairment loss at December 31, 2022** | **615** | **-** | **-** | **615** |
| **Impairment loss at January 1, 2021** | **159** | **-** | **-** | **159** |
| **Change in impairment loss** | **432** | **-** | **-** | **432** |
| Charged for the period | 501 | - | - | 501 |
| Released during the period | (69) | - | - | (69) |
| **Impairment loss at December 31, 2021** | **591** | **-** | **-** | **591** |

| Impairment loss – Investments in debt securities at FVTOCI | Stage 1<br>12-month ECL | Stage 2<br>Lifetime ECL | Stage 3<br>Lifetime ECL | Total |
|---|---|---|---|---|
| **Impairment loss at January 1, 2022** | **4,643** | **-** | **-** | **4,643** |
| **Change in impairment loss** | **(113)** | **-** | **-** | **(113)** |
| Charged for the period | 1,775 | - | - | 1,775 |
| Released during the period | (1,888) | - | - | (1,888) |
| Other changes | 1 | | | 1 |
| **Impairment loss at December 31, 2022** | **4,529** | **-** | **-** | **4,529** |
| **Impairment loss at January 1, 2021** | **2,734** | **-** | **-** | **2,734** |
| **Change in impairment loss** | **1,909** | **-** | **-** | **1,909** |
| Charged for the period | 2,032 | - | - | 2,032 |
| Released during the period | (123) | - | - | (123) |
| **Impairment loss at December 31, 2021** | **4,643** | **-** | **-** | **4,643** |

| Impairment loss – Loan commitments | Stage 1<br>12-month ECL | Stage 2<br>Lifetime ECL | Stage 3<br>Lifetime ECL | Total |
|---|---|---|---|---|
| **Impairment loss at January 1, 2022** | **654** | **4** | **20** | **678** |
| **Change in impairment loss** | **(270)** | **(1)** | **7** | **(264)** |
| Charged for the period | 589 | 11 | 49 | 649 |
| Released during the period | (868) | (7) | (37) | (912) |
| Currency and other movements | 9 | (5) | (5) | (1) |
| **Impairment loss at December 31, 2022** | **384** | **3** | **27** | **414** |
| **Impairment loss at January 1, 2021** | **935** | **1** | **23** | **959** |
| Change in impairment loss | (281) | 3 | (3) | (281) |
| Charged for the period | 558 | 9 | 85 | 652 |
| Released during the period | (861) | (9) | (64) | (934) |
| Currency and other movements | 22 | 3 | (24) | 1 |
| **Impairment loss at December 31, 2021** | **654** | **4** | **20** | **678** |

*All amounts are in thousand Bulgarian Levs, unless otherwise stated.*

| Impairment loss – Financial guarantee contracts | Stage 1<br>12-month ECL | Stage 2<br>Lifetime ECL | Stage 3<br>Lifetime ECL | Total |
|---|---|---|---|---|
| **Impairment loss at January 1, 2022** | **10** | **-** | **-** | **10** |
| Change in impairment loss | 30 | - | - | 30 |
| Charged for the period | 40 | - | - | 40 |
| Released during the period | (10) | - | - | (10) |
| **Impairment loss at December 31, 2022** | **40** | **-** | **-** | **40** |
| **Impairment loss at January 1, 2021** | **19** | **-** | **-** | **19** |
| Change in impairment loss | (9) | - | - | (9) |
| Charged for the period | 10 | - | - | 10 |
| Released during the period | (19) | - | - | (19) |
| Impairment loss at December 31, 2021 | 10 | - | - | 10 |

In the tables below the Bank presents the structure and change of gross amounts by categories:

| Carrying amount before impairment – Placements with and advances to banks at amortised cost | Stage 1<br>12-month ECL | Stage 2<br>Lifetime ECL | Stage 3<br>Lifetime ECL | Total |
|---|---|---|---|---|
| **Gross carrying amount at January 1, 2022** | **170,324** | **-** | **-** | **170,324** |
| **Change in the gross carrying amount** | **(91,723)** | **-** | **-** | **(91,723)** |
| Increase for the period | 30,157 | - | - | 30,157 |
| Decrease for the period | (121,880) | - | - | (121,880) |
| **Gross carrying amount at December 31, 2022** | **78,601** | **-** | **-** | **78,601** |
| Impairment loss at December 31, 2022 | (17) | - | - | (17) |
| **Carrying amount at December 31, 2022** | **78,584** | **-** | **-** | **78,584** |
| **Gross carrying amount at January 1, 2021** | **182,376** | **-** | **-** | **182,376** |
| **Change in the gross carrying amount** | **(12,052)** | **-** | **-** | **(12,052)** |
| Increase for the period | 127,073 | - | - | 127,073 |
| Decrease for the period | (139,125) | - | - | (139,125) |
| **Gross carrying amount at December 31, 2021** | **170,324** | **-** | **-** | **170,324** |
| Impairment loss at December 31, 2021 | (24) | - | - | (24) |
| **Carrying amount at December 31, 2021** | **170,300** | **-** | **-** | **170,300** |

| Carrying amount before impairment – Receivables under repurchase agreements of securities | Stage 1<br>12-month ECL | Stage 2<br>Lifetime ECL | Stage 3<br>Lifetime ECL | Total |
|---|---|---|---|---|
| **Gross carrying amount at January 1, 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, 2022** | **394,585** | **-** | **-** | **394,585** |
| Impairment loss at December 31, 2022 | (1,336) | - | - | (1,336) |
| **Carrying amount at December 31, 2022** | **393,249** | **-** | **-** | **393,249** |
| **Gross carrying amount at January 1, 2021** | **360,917** | **-** | **-** | **360,917** |
| **Change in the gross carrying amount** | **(2,689)** | **-** | **-** | **(2,689)** |
| Increase for the period | 358,228 | - | - | 358,228 |
| Decrease for the period | (360,917) | - | - | (360,917) |
| **Gross carrying amount at December 31, 2021** | **358,228** | **-** | **-** | **358,228** |
| Impairment loss at December 31, 2021 | (1,246) | - | - | (1,246) |
| **Carrying amount at December 31, 2021** | **356,982** | **-** | **-** | **356,982** |

| Loans and advances to customers at amortised cost | Stage 1<br>12-month ECL | Stage 2<br>Lifetime ECL | Stage 3<br>Lifetime ECL | Total |
|---|---|---|---|---|
| **Gross carrying amount at January 1, 2022** | **2,829,588** | **19,490** | **76,160** | **2,925,238** |
| **Change in the gross carrying amount** | **152,292** | **(7,677)** | **201** | **144,816** |
| – Transfer to Stage 1 | 6,831 | (6,081) | (750) | - |
| – Transfer to Stage 2 | (1,950) | 2,471 | (521) | - |
| – Transfer to Stage 3 | (1,128) | (423) | 1,551 | - |
| – Increase due to change in credit risk | 41 | 35 | 80 | 156 |
| – Decrease due to change in credit risk | (449,226) | (1,240) | (1,459) | (451,925) |
| – Increase due to originated or purchased assets | 756,649 | 42 | 129 | 756,820 |
| – Change in risk parameters | (158,925) | (2,481) | 1,648 | (159,758) |
| – Decrease due to derecognition for uncollectibility | - | - | (477) | (477) |
| **Gross carrying amount at December 31, 2022** | **2,981,880** | **11,813** | **76,361** | **3,070,054** |
| Impairment loss at December 31, 2022 | (14,832) | (88) | (23,994) | (38,914) |
| **Carrying amount at December 31, 2022** | **2,967,048** | **11,725** | **52,367** | **3,031,140** |
| **Change in the gross carrying amount** | **2,492,191** | **21,844** | **76,284** | **2,590,319** |
| **– Transfer to Stage 1** | **339,769** | **(2,354)** | **(124)** | **334,919** |
| – Transfer to Stage 2 | 4,902 | (4,002) | (900) | - |
| – Transfer to Stage 3 | (5,799) | 6,703 | (904) | - |
| – Трансфер към Фаза 3 | (1,231) | (1,873) | 3,104 | - |
| – Increase due to change in credit risk | 20 | 67 | 21 | 108 |
| – Decrease due to change in credit risk | (278,863) | (1,290) | (957) | (281,110) |
| – Increase due to originated or purchased assets | 752,012 | 763 | 167 | 752,942 |
| – Change in risk parameters | (131,272) | (2,722) | 204 | (133,790) |
| – Decrease due to derecognition for uncollectibility | - | - | (769) | (769) |
| – Decrease due to derecognition due to transfer | (2,372) | - | (90) | (2,462) |
| **Gross carrying amount at December 31, 2021** | **2,829,588** | **19,490** | **76,160** | **2,925,238** |
| Impairment loss at December 31, 2021 | (12,648) | (140) | (23,991) | (36,779) |
| **Carrying amount at December 31, 2021** | **2,816,940** | **19,350** | **52,169** | **2,888,459** |

| Carrying amount before impairment - Investments in debt securities at amortised cost | Stage 1<br>12-month ECL | Stage 2<br>Lifetime ECL | Stage 3<br>Lifetime ECL | Total |
|---|---|---|---|---|
| **Gross carrying amount at January 1, 2022** | **631,612** | **-** | **-** | **631,612** |
| **Change in the gross carrying amount** | **660,832** | **-** | **-** | **660,832** |
| Increase for the period | 801,142 | - | - | 801,142 |
| Decrease for the period | (140,310) | - | - | (140,310) |
| **Gross carrying amount at December 31, 2022** | **1,292,444** | **-** | **-** | **1,292,444** |
| Impairment loss at December 31, 2022 | (615) | - | - | (615) |
| **Carrying amount at December 31, 2022** | **1,291,829** | **-** | **-** | **1,291,829** |
| **Gross carrying amount at January 1, 2021** | **420,827** | **-** | **-** | **420,827** |
| **Change in the gross carrying amount** | **210,785** | **-** | **-** | **210,785** |
| Increase for the period | 301,863 | - | - | 301,863 |
| Decrease for the period | (91,078) | - | - | (91,078) |
| **Gross carrying amount at December 31, 2021** | **631,612** | **-** | **-** | **631,612** |
| Impairment loss at December 31, 2021 | (591) | - | - | (591) |
| **Carrying amount at December 31, 2021** | **631,021** | **-** | **-** | **631,021** |

*All amounts are in thousand Bulgarian Levs, unless otherwise stated.*

| Carrying amount before impairment – Financial assets at fair value through OCI | Stage 1 12-month ECL | Stage 2 Lifetime ECL | Stage 3 Lifetime ECL | Total |
|---|---|---|---|---|
| **Gross carrying amount at January 1, 2022** | **857,786** | **-** | **-** | **857,786** |
| **Change in the gross carrying amount** | **(294,305)** | **-** | **-** | **(294,305)** |
| Increase for the period | 102,607 | - | - | 102,607 |
| Decrease for the period | (396,912) | - | - | (396,912) |
| **Gross carrying amount at December 31, 2022** | **563,481** | **-** | **-** | **563,481** |
| Impairment loss at December 31, 2022, recognized in equity | (4,529) | - | - | (4,529) |
| **Gross carrying amount at January 1, 2021** | **714,737** | **-** | **-** | **714,737** |
| **Change in the gross carrying amount** | **143,049** | **-** | **-** | **143,049** |
| Increase for the period | 347,950 | - | - | 347,950 |
| Decrease for the period | (204,901) | - | - | (204,901) |
| **Gross carrying amount at December 31, 2021** | **857,786** | **-** | **-** | **857,786** |
| Impairment loss at December 31, 2021, recognized in equity | (4,643) | - | - | (4,643) |

| Loan commitments | Stage 1 12-month ECL | Stage 2 Lifetime ECL | Stage 3 Lifetime ECL | Total |
|---|---|---|---|---|
| **Total amount of loan commitments at January 1, 2022** | **231,665** | **1,018** | **471** | **233,154** |
| **Change in the amount of loan commitments** | **(153,317)** | **(699)** | **(243)** | **(154,259)** |
| Increase for the period | 28,091 | 40 | 46 | 28,177 |
| Decrease for the period | (181,618) | (459) | (359) | (182,436) |
| Other movements | 210 | (280) | 70 | - |
| **Total amount of loan commitments at December 31, 2022** | **78,348** | **319** | **228** | **78,895** |
| ECL allowance at December 31, 2022 | (384) | (3) | (27) | (414) |
| **Total amount of loan commitments at January 1, 2021** | **242,185** | **310** | **383** | **242,878** |
| **Change in the amount of loan commitments** | **(10,520)** | **708** | **88** | **(9,724)** |
| Increase for the period | 51,039 | 105 | 117 | 51,261 |
| Decrease for the period | (60,646) | (173) | (166) | (60,985) |
| Other movements | (913) | 776 | 137 | - |
| **Total amount of loan commitments at December 31, 2021** | **231,665** | **1,018** | **471** | **233,154** |
| ECL allowance at December 31, 2021 | (654) | (4) | (20) | (678) |

*All amounts are in thousand Bulgarian Levs, unless otherwise stated.*

| Financial guarantee contracts | Stage 1<br>12-month ECL | Stage 2<br>Lifetime ECL | Stage 3<br>Lifetime ECL | Total |
|---|---|---|---|---|
| **Total amount of guarantees at January 1, 2022** | **46,577** | **-** | **-** | **46,577** |
| **Change in the gross carrying amount** | **24,259** | **-** | **-** | **24,259** |
| Increase for the period | 44,796 | - | - | 44,796 |
| Decrease for the period | (20,537) | - | - | (20,537) |
| **Total amount of guarantees at December 31, 2022** | **70,836** | **-** | **-** | **70,836** |
| ECL allowance at December 31, 2022 | (40) | - | - | (40) |
| **Total amount of guarantees at January 1, 2021** | **48,744** | **-** | **-** | **48,744** |
| **Change in the gross carrying amount** | **(2,168)** | **-** | **-** | **(2,168)** |
| Increase for the period | 16,472 | - | - | 16,472 |
| Decrease for the period | (18,640) | - | - | (18,640) |
| **Total amount of guarantees at December 31, 2021** | **46,576** | **-** | **-** | **46,576** |
| ECL allowance at December 31, 2021 | (10) | - | - | (10) |

| Impairment loss by type of assets | 2022 | 2021 |
|---|---|---|
| **Placements with and advances to banks at amortised cost** | **(17)** | **(24)** |
| **Receivables under repurchase agreements of securities** | **(1,336)** | **(1,246)** |
| Loans and advances to customers at amortised cost | (38,914) | (36,779) |
| Investments in debt securities at amortised cost | (615) | (591) |
| **Financial assets at fair value through OCI** | **(4,529)** | **(4,643)** |
| | **(45,411)** | **(43,283)** |

| Loans and advances to customers | 2022 | | 2021 | |
|---|---|---|---|---|
| | Gross carrying amount | Impairment loss | Gross carrying amount | Impairment loss |
| 0-29 days | 2,993,825 | (15,276) | 2,847,827 | (13,214) |
| 30-59 days | 1,303 | (35) | 2,479 | (40) |
| 60-89 days | 509 | (47) | 846 | (50) |
| 90-180 days | 516 | (114) | 793 | (184) |
| Over 181 days | 73,901 | (23,442) | 73,293 | (23,291) |
| **Total** | **3,070,054** | **(38,914)** | **2,925,238** | **(36,779)** |

| | 2022 | 2021 |
|---|---|---|
| Loans and advances to customers at amortised cost | 3,070,054 | 2,925,238 |
| Less impairment for uncollectibility | (38,914) | (36,779) |
| **Total loans and advances to customers** | **3,031,140** | **2,888,459** |

*All amounts are in thousand Bulgarian Levs, unless otherwise stated.*

| | 31.12.2022 | | | 31.12.2021 | | |
|---|---|---|---|---|---|---|
| | Gross carrying amount | ECL impairment | Carrying amount | Gross carrying amount | ECL impairment | Carrying amount |
| **Retail banking** | | | | | | |
| Mortgages | 707,400 | (422) | 706,978 | 645,922 | (385) | 645,537 |
| Consumer loans | 584,250 | (6,978) | 577,272 | 524,235 | (6,267) | 517,968 |
| Credit cards | 14,062 | (1,100) | 12,962 | 15,042 | (959) | 14,083 |
| Other | 2,443 | (2,443) | - | 2,333 | (2,333) | - |
| **Total retail banking** | **1,308,155** | **(10,943)** | **1,297,212** | **1,187,532** | **(9,944)** | **1,177,588** |
| Corporate lending | 1,761,899 | (27,971) | 1,733,928 | 1,737,706 | (26,835) | 1,710,871 |
| **Total** | **3,070,054** | **(38,914)** | **3,031,140** | **2,925,238** | **(36,779)** | **2,888,459** |

| Placements with and advances to banks at amortised cost | 2022 | | | |
|---|---|---|---|---|
| | Stage 1<br>12-month ECL | Stage 2<br>Lifetime ECL | Stage 3<br>Lifetime ECL | Total |
| **Category** | **78,601** | **-** | **-** | **78,601** |
| **Total gross carrying amount** | **78,601** | **-** | **-** | **78,601** |
| Impairment loss | (17) | - | - | (17) |
| **Carrying amount** | **78,584** | **-** | **-** | **78,584** |
| | 2021 | | | |
| **Category** | **170,324** | **-** | **-** | **170,324** |
| **Total gross carrying amount** | **170,324** | **-** | **-** | **170,324** |
| Impairment loss | (24) | - | - | (24) |
| **Carrying amount** | **170,300** | **-** | **-** | **170,300** |

| Receivables under repurchase agreements of securities | 2022 | | | |
|---|---|---|---|---|
| | Stage 1<br>12-month ECL | Stage 2<br>Lifetime ECL | Stage 3<br>Lifetime ECL | Total |
| **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** |
| | 2021 | | | |
| **Category** | **358,228** | **-** | **-** | **358,228** |
| **Total gross carrying amount** | **358,228** | **-** | **-** | **358,228** |
| Impairment loss | (1,246) | - | - | (1,246) |
| **Carrying amount** | **356,982** | **-** | **-** | **356,982** |

*All amounts are in thousand Bulgarian Levs, unless otherwise stated.*

| Loans and advances to customers at amortised cost | Stage 1<br>12-month ECL | 2022<br>Stage 2<br>Lifetime ECL | Stage 3<br>Lifetime ECL | Total |
|---|---|---|---|---|
| **Category** | **2,981,880** | **11,813** | **76,361** | **3,070,054** |
| **Total gross carrying amount** | **2,981,880** | **11,813** | **76,361** | **3,070,054** |
| Impairment loss | (14,832) | (88) | (23,994) | (38,914) |
| **Carrying amount** | **2,967,048** | **11,725** | **52,367** | **3,031,140** |
| | | **2021** | | |
| **Category** | **2,829,588** | **19,490** | **76,160** | **2,925,238** |
| **Total gross carrying amount** | **2,829,588** | **19,490** | **76,160** | **2,925,238** |
| Impairment loss | (12,648) | (140) | (23,991) | (36,779) |
| **Carrying amount** | **2,816,940** | **19,350** | **52,169** | **2,888,459** |

| Investments in debt securities at amortised cost | Stage 1<br>12-month ECL | 2022<br>Stage 2<br>Lifetime ECL | Stage 3<br>Lifetime ECL | Total |
|---|---|---|---|---|
| **Category** | **1,292,444** | **-** | **-** | **1,292,444** |
| **Total gross carrying amount** | **1,292,444** | **-** | **-** | **1,292,444** |
| Impairment loss | (615) | - | - | (615) |
| **Carrying amount** | **1,291,829** | **-** | **-** | **1,291,829** |
| | | **2021** | | |
| **Category** | **631,612** | **-** | **-** | **631,612** |
| **Total gross carrying amount** | **631,612** | **-** | **-** | **631,612** |
| Impairment loss | (591) | - | - | (591) |
| **Carrying amount** | **631,021** | **-** | **-** | **631,021** |

| Financial assets at FVTOCI | Stage 1<br>12-month ECL | 2022<br>Stage 2<br>Lifetime ECL | Stage 3<br>Lifetime ECL | Total |
|---|---|---|---|---|
| **Category** | **563,481** | **-** | **-** | **563,481** |
| **Total gross carrying amount** | **563,481** | **-** | **-** | **563,481** |
| Impairment loss recognized in equity | (4,529) | - | - | (4,529) |
| | | **2021** | | |
| **Category** | **857,786** | **-** | **-** | **857,786** |
| **Total gross carrying amount** | **857,786** | **-** | **-** | **857,786** |
| Impairment loss recognized in equity | (4,643) | - | - | (4,643) |

*All amounts are in thousand Bulgarian Levs, unless otherwise stated.*

| Loan commitments | Stage 1 12-month ECL | Stage 2 Lifetime ECL | Stage 3 Lifetime ECL | Total |
|---|---|---|---|---|
| | | 2022 | | |
| **Category** | **78,348** | **319** | **228** | **78,895** |
| **Total gross carrying amount** | **78,348** | **319** | **228** | **78,895** |
| Expected credit loss allowance | (384) | (3) | (27) | (414) |
| | | 2021 | | |
| **Category** | **231,667** | **1,018** | **469** | **233,154** |
| **Total gross carrying amount** | **231,667** | **1,018** | **469** | **233,154** |
| Expected credit loss allowance | (654) | (4) | (20) | (678) |

| Financial guarantee contracts | Stage 1 12-month ECL | Stage 2 Lifetime ECL | Stage 3 Lifetime ECL | Total |
|---|---|---|---|---|
| | | 2022 | | |
| **Category** | **70,836** | **-** | **-** | **70,836** |
| **Total gross carrying amount** | **70,836** | **-** | **-** | **70,836** |
| Expected credit loss allowance | (40) | - | - | (40) |
| | | 2021 | | |
| **Category** | **46,576** | **-** | **-** | **46,576** |
| **Total gross carrying amount** | **46,576** | **-** | **-** | **46,576** |
| Expected credit loss allowance | (10) | - | - | (10) |

### 35.1.2. Credit risk concentration

Credit risk concentration refers to the probability of loss due to poor diversification of exposure to customers, groups of related customers, customers from one and the same economic sector or geographical region.

The tables below present the concentration split of different asset categories of the Bank by region and by economic sector.

| Placements with and advances to banks at amortised cost | 2022 | 2021 |
|---|---|---|
| **Concentration by sector** | | |
| Central banks | 1,085 | 1,914 |
| Bulgarian commercial banks | 263 | 55,845 |
| Foreign commercial banks | 77,253 | 112,565 |
| Total | **78,601** | **170,324** |
| **Concentration by region** | | |
| Europe | 61,594 | 159,889 |
| America | 12,717 | 5,146 |
| Asia | 4,290 | 5,289 |
| Total | **78,601** | **170,324** |

*All amounts are in thousand Bulgarian Levs, unless otherwise stated.*

| Receivables under repurchase agreements of securities | 2022 | 2021 |
|---|---|---|
| **Corporate:** | **394,585** | **394,585** |
| Construction | 66,978 | 69,265 |
| Commerce and finance | 243,400 | 207,958 |
| Transport and communications | 22,700 | 21,696 |
| Industry | 15,358 | 14,713 |
| Other | 46,149 | 44,596 |
| Total | 394,585 | 358,228 |
| **Concentration by region** | | |
| Europe | 394,585 | 394,585 |
| Total | **394,585** | **358,228** |

| Investments in debt securities at amortised cost | 2022 | 2021 |
|---|---|---|
| **Concentration by sector** | | |
| States | 1,264,253 | 620,156 |
| Bank | 7,804 | - |
| **Corporate:** | | |
| Commerce and finance | 19,772 | 10,865 |
| Total | **1,291,829** | **631,021** |
| **Concentration by region** | | |
| Europe | 1,263,432 | 621,348 |
| Asia | 9,684 | 9,673 |
| America | 18,713 | - |
| Total | **1,291,829** | **631,021** |

| Investments in debt securities at FVTOCI | 2022 | 2021 |
|---|---|---|
| **Concentration by sector** | | |
| States | 131,668 | 430,587 |
| Banks | 18,189 | - |
| **Corporate:** | | |
| Construction | 147,723 | 135,781 |
| Industry | 16,469 | 31,069 |
| Commerce and finance | 200,732 | 214,537 |
| Transport and communications | 9,119 | 8,677 |
| Other | 21,354 | 22,981 |
| Other | **545,254** | **843,632** |
| **Concentration by region** | | |
| Europe | 545,254 | 843,632 |
| Total | **545,254** | **843,632** |

*All amounts are in thousand Bulgarian Levs, unless otherwise stated.*

| Loans and advances to customers at amortised cost | 2022 | 2021 |
|---|---|---|
| **Concentration by sector** | | |
| ***Retail Banking:*** | ***1,308,155*** | ***1,187,532*** |
| Mortgage | 707,400 | 645,922 |
| Consumer | 584,250 | 524,235 |
| Credit cards | 14,062 | 15,042 |
| Other | 2,443 | 2,333 |
| ***Corporate:*** | ***1,761,899*** | ***1,737,706*** |
| Agriculture and forestry | 102,570 | 96,417 |
| Industry | 51,633 | 54,579 |
| Construction | 452,642 | 500,106 |
| Commerce and finance | 953,527 | 863,154 |
| Transport and communications | 99,522 | 123,624 |
| Other | 102,005 | 99,826 |
| Total gross exposure | **3,070,054** | **2,925,238** |
| **Concentration by region** | | |
| Europe | 3,069,976 | 2,925,082 |
| America | 6 | 5 |
| Asia | 72 | 151 |
| Total gross exposure | **3,070,054** | **2,925,238** |

| Loan commitments | 2022 | 2021 |
|---|---|---|
| **Concentration by sector** | | |
| ***Retail banking:*** | ***43,231*** | ***45,841*** |
| Mortgage | 464 | 901 |
| Consumer | 7,559 | 7,391 |
| Credit cards | 35,208 | 37,549 |
| ***Corporate:*** | ***35,664*** | ***187,313*** |
| Agriculture and forestry | 4,264 | 7,804 |
| Industry | 1,117 | 26,562 |
| Construction | 15,458 | 35,584 |
| Commerce and finance | 8,639 | 110,741 |
| Transport and communications | 4,632 | 4,925 |
| Other | 1,554 | 1,697 |
| Total | **78,895** | **233,154** |
| **Concentration by region** | | |
| Europe | 78,869 | 233,119 |
| America | - | 1 |
| Middle East and Africa | 26 | 34 |
| Total | **78,895** | **233,154** |

*All amounts are in thousand Bulgarian Levs, unless otherwise stated.*

| Financial guarantee contracts | 2022 | 2021 |
|---|---|---|
| ***Corporate:*** | | |
| Agriculture and forestry | 1,177 | 382 |
| Industry | 5,759 | 6,316 |
| Construction | 13,683 | 9,064 |
| Commerce and finance | 23,555 | 18,576 |
| Transport and communications | 5,562 | 6,306 |
| Other | 21,100 | 5,932 |
| Total | **70,836** | **46,576** |
| **Concentration by region** | | |
| Europe | 70,836 | 46,576 |
| Total | **70,836** | **46,576** |

### Credit exposures with restructuring measures

As exposures with restructuring measures, the Bank accepts credit exposures on which the initial terms of the contract have been amended due to the debtor's difficulties in fulfilling its financial obligations and which discounts the Bank would not have given under other circumstances.

The changes to the initial contract terms in case of restructuring measures may include:
- Postponing or rescheduling the payment of principal, interest or, where applicable, fees, which may result in a reduction in the amount of the financial liability;
- Partial or total refinancing of a troubled debt contract that is only allowed when the debtor is in financial difficulties;
- Full or partial write-off of debt, leading to a reduction in the amount of the financial liability;
- An amendment involving repayments resulting from a collateral acquisition by the Bank is treated as a restructuring measure when the debtor is in financial difficulty;
- Granted rebates to a debtor who has been in default before granting the rebates;
- Decrease of the interest rate on the contract, except for change of the interest rate originated by changes in market interest rates.

The information of loan exposures for restructuring is as follows:

| | 2022 | | 2021 | |
|---|---|---|---|---|
| | Corporate customers | Individuals | Corporate customers | Individuals |
| Amount before impairment | 43,597 | 2,351 | 42,392 | 2,617 |
| Impairment | (6,669) | (402) | (7,293) | (410) |
| Amount after impairment | **36,928** | **1,949** | **35,099** | **2,207** |

### 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 periodically and in case of significant changes in the prices of real estate market.

*All amounts are in thousand Bulgarian Levs, unless otherwise stated.*

| Loan-to-value | 2022 | 2021 |
|---|---|---|
| Below 50% | 240,354 | 172,756 |
| From 50% to 75% | 283,034 | 259,681 |
| From 75% to 90% | 182,819 | 199,721 |
| From 90% to 100% | 208 | 6,457 |
| Above 100% | 985 | 7,307 |
| **Total** | **707,400** | **645,922** |

Loans granted to legal entities

With regard to loans granted to legal entities, the Bank determines the creditability of each client as a most appropriate indicator for risk exposure. Therefore, the Bank has adopted an approach for individual credit evaluation and test of impairment of loans granted to companies. For additional security purposes along with the regular monitoring of the financial position of the companies-borrowers and the sources of income for repaying credit exposures and their dependency on the market environment, the Bank requires collaterals on credit exposures to be established. The Bank accepts loans to companies to be secured by mortgages on real estates, pledges on going concern, special pledges on tangible assets, as well as other guarantees and titles.

The Bank analyses and updates on a regular basis the collateral value considering any significant changes in the market environment, regulatory framework and other circumstances incurred. If there is a decrease in the collateral value, as a result of which the Bank believes it is no more sufficient, the borrower is required to establish further collaterals within a given term.

### 35.1.3. Capital risk

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

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

Capital risk management is concentrated in the Bank's Risk Committee and the Management Board's decisions insofar as all capital reports for internal and supervisory purposes are dealt with by the two bodies that take all decisions concerning the allocation of capital resources and the institution's risk tendency.

The Bank's capital management policies aim at maintaining a quantitatively and qualitatively sufficient capital to meet the Bank's risk profile, regulatory and business needs. Capital ratios are continuously monitored against regulatory limits, with any deviation from adequacy levels reported at any time to the Bank's Management to support strategic and day-to-day business decision-making.

The Bank's equity (Capital Base) consists of Tier 1 and Tier 2 capital. Tier 1 capital consists of Common Equity Tier 1 capital (CET1) - this is the most important capital for the banking institution. Its composition includes: share capital - ordinary shares, premium reserve, retained earnings, other reserves after adjustment for intangible assets and other regulatory adjustments relating to items that are included in the equity but are treated differently for the purpose of determining capital adequacy.

In accordance with the requirements of the regulatory body in the Republic of Bulgaria - Bulgarian

*All amounts are in thousand Bulgarian Levs, unless otherwise stated.*

National Bank, Central Cooperative Bank AD 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.

**35.2. Liquidity risk**

Liquidity risk arises from the mismatch of the assets' and liabilities' maturity and the lack of sufficient funds for the Bank to meet its obligations on its current financial liabilities, as well as to provide funding for the increase in financial assets and the potential claims on off-balance sheet commitments.

Adequate liquidity is achieved if the Bank is able to provide enough funds for the above purposes by increasing liabilities and transforming assets as soon as possible and at relatively low costs through potential sale of liquid assets or attraction of additional funds from cash, capital or currency markets. The preventive function of liquidity risk management consists in maintaining a reasonable level of liquidity to avoid potential loss from unexpected sale of assets. The special collective body for liquidity management in the Bank is the Assets and Liabilities Management Committee. It applies the policy on liquidity risk management adopted by the Bank.

Quantitative measure of the liquidity risk in accordance with the regulations of Bulgarian National Bank and European Banking Authority is the liquidity coverage ratio (LCR). This ratio represents the excess of the liquidity buffer (liquid assets) of the Bank over the net liquid outflows.

The Bank maintains a structure of assets and liabilities that ensures compliance with the set values of the liquidity ratios and the fulfillment of the requirement for liquidity coverage according to Art. 412 paragraph 1 of Regulation 575/2013 (Liquidity Coverage Ratio - LCR). The focus is set on liquidity management for a period of up to 30 days. The bank calculates its liquidity coverage ratio using the following formula:

$$\frac{\text{Liquidity buffer}}{\text{Net liquidity outflows under 30 calendar day stress period}} = \text{Liquidity coverage ratio (\%)}$$

The Bank maintains Liquidity coverage ratio of at least 100% .

LCR of CCB AD as of December 31, 2022 amounts to 390.88% (31.12.2021: 382.01%) and exceeds the regulatory threshold of 100%.

The Bank mainly relies on its own resources and does not have approved and undrawn credit lines.

The tables below analyze the Bank's assets, liabilities and off-balance sheet commitments, grouped by respective terms and maturities based on remaining term to maturity date. In these tables, customers' demand deposits are presented in the "up to 1 month" maturity zone, but a significant part of them remain with the Bank for a longer period of time. Time deposits are usually renewed by the depositors on maturity and in practice are also retained by the Bank for a longer period of time.

The allocation of Bank's expected gross undiscounted contractual cash flows as of December 31, 2022 can be presented as follows:

*All amounts are in thousand Bulgarian Levs, unless otherwise stated.*

| | Up to 1 month | From 1 to 3 months | From 3 months to 1 year | From 1 year to 5 years | Over 5 years | Total |
|---|---|---|---|---|---|---|
| **Financial Assets** | | | | | | |
| Cash and balances with the Central Bank | 1,954,354 | - | - | - | - | 1,954,354 |
| Placements with and advances to banks | 75,667 | - | - | - | 2,934 | 78,601 |
| 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 | 4,694 | 208,270 |
| Loans and advances to customers, net | 42,370 | 105,966 | 268,970 | 1,485,127 | 1,167,621 | 3,070,054 |
| Financial assets at fair value through other comprehensive income | - | - | 6,021 | 240,624 | 316,836 | 563,481 |
| Financial assets at amortised cost | - | 196,366 | 68,468 | 450,702 | 583,767 | 1,299,303 |
| **TOTAL FINANCIAL ASSETS** | **2,211,663** | **425,681** | **675,841** | **2,179,611** | **2,075,852** | **7,568,648** |
| **FINANCIAL LIABILITIES** | | | | | | |
| Deposits from banks | 17,686 | - | - | - | - | 17,686 |
| Amounts owed to other depositors | 3,005,405 | 423,581 | 991,700 | 2,624,517 | 97 | 7,045,300 |
| Issued bonds | - | - | 42 | - | 25,408 | 25,450 |
| Provisions for liabilities | - | - | 454 | - | - | 454 |
| Other liabilities | 1,000 | 1,853 | 9,342 | 27,422 | 9,478 | 49,095 |
| **TOTAL FINANCIAL LIABILITIES** | **3,024,091** | **425,434** | **1,001,538** | **2,651,939** | **34,983** | **7,137,985** |

The allocation of Bank's expected gross undiscounted contractual cash flows as of December 31, 2021 can be presented as follows:

| | Up to 1 month | From 1 to 3 months | From 3 months to 1 year | From 1 year to 5 years | Over 5 years | Total |
|---|---|---|---|---|---|---|
| **FINANCIAL ASSETS** | | | | | | |
| Cash and balances with the Central Bank | 1,927,865 | - | - | - | - | 1,927,865 |
| Placements with and advances to banks | 167,390 | - | - | - | 2,934 | 170,324 |
| Receivables under repurchase agreements of securities | 111,624 | 114,676 | 131,928 | - | - | 358,228 |
| Financial assets at fair value through profit or loss | 25,379 | - | 257,829 | 11,937 | 6,900 | 302,045 |
| Loans and advances to customers, net | 34,952 | 64,505 | 437,438 | 1,302,567 | 1,098,563 | 2,938,026 |
| Financial assets at fair value through other comprehensive income | - | 125,011 | 31,930 | 274,884 | 431,145 | 862,970 |
| Financial assets at amortised cost | - | - | 24,308 | 222,738 | 392,775 | 639,821 |
| **TOTAL FINANCIAL ASSETS** | **2,267,210** | **304,192** | **883,433** | **1,812,126** | **1,932,317** | **7,199,279** |
| **FINANCIAL LIABILITIES** | | | | | | |
| Deposits from banks | 52,840 | - | - | - | - | 52,840 |
| Amounts owed to other depositors | 3,066,851 | 426,753 | 1,047,569 | 2,098,472 | 97 | 6,639,742 |
| Issued bonds | - | - | - | - | 25,450 | 25,450 |
| Provisions | - | - | 688 | - | - | 688 |
| Other liabilities | 2,799 | 1,772 | 7,373 | 29,626 | 12,758 | 54,328 |
| **TOTAL FINANCIAL LIABILITIES** | **3,122,490** | **428,525** | **1,055,630** | **2,128,098** | **38,305** | **6,773,048** |

*All amounts are in thousand Bulgarian Levs, unless otherwise stated.*

The financial liabilities of the Bank are mainly formed by attracted funds from other depositors – deposits from individuals and legal entities.

The tables above feature part of the attracted funds in current accounts without residual maturity amounting to BGN 2,620,520 thousand as of December 31, 2022 (2021: BGN 2,093,742 thousand.) and they are presented within the range from 1 to 5 years since the Bank regards this availability as a long-term reliable resource based on the average daily availability in these accounts for 2022 and 2021.

The liquidity position of the Bank, measured by liquidity coverage, is 4 times above the regulatory requirement. There are no customer funding outflows.

### 35.3. Market risk

Market risk is the risk, at which it is possible that the changes in the market prices of the financial assets, the interest rates or the currency rates have an unfavourable effect on the result of the Bank activity. Market risk arises on opened exposures on interest, currency and capital instruments, as all of them are sensitive to general and specific market movements. Exposure to market risk is managed by the Bank in accordance with risk limits, stipulated by the Management.

#### 35.3.1. Interest rate risk

##### 35.3.1.1. General management of interest rate risk

Interest rate risk is the possibility of potential fluctuation of the net interest income or the net interest rate margin, due to changes in the general market interest rates. The Bank manages its interest rate risk through minimizing the risk of decrease of the net interest income resulting from changes in the interest rates.

For measurement and evaluation of the interest rate risk, the Bank applies the method of the GAP analysis (analysis of mismatch/imbalance). The sensitivity of the expected income and expenses toward the interest rate development is identified through this analysis.

The method of the GAP analysis aims to determine the Bank position, in total and separately by financial assets and liabilities types, regarding expected changes in interest rates and the influence of this change on the net interest income. It helps the management of the assets and liabilities and is an instrument for assurance of sufficient and stable net interest rate profitability.

The mismatch of the Bank between the interest-bearing assets and liabilities as of December 31, 2022 is negative and amounts to BGN (1,746,188) thousand. GAP coefficient, as a sign of this mismatch, compared to the total profitable assets of the Bank (interest-bearing assets, equity securities, derivatives and investments in subsidiaries) is minus 30.58%.

| | Up to 1 month | From 1 to 3 months | From 3 months to 1 year | From 1 year to 5 years | Over 5 years | Total |
|---|---|---|---|---|---|---|
| **INTEREST-BEARING ASSETS** | | | | | | |
| Placements with and advances to banks | 75,666 | - | - | - | 2,918 | 78,584 |
| Receivables under repurchase agreements of securities | 115,756 | 122,951 | 154,542 | - | - | 393,249 |
| Financial assets at fair value through profit or loss | - | - | - | | 2,192 | 2,192 |
| Loans and advances to customers | 41,967 | 105,383 | 267,347 | 1,475,464 | 1,140,979 | 3,031,140 |
| Financial assets at FVTOCI | - | - | 6,021 | 222,397 | 316,836 | 545,254 |
| Financial assets at amortised cost | - | 196,707 | 68,284 | 450,366 | 576,472 | 1,291,829 |
| **TOTAL INTEREST-BEARING ASSETS** | **233,389** | **425,041** | **496,194** | **2,148,227** | **2,039,397** | **5,342,248** |
| **INTEREST-BEARING LIABILITIES** | | | | | | |
| Deposits from banks | 17,686 | - | - | - | - | 17,686 |
| Amounts owed to other depositors | 3,005,405 | 423,581 | 991,700 | 2,624,517 | 97 | 7,045,300 |
| Issued bonds | - | - | - | - | 25,450 | 25,450 |
| **TOTAL INTEREST-BEARING LIABILITIES** | **3,023,091** | **423,581** | **991,700** | **2,624,517** | **25,547** | **7,088,436** |
| **NET INTEREST-BEARING ASSETS AND LAIBILITIES GAP** | **(2,789,702)** | **1,460** | **(495,534)** | **(475,849)** | **2,013,437** | **(1,746,188)** |

The mismatch of the Bank between the interest-bearing assets and liabilities as of December 31, 2021 is negative and amounts to BGN (1,862,543) thousand. GAP coefficient, as a sign of this mismatch, compared to the total profitable assets of the Bank (interest-bearing assets, equity securities, derivatives and investments in subsidiaries) is minus 40.71%.

| | Up to 1 month | From 1 to 3 months | From 3 months to 1 year | From 1 year to 5 years | Over 5 years | Total |
|---|---|---|---|---|---|---|
| **INTEREST-BEARING ASSETS** | | | | | | |
| Placements with and advances to banks | 167,382 | - | - | - | 2,918 | 170,300 |
| Receivables under repurchase agreements of securities | 111,225 | 114,303 | 131,454 | - | - | 356,982 |
| Financial assets at fair value through profit or loss | - | - | - | 9,946 | 4,062 | 14,008 |
| Loans and advances to customers | 34,413 | 63,580 | 433,464 | 1,287,913 | 1,069,089 | 2,888,459 |
| Financial assets at FVTOCI | - | 122,858 | 31,928 | 257,878 | 430,967 | 843,631 |
| Financial assets at amortised cost | - | - | 23,125 | 217,778 | 390,118 | 631,021 |
| **TOTAL INTEREST-BEARING ASSETS** | **313,020** | **300,741** | **619,971** | **1,773,515** | **1,897,154** | **4,904,401** |
| **INTEREST-BEARING LIABILITIES** | | | | | | |
| Deposits from banks | 52,840 | - | - | - | - | 52,840 |
| Amounts owed to other depositors | 3,066,851 | 426,753 | 1,047,569 | 2,098,472 | 97 | 6,639,742 |
| Issued bonds | - | - | - | - | 25,450 | 25,450 |
| Other liabilities | 1,003 | 1,772 | 7,719 | 26,402 | 12,016 | 48,912 |
| **TOTAL INTEREST-BEARING LIABILITIES** | **3,120,694** | **428,525** | **1,055,288** | **2,124,874** | **37,563** | **6,766,944** |
| **NET INTEREST-BEARING ASSETS AND LAIBILITIES GAP** | **(2,807,674)** | **(127,784)** | **(435,317)** | **(351,359)** | **1,859,591** | **(1,862,543)** |

The tables above feature part of the attracted funds in current accounts without residual maturity amounting to BGN 2,620,520 thousand as of December 31, 2022 (2021: BGN 2,093,742 thousand.) and they are presented within the range from 1 to 5 years since the Bank regards this availability as a long-term reliable resource based on the average daily availability in these accounts for 2022 and 2021.

The maintenance of negative mismatch exposes the Bank to risk of decrease of the net interest income when interest rates increase. The quantification of sensitivity analysis performed by the Bank is based on the mismatch, reported as of December 31, 2022 on the net interest income. The calculated potential negative impact based on the negative interest mismatch which is calculated with 2% as expected potential increase in interest rates will lead to decrease of the net interest income and net financial results by BGN 5,421 thousand (2021: BGN 5,087 thousand).

In the course of its activity, the Bank uses basic fixed interest rates and interest rates, which are based on basic reference interest rate (BRIR). The only material exposure the Bank has is to exposures issued in euro, whose reference interest index is EURIBOR

The table below presents the exposure of the Bank and the effects on its financial results from the financial assets, whose reference interest rate is EURIBOR:

| Gross exposures | December 31, 2022 | Effect on the financial result when the EURIBOR increases by 1% | Effect on the financial result when the EURIBOR decreases by 1% |
|---|---|---|---|
| Loans and advances to customers | 333,878 | 3,339 | (3,339) |
| Financial assets at fair value through other comprehensive income | 192,868 | 1,929 | (1,929) |
| Net interest exposure to EURIBOR | 526,746 | - | - |
| Net effect of change of interest index | - | 5,268 | (5,268) |

The presented effect is calculated based on a simplified concept of a parallel change of all Euribor maturities at the rate of 1%, effective immediately.

#### 35.3.1.2. Interest Rate Benchmark Reform

Following the decision by global regulators to phase out IBOR and replace it with alternative reference interest rates, the Bank has analyzed its exposure to such changes and has not identified any material direct exposure to risk related to the Interest Rate Benchmark Reform.

The basic interest indices, introduced in the interest rates of the Bank are synthetical, with sources from the Bulgarian interest rate statistics (Bulgarian National Bank) and the effect of the reform is insignificant on the value of the cash flows of the Bank.

The main reference interest rate to which the Bank is exposed, is EURIBOR. EURIBOR is a reformed interest rate index, which will not be discontinued, and accordingly the Bank does not have to make changes in relation to the financial instruments whose interest income is based on this interest rate index, as EURIBOR continues to meet the regulatory rules for qualifying as a reference interest rate.

The IBOR reform exposes the Bank to various risks, which have a limited manifestation and can be summarized as follows:

- Risk related to behavior, arising from discussions with customers and market counterparties due to the changes required to existing contracts falling within the scope of the reform;

*All amounts are in thousand Bulgarian Levs, unless otherwise stated.*

- Financial risk for the Bank and its clients that the markets will be disrupted due to the IBOR reform, which will lead to financial losses;
- Price risk arising from the potential lack of market information if IBOR liquidity decreases and RFRs are non-liquid and unobservable;
- Operational risk arising from changes in the Bank's IT systems and processes, as well as the risk of payments being interrupted if an IBOR ceases to be available.

The Bank has a developed "Action plan of Central Cooperative Bank AD in case of significant change or discontinuation of the preparation of the benchmark indices used by the Bank", which describes actions, that the Bank will undertake in cases when the reference interest rates used by it change significantly or are no longer published.

### 35.3.2. Foreign currency risk

Foreign currency risk is the risk for the Bank to realize loss as a result of fluctuations in the foreign exchange rates.

In the Republic of Bulgaria the rate of the Bulgarian lev to the Euro is fixed by the Currency Board Act due to which the Bank's long position in EUR does not bear risk for the Bank.

The risk-weighted net currency position as of December 31, 2022 in financial instruments, denominated in other currencies, different from BGN or EUR is below 2% of the capital base and capital requirements for currency risk shall not be applied by the Bank.

Due to the low amount of this position, the potential effect of exchange rate changes will not result in significant effects on equity and therefore the risk-weighted effect on equity will be below the materiality threshold for the Bank and the regulatory framework - Regulation (EU) 575/2013.

The currency structure of the financial assets and liabilities by carrying amount as of December 31, 2022 is as follows:

| | BGN | EUR | USD | Other | Total |
|---|---|---|---|---|---|
| **FINANCIAL ASSETS** | | | | | |
| Cash and balances with the Central Bank | 1,805,377 | 98,630 | 21,589 | 28,758 | 1,954,354 |
| Placements with and advances to banks | 162 | 29,449 | 9,298 | 39,675 | 78,584 |
| Receivables under repurchase agreements of securities | 358,946 | 34,303 | - | - | 393,249 |
| Financial assets at fair value through profit or loss | 176,061 | 17,146 | 5,068 | 9,995 | 208,270 |
| Loans and advances to customers | 2,523,161 | 504,615 | 53 | 3,311 | 3,031,140 |
| Financial assets at fair value through other comprehensive income | 339,425 | 217,078 | 6,900 | 78 | 563,481 |
| Financial assets at amortised cost | 408,811 | 859,088 | 23,930 | - | 1,291,829 |
| Investments in subsidiaries | 3,200 | 46,216 | - | - | 49,416 |
| **Total ASSETS** | **5,615,143** | **1,806,525** | **66,838** | **81,817** | **7,570,323** |
| **FINANCIAL LIABILITIES** | | | | | |
| Deposits from banks | 3,471 | 10,352 | 1,617 | 2,246 | 17,686 |
| Amounts owed to other depositors | 5,009,210 | 1,683,020 | 222,371 | 130,699 | 7,045,300 |
| Issued bonds | - | 25,450 | - | - | 25,450 |
| **TOTAL LIABILITIES** | **5,012,681** | **1,718,822** | **223,988** | **132,945** | **7,088,436** |
| **NET POSITION** | **602,462** | **87,703** | **(157,150)** | **(51,128)** | **481,887** |

The currency structure of the financial assets and liabilities by carrying amount as of December 31, 2021 is as follows:

| | BGN | EUR | USD | Other | Total |
|---|---|---|---|---|---|
| **FINANCIAL ASSETS** | | | | | |
| Cash and balances with the Central Bank | 1,808,131 | 69,823 | 14,750 | 35,161 | 1,927,865 |
| Placements with and advances to banks | 152 | 15,999 | 56,824 | 97,325 | 170,300 |
| Receivables under repurchase agreements of securities | 315,777 | 41,205 | - | - | 356,982 |
| Financial assets at fair value through profit or loss | 234,584 | 23,047 | 6,137 | 38,277 | 302,045 |
| Loans and advances to customers | 2,294,974 | 590,163 | 52 | 3,270 | 2,888,459 |
| Financial assets at fair value through other comprehensive income | 415,812 | 437,364 | 4,465 | 145 | 857,786 |
| Financial assets at amortised cost | 185,146 | 445,875 | - | - | 631,021 |
| Investments in subsidiaries | 3,200 | 46,216 | - | - | 49,416 |
| **TOTAL ASSETS** | **5,257,776** | **1,669,692** | **82,228** | **174,178** | **7,183,874** |
| **FINANCIAL LIABILITIES** | | | | | |
| Deposits from banks | 21,168 | 26,550 | 2,923 | 2,199 | 52,840 |
| Amounts owed to other depositors | 4,682,563 | 1,619,635 | 210,497 | 127,047 | 6,639,742 |
| Issued bonds | - | 25,450 | - | - | 25,450 |
| Other liabilities | 34,928 | 13,984 | - | - | 48,912 |
| **TOTAL LIABILITIES** | **4,738,659** | **1,685,619** | **213,420** | **129,246** | **6,766,944** |
| **NET POSITION** | **519,117** | **(15,927)** | **(131,192)** | **44,932** | **416,930** |

The analysis of the quantitative effects of changes in the major exchange rates on the financial result can be presented as follows:

| | 2022 | 2021 |
|---|---|---|
| Increase in the exchange rate of the US dollar against the Bulgarian lev 1% | (1,572) | (1,312) |
| Decrease in the exchange rate of the US dollar against the Bulgarian lev 1% | 1,572 | 1,312 |

### 35.3.3. Price risk

Price risk is related to changes in market prices of the financial assets and liabilities, for which the Bank can suffer a loss. The main threat for the Bank is the decrease of the market prices of its instruments at FVTPL, which could lead to a decrease in the net profit. The carrying amount of Bank's equity instruments, shares in mutual funds, derivatives and bonds from the portfolio with financial assets measured at fair value through profit or loss is BGN 208,270 thousand (2021: BGN 302,045 thousand).

In 2022, due to the actions taken by the leading central banks, high inflation, the war in Ukraine and economies recovering from the Covid-19 pandemic, the prices of financial instruments registered a high degree of volatility, manifested in different ways and at different times on individual types of financial instruments. The net result realized by the Bank from operations with securities in 2022 is positive, which is why a specific negative effect of this type of risk cannot be determined.

*All amounts are in thousand Bulgarian Levs, unless otherwise stated.*

**35.4. Impact of war in Ukraine and Covid-19 global pandemic on operational risks in the Bank's activities**

The abatement of the global Covid-19 pandemic has resulted in the restoration of the Bank's operational processes and the removal of some measures, while good practices against direct contagion have become sustainable practice.

Economic processes have also recovered in a post-pandemic environment, with sharply accelerated demand combined with chain breaks from episodic manifestations of the virus, also led to inflationary effects and rising commodity and raw materials' prices. Additionally, this process accelerated after the start of the war in Ukraine.

In CCB AD as of December 31, 2022, all loans for which in previous years there was a deferral under the private moratorium related to the pandemic, have an expired deferral period.

Regarding the effects of the war that started in Ukraine and related measures that were introduced by the countries of the European Union, incl. Bulgaria, as well as third countries, in relation to the Russian Federation and Belarus and reciprocally - give rise to geopolitical, macroeconomic and market tension, the expression of which are high prices of goods, periodic peak prices of energy resources, inflation and market fluctuations.

In connection with the introduced restrictive and sanctioning regimes against persons from the financial and other sectors of the Russian economy, in CCB AD an analysis of the bank's exposure to potential risks related to the duration of the conflict and related prolonged fluctuations in the markets, changes in the macro environment and potential credit losses due to exposures to counterparties from the Russian Federation, Belarus and the Republic of Ukraine. In addition to the direct exposure to counterparties from the three countries, the Bank also analyzed an indirect one caused by a potential deterioration in the cash flows of the Bank's customers related to the three countries in question.

In 2022 the Bank has limited its exposure to the affected sectors from the geopolitical turbulences by terminating one exposure to state company trading in gas and as of 31.12.2022 and the date of preparation of these separate financial statements it has no exposures to sectors negatively impacted by the described economic and political factors.

As of 31.12.2022 the direct exposure of the Bank to individuals from the Russian Federation, Belarus and Ukraine remains low, as a share of the assets of the Bank and with the exception of 1 exposure in equity instruments in rubles, all the remaining are denominated in Bulgarian leva, euro or dollars. The same applies to the resource attracted from individuals from these countries, as it is mainly related to the accounts of citizens residing in Bulgaria, developing business activities or acquiring properties in the Republic of Bulgaria by these persons and using these accounts to service their utilities and other obligations.

# 36. INFORMATION REGARDING THE FAIR VALUE OF THE ASSETS

The Bank's management defines the principles and procedures both for periodic measurement of fair value, such as unquoted financial assets, and for non-periodically evaluated investment properties and buildings used in the bank's activity.
External appraisers and certified financial experts are used annually to evaluate significant assets, such as investment properties and unquoted financial assets.

On each reporting date, Management performs analysis of assets that should be revalued or impaired according to the Bank's accounting policy.

### 36.1. Fair value measurement of financial instruments

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date. Fair value under IFRS 13 is an exit price, whether that price is directly regardless of whether that price is directly observable or estimated using another valuation technique. Sufficient market experience, stability and liquidity do not currently exist for purchases and sales of loans and advances to customers and for some other assets and liabilities, for which published market information is not easily accessible. Accordingly, their fair values cannot be reliably determined. Management considers that their carrying amounts are the most valid and useful reporting amounts under these circumstances.

#### 36.1.1. Fair value of financial assets, measured at fair value

The fair value of the financial assets and liabilities, which are evaluated at fair value has been allocated according to the hierarchy of the fair values as at 31 December 2022 and 2021, as follows:

| **2022** | **Carrying amount** | **Level 1 – quoted market price** | **Level 2 – Valuation techniques of observed market levels** | **Level 3 – Valuation techniques of non-observed market levels** |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Financial assets at FVTPL** | **208,270** | **196,081** | **593** | **11,596** |
| – derivatives | 12 | - | 12 | - |
| – debt securities | 7,851 | 5,659 | - | 2,192 |
| – equity securities | 200,407 | 190,422 | 581 | 9,404 |
| **Financial assets at FVTOCI** | **563,481** | **466,154** | **-** | **97,327** |
| – debt securities | 545,254 | 460,688 | - | 84,566 |
| – equity securities | 18,227 | 5,466 | - | 12,761 |
| **TOTAL ASSETS** | **771,751** | **662,235** | **593** | **108,923** |
| **LIABILITIES** | | | | |
| Derivative financial instruments | 677 | - | 677 | - |
| **TOTAL LIABILITIES** | **677** | **-** | **677** | **-** |

*All amounts are in thousand Bulgarian Levs, unless otherwise stated.*

| 2021 | Carrying amount | Level 1 – quoted market price | Level 2 – Valuation techniques of observed market levels | Level 3 – Valuation techniques of non-observed market levels |
|---|---|---|---|---|
| **АКТИВИ** | | | | |
| **Financial assets at FVTPL** | **302,045** | **264,768** | **651** | **36,626** |
| – derivatives | 70 | - | 70 | - |
| – debt securities | 18,837 | 14,775 | - | 4,062 |
| – equity securities | 283,138 | 249,993 | 581 | 32,564 |
| **Financial assets at FVTOCI** | **857,786** | **718,760** | **-** | **139,026** |
| – debt securities | 843,631 | 713,735 | - | 129,896 |
| – equity securities | 14,155 | 5,025 | - | 9,130 |
| **TOTAL ASSETS** | **1,159,831** | **983,528** | **651** | **175,652** |
| **LIABILITIES** | | | | |
| Derivative financial instruments | 118 | - | 118 | - |
| **TOTAL LIABILITIES** | **118** | **-** | **118** | **-** |

### Fair value measurement

The measurement methods and techniques used in determining the fair value have not changed compared to the previous reporting period.
All traded capital instruments and bonds are presented in Bulgarian leva. The Bank makes an analysis for an active market in accordance with the requirements of IFRS 13 and are publicly traded, uncorrected stock quotes are used.
When determining the fair value of financial instruments at Level 3, the Bank uses independent appraisers and certified financial analysts. The approaches used to determine the fair value are the accrual approach and the comparative approach.

The following methods were used when determining the fair value when applying the comparative approach:
• Method of market analogues
• Discounted Cash Flow (DCF)
• Net Asset Value method (NAV)

The unobservable input of information for determining the fair value are coefficients for comparative assessment of the forecast profit based on the ratio of economic value to operating profit, expected future cash flows, generated by the instrument, determination of the adjusted discount rate, built on the basis of similar issuers, adjusted by additional risk premium, taking into account the specifics of the issuer and other unobserved market data.

The corporate bonds held in the portfolio as of 31.12.2022 are measured at fair value, based on information classified in level 3 of the fair value hierarchy. The valuation technique used is the discounted cash flow method where the discount rate is formed by the yield of similar German government securities, adjusted with a risk premium, reflecting the risk of the respective issuer. The indicated total risk premium is formed based on the method of premium upgrading (yield to maturity of an analogous issue, having similar characteristics, adjusted by an additional default premium, reflecting the risk of the respective issuer).

*All amounts are in thousand Bulgarian Levs, unless otherwise stated.*

### 36.1.2. Fair value of financial instruments not measured at fair value

The table below summarizes the carrying amount and fair value of those financial assets and liabilities that are not presented in the Bank's Statement of Financial Position at fair value.

| | Fair value as of 31.12.2022 | Carrying amount 31.12.2022 | Fair value as of 31.12.2021 | Carrying amount 31.12.2021 |
|---|---|---|---|---|
| **ASSETS** | 31.12.2022 | 31.12.2022 | 31.12.2021 | 31.12.2021 |
| Cash and balances with the Central Bank | 1,954,354 | 1,954,354 | 1,927,865 | 1,927,865 |
| Placements with and advances to banks | 78,584 | 78,584 | 170,300 | 170,300 |
| Receivables under repurchase agreements | 393,249 | 393,249 | 356,982 | 356,982 |
| Loans and advances to customers | 2,919,669 | 3,031,140 | 2,816,800 | 2,888,459 |
| Debt instruments at amortised cost | 1,274,083 | 1,291,829 | 624,749 | 631,021 |
| | **6,619,939** | **6,749,156** | **5,896,696** | **5,974,627** |
| **LIABILITIES** | | | | |
| Deposits from banks | 17,686 | 17,686 | 52,840 | 52,840 |
| Amounts owed to other depositors | 7,045,300 | 7,045,300 | 6,639,742 | 6,639,742 |
| Issued bonds | 25,450 | 25,450 | 25,450 | 25,450 |
| Other liabilities | 49,095 | 49,095 | 54,328 | 54,328 |
| | **7,137,531** | **7,137,531** | **6,772,360** | **6,772,360** |

The following techniques and assumptions are used to determine fair values for the above financial instruments as of December 31, 2022 and 2021:

- The carrying amount of Cash and balances with the Central Bank, Placements with and advances to banks,  is equal to their fair value. Fair values are categorized as Level 1 for cash and Level 1 for balanced with Central Bank. The fair values of Amounts owed to other depositors and other borrowed funds are categorized in Level 1.
- The fair value of Loans and advances to customers is determined using the discounted cash flow method (expected cash flows related to the loan, discounted by market interest rates adjusted with credit risk margin) and all of them are categorized in Level 3.
- The fair value of debt instruments at amortised cost is determined under the discounted cash flows method (expected cash flows, discounted by market interest rates adjusted with credit risk margin)e .
- Attracted funds from customers: the fair value of demand deposits without a fixed maturity is determined as the amount due at the reporting date. The fair value of deposits with a fixed maturity is calculated using the discounted cash flow method, based on rates currently offered for the relevant type of product with a similar period to maturity.
- The fair value of the bond loan is determined based on a discounted cash flow analysis using current interest rates for similar lending contracts.
- The fair value of other liabilities is determined to be equal to the gross value of future cash outflows discounted at an appropriate interest rate.

### 36.2. Fair value measurement of non-financial assets

The following table shows the hierarchy of non-financial assets as of December 31, 2022 and December 31, 2021 measured periodically at fair value:

*All amounts are in thousand Bulgarian Levs, unless otherwise stated.*

| December 31, 2022 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **Property, plant and equipment** | | | | |
| – buildings used for banking activity | - | - | 75,820 | 75,820 |
| **Investment properties:** | | | | |
| – land and buildings | - | - | 23,497 | 23,497 |

| December 31, 2021 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **Investment properties:** | | | | |
| - land and buildings | - | - | 18,251 | 18,251 |

The fair value of real estate – buildings and investment properties – land and buildings of the Bank is determined on the basis of reports by independent licensed appraisers.

| Description | Fair value | | Unobservable inputs | 2022 | 2021 | Relationship of unobservable inputs to fair value |
|---|---|---|---|---|---|---|
| | 2022 | 2021 | | | | |
| Land | 5,337 | - | Construction costs | 59% | - | The higher the construction costs rate, the lower the fair value |
| Buildings – investment property | 18,160 | 18,251 | Discount rate | 13.34% | 15% | The increase of the discount rate leads to lower fair value |
| | | | Completion costs | 93% of the net value of the investment project | 92% of the net value of the investment project | The higher the completion costs rate, the lower the fair value |
| | | | Unit price per square meter | BGN 1,832 to BGN 3,279 | BGN 1,832 to BGN 3,279 | The higher the price per square meter, the higher the fair value |
| Building used in Bank's activity | 97,621 | - | Discount rate | 7 % | - | The increase of the discount rate leads to lower fair value |
| | | | Coefficient of vacancy | 5 % | - | The higher the coefficient of vacancy, the lower the fair value |
| | | | Rental price per square meter | BGN 10 to BGN 24 per square meter | - | The higher the rental price per square meter, the higher the fair value |

### 36.2.1. Buildings reported in fixed assets (Level 3)

In determining the fair values of the buildings used in banking activities, the appraisers used the Comparative Approach (Method of Market Analogs) and the Income Approach.

In applying the comparative approach, fair value is based on observed prices of recent market transactions or asking prices for similar properties, adjusted for specific factors such as area, location and current use. In 2022, the adjustment for these factors is +/- 30%.

Material unobserved data relate to the adjustment for factors specific to the Bank's buildings. The extent and direction of this adjustment depends on the number and characteristics of the observed market transactions of similar properties that are used for valuation purposes. Although this data is a

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subjective estimate, management believes that the final estimate would not be significantly affected by other possible assumptions.

The assumptions made in the application of the Income Approach include rental value per square meter, which depends on the geographic location of the specific real estate, reduction due to vacancy (5%), management costs (5%). The applied discount factor is 7%. All the stated assumptions about the parameters included in the derivation of the fair value are sensitive to changes and may significantly affect the fair value of the buildings used in the banking activity.
The buildings have been revalued at fair value on December 31,2022, which is the first valuation of the indicated properties.

#### 36.2.2. Investment properties – Land and buildings (Level 3)

• Key assumptions for determining the fair value of investment property – land located in Sofia

The fair value of the reclassified from property, plant and equipment property as of December 31, 2022 is based on the assessment by an external appraiser of market value under specific assumptions for the completion of the property, which are different from the current facts and circumstances related to the same investment property.

The Bulgarian Standards for Valuation (BSV), which are based on the international valuation standards give the following definition of specific assumptions:

“When facts and circumstances that do not exist at the valuation date or are included in the valuation objective are added to the assumptions, they are defined as special. These assumptions are usually made in cases where the valuation report aims to indicate possible expected changes in the value of the asset.

These assumptions are marked as special to indicate that the value depends on specific conditions that do not exist at the valuation date and that many market participants at the particular valuation date would not accept the conditions defined as special assumptions. As such, various legally justified and economically possible statements can be selected - expected change in urban planning indicators, the existence of a lease agreement with specific expected conditions, possible and permissible legally, technically and economically justified future extension/upgrade, real estate under construction is completed as of the date of assessment, etc. (reference: BSV 5.3.).

In 2019 the Bank has initiated a procedure at Sofia Municipality for the approval of a plan to amend the regulation of the property in Sofia. The change in the regulatory status of the investment property entered into force according to approved Order №PA50-902/23.11.2020 by the Chief architect of Sofia Municipality. The said order was in a process of court appeal, which concluded in March 2022 with a decision of the Administrative Court of the City of Sofia.

According to the approved plan for amending the regulation, the permissible built-up area will be increased by 3 704 m2. The specific assumptions, underlying in the said report assume that the Bank already has an approved investment project for utilization of the amended regulation, which is not a fact as of December 31, 2022 and as of the date of these separate financial statements.

It should be noted that the fair value under a special assumption stated in these separate financial statements is sensitive to changes in the input parameters for the completion of the property.

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Changes in these inputs can have an effect on the value of the property.

- Key assumptions for determining the fair value of investment property – land and a complex of buildings located in the city of Pomorie

In the evaluation of the specified investment property, a method of discounting net cash flows for a future period (DNCFFP) was used. When using this approach, the hypothesis is accepted that after the investment of additional funds to complete the construction of the property, it will be sold at market prices.

The method used is based on the balance between the project implementation costs and the sales revenue of the built sites. Specific data on the stages of construction, investment costs, as well as sales revenue and a schedule of the construction of a hotel complex over time were used.

The internal rate of return used to determine the value of future expected cash flows from this property is 16,02 % and reflects the risk of the property.

- Key assumptions for determining the fair value of investment property – office buildings located in the Republic of North Macedonia

The appraiser has calculated the estimated market value of the real estate based on the cost approach in accordance with the real estate valuation methodology, without the possibility to evaluate and apply dynamic methods, since the law on real estate valuation in the Republic of North Macedonia does not allow the application of dynamic property valuation methods. The methodology applied in the evaluations is in accordance with the location, type and condition of the properties, as well as in accordance with the factual situations and the requirements of the law.

The opening balance of the non-financial assets at level 3 may be reconciled to their closing balance as of the reporting date, as follows:

| | **Property, plant and equipment Buildings** | **Investment properties Office buildings and land** |
|---|---|---|
| Balance as of January 1, 2022 | 54,092 | 18,251 |
| Gains recognized in profit or loss: | | |
| – change in fair value of investment properties | - | 4,229 |
| Gains recognized in other comprehensive income: | | |
| – revaluation of buildings used for banking activity | 24,647 | - |
| – depreciation of buildings used for banking activity | (2,919) | |
| Transfer from used by owner property to investment property | | 1,017 |
| **Balance as of December 31, 2022** | **75,820** | **23,497** |
| Amount included in profit or loss as a result of unrealized gains and losses from the assets held as of the end of the reporting period | - | 4,229 |

*All amounts are in thousand Bulgarian Levs, unless otherwise stated.*

| | Investment properties Office buildings and land |
|---|---|
| Balance as of January 1, 2021 | 18,632 |
| Losses recognized in profit or loss: | |
| – change in fair value of investment properties | (381) |
| **Balance as of December 31, 2021** | **18,251** |
| Amount included in profit or loss as a result of unrealized gains and losses from the assets held as of the end of the reporting period | (381) |

## 37. RELATED PARTY TRANSACTIONS AND BALANCES

The Bank has concluded a number of related party transactions. As connected, the Bank considers related parties those parties where one of the parties is able to control or exercise significant influence over the other in making financial and operational decisions, and in cases where both parties are under common control. The Bank has performed transactions with the following related parties: Parent company, entities under common control, Subsidiaries, key management personnel of the Bank or of the principal shareholder, which transactions are related to granting of loans, issuing of guarantees, attracting cash, realization of repo deals, etc. All transactions are concluded in the ordinary course of the Bank's business and do not differ from market conditions, as loans are granted, and guarantees are issued only if proper collateral is available.

As of December 31, 2022 and 2021 the Bank has receivables from, payables and contingent commitments to related parties as follows:

| Related parties and balances | Balance as of 31.12.2022 | Balance as of 31.12.2021 |
|---|---|---|
| **Parent company** | | |
| Deposits received | 80 | 40 |
| **Companies under common control** | | |
| Loans granted | 75,956 | 76,345 |
| Guarantees issued | 5,561 | 4,925 |
| Other receivables | 5,945 | 70 |
| Other payables | 12 | 11 |
| Deposits received | 52,331 | 52,517 |
| Deposits granted | 2,991 | 4,188 |
| Issued bonds | 259 | 259 |
| Balance of expected loan losses | (332) | (319) |
| **Subsidiaries** | | |
| Deposits received | 577 | 1,167 |
| Deposits granted | 343 | 240 |
| Bond received | - | 9,946 |
| **Key management personnel of the Bank or its main shareholder** | | |
| Loans granted | 438 | 428 |
| Receivables under repurchase of securities agreements | 299 | 292 |
| Other receivables | 8 | 8 |
| Deposits received | 4,690 | 4,707 |
| Balance of expected loan losses | (7) | (2) |

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Income and expenses realized by the Bank in 2022 and 2021 from transactions with related parties are as follows:

| Related parties and balances | Turnover in 2022 | Turnover in 2021 |
|---|---|---|
| **Parent company** | | |
| Parent company | 1 | 1 |
| **Companies under common control** | | |
| Interest income | 1,877 | 1,612 |
| Income from fees and commissions | 1,746 | 1,740 |
| Income from services | 214 | 249 |
| Interest expense | (335) | (296) |
| Expenses for services | (8,037) | (10,242) |
| Expenses for financial services | - | (239) |
| (Accrued) / Reimbursed impairment losses | (36) | (23) |
| **Subsidiaries** | | |
| Interest income | 124 | 191 |
| Income from fees and commissions | 8 | 6 |
| Expenses for fees and commissions | - | (18) |
| Dividend income | 1,116 | - |
| Income from services | 139 | 139 |
| **Key management personnel of the Bank or its main shareholder** | | |
| Interest income | 15 | 19 |
| Income from fees and commissions | 11 | 10 |
| Income from services | 1 | 1 |
| Interest expense | (2) | (2) |
| Expenses for services | (169) | (169) |
| Reimbursed impairment losses | (5) | - |

The remuneration of the members of the Supervisory Board which include short-term employee benefits paid in 2022, are at the total amount of BGN 504 thousand (2021: BGN 504 thousand.). The remunerations of the members of the Management Board which include short-term employee benefits paid in 2022, are at the total amount of BGN 645 thousand. (2021: 632 thousand).

## 38. OTHER REGULATORY DISCLOSURES

In accordance with the requirements of art. 70 para 6 of Law on Credit Institutions, banks are required to make certain quantitative and qualitative disclosures related to major financial and other indicators separately from the business originating from Republic of Bulgaria, countries part of the European Union and third countries in which the Bank has active subsidiaries and/or branches.

As disclosed in note 1, Central Cooperative Bank AD carries out its activities based on banking license issued by BNB, pursuant to which it may accept deposits in local and foreign currency, extend loans in local and foreign currency, open and maintain nostro accounts in foreign currency abroad, deal with securities and foreign currency and perform all other banking activities and transactions, permitted by the Law on Credit Institutions.

The Bank has obtained bank license, issued by the Central Bank of Cyprus, under which the Bank is

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authorized to perform bank activity as a legally licensed bank branch on the territory of the Republic of Cyprus, in compliance with the requirements of the Cyprus Law on Banks.

The summarized quantitative indicators in connection with the obligatory disclosures required by the Law on Credit Institutions are as follows:

| | Republic of Bulgaria | | Republic of Cyprus | |
|---|---|---|---|---|
| | **2022** | **2021** | **2022** | **2021** |
| Total operating income | 188,068 | 169,146 | (55) | (115) |
| Financial result before tax | 41,440 | 28,828 | (625) | (689) |
| Tax expense | (3,298) | (2,211) | | - |
| Return on assets (%) | 0.50 | 0.36 | (40.61) | (31.82) |
| Full Time Employees as of December 31 | 1,600 | 1,617 | 6 | 6 |
| Received government grants | - | - | - | - |

## 39. EVENTS AFTER THE END OF THE REPORTING PERIOD

No adjusting or significant non-adjusting events have occurred between the date of the financial statements and the date of their approval for issuance.

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