Doverie – United Holding AD

Annual Consolidated Financial Statements

for the period ended

as at 31 December 2023

CONTENTS

Abbreviations used

DPD	Days past due
EAD	Exposure at default
ECL	Expected credit loss
EIR	Expected interest rate
FVOCI	Fair Value through Other Comprehensive Income
FVTPL	Fair Value through Profit or Loss
HTC	Held-to-collect
LGD	Loss given default
PD	Probability of Default
SPPI	Solely Payments of Principal and Interest

Consolidated Statement of Financial Position
as at 31 December 2023

(in thousand BGN)	Note	**31 December 2023**	**31 December 2022**
ASSETS			
Property, plant and equipment	20	113 068	107 594
Assets with right of use	21	37 215	34 555
Investment properties	22	13 362	13 575
Goodwill	23	5 140	5 140
Other intangible assets	24	13 111	9 930
Financial assets at fair value through profit or loss	25	7 956	6 881
Financial assets at amortised cost	26	646 745	438 525
Financial assets at fair value through other comprehensive income	27	1 916	1 940
Loans to bank customers	28	1 368 131	1 162 604
Other bank assets	29	29 325	25 103
Assets for sale	30	8 981	12 132
Deferred tax assets	31	5 832	5 277
Trade receivables	32	6 782	5 894*
Inventories	33	55 987	48 170
Cash and cash equivalents	34	1 067 468	834 526
Total assets		**3 381 019**	**2 711 846**

Consolidated Statement of Financial Position(continuation) as at 31 December 2023

(in thousand BGN)	Note	**31 December 2023**	**31 December 2022**
EQUITY AND LIABILITIES			
Capital attributable to equity holders of the parent company	35		
Share capital		21 500	21 500
Reserves		55 636	35 007
Accumulated profit/(loss)		403 989	333 697 *
		481 125	**390 204**
Non-controlling participations	36	147 671	128 533
Total equity		**628 796**	**518 737**
Bank customer deposits	37	2 418 445	1 852 750
Funds borrowed by the bank from other financial institutions	38	43 785	39 225
Liabilities to related parties	39	62 004	76 317
Liabilities of trade companies to financial institutions	40	23 624	30 707
Leasing	41	36 907	34 209
Provisions for employee benefits		14 601	8 903
Deferred tax	31	5 879	5 387
Trade and other liabilities	42	62 128	57 128 *
Payables under direct insurance contracts		3 648	2 610 *
Other specific liabilities to banks	43	81 202	85 873
Total liabilities		**2 752 223**	**2 193 109**
Total capital and liabilities		**3 381 019**	**2 711 846**

** Restated, reclassified IFRS 17*

The Consolidated Statement of Financial Position should be considered together with its Notes from page 8 to 170 that are an integral part of the Annual Consolidated Financial Statements.

The Annual Consolidated Financial Statements were authorised on 17 April 2024 by:

Anna Pavlova
Chief Accountant and Chairperson of the Management Board

Alexandre Hristov
Executive Director

Petko Ivanov
Member of the Management Board

Our auditor's report on the Consolidated Financial Statements is issued on: 22 April 2024

Audit company:
HLB BULGARIA OOD
Reg. No 017
Stoycho Milev, Manager

Evtim Evtimov
Registered auditor, responsible for the audit
Reg. No 0882

(classification of costs by types)

Consolidated statement of profit and loss and other comprehensive income as at 31 December 2023

(in thousand BGN)	Note	2023	2022
Interest revenue from banking operations	3	229 239	203 027
Interest expenses from banking operations	4	(81 237)	(47 340)
Net interest income		*148 002*	155 687
Fee and commission revenue from banking operations	5	90 395	80 549
Expenses for fees and commissions from banking operations	6	(43 530)	(34 093)
Net fee and commission income		46 865	*46 456*
Other net operating revenue	7	4 174	5 957
Exchange rate differences from banking operations	8	26 793	23 372
Charged impairment/ reversal of impairment from banking operations	9	(8 110)	(36 716)
Total net income from banking operations		**217 724**	**194 756**
Income from insurance operations	10	25 137	20 335 *
Expenses for insurance operations	10	(22 004)	(15 026) *
Net income from insurance operations		**3 133**	**5 309**
Revenue from other business sectors	11	214 099	186 465
Expenses from other business sectors	12	(134 702)	(117589)
Net income from other business sectors		**79 397**	**68 876**
Operating and administrative expenses	13	(166 513)	(140 092)
Other financial revenue/expenses, net	14	(3 390)	(4 877)
Depreciation and impairment	15	(21 845)	(14 932)
Other operating income/loss	16	631	(2 020)
Operating profit		**109 137**	**107 020**
Profit from the acquisition and disposal of subsidiaries	17	4	
Profit before tax		**109 141**	**107 020**
Profit taxes		(16 955)	(13 466)
Profit from continuing businesses		**92 186**	**93 554**
Net profit for the period		**92 186**	**93 554**

(classification of costs by types)

Consolidated Statement of Profit and Loss and Other Comprehensive Income (continuation)
Net profit for the period

(in thousand BGN)	Note	2023	2022
Other comprehensive income			
Components that shall not be reclassified as profit or loss:			
Revaluation of property, plant and equipment		87	3 735
Net change in the fair value of financial assets (equity instruments)		189	11
Revaluation of liabilities under defined benefit plans		(129)	259
Other			82
Components that shall be reclassified as profit or loss:			
Restatement of financial statements of foreign activities		26 486	(7 868)
		26 633	**(3 781)**
Total comprehensive income		**118 819**	**89 773**
Net profit attributable to:			
Equity holders of the parent		69 927	71 802*
Non-controlling participations	18	22 259	21 752
		92 186	**93 554**
Total other comprehensive income attributable to:			
Equity holders of the parent		90 784	68 643*
Non-controlling participations		28 035	21 130
		118 819	**89 773**
Net earnings per share of the company's equity holders	19	**3,2524**	**3,3396**

** Restated, reclassified IFRS 17*

The Consolidated Statement of Profit or Loss and Other Comprehensive Income should be considered together with its Notes from page 8 to 170, that are an integral part of the Annual Consolidated Financial Statements.

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Chief Accountant and Chairperson of the Management Board

Alexandre Gueorguiev Hristov — *Executive Director*

Petko Ivanov
Member of the Management Board

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Stoycho Milev, Manager

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Registered auditor, responsible for the audit
Reg. No 0882

Consolidated Statement of Cash Flow
(continuation) as at 31 December 2023

(in thousand BGN)	**2023**	**2022**
Cash flows from operating activities:		
Proceeds from interests	249 244	175 434
Interest payments	(80 912)	(44 175)
Net proceeds from fees and commissions	38 704	50 542
Increase/decrease in current assets: Current accounts and bank deposits with the National Bank of Moldova	(97 694)	(79 568)
Current accounts and bank deposits with other banks	(1 930)	(4 514)
Securities over 90 days	(413 175)	(14 447)
Net loans	(137 795)	(111 253)
Other assets	(1 813)	(10 731)
Increase/decrease in current liabilities:		
Due to banks	1	(295)
Due to customers	463 566	32 087
Other liabilities	6 876	1 430
Net cash flow from main activity from banking operations	*25 072*	*(5 490)*
Cash receipts from customers	285 435	241 043
Cash paid to suppliers	(189 403)	(152 999)
Dividends received	493	
Net cash flow from main activity from other business sectors	*96 525*	*88 044*
Payments for expenses under main activities	(164 695)	(116 014)
Payments for taxes	(17 531)	(13 857)
Net Cash flows from main activity	***(60 629)***	***(47 317)***
Cash flow from investing activities		
Purchase of fixed tangible and intangible assets	(14 444)	(17 790)
Proceeds from the sale of non-current tangible and intangible assets	178	139
Net cash flow from investing activities from banking operations	*(14 266)*	*(17 651)*
Purchase of fixed tangible and intangible assets	(9 536)	(5 736)
Proceeds from the sale of non-current tangible and intangible assets	4 472	1 494
Purchase of investments	(14)	(6)
Receipts from sale of investments	115	104
Other receipts/payments from investing activity	(232)	773
Net cash flow from investing activities from other business sectors	*(5 195)*	*(3 371)*
Net cash flow from investing activities:	***(19 461)***	***(21 022)***

Consolidated Statement of Cash Flow (continuation) as at 31 December 2023

(in thousand BGN)	**2023**	**2022**
Cash flows from financial activities:		
Proceeds from loans and credits	42 782	43 401
Differences in exchange rates from adjustment	10 373	42 331
Net foreign exchange profit/(loss)	2 119	1 545
Payments of loans and credits	(38 186)	(35 304)
Dividends paid	(9 172)	
Payments under lease contracts	(2 172)	(2 430)
Net cash flow used in financial activities from banking operations	*5 744*	*49 543*
Proceeds from loans and credits	122 520	50 245
Payments of loans and credits	(129 682)	(72 179)
Loans received from related parties	4 940	13 500
Loans repaid to related parties	(19 040)	(1 500)
Payment of interests to related entities	(2 213)	
Dividends paid	(638)	(246)
Payments under lease contracts	(5 587)	(4 995)
Other receipts/payments for financial activity	(1 188)	(1 089)
Net cash flow used in financial activities from other business sectors	*(30 888)*	*(16 264)*
Net cash flow from financial activities	***(25144)***	***33 279***
Net increase in cash and cash equivalents	**(105 234)**	**(35 060)**
Cash and cash equivalents as at 1 January	806 610	841 670
Cash and cash equivalents as at 31 December	**701 376**	**806 610**

The Consolidated Statement of Cash Flow should be considered together with its Notes from page 8 to 170, that are an integral part of the Annual Non-Consolidated Financial Statements.

The Annual Consolidated Financial Statements were authorised on 17 April 2024 by:

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Chief Accountant and Chairperson of the Management Board

Alexandre Gueorguiev Hristov —
Executive Director

Petko Ivanov
Member of the Management Board

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Stoycho Milev, Manager

Evtim Evtimov
Registered auditor, responsible for the audit
Reg. No 0882

Consolidated Statement of Changes in Equity for the period ended 31 December 2023

(in thousand BGN)

	Attributable to equity holders of the parent company								
	Share capital	**Share premium**	**Revaluation reserve**	**Special-purpose reserves**	**Currency adjustment reserve**	**Accumulated profit/loss**	**Total**	**Non-controlling participations**	**Total equity**
Balance as at 31 December 2021	**21 500**	**9 425**	**23 414**	**16 860**	**(11 027)**	**261 038**	**321 210**	**107 464**	**428 674**
Effect of initial application of IFRS 17						803	**803**		**803 ***
Balance as at 01 January 2022	**21 500**	**9 425**	**23 414**	**16 860**	**(11 027)**	**261 841**	**322 013**	**107 464**	**429 477**
Profit/Loss for the period						71 802	**71 802**	21 752	**93 554 ***
Other comprehensive income, net of tax					(6 154)	2 995	**(3 159)**	(622)	**(3 781)**
Total comprehensive income					***(6 154)***	***74 797***	***68 643***	***21 130***	***89 773***
Distribution of profit				1 061		(1 061)			
Other changes in equity			1 428			(1 880)	**(452)**	(6И	**(513)**
Balance as at 31 December 2022	**21 500**	**9 425**	**24 842**	**17 921**	**(17 181)**	**333 697**	**390 204**	**128 533**	**518 737**
Profit/Loss for the period						69 927	**69 927**	22 259	**92 186**
Other comprehensive income, net of tax					20 715	142	**20 857**	5 776	**26 633**
Total comprehensive income					***20 715***	***70 069***	***90 784***	***28 035***	***118 819***
Dividends paid								(7 746)	**(7 746)**
Other changes in equity			*(86).*			223	**137**	(1 151)	**(1 014) ***
Balance as at 31 December 2023	**21 500**	**9 425**	**24 756**	**17 921**	**3 534**	**403 989**	**481 125**	**147 671**	**628 796**

***** Restated, reclassified IFRS 17***

The Consolidated Statement of Changes in Equity should be considered together with its Notes from page 8 to 170, that are an integral part of the Annual Consolidated Financial Statements.

The Annual Consolidated Financial Statements were authorised on 17 April 2024 by:

Anna Pavlova
Chief Accountant and Chairperson of the Management Board

Alexandre Gueorguiev Hristov —
Executive Director

Petko Ivanov
Member of the Management Board

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Stoycho Milev, Manager

Evtim Evtimov
Registered auditor, responsible for the audit
Reg. No 0882

1. INFORMATION ABOUT THE ECONOMIC GROUP

Doverie – United Holding AD (parent company) is registered in Sofia City Court under Company File No 13056 of 1996 with seat, registered address and address for correspondence at 5, Lachezar Stanchev Str., building A, floor 7, 1756 Sofia. , tel. (02) 98 456 10; 98 456 11; fax: (02) 98 456 63. The company does not have opened and registered branches. The e-mail is, as follows: doverie@doverie.bg. The officially registered website is www.doverie.bg, with inside information published in the 'For Investors' category under 'News' section: https://doverie.bg/за-инвеститори/новини/.

Doverie – United Holding AD is public company pursuant to the Public Offering of Securities Act. According to Regulation 26 of BNB the Company refused registration as a financial institution under the Credit Institutions Act.

Pursuant to the Accountancy Act the company is a 'public-interest entity' /§ 1 item 22 lett. c/. There was no change of name of the reporting parent company during the year.

No ultimate parent company or other controlling person has been identified.

As at 31 December 2023 the distribution of the Company's share capital is as follows:

Share capital	***31 December 2023*** ***BGN '000***	***31 December 2022*** ***BGN '000***
(BGN'000)	21,500	21,500
Number of shares (par value BGN 1.00)	21,499,855	21,499,855
Total number of registered shareholders	146,553	146,668
including legal entities	67	58
individuals	146,486	146,610
Number of shares owned by legal entities	12,606,466	12,312,540
% shareholding of legal entities	*58.64%*	*57.27%*
Number of shares owned by individuals*	8,893,389	9,187,315
% shareholding of individuals	*41.36%*	*42.73%*

*The number of shares held by individuals includes 240 unidentified shares from 1996, which the Central Depository AD manages under an issue account of Doverie – United Holding AD.

Shareholders holding more than 5% of the shares	Number of shares	% of capital
Sopharma AD	5,044,227	23.4617%
Telecomplect AD	1,917,838	8.9202%
KALIMAN-RT AD	1,786,480	8.3093%

Shares from — to	Number of shareholders	% of all shareholders	Number of owned shares	% of all shares
0-100	144,298	98.46	6,469,133	30.09
101-1000	1,944	1.33	420,045	1.95
1001-10000	242	0.17	801,411	3.73
10001-100000	57	0.04	1,572,588	7.31
100001-500000	7	0.00	1,639,735	7.63
500001-1000000	1	0.00	774,574	3.60
1000001-5000000	3	0.00	4,778,142	22.22
Over 5000000	1	0.00	5,044,227	23.46
Total	146,553	100.00	21,499,855	100.00

The company has two-tier management system.

Supervisory Board

The members of the Supervisory Board as at 31 December 2023 are:

Ventsislav Simeonov Stoev — Chairperson of the SB

Ivan Ognyanov Donev — Member

Hristo Gueorguiev Hristov — Member

Management Board

The members of the Management Board at 31 December 2023 are:

Alexandre Gueorguiev Hristov — Executive Director

Anna Ivanova Pavlova — Chairperson of the MB

Petko Kolev Ivanov — Member

The company is represented by Alexandar Georgiev Hristov.

The Audit Committee supports the work of the Management Board, it has the role of persons charged with governance who monitor and supervise the internal control system, risk management and financial reporting system of the company.

The Audit Committee has the following composition:

Ivan Dimov	—	Chairperson (independent member)
Elena Golemanova	—	member (independent member)
Anna Pavlova	—	Member

As at 31 December 2023 the number of the employees in the economic group is 2,973 (as at 31 December 2022 it is 2,825).

1.2. Subject of activity

The subject of activity of Doverie – United Holding AD is the acquisition, management, evaluation and sale of shares and/or shareholdings in Bulgarian and foreign companies — legal entities, participation in any form in other local and/or foreign trade companies and/or in their management; acquisition, management and sale of bonds; acquisition, evaluation and sale of patents, transfer of licenses for the use of patents of companies in which the holding company participates; performing any other trade activity which is not prohibited by law.

1.3. Structure of the Economic Group

Doverie-United Holding AD is a holding joint-stock company. The Company has no registered branches and/or representative offices in the country or abroad.

As at 31 December 2023, the Company exercises direct control and indirect control through other companies in the capital of the following subsidiaries (grouped by economic sector):

Portfolio

United Health Insurance Fund Doverie AD			**98,15%**
	DUH AD	58,887	98,15%
Occupational Health Doverie EOOD	DUH AD	500	**100.00%**
Industrial Holding — Doverie AD			**100%**
	DUH AD	1,736,610	100%
Doverie — Capital AD			**100%**
-	DUH AD	6,170	77.13%
	IHD AD	1830	22,87%
Doverie — Brico AD			**71,93%**
	Doverie — Capital AD	11,868	71.93%
Multiprofile Hospital for Active Treatment Doverie AD			**100%**
	DUH AD	112,805	7,45%
	IHD AD	1,400,699	92,55%
MC Doverie AD			**100%**
	DUH AD	419,000	99,76%
	IHD AD	1000	0,24
Maritsatex AD			**91.97%**
	IHD AD	431,247	91.97%
Vratitsa AD in insolvency			**69.60%**
	IHD AD	262,121	69.60%
Bilyana Triko AD	Doverie Capital AD	2,833,809	**98,88%**
Bulgarian wine OOD			**100%**
	IHD AD	91,038	96,16%
	DUH AD	3,639	3,84%

Dunav AD			**81.82%**
	Doverie Capital AD	81,733	81,82%
Hydroisomat AD			**93.34%**
	IHD AD	2,789,536	93.31%
	Homogen AD	820	0.03%
Doverie Care EAD	DUH AD	25,000	**100.00%**
Doverie Invest EAD	DUH AD	7,000,000	**100.00%**
Moldindconbank S.A.	Doverie Invest EAD	3,885,536	**78,21%**
Caretech EOOD	DUH AD	100,000	**100%**

The main subject of activity of the companies of the Group is:

ACTIVITIES OF THE FINANCIAL INSTITUTIONS

Moldindconbank S.A. — Commercial Bank 'Moldindkonbank' SA (the 'Bank') was established in October 1991 and operates as a commercial and savings bank offering a wide range of banking services and products aimed at all categories of customers through its 70 branches (2022: 70 branches).

- The Bank may perform the following activities within the license issued by the National Bank of Moldova: Attract deposits and other recoverable resources; granting of loans, including: consumer loans, mortgage loans, factoring with or without appeal, trade finance (including, fixed amounts); financial leasing; provision of payment services in accordance with Act No 114 on payment services and electronic money (Republic of Moldova) of 18 May 2012; issuing and administering travellers' cheques, bills and other payment instruments; issuing bank guarantees and accepting commitments; transactions for its own account or on behalf of customers with any of the following means: money market instruments (cheques, bills, certificates of deposit, etc.)] foreign currency; futures and options; foreign currency and interest based instruments; securities and other financial instruments; participation in the issue of securities and other financial instruments and providing services related to these issues; advice to legal entities on the structure of authorized capital, the business strategy and other aspects related to the commercial activity, as well as advice and services related to mergers and acquisitions of legal entities; monetary intermediation (interbank intermediation); portfolio management and advice related to them; safekeeping and administration of financial instruments; loan information services; safe deposit services; issuing of electronic money in accordance with Act No 114 on payment services and electronic money of 18 May2012; any other financial activity or services, authorized by the National Bank of Moldova subject to the special laws governing the respective activities.

The Bank may provide investment services and activities as well as other additional services as per the license issued by the National Commission for Financial Markets.

The Bank may not perform the following operations: Pledge its own shares on behalf of the Bank; grant loans, secured by shares, other types of securities or bonds issued by the Bank and/or another related party belonging to the Group of the Bank.

HOLDING COMPANIES

Industrial Holding – Doverie AD — a holding company dealing with acquisition, management, evaluation and sale of patents, transfer of licenses for the use of patents of companies, in which the holding company participates, manufacturing, domestic and foreign trade in goods and services, including raw materials, yarns, fabrics and related products, mediation and engineering activities, design and construction, property management, scientific and technical, technological and patent information, investors` and independent construction supervision.

Doverie-Capital AD — a holding company dealing with domestic and foreign trade, trade representation, intermediation and agency services, organization and operation of commercial entities and any other activity.

TRADING IN GOODS OF THE TYPE 'DO IT YOURSELF'

Doverie — Brico AD — construction, operation and management of retail outlets for household goods and repairs. The activity of the company is based on a Partnership Agreement with Mr. Bricolage SA (France), signed in 1999.

According to the agreement Doverie – Brico AD has the exclusive right to use the trademark of Mr.Bricolage in the territory of Bulgaria.

The company operates in the following outlets throughout the country: Sofia 1, Plovdiv — 2, Sofia 2, Varna, Blagoevgrad, Burgas, Pleven, Ruse, Dobrich and Sofia 3.

INSURANCE

United Health Insurance Fund Doverie ZAD — sickness and/or accident insurance.

MEDICAL SERVICES

Doverie Medical Center AD — implementation of specialized outpatient care in accordance with local legislation in force, including diagnostics, treatment, rehabilitation and monitoring of patients; consultations; prevention; laboratory and other tests; conducting medical procedures and treatments; home care and care for the sick; medicines, bandages and medical supplies, examination of temporary disability; monitoring and providing medical care during pregnancy and motherhood; carrying out activities in health promotion and prevention, including preventive medical check-ups and immunizations, issuance of medical care related documents; referring patients for consultation and hospital care.

Multiprofile Hospital for Active Treatment Doverie AD — Hospital care: diagnosis and treatment of diseases when the healing objective can not be achieved in terms of outpatient care; natal care, rehabilitation, diagnostics and consultations requested by a doctor or dentist from other medical establishments; organs, tissues and cells transplantations; collection, storage, supply of blood and blood components; haemovigilance; medical and cosmetic services; clinical trials of drugs and medical equipment in compliance with the local legislation in force, educational and scientific activities.

Occupational Health Service — Doverie EOOD — occupational health service

CONSTRUCTION MATERIALS AND HOUSING SECTOR INDUSTRY

Dunav AD — design, construction, specialized construction services, production of building materials and products, entrepreneurship, comprehensive services with construction machinery and transportation; automotive repair services, domestic and international transport, shipment; training of personnel for the construction sector; domestic and foreign trade; rental and leasing of real estate; purchase, construction and furnishing of real estates for sale; tests and measurements of building materials and flaw detection of welded products.

Hydroisomat AD — production of waterproofing, thermal insulation and other materials; construction, repair and services; purchase, construction or furnishing of real estate for sale; research and development, know-how, production and trade of intellectual products; domestic and foreign trade activities.

CLOTHING INDUSTRY

Vratitsa AD in insolvency — Production of yarn, greige fabrics, finished fabrics, sewing products, domestic and foreign trade.

GRAPE AND WINE PRODUCTION

Bulgarian wine OOD — Purchase of grapes and fruit, production of wine

DETERGENTS AND HOUSEHOLD CHEMICALS

Doverie Care EAD — transformation registered on 19 January 2018 — production of detergents and other household chemicals.
Caretech EOOD — production of detergents and other household chemicals.

LEASING OF IMMOVABLE AND MOVABLE ASSETS

Maritsatex AD — A company established and operating until 31 August 2010 as an entity producing textile and related products. On a General Meeting of Shareholders held on 20 July 2010, a resolution was made to cease the textile and all related productions. Pursuant to the above resolution the employment contracts of all employees were terminated except those whose job functions were not directly related to the production process and were needed for operation of the company‘s assets.
On the grounds of the same resolution of the General Meeting of Shareholders, the activity of the Company is limited to '*Leasing and operation of own immovable property*'. **Bilyana Triko AD —** Leasing of own immovable property.

OTHER INDUSTRIES

Doverie Invest EAD — Acquisition, management, evaluation and disposal of equity interest in Bulgarian and foreign companies, domestic and foreign trade activities, commercial representation and agency activities, organization and operation of commercial enterprises, management and marketing services, consulting, and any other activity not prohibited by law.

1.4. Findings from the independent financial audits conducted in 2023

The separate annual financial statements of Doverie Care EAD for 2023 are certified with an ‘Emphasis of Matter’ section: ‘Material uncertainty related to the going concern assumption’.

Associated companies

As at 31 December 2023, Doverie – United Holding AD has significant influence, direct and/or indirect participation through subsidiaries in the capital of the following companies:

Associated company	*Holding in the group*	*% participation*
Doverie-Style OOD	Industrial Holding Doverie AD	48.00%
Andema AD	Doverie-United Holding AD	25.00%

The investment in Doverie-Style OOD and Andema AD is fully impaired and the date for the first item is 31 December 2010 and for the second 31 December 2004.

1.5. Main indicators of the economic environment

Republic of Bulgaria

Indicator	**2023**	**2022**	**2021**
GDP in mln. BGN*	183,743	165,384	132,744
Actual growth of GDP*	1.8%	3.4%	4.6%
Inflation at the end of the year*	9.5%	15.3%	3.3%

Average exchange rate of US dollar for the year	1.80897	1.86014	1.65377
Exchange rate of US dollar at the end of the period	1.76998	1.83371	1.72685
Basic interest rate at the end of the period	3.80%	1.30%	0.00%
Unemployment rate (at the end of the period)	4.0%	4.3%	4,6%

* NSI — Recent publications 08 March 2024;
* BNB — 31 December 2023
* *GDP — preliminary data for the year.*

Republic of Moldova

Indicator	**2023**	**2022**	**2021**
Unemployment rate at the end of the period***	4.9%	2.5%	2.6%
GDP in mln. dollars**	17,259	14,048	12,396
Actual growth of GDP*		-	
Inflation at the end of the year****	4,2%	30,24%	13,94%
Average exchange rate of US dollar for the year	18,1607	18,9032	17,6816
Exchange rate of US dollar at the end of the period	17,4062	19,1579	17,7452
Basic interest rate at the end of the period*****	4.75%	20.00%	6.5%

National bank of Moldova

Statistical Institute of Moldova

IMF

No published data*

Preliminary data for 2023 as at 15 March 2024**

Unemployment rate at the end of the period*** data are up-to-date as at 19 March 2024. Inflation at the end of the year**** data are up-to-date as at December 2023.

Basic interest rate at the end of the period***** data are up-to-date as at 07 November 2023.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES OF THE ECONOMIC GROUP

2.1. Grounds for preparation of financial statements

The annual consolidated financial statements of the Group are prepared in compliance with all International Financial Reporting Standard (IFRS), comprising of: Financial Reporting Standards and International Financial Reporting Interpretations (IFRS) adopted by the International Accounting Standards Board (IASB) and International Accounting Standards and the Standing Interpretations Committee (SIC) interpretations approved by the International Accounting Standards Committee (IASC), which are effective from 1 January 2023 and which were adopted by the Commission of the European Union.

IFRS adopted by the EU is the common name of the general purpose — accounting framework equivalent to the framework introduced by the definition under § 1, item 8 of the Additional Provisions of the Accountancy Act under the name International Accounting Standards (IAS).

As an issuer whose securities are admitted to trading on a regulated market in the EU, the Group has an obligation to prepare annual consolidated financial statements for the year ending 31 December 2021 in accordance with the ESEF requirements arising from Commission Delegated Regulation (EU) 2019/815 of 17 December 2018.

Changes in the accounting policy

The Group has applied the following new standards, amendments and interpretations to IFRSs, developed and published by the International Accounting Standards Board that are mandatory for the annual period beginning on 1 January 2023 but have no material effect on the financial result and financial position of the Group:

- **Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting Policies effective from 1 January 2023 adopted by the EU** The Group discloses material information related to accounting policies in lieu of the main accounting policies.

The amendments clarify that accounting policy information is material if users of an entity's financial statements need it to understand other material information in the financial statements and, if an entity discloses immaterial accounting policy information, that information shall not override the material accounting policy information. To support this amendment, the IASB also amended the Practice Statement Making Materiality Judgements on IFRS 2 to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

- **Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, effective from 1 January 2023, as adopted by the EU**

The amendments introduce the definition of accounting estimates and include other amendments to IAS 8 that help companies distinguish changes in accounting estimates from changes in accounting policies. The distinction is important because changes in accounting estimates are applied prospectively to future transactions and other future events, whereas changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as to the current period.

The amendments will help companies improve the quality of accounting policy disclosures so that the information is more useful to investors and other major users of financial statements.

- **Amendments to IAS 12 Income Taxes: Deferred taxes related to assets and liabilities arising from single transactions effective from 1 January 2023, adopted by the EU** An entity shall apply the amendments to the standard to transactions that occur on or after the beginning of the most recent comparative period presented. The Group shall also recognise deferred taxes at the beginning of the most recent comparative period presented for all temporary differences related to leases and decommissioning obligations and recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, if applicable) at the relevant date.

- **Amendments to IAS 12 Income Taxes: International Tax Reform —Pillar Two Model Rules, effective from 1 January 2023, adopted by the EU**

Amendments to IAS 12 include:

- Exception to the requirement in IAS 12 for an entity not to recognise and disclose information about deferred income tax assets and liabilities related to OECD Pillar Two income taxes. The entity shall disclose that it has applied the exemption.

- A disclosure requirement that requires an entity to separately disclose its current tax expense (revenue) related to Pillar Two income taxes.
- A disclosure requirement that states that, in periods in which Pillar 2 legislation has been enacted or substantively enacted but not yet enacted, an entity shall disclose known or reasonably estimable information that helps users of financial statements understand the entity's exposure to Pillar 2 income taxes arising from that legislation.
- The requirement for an entity to apply the exemption and the requirement to disclose that it has applied the exemption immediately after the amendments are issued and retrospectively in accordance with IAS 8.

- **Disclosure of Accounting Policies effective from 1 January 2023 adopted by the EU**

IFRS 17 replaces IFRS 4 Insurance Contracts. It requires the application of an ongoing valuation model under which measurements are reviewed each reporting period. Contracts are evaluated using:

- discounted probability-weighted cash flows;
- explicit risk adjustment, and
- contractual service margin, representing the profit from the contract not made, which is recognised as revenue for the period of cover.

The standard permits a choice in recognising changes in the discount rate in either profit or loss or other comprehensive income. The new rules will affect the financial statements and key performance indicators of all companies that issue insurance contracts.

IFRS 17 Insurance Contracts makes significant changes to the accounting for insurance and reinsurance contracts.

IFRS 17 includes principle requirements that are intended to improve the comparability of the measurement and presentation of insurance contracts across companies.

In the process of applying IFRS 17, the Group has evaluated its portfolio of insurance contracts to identify groups of insurance contracts. Each group of insurance contracts includes contracts that are subject to similar risks and are managed together. Contracts within a product line can be expected to have similar risks and therefore fall into the same group if managed together.

In analysing the portfolio of insurance contracts, the Group has not identified a group of contracts that are on initial recognition onerous or a group of contracts that would become onerous.

As the insurance company of the Group operates exclusively in the voluntary health insurance sector (general insurance), the period of coverage for each contract in the groups identified for monitoring and measurement is one year or less.

As a result of the valuation of the portfolio of insurance contracts and the relevant grouping, the Group has determined the valuation method for the insurance contracts and has elected to apply the ‘Premium Allocation Approach’.

The Group does not expect significant volatility in cash flows for performance that would affect the measurement of the residual coverage liability in the period prior to claims on the group insurance contracts issued. In determining the initial effects of applying the standard, the variability of cash flows for performance increases with the length of the coverage period for the group of contracts.

Using the Premium Allocation Approach at initial recognition, the carrying amount of the liability for remaining coverage is formed from the premiums received at initial recognition, if any, less any cash flows to acquire insurance as at that date.

At the end of each subsequent reporting period, the carrying amount of the liability for groups of insurance contracts is determined as the carrying amount at the beginning of the reporting period:

- plus the premiums received during the period;
- less cash flows for insurance acquisition;
- plus any amounts relating to the amortisation of cash flows for the acquisition of insurance recognised as an expense during the reporting period;
- less the amount recognised as insurance income for services rendered during that period;

The Group does not adjust the carrying amount of the liability for remaining coverage to reflect the time value of money and the effect of financial risk because, at initial recognition, it expects that the period between the rendering of each service component and the related premium maturity is no more than one year.

If, at any time during the period of providing the insurance service, the Group identifies that a group of insurance contracts is onerous, the entity calculates the difference between the carrying amount of the liability for remaining coverage and the performance cash flows associated with the remaining coverage for the group. To the extent that the cash flows for performance exceed the carrying amount of the liability for remaining coverage, the Group recognises a loss in profit or loss and increases the liability for remaining coverage.

The Group has chosen to recognise all cash flows for the acquisition of insurance as a reduction of the remaining coverage liability when it makes these expenses.

Impact assessment

The Premium Allocation Approach is similar to current accounting in estimating the remaining coverage liability.

Transition

Accounting policy changes arising from the adoption of IFRS 17 have been applied using a full retrospective approach to the extent practicable, except as described below. Under the full retrospective approach, the Group:

- identifies, recognises and measures each group of insurance contracts as if IFRS 17 had always been applied;
- identifies, recognises and measures all cash flow assets from insurance acquisitions, if any, as if IFRS 17 had always been applied, except that they will not be tested for recoverability;
- writes off previously reported balances that would not exist if IFRS 17 had always been applied (including certain deferred acquisition costs, tax provisions relating to existing insurance contracts);
- measures at fair value owner-occupied property, own financial liabilities; and
- recognises any resulting net difference in equity items.

The adoption of IFRS 17 has had an impact on the Group's financial reporting processes and procedures as the application of the key principles outlined above requires additional information to be collected and processed and additional significant judgements to be made by management. In order to ensure a smooth and timely adoption of IFRS 17, the Group has launched a separate IFRS 17 implementation project. The project team included external contractors and members of the finance, actuarial and IT teams. Management had overall control over project implementation.

Standards and clarifications sussed by IASB that are not yet effective and are not applied as of an earlier date by the Group

As at the date of the approval for issue of these annual financial statements, new standards, amendments and explanations related to the existing standards are published but not in effect or not yet adopted by the EU for the financial year starting on 1 January 2023 and have not been applied by the Group from an earlier date.

They are not expected to have a material effect on the financial statements of the Group. Management expects all standards and amendments to be adopted in the accounting policy of the Group during the first reporting period, beginning after the date of their coming into effect. The amendments relate to the following: standards:

- **Amendments to IAS 1 Presentation of Financial Statements: Classification of liabilities as current and non-current, effective no earlier than 1 January 2024, adopted by the EU**

The amendments to the classification of liabilities as current or non-current affect only the presentation of liabilities in the statement of financial position, but not the amount or timing of recognition of assets, liabilities, income or expenses or the information that companies disclose about those items. The amendments aim to clarify the following:

- the classification of liabilities as current or non-current should be based on rights existing at the end of the reporting period and the wording in all affected paragraphs should be aligned to clarify the 'right' to defer settlement of the liability by at least twelve months. It explicitly states that only the rights available 'at the end of the reporting period' should affect the classification of the liability;
- the classification is not affected by the Group's expectation of whether it will exercise its right to defer settlement of the liability; and
- the settlement of liabilities may be effected by the transfer of cash, equity instruments, other assets or services to the counterparty.

- **Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Financial agreements with suppliers, effective from 1 January 2024, not yet adopted by the EU**

The amendments to IAS 7 and IFRS 7 will add disclosure requirements as well as 'guidance' within existing disclosure requirements that require entities to provide qualitative and quantitative information about vendor financing arrangements. These amendments add two disclosure objectives that will require entities to disclose in the notes information that enables users of financial statements to assess how vendor financing arrangements affect the entity's liabilities and cash flows and to understand the effect of vendor financing arrangements on the entity's exposure to liquidity risk and how the entity may be affected if the arrangements are no longer available to it.

- **Amendments to IFRS 14 Deferred price accounts effective 1 January 2016, not adopted by the EU**

IFRS 14 Deferred accounts at regulated prices allows first-time adopters to continue to recognise amounts related to regulated prices in accordance with the requirements of their previous basis of accounting. In order to improve comparability with the accounts of companies that already apply IFRS and do not recognise such amounts, the standard requires the effect of administered prices to be presented separately

- **Amendments to IFRS 16 Leases: Sale and leaseback obligation effective no earlier than 1 January 2024 adopted by the EU**

The amendments to IFRS 16 require the Group to subsequently measure the seller-lessee's lease liabilities arising from a leaseback in a manner that does not recognise any amount of profit or loss that relates to the right of use that it retains. The new requirements do not preclude a vendor-lessee from recognising in profit or loss a gain or loss relating to the partial or complete termination of a lease. The amendments to IFRS 16 do not prescribe specific measurement requirements for lease liabilities arising from a leaseback.

- **Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates, effective 1 January 2025, not adopted by the EU**

The amendments to IAS 21 on non-exchangeability will specify when a currency can be exchanged for another currency and when it cannot — a currency can be exchanged when an entity is able to exchange that currency for another currency through markets or exchange mechanisms that create enforceable rights and obligations without undue delay at the measurement date and for a specified purpose; a currency cannot be exchanged for another currency if the entity can obtain only an insignificant amount of the other currency.

Determining how an entity determines the exchange rate to be applied when a currency is not exchangeable — when a currency is not exchangeable at the measurement date, an entity shall measure the spot exchange rate as the rate that would apply in an orderly transaction between market participants at the measurement date and that would fairly reflect prevailing economic conditions.

Requirement to disclose additional information when a currency is not exchangeable — when a currency is not exchangeable, an entity shall disclose information that would enable users of its financial statements to assess how the lack of exchangeability affects, or is expected to affect, its financial performance, financial position and cash flows. The changes also include a new annex with guidance on the application of fungibility and a new illustrative example.

- **Amendments to IFRS 10 and IAS 28 — Sale or disposal of assets between an investor and its associate or joint venture**

The amendments clarify the accounting treatment of sales or contribution of assets between an investor and their Associates or Joint Ventures. They confirm that the accounting treatment depends on whether the non-monetary assets sold or contributed to an associate or join venture are ‘business’ (as defined in IFRS 3 Business combinations).

Provided that the non-monetary assets constitute business, the investor shall recognize the full profit or loss from sale or contribution of assets. If the assets do not comply with the business definition, the profit or loss is recognized by the investor only to the extent of the interests of the other investor in the associate or joint venture. The changes apply prospectively.

* In December 2015 the IASB decided to postpone the date of application of this amendment until the time when the IASB ends up its research project under the equity method.

The management expects all the relevant notices to be accepted for the first period starting on or after the date of entry into force of the notice. New standards, amendments and interpretations not adopted in the present year have not been disclosed as they are not expected to have a material impact on the financial statements of the Company.

The presentation of financial statements in accordance with the International Financial Reporting Standards requires the management to make the best estimates, accruals and reasonable assumptions that have an effect on the reported amounts of assets and liabilities, revenue and expense, and the disclosure of contingent receivables and contingent liabilities at the end of the reporting period. These estimates, accruals and assumptions are based on the information available at the end of the reporting period, so the future factual results could be different from them.

Objects that imply a higher degree of subjective judgement or complexity of calculations, or where assumptions and accounting estimates are material to the financial statements, are disclosed in Note 2.24.

2.2. Consolidated Financial Statements

The economic Group prepares its annual consolidated financial statements for the period ended 31 December 2023, which includes the annual audited separate financial statements of subsidiaries and associates, pursuant to Note 1.3.

The consolidated financial statements does not include the following subsidiaries:

Vratitsa AD — opening of insolvency proceedings, loss of control;

The consolidated financial statements does not include the following associated companies: Doverie —
Style OOD, Sofia — permanent limitations;
Andema AD, Sofia — permanent limitations;

2.2.1. Consolidation policy

Consolidated financial statements of the parent company and all the subsidiaries as at 31 December 2023 are consolidated in the financial statements of the Group, with the exception of those described in 2.2. Subsidiaries are all enterprises under the control of the parent company. Control exists when the parent company is exposed to or has rights over the variable return of the investee and may influence this return by its power over the investee.

All subsidiaries prepare their annual financial statements for a reporting period ended on 31 December 2023.

Profit or loss and other comprehensive income of subsidiaries, acquired or disposed of during the year, are recognized from the date of acquisition or up to the date of their disposal respectively.

Uncontrolled participation as part of the equity represents the share of profit or loss and the net assets of the subsidiary, which do not belong to the Group. The total comprehensive income or loss of the subsidiary are attributed to the owners of the parent company and the non-controlling interests, based on their relative share in the equity of the subsidiary.

If the Group loses control over the subsidiary, any investment retained in this entity is recognized at fair value at the date of loss of control and the change in the carrying value is recognized in profit or loss. The fair value of any investment retained in the former subsidiary at the date of loss of control shall be regarded as the fair value on initial recognition of a financial asset. In addition, all amounts recognized in other comprehensive income in relation to that subsidiary are reported on the same basis as if the Group has directly disposed of the related assets or liabilities (e.g. Reclassified in profit or loss or directly attributable to retained earnings in accordance with the relevant IFRS).

The gain or loss on disposal of investment in a subsidiary is the difference between the sum of the fair value of the consideration received and the fair value of any retained investment in the former subsidiary and the carrying amount of the assets (including goodwill) and liabilities of the subsidiary and any non-controlling interest.

The Group applies the following consolidation procedures in preparing the consolidated financial statements:

- Uniform interpretation of the content of each account in order to uniquely determine the composition of elements of financial statements of companies and the Group as a whole. For this purpose, individual internal chart of accounts and compliance rules in assigning accounts to the items of the statement of financial position are adopted, as well as the communication between the individual encrypted fields from various reports that are mandatory to apply by each company in economic group ‘Doverie’;
- Elimination of reciprocal, opposing elements in presenting information for the intra-group relationships. This presentation is done in the form of separate reports — tables, according to notes. Reports — tables are completed in parallel by the counterparts in the relevant transaction and are signed by the chief accountants of the companies, which is an acknowledgement of estimates and/or turnover on the respective accounts;

- Presentation of the participation of minority partners — minority interest in net worth and financial results for the previous and current period;
- Financial statements are prepared at the same date;
- Adoption of the annual financial statements of the subsidiaries: — verification of the currency, on which basis the financial statements are prepared and restated; — verification of the date of preparation and eventual adjustment as per the consolidation policy; — verification of the accounting policy used to prepare the financial statements and eventual adjustment; — the annual financial statements of the subsidiaries are subject to an independent financial audit; preparing a simple aggregate statements — line by line.
- Elimination of opposing elements: capital; financial; trade; calculation of goodwill as at the date of acquisition.
- The full consolidation method is applied with regard to subsidiaries. The statements are consolidated line by line, whereas the items such as assets, liabilities, property, revenue and expenses, are summed.
- Associated entities are presented as net assets in one line and the respective share for the Group. For the consolidated financial statements, the value of investments in these companies are restated at the equity method. The financial result is presented as a share for the Group and others.

2.2.2. Business combinations and reputation

Business combinations are accounted by using the purchase method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the fair values at the date of acquisition of the assets transferred by the acquirer, the obligations assumed by the acquirer to former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of assets or liabilities resulting from contingent considerations. Acquisition costs are recognized through profit or loss when incurred.

The purchase method includes the recognition of the identifiable assets and liabilities of the acquired entity, including contingent liabilities, irrespective of whether they have been recognized in the financial statements of the acquiree before the business combination.

Upon initial recognition, the assets and liabilities of the acquired subsidiary are included in the consolidated statement of financial position at their fair value, which serve as the basis for subsequent evaluation in accordance with the accounting policies of the Group.

For each business combination, the Group measures any non-controlling interest in the acquiree, which represents a share of its equity and entitle the liquidation quota, either at fair value or by proportionate share of the non-controlling interest in net identifiable assets of the acquiree. Other types of non-controlling interest are measured at fair value or, if applicable, on the basis specified in another IFRS.

Goodwill is recognized after defining all identifiable intangible assets. It represents the excess of the sum of the fair value of the consideration transferred at the acquisition date and the amount of any non-controlling interest in the acquiree, and in a business combination achieved in stages, the fair value at the date of acquisition of the previously held equity interest of the Group in the acquiree over the fair value of identifiable net assets of the acquiree at the acquisition date. Any excess of the fair value of the identifiable net assets over the sum calculated above is recognized in profit or loss immediately after the acquisition.

In a business combination, achieved in stages, the Group remeasures its previously held equity interest in the acquiree at fair value at the acquisition date (i.e. the date of acquisition of control) and recognizes the resulting gain or loss, if any, in profit or loss. The amounts, recognized in other comprehensive income from equity interest in the acquiree prior to the acquisition of control, are recognized on the same basis as if the Group has disposed directly of the previously held equity interest.

If the initial accounting for a business combination has not been completed by the end of the reporting period, in which the combination occurs, the Group reports provisional amounts for the items, for which the accounting has not been completed. During the measurement period, which may not exceed one year from the acquisition date, the Group adjusts retroactively these provisional amounts or recognizes additional assets or liabilities to reflect the new information obtained about the facts and circumstances that have existed at the acquisition date and, if known, would have affected the measurement of the amounts, recognized at that date.

Any contingent consideration, payable by the acquirer, is recognized at fair value at the acquisition date and is included as part of the consideration transferred in exchange for the acquiree. Subsequent changes in fair value of contingent consideration that is classified as an asset or liability is recognized either in profit or in loss, or as a change in other comprehensive income.

If the contingent consideration is classified as equity, it is not revalued until its final settlement in equity.
Upon commitment with a sale plan, involving loss of control over a subsidiary, the Group classifies all consolidated assets and liabilities of that subsidiary as held for sale, irrespective of whether it will hold non-controlling interest in its former subsidiary after the sale. Assets (and disposal groups) classified as held for sale are presented in the consolidated statement of financial position separately and are measured at the lower of their carrying value (initially, at cost of acquisition) and their fair value less direct expected sale costs (net selling price). Any impairment loss is allocated between the assets of a disposal group.

2.3. Comparative data

Group presents comparative data in these financial statements for the end of the current period and the end of the previous period for the respective statements.
When necessary, comparative data is reclassified in order to achieve comparability with changes in performance in the current year.

2.4. Functional currency and recognition of exchange differences

The functional and reporting currency of the financial statements of the Group is the Bulgarian lev. Since 01 July 1997, the Bulgarian lev has been fixed in accordance with the BNB Act to the German mark in ratio of BGN 1: DEM 1, and by the introduction of EUR as the official currency of the European Union — to the euro in ratio BGN 1.95583: EUR 1. These financial statements are presented in Bulgarian lev (BGN) rounded to the nearest thousand.
Upon initial recognition, a foreign currency transaction is recorded in the functional currency by applying to the amount in foreign currency the exchange rate at the time of the transaction or transaction. Cash, receivables and liabilities, such as monetary reporting items, denominated in a foreign currency, are reported in the functional currency using the exchange rate published by BNB for the last working day of the relevant month. As at 31 December 2023 they are measured in Bulgarian lev at the closing exchange rate of BNB.
The functional currency of Moldindconbank S.A. is Moldovan leu (MDL).

For the purposes of presentation in the consolidated financial statements, assets, liabilities, revenue and expenses of the subsidiary are translated into the presentation currency as described below. Exchange differences arising from these adjustments are recognized as reserves from currency adjustments of the financial statements of foreign subsidiaries.

Revenues and expenses of Moldindconbank S.A. are converted into BGN at an average rate close to the exchange rate on the date of the transactions. Assets and liabilities are translated into BGN at the exchange rate at the end of the reporting period. The exchange rate of the Moldovan leu to the Bulgarian lev is determined using the exchange rate Moldovan leu to Bulgarian lev determined by the National Bank of Moldova as follows:

For the translation of all assets and liabilities of Moldindconbank S.A. from Moldovan leu to Bulgarian lev the effective currency rate on 31 December 2023 has been used. – MDL 9,8983: BGN 1; for the translation of all revenues and expenses from Moldovan leu to Bulgarian lev, the average exchange rate for the period 01 January 2023—31 December 2023 has been used — MDL 10,0433: BGN 1;

Non-monetary items in the statement of financial position initially denominated in a foreign currency are reported in the functional currency using the historical exchange rate at the date of the transaction and are not subsequently revalued at the closing rate.

The effects of exchange differences related to the settlement of foreign currency transactions or the reporting of foreign currency transactions at rates different from those for which they were initially recognized are included in the statement of comprehensive income at the time of their occurrence and they are treated as ‘financial revenue/expenses’.

2.5. Revenue

A Revenue from contracts with customers.

Recognition and measurement of revenue from contracts with customers

Revenue is recognized when (or as) the performance obligation is satisfied as per the terms and conditions of the contract, and the promised goods or services are transferred to the customer. An asset (product or service) is transferred when (or as) the customer obtains control over that asset.

Any promise to transfer goods and/or services that are identifiable (in their own right and in the context of the contract) is reported as one performance obligation.

Contracts with customers typically include a single performance obligation.

Upon initial assessment of the contracts with customers, the Group makes an assessment of whether two or more contracts must be considered in combination and reported as one, and whether the promised goods and/or services in each individual and/or combined contract must be considered as one and/or more performance obligations.

Overall the Group has concluded that it acts as a principal in its arrangements for revenue, because it usually controls the goods or services before they are transferred to the customer.

Disclosures for material accounting judgements, estimates and assumptions related to revenue from contracts with customers are provided in Note 2.24.

Measurement

The transaction price is the amount of the consideration to which each Group company expects to be entitled in exchange for transferring the promised goods or services to the customer, excluding the amounts collected on behalf of third parties (e.g. value added tax). The consideration promised in a contract with a customer may include fixed amounts, variable amounts, or both.

When (or as) the performance obligations is satisfied, each company recognizes the value of the transaction price as revenue (which excludes estimates of variable consideration, containing limitations), which is assigned to this performance obligation.

The Group considers whether there are other commitments in the contract that are separate performance obligations for which part of the transaction price should be allocated.

When determining the transaction price, the impact of variable remuneration is taken into account, the existence of significant components of funding, non-monetary consideration and consideration owed to the client (if any).

Performance obligations and approach to recognition of basic revenue under contracts with customers

The Group recognizes revenue when the performance obligation is satisfied as per the terms and conditions of the contract, and the promised goods or services are transferred to the customer. An asset (product or service) is transferred when the customer obtains control over that asset.

The table below provides information on the nature and timing of the fulfilment of the performance obligations in contracts with customers, including major payment terms and related policies for revenue recognition:

Revenue from contracts with customers are recognized as indicated in the following table by activities and sectors of the economic group:

No	**Revenue**	**Approach to recognition of revenue**
1	Revenue from sale of products and goods and other short-term assets	Revenue from sale of products and goods and other current assets are recognized at the time of the transfer of the control over the assets being sold. Revenue from sales is recognized by the method, which recognizes assets ‘at a specific point in time’ according to IFRS 15, when the control over the goods is transferred to the client. This is usually done by the transfer and physical control over them by the customer when the buyer has accepted the assets in accordance with the sale contract
2	Revenue from medical services	Revenue from sales of medical services is recognized by the method accounting performance obligations satisfied over time according to IFRS 15.
4	Revenue from services	Revenue from provided services is recognized in the reporting period in which the services are provided. The Group transfers control of the services over time and, therefore, satisfies a performance obligation and recognises revenue over time. If, at the end of the reporting period, the service under the contract is not fully realized, revenue is recognized on the basis of the actual service provided by the end of the reporting period as a proportion of the total services to be provided since the client receives and consumes the benefits simultaneously. This is determined based on actual time invested for the work done versus the total estimated time to perform the service. The customer pays the services provided on the basis of the terms set out in individual contracts. If the services, provided by the Group exceed the payment, an asset is recognized under the contract. If payments exceed the services provided, a liability under the contract is recognized.

5	Revenue from construction	During the construction of residential complexes with multiple apartments the entity recognizes revenue using the method that takes into account the products 'at a specific point in time' according to IFRS 15, when the control over the goods or products are transferred to the customer. This usually happens with the transfer of goods or products and the physical control over them by the customer (transfer of ownership over constructed building/object). For certain contracts for construction services, construction of facilities and other, upon entry into force of the contract, the Group recognizes revenue using the method 'performance obligation satisfied over time'.

Contractual balances

Trade receivables and contract assets

The receivable represents the right of the Group to receive consideration in a certain amount, which is unconditional (i.e. a certain period of time has to expire before the consideration falls due).

The contract asset is the Group's right to receive consideration in exchange for goods or services, which it has transferred to the customer, but is not unconditional (accrual of a receivable). If by transferring goods and/or services the Group fulfils its obligation before the customer pays the appropriate consideration and/or before the payment becomes due, a contract asset is recognized for the consideration earned (which is conditional). Recognized contract assets are reclassified as a trade receivable when the right to remuneration becomes unconditional.

Contract liabilities

As a contract liability, the Group presents the payments received by the customer and/or the unconditional right to receive payment before it has fulfilled its performance obligation. Contract liabilities are recognized as revenue when (or as) the performance obligation has been fulfilled.

Please refer to the accounting policies for financial assets set out in Note 2.9.1 Financial Assets.

B. Other revenue / income

Other income is revenue or income, which are recognized by virtue of other standards and are outside the scope of IFRS 15.

The table below provides information on major payment terms and related policies for revenue recognition:

No		**Approach to recognition of revenue**
1	Revenue from sale of property, plant and equipment and intangible assets	The gain or loss arising on derecognition of property, plant and equipment or an intangible asset as a result of sale are included in profit or loss when the asset is written-off. The asset is written-off at the time of the transfer of the control over the asset being sold.
2	Revenue from leases	The lease income from lease contracts is recognized pursuant to IFRS 16. Revenue related to short-term lease contracts and lease contacts, the main asset under which has a low value, is recognized as income on a straight-line basis over the lease term unless the management of the Group decides that another systematic basis is more representative of the time pattern in which use the benefit derived from the leased asset is diminished.
3	Dividends	Dividend revenue is recognized on the date on which the Group's right to receive payment is established based on a resolution of the General Meeting of Group Shareholders of the investee.
4	Surplus assets	Revenue from surplus assets is recognized at the time of establishing the surplus.
5	Revenue from financing	When the grant (funding) is associated with a cost item, it is recognized as revenue for the periods necessary to match it on a systematic basis to the costs that it is intended to compensate. When the grant (funding) is associated with an asset, it is presented as future-period revenue and is included in the revenue in the period of the useful life of the related asset.
6	Sanctions and penalties	Revenue from fines and penalties is recognized after establishing the right to receive them under a contract or through a lawsuit.

		The penalty ensures the performance of the obligation and serves as compensation for damages caused by the non-performance without the need to prove them where the recognition of revenue from penalties is recognized when there has been a legal breach of certain contractual conditions.
7	Default rate	In order to have a legal interest the debtor must be in arrears and the legislator must require a counter obligation in cash. Penalty interest is a form of contractual responsibility specific to monetary obligations.
		Revenue from penalty interest is recognized when the right of the company to receive payment is established. The interest income for financial assets with a credit impairment is recognized on the net impaired amount of the receivable.
8	Revenue from debt write-off	Revenue from debt write-off is recognized upon expiration of the limitation period, declaring the respective counter party in liquidation or based on other reasons.
9	Interests	Interest revenue is calculated by applying the effective interest rate to the book value of financial assets, except for financial assets that are subsequently impaired. For impaired financial assets, the effective interest rate is applied to the carrying amount of financial assets (net of accumulated impairment).

10	Fee and commission revenue	Fees and commissions are recognized on an accrual basis when the service is provided. Commitment fees for loans that are likely to be drawn down are deferred (together with the associated direct costs) and recognized as an adjustment to the effective interest rate on the loan. Commissions and fees arising from negotiating or participating in the negotiation of a transaction for a third party — such as the arrangement for acquisition of shares or other securities, or the purchase or sale of businesses — are recognized on completion of the underlying transaction. Fees for portfolio management and other management consulting services are recognized based on the applicable service contracts in proportion to the period.
11	Insurance revenues	When the Group applies the Premium Allocation Approach, insurance income for the period is the sum of the expected premium receipts that have been allocated to the period. The Group allocates expected premium revenue to each service period of an insurance contract based on the time elapsed. In the event; that the expected pattern of risk release during the period of coverage differs significantly from the pattern of time elapsed, then the Group allocates the expected premium receipts based on the expected timing of the incurred cost of insurance services. If there is a change in facts and circumstances, the Group shall change the basis of allocation as appropriate.

2.6. Costs

Costs within the group are recognized at the time of occurrence thereof and on accrual and comparability basis. Financial costs consist of interest costs on loans and financial leases, obligation loan charges, bank charges and other direct costs on loans and bank guarantees.

Accrued interest on treasury bills are calculated for the period between the date of acquisition and the date of preparation of financial statements in applying different interest rates for each issue. Interest costs include calculated interest rates related to received deposits, current accounts, Loro accounts, loans and interest on other bonds.

Deferred costs (prepaid expenses) are deferred for recognition as current expense over the period in which the contracts to which they relate are being performed.

The Group recognizes income and expense for the following changes in the carrying amount of the Liability For Remaining Coverage:

(a) insurance income — for the reduction in the liability for remaining coverage as a result of services provided during the period;

(b) insurance service costs — for losses relating to groups of onerous contracts and the reimbursement of such; and

(c) financial income from or expenditure on insurance — for the effect of financial risk.

Acquisition costs

Indirect acquisition costs are recognised as an expense in the period in which they are incurred. Direct acquisition costs are amortized over the period of coverage in proportion to the insurance revenue.

2.7. Investments in subsidiaries

Long-term investments, representing shares in subsidiaries are presented in the financial statements at cost, which is the fair value of the consideration that has been paid, incl. direct costs for the acquisition of the investment, less accumulated impairment.

The Group investments in subsidiaries are reviewed for impairment. When impairment conditions are established, it is recognized in the statement of comprehensive income (in profit or loss for the year).

In the case of purchase and sale of investments in subsidiaries, ‘date of conclusion of the transaction’ is applied.

Investments are derecognized when the rights deriving from them are transferred to other persons when the legal grounds for doing so arise, thereby losing control over the economic benefits of the relevant specific type of investment. Profit / (loss) from their sale is presented to ‘financial revenue’ or ‘financial expenses’ respectively in the statement of comprehensive income (profit or loss).

In this report, investments in subsidiaries have been eliminated, with the exception of those listed in Note 2.2.

2.8. Investment in associates

Investments in stocks and shares in companies in which the Doverie – United Holding AD and/or its subsidiaries have significant influence are classified as investments in associates.

Significant influence is the right to participate in decision-making related to the financial and operating policy of the investee, but it is not a control or joint control over that policy.

Long-term investments, representing stocks and shares in associates are presented in the financial statements under the equity method.

Any subsequent changes in the size of the Group‘s interest in the equity of the associate is recognized in the carrying amount of the investment. Changes resulting from the profit or loss generated by the associate are recognized in the consolidated statement of profit or loss in ‘Share of profit in associates and jointly controlled entities’. These changes include subsequent depreciation or impairment of the fair value at the acquisition of assets and liabilities of the associate.

Changes in other comprehensive income of the associate, as well as items recognized directly in the equity of the associate are recognized respectively in other comprehensive income or in the equity of the Group. In cases where the Group’s share in the realized losses of the associate exceeds its participation in the associate, including any unsecured receivables, the Group does not recognize its share in the further losses of the associate unless the Group has incurred legal or actual obligations or has made payments on behalf of the associate. If the associate subsequently reports profits, the Group recognizes its share in so far as the share of profits exceeds the accumulated share of losses that were not previously recognized.

The long-term investments in associates owned by the Group are reviewed for impairment at each date of the statement of financial position. When the conditions for impairment are determined and its amount is determined, it is reflected in the statement of comprehensive income.

In the case of purchase and sale of investments in associates, ‘trading date’ is applied (date of execution of the transaction). Investments in associates are derecognised when the legal basis for that occurs.

2.9. Financial Instruments

A financial instrument is any contract that generates a financial asset in an entity and a financial liability or equity instrument in another entity.

2.9.1. Financial assets

Initial recognition and measurement

The Group initially recognizes a financial asset at the time it becomes a party to a contractual agreement and classifies it according to the business model for management of financial assets and the characteristics of contractual cash flows.

The business model of the Group for management of financial asset refers to the way in which it manages its financial assets so as to generate cash flows. The business model determines whether the cash flows will result from the collection of contractual cash flows, the sale of financial assets, or both.

The classification of financial assets at initial recognition depends on the characteristics of the contractual cash flows of the financial asset and the business model of the Group for their management. Except for commercial receivables that do not have a significant component of finance or for which the Group has applied a materially feasible measure, the Group initially assesses the financial asset at fair value plus transaction costs, in the case of financial assets that are not carried at fair value through profit or loss. Commercial receivables that do not have a significant component of finance and for which the Group has applied a materially feasible measure are measured at the transaction price determined in accordance with IFRS 15. Please refer to the accounting policy in Note 2.5 Revenue from contracts with customers.

In order to be classified and measured at amortized cost of acquisition or at fair value in Other comprehensive income, the financial asset is required to generate cash flows that represent 'only payments on the principal and the interest' on the outstanding amount of the principal.

This evaluation is called the 'only payments on the principle and the interest test' and is performed at the level of the instrument concerned.

The business model of the Group for management of financial asset refers to the way in which each company manages its financial assets so as to generate cash flows. The business model determines whether the cash flows will result from the collection of contractual cash flows, the sale of financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way purchases) are recognised on the trade date (transaction), i.e., the date on which the Group commits to purchase or sell the asset.

Where current cash inflows are not generated and the Group owns the assets, which sale is the sole source of repayment of the loan, the exposure is treated as part of the investment and is tested for impairment under IAS 36.

Subsequent measurement

For the purposes of subsequent measurement, the financial assets are classified into four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through profit or loss;
- Financial assets at fair value through other comprehensive income with ‘recycling’ of the cumulative gains or losses (debt instruments);
- Financial assets determined as such at fair value through other comprehensive income without ‘recycling’ of the cumulative gains and losses at their derecognition (equity instruments).

During the current period the Group recognizes financial assets in three of those categories — financial assets at amortized cost, financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income.

Financial assets at amortized cost (debt instruments)

The Group management has concluded that financial assets representing cash in banks, trade receivables, other non-current receivables (i.e. from related parties, trade credit receivables and other) are held in order to collect contractual cash flows and are expected to lead to cash flows, representing only payments of principal and interest (business model applied). These financial assets are classified and subsequently measured at amortized cost.

The measure of financial assets at amortized cost is only in cases where both conditions set out below are satisfied:

- The financial asset is held within a business model that has the purpose of holding it in order to obtain the contractual cash flows from it and
- The terms of the contract for the financial asset result in cash flows at specific dates which represent only payments on principal and interest on the outstanding amount of the principal

Financial assets at amortized cost (loans and other provided financial resources) are subsequently measured using the effective interest rate method (EIR) and are subject to impairment. Amortized cost is calculated taking into account all fees, commissions and other income. Interest income from loans is recognized over the period of depreciation and is presented in the statement of profit or loss in the item ‘Financial Revenue’. Impairment costs and reversed impairments associated with the financial assets measured at amortized cost, including trade receivables under IFRS 15, are recognized in the statement of profit or loss in ‘other income/(loss) from operations’.

Profit and loss are recognized in profit or loss when the asset is written-off, modified or impaired.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated at their initial recognition as at fair value through profit or loss, or financial assets that are required to be measured at fair value. Financial assets are classified as held for trading, if they are acquired for sale or re-acquisition within a short period of time. Financial assets with cash flows that are not only principal and interest payments are classified and measured at fair value through profit or loss regardless of the business model. Regardless of the criteria for debt instruments that are to be classified at amortized cost of acquisition or at fair value in Other comprehensive income as described above, debt instruments may be designated as such at fair value through profit or loss on their initial recognition, if the accounting mismatch is substantially eliminated or significantly reduced.

Financial assets at fair value through profit or loss are reported in the statement of financial position at fair value, net changes in fair value being recognized in the profit and loss statement.

This category includes related party loans and non-listed and listed for trading on stock exchanges equity instruments, which the Group companies have not chosen irrevocably to classify as such at fair value through other comprehensive income. Dividends on such equity instruments are also recognized as other revenue in the profit or loss statement when the entitlement to receive payment is established.

Financial assets at fair value through other comprehensive income

Investments held to maturity are financial assets, which are non-derivative and has fixed or determinable payments and fixed maturity that the Management has the positive intention and ability to hold to maturity. When selling a significant portion of assets held to maturity, the entire category would be reclassified as available for sale.

Derecognition

A financial asset (or, where applicable, part of a financial asset or part of a group of similar financial assets) is written-off (i.e. removed from the statement of financial position of the Group), mainly when:

- the rights to receive cash flows from the asset have expired

  or

- the rights to receive cash flows from the asset are transferred or a Group company has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group company has transferred substantially all the risks and rewards of ownership on the asset, or (b) the Group company has neither substantially transferred nor retained all the risks and rewards of ownership on the asset, but has not retained the control over the asset.

When a Group company has transferred its rights to receive cash flows from the asset or has entered into a 'pass-through' arrangement, it assesses whether and to what extent it has retained the risks and rewards of ownership. When the Company has not transferred, nor retained substantially all risks and benefits of the financial asset ownership, nor has transferred the control on it, it continues to recognize the transferred asset to the extent of its continuing involvement in it. In such case, the Group also recognizes the related liability. The transferred asset and the related liability are measured on a basis that reflects the rights and liabilities that the Group has retained. Continuing involvement that takes the form of a guarantee over the transferred asset, is measured at the lower of the original carrying amount of the asset and the maximum amount of the consideration that the Group company could be required to repay.

Impairment of financial assets

The Group recognizes a provision for expected credit losses (ECL) for all debt instruments, which are not carried at fair value through profit or loss.

Expected credit losses are based on the difference between the contractual cash flows payable under the terms of the contract, and all cash flows that a Group company expects to receive, discounted to the original effective interest rate. Expected cash flows include cash flows from the sale of the collateral held or other credit enhancements that form an integral part of the terms of the contract.

ECL are recognized in two stages. For credit exposures where there is no significant increase in credit risk from the initial recognition, ECL are provisioned for credit losses that arise as a result of default events which are possible over the next 12 months (12-month ECL). For credit exposures for which there is a significant increase in credit risk from the initial recognition, a provision for loss is required in respect of the credit losses expected over the remaining exposure period, irrespective of the occurrence of the default (ECL over the duration of the instrument) .

With respect to trade receivables the Group applies a simplified approach for calculating the expected credit losses. Therefore, companies do not track changes in credit risk, but instead recognize a provision for loss on the basis of the expected credit losses for the entire duration of the instrument at each reporting date. The group has created a matrix for provisioning, based on historical experience of credit losses, adjusted for prognostic factors, specific to the debtors and the economic environment.

All loans granted within the group and to third parties shall be examined:

- in a three-year historical period;
- in case of discounting of the cash-flows by an effective interest rate;
- an adjustment to the historic probability of non-performance with an estimate of future development;
- calculation of the impairment loss.

With respect to trade receivables the Group applies a simplified approach for calculating the expected credit losses. Therefore, it does not track credit risk changes, but instead it recognizes a provision for losses based on ECL for the entire duration of the instrument at each reporting date. The group has created a matrix for provisioning, based on historical experience of credit losses, adjusted for prognostic factors, specific to the debtors and the economic environment.

All these trade receivables are examined by:

- an analysis of the collection rate of the sales for the previous financial year broken down by periods of payment;
- calculation of the historical percentage of non-collection rate;

- an adjustment to the historic probability of non-performance with an estimate of future development;
- calculation of the impairment loss. Impairment of bank loans

If there is an objective evidence that the Bank will not be able to collect all amounts due (principal and interest) under the original contractual terms and conditions of the loan / receivables under a finance lease, such loans are considered impaired.

The amount of the impairment loss is the difference between the carrying value of the loan and the present value of expected future cash flows, discounted at the original effective interest rate on the loan, or the difference between the carrying value of the loan and the fair value of the collateral if the receivables under the loan / finance lease are secured and a foreclosure is likely to be imposed.

Impairment and non-collectability are assessed and recognized individually for loans and receivables that are individually significant, while on a portfolio basis — for a group of similar loans and receivables that are not individually identified as impaired. If the bank determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in the collective assessment of impairment.

Present value of expected future cash flows is discounted at the original effective interest rate of the financial assets. If the loan has a variable interest rate, the discount rate to assess the impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced to its estimated recoverable value through expense to revenue using the provision for loan impairment. Write off is made when all or part of the credit shall be deemed, fully or partially, irrecoverable. Write-offs are charged to preliminary set provisions for impairment of loans and at the same time reduce the carrying value of the loan and related payments. The recovery of loans written off in prior periods are included in revenue through transferring the loan amount in the provision for impairment.

If the amount of the impairment subsequently decreases because of an event occurring after its recognition (as an improvement in the credit rating of the debtor), previously recognized impairment shall be recovered by adjusting the provision for impairment.

For the purposes of a collective evaluation of impairment, financial assets are grouped based on internal credit rating of the bank that takes into account the characteristics of the credit risk by industry, type of collateral, status of arrears and other relevant factors. Future cash flows from a group of financial assets that are collectively evaluated for impairment are estimated based on experience with losses for assets with credit risk characteristics similar to those in the group. The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between estimated losses and actual losses.

2.9.2. Financial liabilities and equity instruments

The Group classifies debt and equity instruments either as financial liabilities or as equity in accordance with the substance and the contractual arrangements with the respective counterpart regarding these instruments.

Initial recognition and measurement

The Group recognizes a financial liability in the statement of financial position only when the Group becomes a party to the contractual provisions of the financial instrument. Initial recognition occurs at the settlement date and is carried at fair value plus, in case of financial liabilities that are not carried at fair value through profit or loss, costs directly attributable to the acquisition or issue of the financial liability. Loan management fees are deferred over the period of borrowing using the effective interest method and are included in the amortized cost of the loans.

Upon initial recognition, financial liabilities are classified as such at fair value through profit or loss or as financial liabilities measured at amortized cost. Initially, all financial liabilities are recognized at fair value, and in the case of loans and borrowings — net of directly attributable transaction costs.

Financial liabilities of the Group include trade and other payables, loans and borrowings, including bank overdrafts.

Subsequent measurement

The measurement of financial liabilities depends on their classification as described below:

Financial liabilities designated at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading, and financial liabilities designated at initial recognition as such — at fair value through profit or loss.
Financial liabilities are classified as held for trading, if they are acquired for the purpose of repurchasing in the near future. Profit or loss on liabilities held for trading are recognized in profit and loss statement.
Financial liabilities designated at initial recognition as such at fair value through profit or loss are designated as such at the date of initial recognition only if the IFRS 9 criteria have been met. The Group has not designated financial liabilities at fair value through profit or loss.

Financial liabilities measured at amortized cost (loans and borrowings)

This category is of utmost importance for the Group. After initial recognition, the Group measures interest bearing loans and borrowings at amortized cost by using the effective interest method. Profit and losses are recognized through profit or loss when the liability is written-off, as well as through the amortization process on the basis of the effective interest method.
The amortized value is calculated by taking into account any discounts or premiums at the acquisition and fees or costs that are an integral part of the effective interest rate. Depreciation through the effective interest rate is included in the profit and loss statement as a financial costs.
This category mainly concerns interest-bearing loans and borrowed funds.

Derecognition

The Group writes-off a financial liability only when it settles (fulfils) the obligation, the obligation term expires or the creditor waives its rights.
Where an existing financial liability has been replaced by another by the same lender under substantially different conditions or the terms of an existing liability have been materially changed, such an exchange or change is treated as a write-off of the original liability and recognition of a new liability. The difference in the appropriate carrying amounts is recognized in the profit and loss statement.

The difference between the carrying amount of a financial liability, settled or transferred to another party, and the amount paid for settlement, including money and the transfer of non-monetary assets, is recognized in profit or loss for the period.

Compensation of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position, if there is a legally enforceable right to offset the recognized amounts and the Group intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

2.9.3. Insurance liabilities

Insurance liabilities represent the value of commitments expected to be met in the future under insurance contracts in force, the costs associated with meeting those commitments and the value of possible adverse deviation from that expectation. The Group’s insurance liabilities are made up of the Liability for Remaining Coverage (LRC) and the Liability for Incurred Claims (LIC).

If, at any time during the period of providing the insurance service, the Group identifies that a group of insurance contracts is onerous, the entity calculates the difference between the carrying amount of the liability for remaining coverage and the performance cash flows associated with the remaining coverage for the group. To the extent that the cash flows for performance exceed the carrying amount of the liability for remaining coverage, the entity recognises a loss in profit or loss and increases the liability for remaining coverage.

Liability for remaining coverage (LRC)

The Group establishes a Liability for Remaining Coverage to cover claims and expenses expected to arise after the reporting date on insurance contracts that are covered beyond the end of the reporting period.

Using the Premium Allocation Approach at initial recognition, the carrying amount of the liability for remaining coverage is formed from the premiums received at initial recognition, if any, less any cash flows to acquire insurance at that date.

At the end of each subsequent reporting period, the carrying amount of the liability for groups of insurance contracts is determined as the carrying amount at the beginning of the reporting period:

- plus the premiums received during the period;
- less cash flows for insurance acquisition;
- plus any amounts relating to the amortisation of cash flows for the acquisition of insurance recognised as an expense during the reporting period;
- less the amount recognised as insurance income for services rendered during that period;

The Group does not adjust the carrying amount of the liability for remaining coverage to reflect the time value of money and the effect of financial risk because, at initial recognition, the enterprise expects that the period between the rendering of each service component and the related premium maturity is no more than one year.

The Group recognizes income and expense for the following changes in the carrying amount of the Liability For Remaining Coverage:

(a) insurance income — for the reduction in the liability for remaining coverage as a result of services provided during the period;

(b) insurance service costs — for losses relating to groups of onerous contracts and the reimbursement of such; and

(c) financial income from or expenditure on insurance — for the effect of financial risk.

Liability for Incurred Claims /LIC/

The Liability for Incurred Claims represents the expected settlement amount of claims for events occurring up to the end of the reporting period, including claims for incurred but not reported claims, increased by the expected cost of settling the claims.

The Group measures the claims liability for the insurance contract group by the cash flows to fulfill related claims. The Group adjusts future cash flows for the effect of financial risk. The Group adjusts the estimate of the present value of future cash flows to reflect the compensation it requires to bear the uncertainty arising from non-financial risks regarding the amount and timing of cash flows.

The Group recognizes the discounted liability for incurred claims at cost as well as the Non-Financial Risk Adjustment. In subsequent accounting periods, release the appropriate portion of the change in the risk adjustment back through expense (whether positive or negative).

The Group calibrates the non-financial risk adjustment estimate within a 99.5% confidence interval with respect to the incurred loss reserve. The adjustment for non-financial risk is determined using a cost of capital approach similar to that used to calculate the Solvency 2 risk add-on.

CASH FLOWS FOR INSURANCE ACQUISITION

These are cash flows arising from the costs of selling, underwriting and commencing a group of insurance contracts (issued or expected to be issued) that are directly attributable to the portfolio of insurance contracts to which the group belongs.

The Group allocates cash flows for the acquisition of insurance to groups of insurance contracts when applying the Premium Allocation Approach as follows:

(a) It recognises as an expense all cash flows for the acquisition of insurance that are not directly attributable to individual contracts, when incurred.

(b) It recognises and allocates cash flows to acquire insurance that are directly attributable to individual contracts in proportion to the premium earned on the contract.

The Group recognises as an asset cash flows paid to acquire insurance before the related group of insurance contracts is recognised. The Group recognises such an asset for each related group of insurance contracts. The Group writes-off an insurance acquisition cash flow asset when the insurance acquisition cash flows are included in the measurement of the relevant group of contracts.

2.10. Property, plant and equipment

Property, plant and equipment (tangible fixed assets) are presented in the financial statements at revalued amount, less accumulated amortization and impairment losses. The Group has adopted a period of three years to report the revaluations of fixed assets.

The revaluation (to fair value) of property, plant and equipment is determined initially by independent evaluators at 31 December 2001. Subsequent valuations are made at 31 December 2004, 31 December 2007, 31 December 2010, 31 December 2013, 31 December 2016, 31 December 2019, and 31 December 2022 and their effects are reflected in the financial statements for 2004, 2007 and 2010, 2013, 2016, 2019 and 2022.

Initial valuation

Upon initial acquisition, property, plant and equipment are measured at cost, which includes the purchase price (cost price), customs duties and all direct costs necessary to bring the asset into working condition.

Direct costs include: costs for site preparation, costs for initial delivery and handling, installation costs, professional fees for people involved with the project, unrecoverable tax, etc.

Acquired by the Group tangible asset is recognized in property, plant and equipment when it is expected to be used in operations (to lease it, for provision of other services or for administrative purposes) for a period longer than one year.

Upon acquisition of property, plant and equipment under deferred payment, the purchase price is equivalent to the present value of the liability discounted on the basis of the interest level of the attracted by the company credit resources with analogous maturity and purpose.

Subsequent measurement

The chosen approach for subsequent measurement of property, plant and equipment is the revaluation model under IAS 16 less subsequent depreciation and accumulated impairment losses.

Revaluation of property, plant and equipment is carried out by licensed valuers normally over a period of 3 years. When their fair value changes substantially in shorter time intervals, the revaluation may be performed at shorter periods.

Where the new fair value of tangible fixed assets measured through the 'depreciated replacement cost method' exceeds their carrying amount, the book value and accumulated amortization are increased *pro rata* by the increase index, and the difference between the fair value and the carrying amount of assets forms a new component of the revaluation reserve presented net of deferred tax effects.

For tangible fixed assets for whose valuation 'market approach' is applied using 'market analogue method', the book value is reduced against accumulated amortization, and by the increase in the fair value of the asset in relation to its carrying amount at the measurement date, the latter is increased (against a revaluation reserve), which becomes the new book value of the assets.

When the carrying amount of assets exceeds the new fair value, the difference between the two amounts is recognized in the statement of comprehensive income, unless revaluation reserve has been formed in prior periods for the asset. The difference is then treated as a reduction of that reserve, unless it exceeds its amount, and the excess is included as an expense in the statement of comprehensive income.

Depreciation methods

The Group applies the straight-line method of amortization of its tangible fixed assets. Depreciation of assets begins when they are available for use. Land is not subject to depreciation. The useful life by asset groups is determined in accordance with: the physical wear and tear, the specificity of the equipment, the future intentions for use and the assumed obsolescence, as follows:

- buildings — 100 years;
- machinery, plant and equipment — from 3 to 20 years;
- computers — 2 years;
- vehicles — 5—15 years
- fixtures and fittings — 2—15 years
- ATMs and POS terminals — 3—10 years

The determined useful life of fixed assets is reviewed at the end of each year and, when significant deviations from the expected useful life of the asset are identified, it is corrected prospectively.

Subsequent costs

Repairs and maintenance costs are recognized as current in the period in which they are incurred. Subsequent costs related to property, plant and equipment that have the nature of replacement of certain nodes and aggregates or of reorganization and reconstruction are capitalized to the carrying amount of the asset and its residual useful life is reviewed at the date of capitalization. At the same time, the non-amortized portion of the replaced components is written off from the carrying amount of the assets and is recognized in the current expense for the reorganization period.

Impairment of assets

The carrying amounts of tangible fixed assets are reviewed for impairment when there are events or changes in circumstances that indicate that their carrying amount may be permanently different from their recoverable amount. If there are such indicators that the estimated recoverable amount is lower than their carrying amount, the latter is adjusted to the recoverable amount of the assets. The recoverable amount of tangible fixed assets is the higher of the two: fair value less costs to sell or value in use. For the determination of the value in use of assets, future cash flows are discounted to their present value using a pre-tax discount factor that reflects the current market conditions and estimates of the time value of the money and the risks specific to the asset.

Impairment losses are recognized in the statement of comprehensive income unless a revaluation reserve is formed for the asset. The impairment is then treated as a reduction of that reserve, unless it exceeds its amount, and the excess is included as an expense in the statement of comprehensive income.

Profit and loss from sale

Tangible fixed assets are derecognised from the statement of financial position when they are permanently out of use and no future economic benefits are expected or they are sold. Profit or loss from sales of individual assets from 'property, plant and equipment' group are determined by comparing the sale revenues and the carrying amount of the asset at the date of sale. They are stated net to 'other operating income/(loss), net' in the statement of comprehensive income. The portion of the 'revaluation reserve' related to the asset sold is transferred directly to 'retained earnings'.

2.11. Investment properties

Investment property is property held by the economic group to earn rentals and/or because of an internal increase in their value. They are reported in the statement of financial position at their fair value. Profit or loss from changes in the fair value of investment property are recognized in the statement of comprehensive income in 'Other operating income/(loss), net' for the period in which they have occurred. Realized revenue from investment properties is presented in the same item in the financial statements.

Investment properties are derecognised from the statement of financial position when they are permanently out of use and no future economic benefits are expected or they are sold. Profit or loss from sales of individual assets from 'investment properties' group are determined by comparing the sale revenue and the carrying amount of the asset at the date of sale. They are stated net to 'other operating income/(loss), net' in the statement of comprehensive income.

Transfers to and from 'investment property' group are made when there is a change in the use of a property. In the case of a transfer from 'investment property' to 'property for use in own business', the asset is recorded in its new group at a historical cost that is its fair value at the date of the transfer.

In contrast, when there is a transfer to ‘investment property’ from ‘property for use in own business’, the asset is measured at its fair value at the date of the transfer and the difference to its carrying amount is treated and presented as a ‘revaluation reserve’ component of equity.

2.12. Biological assets

Biological assets (perennials) are measured at fair value less estimated costs to sell.

The fair value of biological assets is determined based on their present location and condition based on price, quoted in an active market or alternative sources of current prices. The profit or loss arising on initial recognition of a biological asset at fair value less estimated costs to sell and changes in fair value less estimated costs to sell are recognized in the consolidated statement of comprehensive income (profit or loss for the year) in the period in which they arise and are presented under ‘other operating income/(loss), net’. When the fair value of a biological asset cannot be measured reliably, it is measured at cost less accumulated amortization or impairment losses. Later, when it becomes possible to measure the fair value of this biological asset in a reliable way, the Group changes its approach and starts to measure the asset at fair value less estimated costs to sell.

2.13. Intangible assets

The intangible assets are presented in the financial statements at cost of acquisition (cost price) reduced by the accumulated depreciation and impairment losses. They include property rights and licenses for use of software. The company applies a straight-line method of amortization of intangible assets over a useful life of 2—3 years. The carrying amount of intangible assets is reviewed for impairment when there are events or changes in circumstances that indicate that the carrying amount may exceed their recoverable amount. Then the impairment is included as an expense in the statement of comprehensive income.

2.14. Inventories

Inventories are measured at the lower of: Acquisition cost and their net realizable value.

Costs that are carried out to bring a product in its current condition and location are included in the acquisition cost as follows:

• raw materials and finished materials — all delivery costs, including the purchase price, import duties and taxes, transportation costs, non-refundable taxes and other expenses incurred for rendering the materials ready for use;

• finished goods and work in progress — direct costs of materials and labour and the attributable proportion of indirect costs of production based on normal operating capacity of production facilities, with the exception of administrative costs, exchange rate difference and the cost of borrowings.

The inclusion of fixed overheads in the cost of production and preparations is made based on normal capacity.

In the use (sale) of inventories the method of weighted average price (cost) is applied.

Net realizable value is the approximate estimate selling price of an asset in the ordinary course of business, less the estimated costs of completing the asset in a commercial form and the estimated costs of realization.

2.15. Non-current assets held for sale

Immediately before the initial classification of the asset (or disposal group) as held for sale, the carrying amounts of the asset (or all of the assets and liabilities of the group) should be measured in accordance with the applicable IFRSs. In the original classification as held for sale, non-current assets or disposal groups are recognized at the lower of the carrying amount and the fair value less costs to sell.

Impairment losses on initial recognition as held for sale are recognized in the statement of comprehensive income, even for assets measured at fair value, such as gains and losses on subsequent revaluation.

From the date of classifying an asset/group of tangible fixed assets in this group, its (their) depreciation is suspended.

From the date on which the classification of the asset/group of net assets as held for sale are no longer satisfied, the asset classification as an asset held for sale ceases and it is measured at the lower of its carrying amount before classification of the asset as held for sale adjusted for depreciation and/or revaluation that would have been recognized if the asset has not been recognized as held for sale, and its recoverable value.

2.16. Cash and cash equivalents

Cash in the insurance and other businesses includes cash and current accounts, and cash equivalents — short-term deposits with banks whose original maturity is less than 3 months.
Cash at Moldindconbank S.A. is formed for :

- The statement of financial position from ‘Cash and balances with the National Bank’, ‘Current accounts and bank deposits’ and ‘Mandatory reserves’
- The statement of cash flow from ‘Cash and balances with the National Bank’, ‘Current accounts and bank deposits’, ‘Bank securities up to 90 days’ and ‘Other assets/international transfers and cheques/’

For the purposes of the cash flows statement:

- Within each section sub-sections are formed, showing receipts and payments from ‘banking activities’ and from ‘other business sectors’;
- the proceeds from dividends from subsidiaries are included in cash flows from operating activities;
- proceeds from customers and payments to suppliers are presented gross, including VAT (20%);
- VAT paid on purchases of fixed assets is reported as ‘other proceeds (payments)’, net, to cash flows from operating activities, in so far as it participates and is refunded together with the operating cash flows of the Group companies for the respective period (month).

Subsequent measurement
Cash and cash equivalents at banks are reported subsequently at amortized cost less any accumulated impairment for expected credit losses

2.17. Liabilities to suppliers and other liabilities

Liabilities to suppliers and other current liabilities are stated at the cost of the original invoices (price cost), which is considered as the fair value of the transaction that will be paid in the future against the goods and services received.

When liabilities to suppliers are deferred beyond normal credit terms, they are recognized at the present value of the liability discounted based on the interest level of the borrowings of the group companies with analogous maturity and purpose, and the difference between the current value and the total payments is recognized as a financial cost (interest).

2.18. Leasing

The Group as a leaseholder

As regards all new contracts entered into on or after 1 January 2019, the Group assesses whether the contract is or contains a lease. The lease shall be defined as a 'contract or a part of a contract entitling to the use of an asset (the main asset) for period of time in exchange for payment'. In order to apply this definition, the Group assesses whether the contract meets three key assessments, which are whether:

- the contract contains a certain asset that is either explicitly identified in the contract or is implicitly specified, and it is identified at the moment the asset is made available to the Group;
- the Group is entitled to receive in essence all economic benefits from the use of the defined asset throughout the entire period of use, due consideration being given to its rights in the defined scope of the contract;
- the Group has the right to direct the use of the defined asset throughout the entire period of use.

The Group assesses whether it has the right to direct 'how and for what purpose' the asset will be used throughout the entire period of use.

Valuation and recognition of a lease as a leaseholder

On the date of commencement of the lease, the Group recognizes an asset for a right of use and a lease liability in the balance sheet. An asset with right of use is valued at cost, which consists of the initial valuation of the lease liability, all initial direct costs incurred by the Group, valuation of all costs of dismantling and removal of the assets at the end of the lease and any lease payments made before the lease commencement date (excl. any received incentives).

The Group depreciates the assets with right of use on a straight-line basis from the date of commencement of the lease to the earlier of the end of useful life of the asset with right of use or the end of the lease term.

The Group also carries out an impairment review of the asset with right of use when there are such indicators.

As of the commencement date, the Group values the lease liability at present value of the lease payments not made as of this date, discounted, by using the rate of interest included in the lease contract, if such rate can immediately determine the Group's loan differentiated rate of interest.

Lease payments included in the valuation of the lease liability consist of fixed payments, variable payments on the basis of an index or percentage, amounts expected to be payable in accordance with a guarantee for a residual value and payments ensuing from options that are reasonably secure to be exercised.

After the initial date the Group values the lease liability by increasing the carrying amount in order to reflect the lease liability interest, and decreasing the carrying amount in order to reflect the lease payments made, and revaluing the carrying amount of the liability in order to reflect the revaluations or the changes of the lease contract or in order to reflect the adjusted lease payments that are in essence fixed.

The Group is exposed to potential future increases in the variable lease payments on the basis of an index or a rate of interest, which are not included in the lease liability until their entry into force. When the adjustments to the lease payments enter into force, on the basis of an index or rate of interest, the lease liability is revalued and adjusted against the asset with right of use.

When the lease liability is revalued, the respective adjustment is reflected in the asset with right of use or in the profit and loss if the asset with right of use is already reduced to zero.

The Group has chosen to report the short-term lease contracts and lease contracts, the main asset under which has a low value, by using exemptions from the requirements for recognition. Instead of recognition of an asset with right of use and a lease liability, the payments related to them are recognized as a cost in the profit or loss on a straight-line basis over the lease term.

The assets with right of use are included in the statement of financial position in property, plant and equipment, and the lease liabilities are included in trade and other liabilities.

The group as a lessor

The Group accounting policy, under IFRS 16 has not changed since the reference period. As a lessor, the Group classifies its lease contracts as operating or financial lease.

Leases

The lease is classified as financial lease if it transfers in essence all risks and benefits relating to the title to the main assets and is classified as operating lease if it does not do so.

2.19. Pension and other liabilities to personnel under social and labour law

The labour and social security relations with the employees in the individual companies are based on the provisions of the Labour Code and the provisions of effective social security legislation in the Republic of Bulgaria.

Moldindconbank S.A. pays to the State Funds of Moldova pension, health care and unemployment benefits on behalf of its employees. All employees of the bank are members of the state pension plan as the amount of the instalment is 6%.

Short-term income

Short-term income for employees in the form of wages, bonuses and social benefits and benefits (required for settlement within 12 months of the end of the period in which the employees was hired or has fulfilled the necessary conditions) is recognized as an expense in the statement of comprehensive income (in profit or loss for the year), unless an IFRS requires that amount to be capitalized in the rice cost of an asset for the period of employment and/or the requirements for receiving it are met, and as current obligation (after deducting all amounts already paid and applicable deductions) to the extent of their undiscounted amount.

At the date of each financial statements, the Group assesses the expected cost of accumulating compensated annual leaves, which are expected to be paid as a result of the entitlement to annual leave, accrued but not taken.

Bonuses and bonus schemes

Pursuant to the Statute of each company and pursuant to a resolution taken at the General Meeting of Shareholders, the Executive Director is entitled to receive a one-off remuneration (bonus) amounting to 1% of the net profit of the economic group and is empowered to determine the employees among which a bonus as a cash payment of up to 2% of the profit of the economic group for each financial year will be distributed.

When a part is required to be deferred for a period longer than 12 months, that portion is measured at its present value at the date of the financial statements and is referred to non-current liabilities in the statement of financial position, item ‘liabilities to personnel’.

Long-term retirement benefits

Defined contribution plans in the Republic of Bulgaria

The main obligation of the employer is to make compulsory insurance for the hired personnel for Pensions Fund, additional mandatory pension insurance, fund ‘General disease and maternity’, Unemployment Fund, Labour Accident and Occupational Disease Fund and health insurance.

These social security pension plans administered by the economic group as an employer are defined contribution plans. Under these plans, the employer pays monthly contributions to the state pension funds, Fund ‘General disease and maternity’, Unemployment Fund, Labour Accident and Occupational Disease Fund, as well as to universal and professional pension funds — based on statutory rates and has no legal or constructive obligation to make additional contributions to the funds in cases where they do not have sufficient funds to pay to the persons concerned the amounts they have earned for the period of their service. The obligations regarding the health insurance are analogous.

The social security contributions are defined by the Law on State Social Security Budget and the Law on the budget of NHIF for the relevant year. Contributions are shared between the employer and the insured person at a ratio that changes annually and is set in Article 6, paragraph 3 of the Social Security Code. The total amount of the contribution for the Pensions Fund, additional mandatory pension insurance, fund ‘General disease and maternity’, Unemployment Fund and health insurance in 2023 is as follows:

- *for the period 01 January 2023 — 31 December 2023*

32.30% (distributed in ratio employer: insured person 18.52:13.78) for those working under the third category of employment.

In addition, at its own expense, the employer makes a social security contribution to Labour Accident and Occupational Disease Fund, which is differentiated for the various entities from 0.4% to 1.1%, depending on the economic activity of the entity.

The group does not have a private and voluntary private insurance fund.

The contributions due by the economic group to defined contribution plans for social security and health insurance are recognized as a current expense in the statement of comprehensive income (in the profit or loss), unless an IFRS requires that this amount be capitalized in the cost of a given asset, and as a current liability at an undiscounted amount, together with the period of work and the accrual of the respective income of employees to which the social contributions relate.

In the Republic of Moldova

Social security is on account of the employer in the only National Office of Social Insurance and amounts to 6%.

Defined benefits plans

Pursuant to the Labour Code, the economic group is as an employer in Bulgaria is obliged to pay to its personnel upon retirement an indemnity, which depending on the length of service can vary between 2 and 6 gross monthly salaries as at the termination of the employment relationship. According to their characteristics, these schemes are unfunded defined benefit plans.

The calculation of these liabilities necessitates the participation of qualified actuaries in order to determine their present value at the end of the reporting period, at which they are recognised in the statement of financial position, adjusted with the amount of the unrecognised actuarial gains and losses, while the change in value including the recognised actuarial gains and losses are recognised in the statement of comprehensive income. Taking into account the amount and the significance of the liabilities compared to the cost of the actuarial work, the calculations can be made by the economic group itself.

Income at employment termination

According to the provisions of the Labour Code, the employer has the obligation to pay, upon termination of the employment contract, the following compensations:

- failure notice — for the period of the failure notice;
- due to the closure of the entity or part of thereof, staff cuts, reducing the workload and work stoppage for more than 15 days and other — one gross monthly salary;
- upon termination of employment due to illness — the amount of the gross salary of the employee for two months on condition that the employee has at least five years of service and has not received compensation on the same grounds;
- for unused paid annual leave — for the respective years for the period recognized as service period.

After payment of the said benefits, the employer has no other obligations to the employees.
The economic group recognizes obligations to personnel for benefits at resignation before retirement age when a binding commitment is demonstrated on the grounds of publicly announced plan, including for restructuring, to terminate the employment contract with the respective persons without the option to repeal, or upon formal issuance of the documents for voluntary termination. Benefits at resignation payable more than 12 months are discounted and presented in the statement of financial position at their present value.

2.20. Provisions

Provisions are recognized when the group company has a current (constructive or legal) obligation as a result of a past event and it is probable that the payment/settlement of this obligation is related to outlay of resources. Provisions are recognized at the best estimate of the management at the date of the statement of financial position for the expenses needed to settle the present obligation. The estimate is discounted when the liability maturity is long-term. When it is expected part of the resources used to settle the obligation to be reimbursed by a third party, the Group companies recognize a receivable if there is a high degree of certainty to settle the obligation, its value can be reliably measured and income (credit) established in the same item of the statement of comprehensive income where the provision itself is presented.

2.21. Share capital and reserves

Doverie – United Holding AD is established as a joint-stock company. As such, it is obliged to register a certain amount of ***share capital*** with the Commercial Register to serve as collateral for the creditors of the economic Group for their receivables. The shareholders are liable for the obligations of the Group to the amount of the share capital and may claim refund of this participation only in liquidation or bankruptcy proceedings. The Group reports its share capital by the nominal value of the shares registered in court.
Pursuant to the requirements of the Commerce Act, the Group is obliged to set aside a ***Reserve Fund***, and the sources of the fund may include:

- at least one-tenth of the profit to be paid until the fund reaches one-tenth of the share capital or higher part upon decision of the General Assembly;
- funds received over the nominal value of the shares upon issue (premium reserve);
- the amount of the additional payments made by the shareholders against the advantages granted to them for the shares;
- other sources provided by decision of the General Assembly.

Funds from the Fund may only be used to cover annual loss and losses from previous years. When the fund reaches the specified in the Statutes minimum amount, the excess funds can be used to increase the share capital.

Revaluation reserve is formed by the positive difference between the carrying amount of property, plant and equipment and their fair valuesat the dates of revaluation. The effect of deferred taxes on the revaluation reserve is reflected directly on the account of this reserve. The revaluation reserve is transferred to 'retained earnings' when the assets are fully depreciated or leave the patrimony of the Group.

Additional reserves are formed from profit distributions in accordance with the decisions of the General Meeting of Shareholders.

Currency adjustment reserve — negative currency adjustment reserve, formed by recognition of exchange rate differences from currency adjustments of the financial reports for international activities;

2.22. Profit taxes

Current profit taxes are determined in accordance with the requirements of Bulgarian tax legislation — the Corporate Income Tax Act. The nominal tax rate for 2023 is 10% (2022 : 10%) and 12% (2022: 12%) in the Republic of Moldova.

Deferred profit taxes are determined using the liability method on temporary differences at the date of the financial statements, between the carrying amounts and the tax bases of assets and liabilities.

Deferred tax liabilities are recognized for all taxable temporary differences.

Deferred tax assets are recognized for all deductible temporary differences and unused tax losses, to the extent that it is probable they to reverse and to generate in the future sufficient taxable profit or taxable temporary differences, which can be deducted by these deductible temporary differences.

The carrying amount of all deferred tax assets is reviewed at each date of the financial statements and is reduced to the extent that they are likely to reverse and to generate sufficient taxable profit from which they can be deducted.

Deferred taxes related to items that are recognized directly in equity or other balance sheet item shall also be accounted directly to the relevant equity component or balance sheet item.

Deferred tax assets and liabilities are measured at the tax rates that are expected to be applied during the period over which the assets will be realized or the liability will be settled on the basis of the applicable tax laws or the tax laws that are expected to be effective with large degree of certainty.

As at 31 December 2023 deferred profit taxes are measures at a rate of 10% (2022: 10%) in the Republic of Bulgaria and 12% (2022: 12%) in the Republic of Moldova.

2.23. Net earnings per share

Net earnings per share are calculated by dividing the net profit or loss for the period to be distributed among the holders of ordinary shares to the weighted average number of ordinary shares held in the period.

The weighted average number of shares is the number of ordinary shares held at the beginning of the period, adjusted by the number of ordinary shares redeemed, and the newly issued shares during the period multiplied by the medium-term factor. This factor expresses the number of days the specific shares were held in relation to the total number of days during the period.

Earnings per diluted shares are not calculated because there are no issues of dilutive potential ordinary shares.

2.24. Crucial estimates in applying the accounting policies of the Group. Key estimates and assumptions with high uncertainty.

2.24.1. Impairment of investments in shares and interest in subsidiaries and associates

Long-term investments in subsidiaries and associates are measured at cost price, because there are no reliable sources available to determine their fair values.

At each date of the statement of financial position, the management assesses whether there are indicators for impairment of its investments.

The company's management has adopted as indicators for impairment of investments in subsidiaries and associates:

- a decision to declare a winding-up procedure of the relevant company whose net assets are not sufficient to cover their liabilities. The amount of the impairment in this case is up to 100% of the carrying amount of the investments after deduction of the amount for which there is unconditional evidence of recovery;
- prices of the Bulgarian Stock Exchange for sale of shares;
- an excess of the carrying amount of the investment over the share in the net assets of the subsidiary or associate. Where the company applies 'cost of acquisition' method for the subsequent reporting of tangible fixed assets, net assets are restated taking into account the revaluation effect of tangible fixed assets at fair value that is determined by an authorized valuer. (Notes 2.7 and 2.8)
- revenue method of discounted cash flows.

2.24.2. Impairment of financial assets

Recognition and measurement of expected credit losses on debt instruments, measured at amortized cost

Approach for impairment of expected credit losses of trade receivables

The Group uses a provisioning matrix for the calculation of ECL for the commercial receivables. Provisioning percentages are based on the past due days.

The provisioning matrix is initially based on the default rates observed by the Group historically. The Group refines the matrix to correct historical experience with credit losses by including forecast information. For example, if forecasts of economic conditions (for example, gross domestic product) are expected to deteriorate in the coming year, which may lead to a higher number of arrears in the manufacturing sector, historical rates of arrears are corrected. Historical rates of arrears are updated at each reporting date and changes in estimates are analysed.

Approach for impairment of granted loans, trade receivables and receivables from related parties with a financing element

The Group applies an individual approach for impairment of receivables with an element of financing and granted credits. The impairment model is based on the cash flows agreed in the financial instrument conditions, as well as the assumptions and estimates of expected cash flows and the realization of the financial asset adopted by the management in the preparation of the financial statements.

Expected credit losses are a probability-weighted estimate of credit losses (i.e. the present value of each shortage of money) over the expected term of the financial instrument. Monetary deficiency is the difference between the cash flows payable to the Group in accordance with the contract and the cash flows that the Group expects to receive. Since the expected credit losses account for the amount and timing of payments, an expected credit loss is recognized even if the Group expects the asset to be fully paid, but later than the due date.

The assessment of the correlation between historical past due rates, forecasts for economic conditions and ECL is a significant estimate. The amount of ECL is sensitive to changes in circumstances and the predicted economic conditions. The Group's historical experience with credit losses and the economic forecasts may also be unrepresentative of actual defaults by the client in the future.

Approach for impairment of cash

Cash and cash equivalents are the most highly liquid financial instruments. They do not carry a settlement risk, and the liquidity risk is limited to the technical possibility of a given non-disposal with them. Cash deposited in banks, however, are carriers of counterparty credit risk (default risk). Counterparty risk is the probability of a counterparty to a financial transaction not meeting its contractual obligations. The Group applies the standardized approach for calculation of the expected credit losses of cash in banks using the credit ratings of the financial institutions in which the Group has deposited its cash resources to determine the loss given default in the model parameters.

2.24.3. Revalued property, plant and equipment

Independent licensed appraisers revalue the Group property, plant and equipment to their fair value every 3 years. Such revaluations are performed every three years and the latest is done at 31 December 2022.

In these revaluations, the following approaches and valuation methods are applied to measure the fair value of the individual types of tangible fixed assets:

- Market approach — estimates an indicative value by comparing the asset under assessment with identical or similar assets for which price information is available.
- Revenue approach — estimates an indicative value by bringing future cash flows to a single current capital value i.e. considers the revenue that the asset will generate over its useful life and calculates the indicative value by capitalization.
- Cost approach — estimates an indicative value using the economic principle that a buyer would not pay for an asset more than the costs of acquisition, by purchase or construction, of an asset of equivalent value.

One or more evaluation techniques (methods) are used within each of the approaches and the possible combinations between them:

- Market comparison approach is a method analysing the value of the rights over the assets comparing prices in an active market in current transactions with an identical rights over assets with similar characteristics.
- Method of discounted cash flows estimates the value on the basis of a sequence of future cash flows converted to a present value by applying the appropriate discount rate.
- Depreciated replacement cost method analyses the value of the rights over the asset based on the costs for its creation or replacement with a similar one at the moment of the valuation reduced by the value of the physical, moral and economic depreciation.

Fair value measurements are based on observable and unobservable data, adjusted for special factors such as area, location and current use. The input data, observed directly or indirectly, used in the measurement is subject to adjustments. For this reason, the assumptions used are categorized as level 3.

In these revaluations, the following approaches and valuation methods are applied to measure the fair value of the individual types of tangible fixed assets:

Residual method to determine the value of right of ownership:

Consistency in the application of the residual valuation method:

- Determining the construction cost for the realization of an investment and construction project on a building land at optimal spatial parameters /model/;

- Assessment of revenue after realization in service of a new building;

- Residual land value as the difference in the values of the revenue method with property rights and a method based on net asset value (only for construction)

- Adjustment of residual land value.

- Adjustment of the property acquisition costs

- Adjustment for the investment project realization period

- Annual interest rate

- Target profit margin

Market value of the property right of the building land as a residual value of the land after development of the property.

Cost method (real value) for real estate valuation:

This valuation method is based on the theoretical considerations of the dependence of the value of buildings, construction equipment and improvements on the cost for their creation. The essence of the method consists in determining the cost for the creation of the respective site taking into account the stage of completion and all value creating factors at the time of evaluation and appropriate market conditions.

At the same time the method requires an evaluation of the property rights of land ownership (or of any undivided shares).

The final value obtained in the application of the valuation method based on the cost of creation, is the result of the evaluation of property rights, buildings with respective infrastructure and facilities, and rights in rem.

Determining the value of outstanding construction works and improvements.

The method consists of the following:

The costs for the acquisition of the building land (right to build) + the costs for the construction of the buildings and the facilities on the land determine the value of the immovable property.

Diagram of the method:

Value of land (together with the acquisition costs and)

\+ *Gross construction costs of a similar building*

\- *Any deductions for:*

Physical wear and tear (determined by a quadratic formula)

Moral wear and tear, obsolescence

Technical defects

= ***Value of property***

The value of the terrain is determined in accordance with the level of the market prices in the region of the property and according to the location and the specifics of the building land as per the **comparison approach (market analogy method).**

Determination of the unit price (cost) of the construction completion is done on the basis of suitable analogues reflecting actual production costs for construction of similar sites. Technical and moral wear is taken into account as well as the costs for repairing various failures and defects.

Physical depreciation is defined as a quadratic dependence on age:

$$A(B\%)=\frac{1}{2}\left(\frac{T}{TH}+\frac{T2}{TH2}\right) \times (100\ \%),$$

where:

A(B%) — physical wear and tear;

T — the age of the building (or the effective age of the building depending on the condition, apparent age of the building)

TH — Regulatory life of the building

Revenue method

The method defines the property as the investment made by the owner in order to generate future income. We will transform the market value of the property in its expected equivalent uniform annual revenues (rents), resulting from the relationship between the annual income from the property and its value as per the formula:

CV = NI x YP, where

CV — capital cost NI — net

rent (annual)

YP — years purchase (annuity factor)

The market value of the property (CV), needed to determine the amount of the rent, is determined on the basis of the costs for the acquisition of a plot of land, similar to the evaluated one.

The value of the land is determined in accordance with the level of the market prices in the country and according to the location and the specifics of the plot of land, the completed infrastructure for the region.

Annuity factor — rent for eternity or Years — Purchase;

$$YP\ ny@i\% = \frac{1-\frac{1}{(1+n)^n}}{i} \quad \text{or} \quad \frac{(1+n)^n - 1}{i(1+i)^n} = \frac{1 - PV\ 1}{i};$$

Years — purchase or annuity factor is the present value of discounted annuities for a period @ i%. Years — purchase represents the amount of the discounted factor. All values are smaller than n and do not exceed 1;

Market analogy method.

Sales comparison method is used to determine the fair market value of the land based on offers and concluded deals on the real estate market.

Using this method, the market value of a property is determined by direct comparison with similar properties, sold or offered in the market in the region within a period close to the valuation date. All elements for comparison between the similar properties and the evaluated property are considered and analysed and sale price adjustments are made to reflect the BGN or percentage figure of the notable differences.

The collected data is analysed, summarised and the value of the appraised property is estimated based on the adjusted prices of the similar properties.

The main sources of information used in the calculations and judgements for determining the fair values are: internal data and opinion of the management of the economic Group on the functional status of assets, intention to sell specific assets, repairs done, prospects for use of assets, published prices of deals on real estate markets, offers of manufacturers, sales persons and importers of new and second hand specialised plants and equipment.

2.24.4. Impairment of property, plant and equipment

At each date of the financial statements the management of the respective company organizes a review for impairment of buildings, plant, equipment and vehicles. Incurred impairment losses are recognized in the statement of comprehensive income for the respective closed period.

2.24.5. Fair value measurement of financial instruments

The Group determines the fair value of the financial instruments on the basis of available market information or, if not available, through appropriate valuation models. The fair value of financial instruments that are actively traded on organized financial markets is determined on the basis of quoted bid prices at the end of the last business day of the reporting period.

When the fair value of financial assets and the financial liabilities reported in the statement of financial position can not be determined on the basis of quoted prices in active markets, the management uses techniques to measure the fair value of financial instruments. In applying valuation techniques, the management uses as much as possible market data and assumptions that market participants would adopt in assessing a financial instrument. When no applicable market data is available, the management uses its best estimate of the assumptions that market participants would make. These estimates may differ from the actual prices that would be determined in a fair market transaction between informed and willing parties at the end of the reporting period.

Accounting estimates relating to insurance

Estimates of reported and not reported claims and the determination of the insurance reserves are reviewed and updated constantly, and all adjustments are reflected in the profit and loss. The process is based on the basic assumption that past experience, adjusted for the effects of current conditions and trends, is an appropriate basis for predicting the effects of future events. There is no reported data by operating segments (IFRS 8 Operating Segments) as the predominant source of risks and return is the general insurance and there is no separate external component to be used for evaluation on an individual basis.

2.24.6. Assets with right of use and liabilities under lease contracts

Management makes estimates based on its judgements regarding the identification of lease elements in contracts, probable lease terms, extension and termination options, determination of the differential interest rate, and other in recognition of 'right-of-use assets' and liabilities under leases. These estimates affect the reporting revenue, expenses, assets and liabilities under leases and related disclosures.

As a result of the uncertainty about these assumptions and estimates, changes may occur in the carrying amount of the right-of-use assets, lease liabilities and reported expenses and revenue as a result of changes in revaluations or amendments in leases.

3. INTEREST REVENUE FROM BANKING OPERATIONS

	2023	*2022*
	BGN '000	*BGN '000*
Interest revenue		
Cash and cash equivalents	39,162	53,184
Loans and advances to banks	128,744	106,219
Investment securities at amortized cost	61,200	43,498
Investment securities at fair value through other comprehensive income (FVOCI)	133	126
Total	**229,239**	**203,027**

4. INTEREST EXPENSES FROM BANKING OPERATIONS

	2023	*2022*
Interest expenses	*BGN '000*	*BGN '000*
Deposits with banks	(2,455)	(2,317)
Customer deposits	(77,053)	(42,894)
Other interest expenses	(1,729)	(2,129)
Total interest expenses	**(81,237)**	**(47,340)**

5. FEE AND COMMISSION REVENUE FROM BANKING OPERATIONS

	2023	*2022*
	BGN '000	*BGN '000*
Commission revenue		
Debit card transactions	55,228	44,805
Commissions on guarantees	1,150	938
Customer account management	8,694	8,976
Commissions for cash transactions	14,878	15,250
Other commissions	10,445	10,580
Total	**90,395**	**80,549**

6. EXPENSES FOR FEES AND COMMISSIONS FROM BANKING OPERATIONS

	2023 *BGN ‘000*	*2022* *BGN ‘000*
Commission expenses		
Commissions for debit card services	(30,215)	(24,264)
Payment transactions with correspondent banks	(11,864)	(8,091)
Other commissions	(1,451)	(1,738)
Total	**(43,530)**	**(34,093)**

7. OTHER NET OPERATING REVENUE

	2023 *BGN ‘000*	*2022* *BGN ‘000*
Dividend revenue on available for sale shares	53	37
Revenues from collection services	1,955	4,123
Income from card operations	620	598
Other revenue	270	210
Charges, fines and other sanctions	1,276	989
Total	**4,174**	**5,957**

8. CURRENCY EXCHANGE DIFFERENCES

	2023 *BGN ‘000*	*2022* *BGN ‘000*
Revenue from foreign currency transactions, net	28,898	24,906
Foreign exchange gains	(2,105)	(1,545)
Revenue from trade in government securities	-	11
Revenue from financial operations, net	**26,793**	**23,372**

9. CHARGED IMPAIRMENT / REVERSAL OF IMPAIRMENT FROM BANKING OPERATIONS

	2023	*2022*
	BGN '000	*BGN '000*
Loans: Additional impairment	(11,752)	(36, 006)
Loans: recovered	5,268	1,518
Other financial assets: Additional impairment	(1,802)	(3,511)
Other financial assets: recovered	176	1,283
Impairment/loss recovery	**(8,110)**	**(36,716)**

10. REVENUE / EXPENSES UNDER INSURANCE OPERATIONS

INSURANCE REVENUES	*2023*	*2022*
Expected premiums	25,137	20,335
Total:	**25,137**	**20,335**

EXPENSES UNDER INSURANCE SERVICES	*2023*	*2022*
	BGN '000	*BGN '000*
Depreciation of acquisition costs	(2,564)	(1,965)
Administrative expenses	(134)	(112)
Claims settlement costs	(335)	(261)
Change in risk adjustment	(22)	(16)
Claims paid	(18,062)	(12,358)
Change in liability for incurred claims	(887)	(314)
Total:	**(22,004)**	**(15,026)**

11. REVENUE FROM OTHER BUSINESS SECTORS

11.1. Revenue from contracts with customers

For the period from 01 January to 31 December 2023

Segments	**Construction**	**Production of wine**	**Trade in 'do it yourself' goods**	**Medical services**	**Detergents and household chemicals**	**Total**
	thousand BGN	*thousand BGN*	*thousand BGN*	*thousand BGN*	*thousand BGN*	*thousand BGN*
1. Types of services or goods						
- Grapes and wine		4,345				4,345
- Detergents and household chemicals					1,215	1,215
- Retail trade			174,162			174,162
- Construction services	3,912					3,912
- Health services				29,044		29,044
- Other	136		958			1,094
Total revenue from contracts with customers	**4,048**	**4,345**	**175,120**	**29,044**	**1,215**	**213,772**
2. Geographic markets						
- Domestic market	4,048	4,144	174,649	29,044	1,215	213,100
- Foreign markets		201	471			672
Total revenue from contracts with customers	**4,048**	**4,345**	**175,120**	**29,044**	**1,215**	**213,772**
3. Time to recognize revenue						
Goods transferred at some point in time		4,345	175,120		1,215	180,680
Services transferred over time	4,048			29,044		33,092
Total revenue from contracts with customers	**4,048**	**4,345**	**175,120**	**29,044**	**1,215**	**213,772**
4. Contract duration						
Short-term contracts	4,048	4,345	175,120	29,044	1,215	213,772

Total revenue from contracts with customers	**4,048**	**4,345**	**175,120**	**29,044**	**1,215**	**213,772**
5. Type of contract						
Fixed price contracts	4,048	4,345	175,120	29,044	1,215	213,772
Contracts at an agreed rate per unit time						
Total revenue from contracts with customers	**4,048**	**4,345**	**175,120**	**29,044**	**1,215**	**213,772**

For the period from 01 January to 31 December 2022

Segments	**Construction** *thousand BGN*	**Production of wine** *thousand BGN*	**Trade in 'do it yourself' goods** *thousand BGN*	**Medical services** *thousand BGN*	**Detergents and household chemicals** *thousand BGN*	**Total** *thousand BGN*
1. Types of services or goods						
- Grapes and wine		3,926				3,926
- Detergents and household chemicals					985	985
- Retail trade			150,003			150,003
- Construction services	4,678					4,678
- Health services				25,643		25,643
- Other	159		749			908
Total revenue from contracts with customers	**4,837**	**3,926**	**150,752**	**25,643**	**985**	**186,143**
2. Geographic markets						
- Domestic market	4,837	3,675	149,880	25,643	985	185,020
- Foreign markets		251	872			1,123
Total revenue from contracts with customers	**4,837**	**3,926**	**150,752**	**25,643**	**985**	**186,143**

3. Time to recognize revenue						
Goods transferred at some point in time		3,926	150,752		985	155,663
Services transferred over time	4,837			25,643		30,480
Total revenue from contracts with customers	**4,837**	**3,926**	**150,752**	**25,643**	**985**	**186,143**
4. Contract duration						
Short-term contracts	4,837	**3,926**	150,752	25,643	985	186,143
Total revenue from contracts with customers	**4,837**	**3,926**	**150,752**	**25,643**	**985**	**186,143**
5. Type of contract						
Fixed price contracts	4,837	3,926	150,752	25,643	985	186,143
Total revenue from contracts with customers	**4,837**	**3,926**	**150,752**	**25,643**	**985**	**186,143**

The balances on contracts with customers are as follows:

	2023	*2022*
	BGN ‘000	***BGN ‘000***
	3,115	2,522
Receivables contracts net of impairment (Note No 33)	**3,115**	**2,522**

11.2. Other revenue

For the period from 01 January to 31 December 2023

	Leasing of immovable and movable assets
	thousand BGN
- Leasing of immovable property	327
Total other revenue	**327**
2. Geographic markets	
- Domestic market	327
- Foreign markets	
Total other revenue	**327**
4. Contract duration	
Long-term contracts	327
Total revenue from contracts with customers	**327**

For the period from 01 January to 31 December 2022

Segments	**Leasing of immovable and movable assets**
	thousand BGN
- Leasing of immovable property	322
Total other revenue	**322**
2. Geographic markets	
- Domestic market	322
- Foreign markets	
Total other revenue	**322**
4. Contract duration	
Long-term contracts	322
Total revenue from contracts with customers	**322**

12. EXPENSES FROM OTHER BUSINESS SECTORS

	2023	*2022*
	BGN '000	***BGN '000***
Costs of materials*	(13,604)	(11,536)
Carrying amount of disposed assets	(116,323)	(99,649)
Changes in stocks of finished goods and work in progress	864	(1,784)
Rejects and lack of fixed tangible assets, inventories and goods	(2,148)	(2,042)
Construction works	(3,491)	(2,578)
Total	**(134,702)**	**(117,589)**

	2023	*2022*
	BGN '000	***BGN '000***
Basic materials**	(8,692)	(6,717)
Electric Power	(1,525)	(1,812)
Fuels and lubricants	(555)	(568)
Materials for maintenance and repair	(425)	(288)
Direct materials included in the cost of services	(486)	(565)
Advertising materials	(132)	(89)
Spare parts and technical materials	(260)	(218)
Heat energy (natural gas)	(77)	(61)
Water	(56)	(49)
Other	(1,081)	(921)
Consumables, stationery	(315)	(248)
Total	**(13,604)**	**(11,536)**

***Costs of main materials by sectors* include:**	*2023*	*2022*
	BGN '000	***BGN '000***
Construction and production of building materials	(346)	(194)
Medical consumables and products	(6,699)	(5,401)
Production of wine	(1,243)	(672)
Detergents and household chemistry	(404)	(402)
Other	-	(48)
Total:	**(8,692)**	**(6,717)**

13. OPERATING AND ADMINISTRATIVE EXPENSES

	2023 *BGN ‘000*	*2022* *BGN ‘000*
Employee expenses	(113,596)	(94,545)
Total and administrative expenses**	(52,917)	(45,547)
Total:	**(166,513)**	**(140,092)**

Employee expenses

	2023 *BGN ‘000*	*2022* *BGN ‘000*
Remunerations under employment contract	(74,824)	(60,232)
Remuneration of the Management Board / Board of Directors	(4,608)	(4,774)
Remunerations of the Supervisory Board	(1,240)	(1,275)
Audit Committee	(111)	(114)
Accruals for unused paid leave	(14,980)	(13,878)
Social securities	(15,510)	(12,664)
Social benefits	(2,144)	(1,458)
Retirement benefits	(51)	(10)
Provisions for benefits at retirement	(128)	(140)
Total:	**(113,596)**	**(94,545)**

Total and administrative expenses**	*2023* *BGN ‘000*	*2022* *BGN ‘000*
Rent and overheads	(5,315)	(4,631)
Advertisement and marketing	(7,115)	(5,524)
Civil law contracts	(5,508)	(4,977)
Contributions for the Deposit Guarantee Fund	(4,200)	(4,799)
Remuneration in the form of percentage of revenue	(1,746)	(1,499)
Telephones and similar	(312)	(276)
Legal services and notary fees	(224)	(194)
Consulting services and training	(2,040)	(247)
Subscriptions	(569)	(595)
Maintenance and repair	(7,772)	(5,599)
Depreciation of goods with low cost and short life components	(1,608)	(706)
Insurances	(256)	(224)
Postal and courier services	(2,034)	(1,711)

Audit	(553)	(918)
Commissions	(128)	(128)
Security	(870)	(680)
Taxes, fees, licenses and permits	(2,184)	(1,913)
Waste cleaning and disposal	(636)	(491)
Organization and dispatching of supplies	(1,432)	(1,238)
Business trips	(353)	(220)
Representation expenses	(731)	(782)
Amounts awarded by a judicial decision	(5)	(19)
Donations	(270)	(30)
Written-off receivables	(128)	(185)
Provisions	(1,336)	(2,728)
Other	(5,592)	(5,233)
Total:	**(52,917)**	**(45,547)**

14. OTHER FINANCIAL REVENUE/EXPENSES, NET

	2023	*2022*
	BGN '000	***BGN '000***
Interest, net	(4,046)	(4,038)
Dividends	1,290	
Net profit/(loss) from financial assets carried at fair value in profit or loss	775	(165)
Currency exchange differences, net	(827)	(95)
Other financial revenue/expenses	(582)	(579)
Total:	**(3,390)**	**(4,877)**

15. DEPRECIATION AND IMPAIRMENT

	2023	*2022*
	BGN '000	***BGN '000***
Depreciation	(20,905)	(18,180)
Impairment*	(940)	3,248
Total:	**(21,845)**	**(14,932)**

Impairment*

	2023	2022
	BGN '000	BGN '000
Recovered/accrued impairment of goods, products and work in progress, net	(308)	(334)
Recovered / charged impairment provision for credit losses under granted commercial loans, net	14	9
Net change in the corrective for impairment for credit loss of commercial, court and other receivables	(21)	(64)
Charged / (recovered) impairment of non-current assets (net)		(30)
Net change in investment impairment	44	4
Impairment of other non-credit assets	(669)	3,663
Total:	**(940)**	**3,248**

16. OTHER OPERATING INCOME/(LOSS)

	2023	*2022*
	BGN '000	*BGN '000*
Revenue from sale of tangible fixed assets	*778*	*1,765*
Carrying amount of disposed tangible fixed assets	*(311)*	*(1,373)*
Profit from sale of tangible fixed assets	**467**	**392**
Proceeds from sale of non-current assets held for sale	*4,376*	*36*
Carrying amount of sold non-current assets held for sale	*(3,692)*	*(40)*
Profit from sale of materials	**684**	**(4)**
Revenue from leases	484	459
Surplus assets	535	506
Revenue from advertising services	63	85
Written-off liabilities	96	31
Gains on de-recognition of non-financial assets	(1,990)	(4,282)
Revenue from financing	116	285
Charged / (recovered) impairment of non-current assets (net)		212
Other	176	296
Total:	**631**	**(2,020)**

17. PROFIT/LOSS FROM THE ACQUISITION/ DISPOSAL OF SUBSIDIARIES

For the period from 01 January to 31 December 2023 disposals are made of:

- **Homogen AD by merger into Industrial Holding Doverie AD in the amount of BGN 4 thousand.**

For the period from 01 January to 31 December 2022 no disposal have been performed.

18. UNCONTROLLED PARTICIPATIONS — PROFIT/LOSS

Company	% participation	***2023*** ***BGN '000***	% participation	***2022*** ***BGN '000***
United Health Insurance Fund Doverie ZAD	1,85	39	1,85	44
Doverie Brico AD	28,07	2,116	28,07	2,163
Maritsatex AD	8,03	(13)	8,03	(15)
Bilyana Triko AD	1,12		1,12	2
Dunav AD	18,18	(33)	18,18	29
Hydroisomat AD	6,66	11	6,66	12
Moldindconbank S.A.	21,79	20,139	21,79	19,517
Total		**22,259**		**21,752**

19. NET EARNINGS PER SHARE

	2023 ***BGN '000***	***2022*** ***BGN '000***
Weighted average number of shares	21,499,855	21,499,855
Net profit/loss for the year (BGN'000)	69,927	71,802
Net earnings per share (BGN)	**3,2524**	**3,3396**

20. PROPERTY, PLANT AND EQUIPMENT

	Land		Buildings		Plants and equipment		Transport vehicles		Inventories		In progress		Others, including biological assets		Total
	31 December 2023	31 December 2022	31 December 2023	31 December 2022	31 December 2023	31 December 2022	31 December 2023	31 December 2022	31 December 2023	31 December 2022	31 December 2023	31 December 2022	31 December 2023	31 December 2022	31 December 2023
	BGN '000	*BGN '000*	*BGN '000*	*BGN '000*	*BGN '000*	*BGN '000*	*BGN '000*	*BGN '000*	*BGN '000*	*BGN '000*	*BGN '000*	*BGN '000*	*BGN '000*	*BGN '000*	*BGN '000*
Book value															
Balance as at 1 January	**30,169**	**32,252**	**60,414**	**56,748**	**53,426**	**47,665**	**2,825**	**2,454**	**14,250**	**12,189**	**3,733**	**2,429**	**4,720**	**3,745**	**169,537**
Difference resulting from revaluation	-	-	415	(111)	551	(41)	75	(10)	51	(4)	148	(26)	-	-	**1,240**
Balance as at 01 January (recalculated)	**30,169**	**32,252**	**60,829**	**56,637**	**53,977**	**47,624**	**2,900**	**2,444**	**14,301**	**12,185**	**3,881**	**2,403**	**4,720**	**3,745**	**170,777**
Acquired	17	83	153	462	4,324	1,703	519	246	1,854	1,565	7,773	11,903	1,431	975	**16,071**
Effect from revaluation to fair value	87	1,648	-	4,125	-	794	-	12	-	-	-	-	-	-	**87**
Impairment		-	-	(19)	-	(44)	-	-	-	-	-	-	-	-	**-**
Written-off	(209)	(218)	(5)	(1,054)	(9,073)	(3,717)	(587)	(511)	(1,025)	(581)	(61)	(747)	(8)	(38)	**(10,968)**
Transfer to property, plant and equipment	-	-	1,072	263	5,473	7,066	1,361	634	1,324	1,081	(10,361)	(9,826)	71	38	**(1,060)**
Transfer of assets with right of use	-	-	-	-	-	-	172	-	107	-	-	-	-	-	**279**
Reclassification as assets, held for sale	-	(3,596)	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Balance as at 31 December 2023	**30,064**	**30,169**	**62,049**	**60,414**	**54,701**	**53,426**	**4,365**	**2,825**	**16,561**	**14,250**	**1,232**	**3,733**	**6,214**	**4,720**	**175,186**
Accumulated depreciation															
Balance as at 1 January	**-**	**-**	**20,196**	**16,549**	**30,096**	**27,532**	**193**	**443**	**9,899**	**9,667**	**-**	**-**	**1,559**	**1,346**	**61,943**
Accrued depreciation for the year	-	-	1,751	1,607	6,773	5,805	720	500	1,239	796	-	-	373	243	**10,856**
Effect from revaluation to fair value	-	-	-	2,104	-	-	-	34	-	-	-	-	-	-	**-**
Written-off depreciation	-	-	-	(62)	(8,934)	(2,535)	(487)	(784)	(925)	(564)	-	-	(15)	(30)	**(10,361)**
Impairment	-	-	(336)	(2)	-	(706)	(63)	-	-	-	-	-	-	-	**(399)**
Transfer of assets with right of use	-	-	-	-	-	-	79	-	-	-	-	-	-	-	**79**
Balance as at 31 December 2023	**-**	**-**	**21,611**	**20,196**	**27,935**	**30,096**	**442**	**193**	**10,213**	**9,899**	**-**	**-**	**1,917**	**1,559**	**62,118**
Carrying amount as at 1 January	**30,169**	**32,252**	**40,633**	**40,199**	**23,881**	**20,133**	**2,707**	**2,011**	**4,402**	**2,522**	**3,881**	**2,429**	**3,161**	**2,399**	**108,834**
Balance as at 31 December 2023	**30,064**	**30,169**	**40,438**	**40,218**	**26,766**	**23,330**	**3,923**	**2,632**	**6,348**	**4,351**	**1,232**	**3,733**	**4,297**	**3,161**	**113,068**

All encumbrances on property, plant and equipment are disclosed in details in item 40. ‘LIABILITIES OF TRADE COMPANIES TO FINANCIAL INSTITUTIONS’

Additional disclosures related to non-current tangible assets

All amortization costs are included in the profit or loss within ‘Costs for depreciation’.

At the date of the report an impairment review was carried out in compliance with the requirements of IAS 36 ‘Impairment of Assets’ of all property, plant and equipment of the Group (Note 2.10).

According to the Group’s long-term asset evaluation policy, the said evaluation is carried out by a licensed valuator every 3 years as the last evaluation was made as at 31 December 2022. In relation to the requirements of IAS 36, as at 31 December 2023 an inspection was made of properties, machinery, facilities and equipment in order to establish whether or not events and/or circumstances indicating possible potential impairment losses have taken place. As a result of the inspection, the management found that their carrying amount as at 31 December 2023 did not differ considerably from their recoverable value and impairment losses are not therefore recognised in the consolidated financial statement for the period.

21. *ASSETS WITH RIGHT OF USE*

	Buildings		***Plant and equipment***		***Transport vehicles***		***Inventories***		***Total***	
	31 December 2023 BGN '000	*31 December 2022 BGN '000*	*31 December 2023 BGN '000*	*31 December 2022 BGN '000*	*31 December 2023 BGN '000*	*31 December 2022 BGN '000*	*31 December 2023 BGN '000*	*31 December 2022 BGN '000*	*31 December 2023 BGN '000*	*31 December 2022 BGN '000*
Book value										
Balance as at 01 January 2023	**55,927**	**47,851**	**50**	**112**	**1,568**	**1,838**	**107**	**107**	**57,652**	49,908
Effect from IFRS 16 on 01 January	270	132	-	-	(70)	-	-	-	**200**	132
Currency adjustments reserve	570	(97)	-	-	-	-	-	-	570	(97)
Restated balance as at 01 January 2023	**56,767**	**47,886**	**50**	**112**	**1,498**	**1,838**	**107**	**107**	**58,422**	**49,943**
Acquired	8,845	9,110		-	453	215	-	-	9,298	9,325
Written-off	(1,657)	(1,727)	(8)	(62)	(301)	(485)			(1,966)	(2,274)
Transfer	993	658	-	-	(172)	-	**(107)**	-	714	658
Balance as at 31 December 2023	**64,948**	**55,927**	**42**	**50**	**1,478**	**1,568**	**-**	**107**	**66,468**	**57,652**
Accumulated depreciation										
Balance at the beginning of the reporting period	***22,088***	***15,590***	***31***	***69***	912	880	***66***	***50***	**23,097**	16,589
Effect from IFRS 16 on 01 January	-	-	-	-	(40)	-		-	**(40)**	-
Currency adjustments reserve	-	***62***	-	-	-	-	-	-	-	62
Restated balance as at 01 January 2023	***22,088***	***15,652***	***31***	***69***	***872***	***880***	***66***	***50***	***23,057***	***16,651***
Accrued depreciation for the year	8,030	7,502	17	24	253	281	15	16	8,315	7,823
Currency adjustments reserve	-	(75)	-	-	-	-	-	-	-	(75)

Written-off depreciation	(1,656)	(991)	(6)	(62)	(284)	(249)	-	-	(1,946)	(1,302)
Transfer	-	-	-	-	(92)	-	(81)	-	**(173)**	-
Balance at the end of the reporting period	**28,462**	**22,088**	**42**	**31**	**749**	**912**	**-**	**66**	**29,253**	**23,097**
Carrying amount on 01 January 2023.	**34,679**	**32,234**	**19**	**43**	**626**	**958**	**41**	**57**	**35,365**	**33,292**
Carrying amount as at 31 December 2023	**36,486**	**33,839**	**-**	**19**	**729**	**656**	**-**	**41**	**37,215**	**34,555**

Amounts recognised in the profit or loss statement as at 31 December 2023:

– depreciation in the amount of BGN 8,315 thousand

– interests on lease contracts in the amount of BGN 1,986 thousand

The total lease contracts cash-flow in the year — BGN 7,759 thousand.

22. INVESTMENT PROPERTIES

	31 December 2023 BGN '000	*31 December 2022 BGN '000*
Balance as at 1 January	**13,575**	**13,773**
Written-off	(216)	(410)
Evaluation to fair value	3	212
Balance as at 31 December	**13,362**	**13,575**

	Land	*Office space*	*Production facilities*	*Social facilities*	*Total*
Balance as at 01 January 2022	**8,709**	**3,153**	**1,788**	**123**	**13,773**
Written-off	-	(330)	(78)	(2)	(410)
Written-off on sale of subsidiaries	-	-	-	-	-
Revaluation to fair value through profit or loss — not realised	45	99	68	-	212
Balance as at 31 December 2022	**8,754**	**2,922**	**1,778**	**121**	**13,575**
Written-off	(81)	(106)	(29)	-	(216)
Written-off on sale of subsidiaries	-	-	-	-	-
Revaluation to fair value through profit or loss — not realised	3	-	-	-	3
Balance as at 31 December 2023	**8,676**	**2,816**	**1,749**	**121**	**13,362**

- During the period properties were sold in a residential building in Plovdiv representing parking spaces, as well as a detached object in a building of 303 sq.m and a building of 619 sq.m in Vratsa for a total value of BGN 216 thousand. (31 December 2022: BGN 20 thousand).

The investment properties presented in the report are:

- Surveyed plot of land in Dobrich, amounting to BGN 520 thousand, owned by Doverie Capital AD. (for 31 December 2022 BGN 517 thousand.).

- 'Business Centre' investment property, located in the city of Ruse, 10 Captain Evstati Vinarov St., consisting of a land plot with identifier 634.2.492 with an area of 1,181 sq.m. together with the constructed in it 3 separate objects representing a building on 4 floors with identifier 634.2.492.1 with a built-up area of 643 sq.m. and having a total floorage of 3,170 sq.m. with 22 administrative premises per floor, a separate site — 'restaurant' having a total floorage of 240 sq.m. and a separate site — 'sports hall' located in the basement with a floor area of 294.50 sq.m. According to the reference provided, identifiable sites of the property are leased to 60 tenants. The value of the property is BGN 2,176 thousand.

- Land/zoned property (ZP) with a total area of 59,267 sq.m., amounting to BGN 6,378 thousand, located in Plovdiv, 144, Vasil Levski St.
- Buildings with total area of 6,431 sq.m., amounting to BGN 678 thousand, located in Plovdiv, 144, Vasil Levski St.
- On 14 February 2013 a Framework Agreement was signed between Bilyana Triko AD on the one side, Norman Hunter, Bilyana Knitwear EOOD, represented by Hristina Stamova and Bilyana Trading AD, represented by Hristina Stamova on the other hand as follows:

Bilyana Knitwear EOOD rents a plot of land with identifier 56126.600.282 together with the buildings with identifiers 56126.600.282.1 and 56126.600.282.2; in the reporting period the plot of land and the buildings are classified as investment property to the amount of BGN 3,610 thousand.

Determining the fair value of investment property	level1	level2	level3	total
As at 31 December 2023				
Investment properties		13,362		13,362
as at 31 December 2022.	level1	level2	level3	total
Investment properties		13,575		13,575

23. BUSINESS COMBINATIONS AND REPUTATION

Company	***31 December 2023 BGN '000***	***31 December 2022 BGN '000***
Doverie Care EAD (Veko EOOD)	5,140	5,140
	5,140	**5,140**

The goodwill incurred in 2017 is a result of the acquisition of Doverie Care EAD (Veko EOOD).

24. OTHER INTANGIBLE ASSETS

	Software		***Patents and licenses***		***Main deposits***		***Intangible fixed assets under acquisition***		***Total***	
	31 December 2023 BGN '000	***31 December 2022 BGN '000***	***31 December 2023 BGN '000***	***31 December 2022 BGN '000***	***31 December 2023 BGN '000***	***31 December 2022 BGN '000***	***31 December 2023 BGN '000***	***31 December 2022 BGN '000***	***31 December 2023 BGN '000***	***31 December 2022 BGN '000***
Book value										
Balance at the beginning of the reporting period	**7,345**	**4,656**	**7,736**	**7,039**	**10,463**	**10,463**	**12**	**10**	**25,556**	**22,168**
Difference from adjustment	**318**	**(47)**	**391**	**(98)**	**-**				**709**	**(145)**
Restated balance as at 01 January 2023	**7,663**	**4,609**	**8,127**	**6,941**	**10,463**	**10,463**	**12**	**10**	**26,265**	**22,023**
Acquired	5,622	2,945	4,502	797	-	-	6	12	10,130	3,754
Transfer	8	-	-		-	-	(8)	(10)	-	(10)
Written-off	(6,450)	(209)	(3,006)	(2)	-	-	(5)	-	(9,461)	(211)
Balance at the end of the reporting period 31 December 2023	**6,843**	**7,345**	**9,623**	**7,736**	**10,463**	**10,463**	**5**	**12**	**26,934**	**25,556**
Accumulated depreciation										
Balance at the beginning of the reporting period	**2,915**	**2,385**	**2,248**	**1,603**	**10,463**	**10,463**	**-**	**-**	**15,626**	**14,451**
Difference from adjustment	115	(34)	122	(38)	-		-		**237**	**(72)**
Restated balance as at 01 January 2023	**3,030**	**2,351**	**2,370**	**1,565**	**10,463**	**10,463**	**-**	**-**	**15,863**	**14,379**
Accrued depreciation for the year	942	719	792	686	-	-	-	-	1,734	1,405
Impairment	-	-	-	(1)	-	-	-	-	-	(1)
Written-off depreciation	(3,676)	(155)	(98)	(2)	-	-	-	-	(3,774)	(157)
Balance at the end of the reporting period 31 December 2023	**296**	**2,915**	**3,064**	**2,248**	**10,463**	**10,463**	**-**	**-**	**13,823**	**15,626**
Carrying amount as at 01 January 2022	**4,633**	**2,258**	**5,757**	**5,376**	**-**	**-**	**12**	**10**	**10,402**	**7,644**
Carrying amount as at 31 December 2023	**6,547**	**4,430**	**6,559**	**5,488**	**-**	**-**	**5**	**12**	**13,111**	**9,930**

25. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit or loss (equity instruments)

25.1. UNQUOTED EQUITY INVESTMENT

Unquoted equity investments represent shares (minority interests) in the capital of the following companies:

	31 December 2023 BGN '000	*% participation*	***31 December 2022 BGN '000***	*% participation*
Mr. Bricolage	9		9	
Engineering and Development Company AD	2,704	8,30	2,704	8,30
Melko International AD	1	0,03	1	0,03
Hydroisomat AD			1	
	2,714		**2,715**	

Investments in equity instruments are presented at cost decreased by recorded impairment. The Group has determined to use the acquisition cost, if appropriate under IFRS 9, usually there is no updated information and/or there is a wide range of possible estimates under certain circumstances.

25.2. QUOTED EQUITY INVESTMENT

	31 December 2023 BGN '000	*% of participation interest*	***31 December 2022 BGN '000***	*% of interest interest*
Exclusive Property REIT	76	0,42	66	0,42
Sopharma AD	5,063	0.51	2 699	0.45
Doverie – United Holding AD			1,320	0.81
ImPulse Growth AD	63	0.84	51	0.84
Compensatory bond	40		30	
	5,242		**4,166**	

Exclusive Property REIT

These financial statements present subsequent valuation of the investment in Exclusive properties AD at a stock price per share of BGN 1.90 or BGN 76 thousand for the 40 000 shares held.

Sopharma AD

At the date of the financial statements, the shares of Sopharma AD are revalued in accordance with the accounting policies at fair value, namely: as the arithmetic mean of the highest bid price of the active orders at the end of the trading session on the Stock Exchange on the last business day of the month and the weighted average price of the security deals concluded for the same day. The price is determined in such a way only if there are bid price orders and signed deals. The fair value determined in this way for 885.110 shares is, BGN 5.72 per share.

ImPulse Growth AD

At the date of the financial statements, the fair value of ImPulse Growth AD is BGN 1.26 for 50 000 shares and for that value an assessment is applied recognized through profit or loss and other comprehensive income.

Compensatory notes have been evaluated and presented in the statement of financial position at market price as at 31 December 2023. BGN 0.31 for BGN 1 nominal.

The hierarchy of fair valuesis presented in Note 48.

26. FINANCIAL ASSETS AT AMORTISED COST

	31 December 2023	*31 December 2022*
	BGN '000	***BGN '000***
Financial assets at amortised cost (government securities)	669,029	473,802
Minus: Impairment allowance	(22,284)	(35,277)
	646,745	**438,525**

Investments in government securities at 31 December 2023 represent:

- Treasury bills to the amount of BGN 663,311 thousand equivalence with maturity from 182 to 3,653 days, issued by the Ministry of Finance of the Republic of Moldova with an interest rate between 5.85% and 16% per annum.

- Government bonds to the amount of BGN 5,718 thousand equivalence with maturity from 304 to 5,840 days, issued by the Ministry of Finance of Republic of Bulgaria with an interest rate between 0.80% and 2.30% per annum.

As at 31 December 2023 there aren't any pledged government securities.

27. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	% participation	***31 December 2023 BGN '000***	**% participation**	***31 December 2022 BGN '000***
Central depositary of securities	0.4	10	0.4	10
Moldavian Stock Exchange	2.56	1	2.56	1
Visa INC	0.00003	362	0.00003	302
CA Auto — Siguranța SA	0.43	0	0.43	0
National Depository	0.01	0	0.01	0
SWIFT	0.01	167	0.01	157
Biroul de credit SRL	11.14	137	11.14	130
State securities available for sale	0	1,239	0	1,340
		1,916		**1,940**

28. LOANS TO BANK CUSTOMERS

	31 December 2023 BGN '000	***31 December 2022 BGN '000***
Loans	1,418,640	1,222,092
Other financial assets	15,089	12,386
Loans, total	**1,433,729**	**1,234,478**
Minus: Discount for loss of value of loans	(65,584)	(71,863)
Minus: Discount for loss of value of other financial assets	(14)	(11)
	1,368,131	**1,162,604**

28.1. The analysis of the loan portfolio by industry is presented below:

	31 December 2023	***31 December 2022***
	BGN '000	***BGN '000***
Agriculture	46,796	47,690
Extractive industry	1,143	324
Manufacturing industry	95,650	94,120
Electricity generation, heating, gas, water	3,751	1,733
Water distribution, sewerage	191	15
Construction	29,061	30,751
Trade, maintenance and repair of motor vehicles	14,469	7,276
Wholesale of grain, seeds and animal feeds	17,243	25,489
Food trade	87,889	79,027
Trade in pharmaceutical products	34,784	35,133
Trade in construction materials	31,419	33,470
Trade in fuel	10,626	14,225
Trade in other goods	75,393	57,117
Transportation	18,953	22,421
Hotel and restaurant management	5,778	5,418
Information and telecommunication	17,864	12,742
Financial activity, insurance	110,686	92,543
Dealing in real estate	9,528	9,952
Professional, scientific and technical service activities	2,904	3,310
Administrative services ad spot	2,980	648
Public administration	30,037	11,733
Education	634	333
Separate loans	756,479	630,988
Health and social care	6,128	4,895
Leisure activities	691	583
Other services	7,563	156
	1,418,640	**1,222,092**

28.2. Other financial assets

Cash granted as deposits to other banks in the amount of BGN 15,089 thousand (2022: BGN 12,386 thousand) .

29. OTHER BANK ASSETS

	31 December 2023	*31 December 2022*
	BGN '000	***BGN '000***
Payments with legal and individuals	2,480	2,179
Non-interest revenue	1,021	778
Payments under foreign exchange transactions	184	672
Other prepaid expenses	649	906
Other budget payments	137	26
International transfers and cheques	6,128	3,754
Other inventories	2,413	3,063
Bank card transactions	17,270	12,772
Payments related to intangible assets	1,644	2,461
Debtors on capital investments	36	280
Other assets	117	587
	32,079	**27,478**
Minus: Provisions for impairment of other assets	(2,754)	(2,375)
	29,325	**25,103**

30. ASSETS FOR SALE

	31 December 2023	*31 December 2022*
	BGN '000	***BGN '000***
Assets held for sale	8,981	8,536
Transfer by 'Property, machinery, plant and equipment'		3,596
Assets for sale	**8,981**	**12,132**

On 24 February 2022, a preliminary agreement was signed for the sale of the Company's own real estate, located near the Sofia 2 store, from the Mr.Bricolage store chain, with an area of 15,229 sq. m. and a carrying amount as of 31 December 2022 of BGN 3,596 thousand. A final contract will be entered into after the certain postponing conditions agreed upon for the benefit of the buyer are met. The sale was completed within the first quarter of 2023.

31. DEFERRED TAX ASSETS

	Temporary difference	*Tax*	*Temporary difference*	*Tax*
	31 December 2023	**31 December 2023**	**31 December 2022**	**31 December 2022**
	BGN '000	***BGN '000***	***BGN '000***	***BGN '000***
Property, plant and equipment	(26,144)	(3,655)	(29,805)	(3,172)
incl. revaluation reserve	(19,942)	(2,001)	(20,190)	(2,019)
Biological assets	(267)	(27)	(78)	(8)
Intangible assets	(139)	(14)	(267)	(27)
Investment properties	(1,215)	(121)	(1,183)	(118)
Financial assets at amortised cost	(2,356)	(283)	(2,356)	(283)
Loans to bank customers	(14,825)	(1,779)	(14,825)	(1,779)
Total deferred tax liabilities	***(44,946)***	***(5,879)***	***(48,514)***	***(5,387)***
Inventories	379	38	399	40
Lease contracts	971	99	910	92
Available-for-sale investments	78	8	78	8
Investments in shares	5,012	500	4,495	450
Liabilities to personnel	16,173	1,887	11,061	1,233
Receivables	4,969	587	3,004	545
Provisions	1,180	118	1,084	109
Provisions (OO Zapadnyi)	20,413	2,450	20,433	2,451
Loss subject to carry-over	1,077	108	897	90
Weak capitalization	-	-	2,329	233
Accruals under obligations to third parties	364	37	254	26
Total deferred tax assets	***50,616***	***5,832***	***44,944***	***5,277***
Net balance of deferred profit taxes	**5,670**	**(47)**	**(3,570)**	**(110)**

Deferred tax assets are not recognized with respect to:

	Temporary difference	*Tax*	*Temporary difference*	*Tax*
	31 December 2023	**31 December 2023**	**31 December 2022**	**31 December 2022**
	BGN '000	***BGN '000***	***BGN '000***	***BGN '000***
Impairment of assets	2,111	211	2,111	211
	2,111	**211**	**2,111**	**211**

Deferred tax (liabilities)/assets	*Balance as at 1 January*	*Recognized in statement*	*Recognised in own...*	*Transformation reserve...*	*Recognized in statement*	*Out came the friends...*	*Balance as at 31 December 2023*
	BGN '000	***BGN '000***	***BGN '000***	***BGN '000***	***BGN '000***	***BGN '000***	***BGN '000***
Property, plant and equipment	(3,172)	(483)	-	-	-	-	(3,655)
Biological assets	(8)	(19)	-	-	-	-	(27)
Lease contracts	92	7	-	-	-	-	99
Available-for-sale investments	8	-	-	-	-	-	8
Investment properties	(118)	(3)	-	-	-	-	(121)
Financial assets at amortised cost	(283)	-	-	-	-	-	(283)
Loans to bank customers	(1,779)	-	-	-	-	-	(1,779)
Inventories	40	(2)	-	-	-	-	38
Intangible assets	(27)	13	-	-	-	-	(14)
Liabilities to personnel	1,233	654	-	-	-	-	1,887
Receivables	545	42	-	-	-	-	587
Provisions	109	9	-	-	-	-	118
Provisions (OO Zapadnyi)	2,451	(1)	-	-	-	-	2,450
Losses subject to deduction	90	18	-	-	-	-	108
Weak capitalization	233	(233)	-	-	-	-	-
Accruals under obligations to third parties	26	11	-	-	-	-	37
Investments in shares of companies	450	50	-	-	-	-	500
	(110)	**63**	**-**	**-**	**-**	**-**	**(47)**

Deferred tax (liabilities)/assets	*Balance as at 1 January 2022*	*Recognized in the income statement*	*Recognized in equity*	*Reserve from transformation in equity*	*Recognized in equity and current tax return*	*Disposed companies during the period*	*Balance as at 31 December 2022*
	BGN ‘000	***BGN ‘000***	***BGN ‘000***	***BGN ‘000***	***BGN ‘000***	***BGN ‘000***	***BGN ‘000***
Property, plant and equipment	(3,531)	730	(371)	-	-	-	(3,172)
Biological assets	(8)	-	-	-	-	-	(8)
Lease contracts	(19)	111	-	-	-	-	92
Available-for-sale investments	126	(118)	-	-	-	-	8
Investment properties	(42)	(76)	-	-	-	-	(118)
Other intangible assets	-	-	-	-	-	-	-
Financial assets at amortised cost	(283)	-	-	-	-	-	(283)
Loans to bank customers	(1,779)	-	-	-	-	-	(1,779)
Inventories	32	8	-	-	-	-	40
Intangible assets	(46)	19	-	-	-	-	(27)
Liabilities to personnel	1,165	68	-	-	-	-	1,233
Receivables	333	212	-	-	-	-	545
Provisions	92	17	-	-	-	-	109
Provisions (OO Zapadnyi)	2,452	(35)	34	-	-	-	2,451
Losses subject to deduction	308	(186)	(32)	-	-	-	90
Weak capitalization	33	200	-	-	-	-	233
Accruals under obligations to third parties	61	(35)	-	-	-	-	26
Investments in shares of companies	463	(13)	-	-	-	-	450
	(643)	**902**	**(369)**	**-**	**-**	**-**	**(110)**

32. TRADE RECEIVABLES

	31 December 2023 *BGN '000*	*31 December 2022* *BGN '000*
Receivables from related entities	915	213
Receivables from clients	3,115	2,522
Advances	1,148	1,274
Litigation	147	100
Ruled by court receivables	40	45
Refundable taxes, incl.	141	77
profit tax	*135*	*5*
VAT	*6*	*58*
Other taxes		*14*
Other	700	1,164
Prepayments*	576	499
Total:	**6,782**	**5,894**

Prepayments*

	31 December 2023 *BGN '000*	*31 December 2022* *BGN '000*
Prepaid advertisement costs	54	50
Insurances	121	92
Subscriptions	156	120
Other	245	237
Total:	**576**	**499**

Related parties receivables are:

STM Doverie EOOD — Sopharmacy 1 to 64 — BGN 13 thousand;

Hydroisomat AD — from Sopharmacy 33 and 31 — BGN 86 thousand;

United Health Insurance Fund Doverie ZAD from Sopharma AD dividend — BGN 797 thousand

Doverie Care EAD from Sopharma AD — BGN 2 thousand and from Sopharma Trading — BGN 17 thousand.

33. INVENTORIES

	31 December 2023 BGN '000	31 December 2022 BGN '000
Materials	2,358	2,363
Production	2,447	2,609
Goods	43,865	37,106
Work in progress	7,317	6,092
Total:	**55,987**	**48,170**

34. CASH AND CASH EQUIVALENTS

	31 December 2023 BGN '000	31 December 2022 BGN '000
Cash and balances with the National Bank of Moldova*	674,423	550,172
Mandatory reserves with the National Bank of Moldova**	363,991	256,006
Current accounts and bank deposits with banks***	8,985	10,339
Cash in current accounts with banks	18,064	17,323
Cash at hand	919	589
Cash equivalents/vouchers	6	7
Blocked cash	1,080	90
Total:	**1,067,468**	**834,526**

Cash and balances with the National Bank of Moldova*

	31 December 2023 BGN '000	31 December 2022 BGN '000
Cash	186,461	184,894
Current accounts with the National bank	488,460	365,648
Minus: Write-down for impairment	(498)	(370)
	674,423	**550,172**

Mandatory reserves with the National Bank of Moldova**

	31 December 2023	*31 December 2022*
	BGN '000	***BGN '000***
Mandatory reserves	363,960	256,264
Current accounts with the National bank	402	1
Minus: Write-down for impairment	(371)	(259)
	363,991	**256,006**

Current account and reserve requirements

According to the NBM Monetary Policy Decision (dated 7 November 2023), the rate of required reserves of attracted funds in MDL and non-convertible currency is maintained at the level of 33% of the calculation base, the rate of required reserves of attracted funds in freely convertible currency is maintained at the level of 43% of the calculation base. Thus, as at 30 December 2023 the percentage for calculation of the minimum amount of the reserves was 33% for resources raised in MDL and a foreign currency, included in the calculation basis, and 43% for resources raised in convertible currencies, including on the basis of the calculation and the amount of the mandatory reserves in USD and EUR (31 December 2022: 37% for resources raised in MDL and non-convertible currencies and 45% for resources raised in convertible currencies). The Bank maintains a minimum level of mandatory reserve in the current account opened with NBM at 33% of the funds attracted in MDL and foreign currency, on an average for the period (16 September 2023—15 October 2023), subject to reservation in Moldovan Leu. The mandatory reserves amounting to 43% of the raised funds in a convertible currency included in the calculation basis and the amount of the mandatory reserves in USD and EUR and kept in special mandatory reserve accounts of the National Bank of Moldova. One part of them, 5 per cent of the mandatory reserves in USD and EUR is variable and is maintained at an average level, while the other part is kept at constant level. As at 31 December 2023 the balance under the current account opened with the National Bank of Moldova amounts to MDL 4 824 487 thousand (31 December 2022: MDL 3,740,553 thousand), including mandatory reserves in Moldovan leu amounting to MDL 5,904,421 thousand. The balances retained in the US dollar and euro mandatory reserves accounts were USD 29,692 thousand and EUR 159,461 thousand, including mandatory reserves of USD 20,835 thousand and EUR 108

23 thousand respectively (31 December 2022: USD 21,607 thousand and EUR 92,068 thousand).

Current accounts and bank deposits with banks***	*31 December 2023 BGN '000*	*31 December 2022 BGN '000*
Current accounts	10,019	10,379
	10,019	**10,379**
Minus: Discount for loss of value	(1,034)	(40)
	8,985	**10,339**

The blocked cash is:

- established bank performance bonds — BGN 12 thousand.
- guarantees under management contracts — BGN 69 thousand.
- Cash guarantee under preliminary agreement for acquisition of company shares — BGN 999 thousand.

Cash reconciliation between Statement of Financial Position and Statement of Cash Flow

BALANCE		
Cash on balance MICB		**0.1010**
Cash and balances with the National Bank	6,677,454	674,423
Current accounts and bank deposits with banks	88,958	8,985
Mandatory reserves /not included in the SCF/	3,603,872	363,991
	10,370,284	**1,047,399**
Cash DOH		20,069
Total cash on balance at exchange rate 0.1010		**1,067,468**
SCF		
21. Cash and cash equivalents /SCF/		**0.0996**
Cash	1,846,153	183,877
Balances with the National Bank	4,831,302	481,198
Current accounts and bank deposits with banks	99,197	9,880
Bank securities up to 90 days	3,112	310
Other assets/international transfers and cheques/	60,669	6,043
	6,840,433	**681,307**
Cash DOH		20,069
Cash on SCF at the rate of 0.0996		**701,376**

35. CAPITAL AND RESERVES

	31 December 2023 *BGN '000*	*31 December 2022* *BGN '000*
Share capital	21,500	21,500
Legal reserves	2,150	2,150
Additional reserves	15,771	15,771
Revaluation reserve	24,756	24,842
Share premium	9,425	9,425
Currency adjustment reserve	3,534	(17,181)
Accumulated profit	403,989	333,697
Total	**481,125**	**390,204**

Share capital

As at 31 December 2023 the capital is distributed into 21,499,855 ordinary book-entry voting shares, each having a par value of BGN 1. The shares are tradable on the Bulgarian Stock Exchange.

Statutory reserves are formed by a distribution of profits and include distributions for the Reserve Fund. The ceiling determined by the Commercial Act is reached.

Additional reserves are formed from profit distributions in accordance with the decisions of the General Meeting of Shareholders.

Revaluation reserve is formed on the basis of the revaluations performed as at 31 December 2001, 31 December 2004, 31 December 2007, 31 December 2010, 31 December 2013, 31 December 2016, 31 December 2019 and 31 December 2022 of tangible fixed assets with the assistance of independent licensed appraisers. It contains the positive difference between the book value of the fixed tangible assets and their new fair value for all group companies. Revaluation reserve is presented net by the deferred tax effect.

Accumulated profit

	31 December 2023 *BGN '000*	*1 December 2022* *BGN '000*
Accumulated profits/losses for past reporting periods (consolidation reserves)	334,062	261,895
Current profit /loss	69,927	71,802
Total	**403,989**	**333,697**

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36. NON-CONTROLLING PARTICIPATIONS

Company	% participation	*31 December 2023 BGN '000*	% participation	*December 2022 BGN '000*
United Health Insurance Fund Doverie ZAD	1,85	331	1,85	308
Doverie Brico AD	28,07	16,071	28,07	14,733
Maritsatex AD	8,03	34	8,03	46
Bilyana Triko AD	1,12	58	1,12	57
Dunav AD	18,18	473	18,18	516
Hydroisomat AD	6,66	343	6,66	335
Moldindconbank S.A.	21,79	130,361	21,79	112,538
Total		**147,671**		**128,533**

37. BANK CUSTOMER DEPOSITS

	31 December 2023 BGN '000	*31 December 2022 BGN '000*
Legal entities		
Current accounts	639,303	442,924
Term deposits	97,717	63,267
	737,020	**506,191**
Individuals		
Current accounts	828,657	625,640
Term deposits	852,768	720,919
	1,681,425	**1,346,559**
	2,418,445	**1,852,750**

As at 31 December 2023, the top 10 legal entity depositors held approximately 21% (31 December 2022 — 20%) of the total legal entity deposits equivalent to MDL 001,543,439 (31 December 2022). — MDL'001 037 635). The term-deposit portfolio of legal entities does not include deposits with the right of early termination of the deposit agreement with payment of the accrued interest. In case of early termination of the deposit agreement of such deposits the accrued interest is not paid. From the corporate deposit portfolio as at 31 December 2023, MDL 48,554 thousand consist of corporate deposits in insolvency proceedings, registered in special accounts, which under current law are exempt from enforcement measures.

38. *FUNDS BORROWED BY A BANK FROM OTHER FINANCIAL INSTITUTIONS*

	31 December 2023 *BGN '000*	*31 December 2022* *BGN '000*
DLC credits (letter of credit) with floating interest rate, payable 2017/2026	41,997	37,765
FIDA floating interest rate credits owed for 2017/2023 year	1,788	1,460
	43,785	**39,225**

39. LIABILITIES TO RELATED PARTIES

	31 December 2023 *BGN '000*	*31 December 2022* *BGN '000*
Total:	**62,004**	**76,317**

- obligation under loans from Sopharma AD under the following conditions:

Agreed amount of loan:	BGN 81,900 thousand
Interest rate:	3.00%
Maturity:	31 December 2025
Purpose of the loan:	working capital
Liability as at 31 December 2023, including:	**BGN 41 018 thousand**
Principal	BGN 40,417 thousand
Interest — Non-current portion	BGN 601 thousand

Agreed amount of loan:	BGN 14,939 thousand
Creditor:	Sopharma AD
Interest rate:	4.36%
Maturity:	31 December 2025
Purpose of the loan:	working capital
Liability as at 31 December 2023, including:	**BGN 8,052 thousand**
- *principal*	*BGN 7,900 thousand*
interests	*BGN 152 thousand*

Agreed amount of loan:	BGN 8,049 thousand
Interest rate:	3.30%
Maturity:	31 December 2024
Loan currency	BGN
Purpose of the loan:	working capital
Liability as at 31 December 2023, including:	**BGN 8 743 thousand**
Principal	BGN 8,048 thousand
Interests — current portion	BGN 695 thousand

Agreed amount of loan:	BGN 4,000 thousand
Interest rate:	3.33%
Maturity:	31 December 2024
Loan currency	BGN
Purpose of the loan:	working capital
Liability as at 31 December 2023, including:	**BGN 4 067 thousand**
Principal	BGN 4,000 thousand
Interests — current portion	BGN 67 thousand

- Multiprofile Hospital for Active Treatment Doverie AD — liability to Sopharma Trading AD to the amount of BGN 40 thousand for purchase of medications and supplies;
- Medical Centre Doverie AD — liability to Sopharma Trading AD to the amount of BGN 72 thousand for purchase of medications and supplies;
- Doverie Care EAD — liability to Sopharma AD for purchases for BGN 12 thousand.

40. LIABILITIES OF TRADE COMPANIES TO FINANCIAL INSTITUTIONS

	31 December 2023 *BGN '000*	*31 December 2022* *BGN '000*
Total:	**23,624**	**30,707**

Loans received from financial institutions are presented in the statement of financial position as non-current — BGN 13,092 thousand and current — BGN 10,532 thousand.

Company	Utilized part	Bank	Utilized part
Multiprofile Hospital for Active Treatment Doverie AD	1,225	Allianz Bank Bulgaria AD	256
Bulgarian wine OOD	256	UniCredit Bulbank AD	16,294
Doverie Brico AD	4,610	UBB AD	5,849
Doverie Care EAD	1,239	Eurobank Bulgaria AD	1,225
Doverie – United Holding AD	16,294		
Total:	**23,624**	**Total:**	**23,624**

Company	Type of currency	Type of credit	Agreed amount of the credit in BGN’000	Utilized part of the credit, BGN’000	Long-term part, BGN‘000	Short-term part, BGN‘000	Interest rate	Security (market evaluation)	Maturity date
Multiprofile Hospital for Active Treatment Doverie AD	BGN	Overdraft	500	0	0	0	Base index for legal entities + 1.10, but no less than 2.1%	1. Special pledge of all present and future receivables of MHAT Doverie AD against NHIF. 2. Special pledge of all present and future receivables of MHAT Doverie AD for funds available in bank accounts. 3. Special pledge of all present and future receivables of MC Doverie AD against NHIF. 4. Special pledge of all present and future receivables of MC Doverie AD for funds available in current accounts. 5. Suretyship by Doverie – United Holding AD.	04 September 2024
Multiprofile Hospital for Active Treatment Doverie AD	BGN	Investment /41482	1,400	1,225	875	350	PRIME Business customers +1.25%	A special pledge of purchased medical equipment da Vinci X 3D-HD 4 robotic surgical system with carrying amount BGN 2,479 thousand. Suretyship of MC Doverie AD. Suretyship of DOH AD	21 June 2027
Bulgarian wine OOD	BGN	Overdraft	100	0	0	0	Base deposit index for legal entities +2.95%, but no less than 3.1%	Second-ranking contractual mortgage over a wine cellar and a snack bar (administrative building) having total floorage of 3,282 sq.m. together with a regulated land plot in the locality of Dalbok Andak having an area of 6,499 sq.m., plot No 30 of massif 19, real estate No 019030 in the village of Smochevo, Rila municipality, property of Bulgarian Wine OOD; Suretyship of IHD AD and DOH AD	25 September 2024/with an option for extension till 25 March 2027

Bulgarian wine OOD	BGN	Investment /42386	300	9		9	Base deposit index for legal entities +2.95%, but no less than 3.1%	Second-ranking contractual mortgage over a wine cellar and a snack bar (administrative building) having total floorage of 3,282 sq.m. together with a regulated land plot in the locality of Dalbok Andak having an area of 6,499 sq.m., plot No 30 of massif 19, real estate No 019030 in the village of Smochevo, Rila municipality, with a carrying amount as at 31 December 2020 of BGN 1,741 thousand, property of Bulgarian Wine OOD; Suretyship by IHD AD. Suretyship by DOH AD	25 March 2024
Bulgarian wine OOD	BGN	Investment /49562	332	247	173	74	Base deposit index for legal entities +2.7%, but no less than 2.7%	Special pledge of purchased equipment to the amount of BGN 476 thousand. Suretyship of IHD AD. Suretyship of DOH AD	25 August 2027
Doverie Brico AD	BGN	Overdraft	8,801	3,639	0	3,639	Prime business clients for BGN of Eurobank + 0.75% or 1M Euribor + 0.75% or 1M SOFR + 0.75%	first-ranking contractual mortgages of real estates of the Company (own lands and buildings of the Company, except for the plot in Ruse; pledge of goods located in stores in Pleven, Blagoevgrad and Varna; The carrying amount of the mortgaged assets as at 31 December 2023 amounts to BGN 5,607 thousand; BGN 9,658 thousand of the pledged goods, BGN 13 thousand of the pledged receivables.	21 November 2024
Doverie Brico AD	EUR	Overdraft	12,713	444	0	444	1M EURIBOR + 1.6%, but no less than 1.6%	first-ranking contractual mortgages of real estates of the Company (own lands and buildings of the Company, except for the plot in Blagoevgrad and Burgas); pledge of a financial collateral (the receivables under all bank accounts with the bank-creditor) in the amount of EUR 6,500 thousand pledge of goods of not less than EUR 3,000 thousand, located in stores Sofia 1 and Ruse. with a book value of BGN 12,469 thousand; pledge of goods in the amount of not less BGN 7,731 thousand;	28 February 2024

Doverie Brico AD	BGN	Investme nt	600	527	418	109	UBB Reference Interest Rate +1.45% per annum, but no less than 1.45%	A first-ranking special pledge on a photovoltaic installation. A pledge on the receivables under all bank accounts with the bank-creditor. Value of the pledged property BGN 691 thousand.	30 October 2 028
Doverie Care EAD	BGN	Circular	2,075	1,239	387	852	Reference Interest Rate + 1.85%, but no less than 1.85%	Mortgage of land and buildings having a carrying amount of BGN 3,537 thousand. Pledge of movable property in the total amount of BGN 848 thousand. Co-indebtedness of Doverie – United Holding AD, Corporate Bond of Doverie – United Holding AD	25 July 2025

Doverie – United Holding AD	BGN	Investment	30033	16294	11239	5055	Sum of the variable Interest index applicable to the respective Period and a MARGIN to the Interest Index amounting to 1.90%	1. First-ranking contractual mortgage for the benefit of the Bank for a partly secured property interest amounting to BGN 14,600 thousand over a Land Plot and buildings; 2. First-ranking contractual mortgage for the benefit of the Bank for a partly secured property interest amounting to BGN 9,400 thousand over a Land Plot and buildings; Owner: Sopharma AD — joint-and-several debtor. 3. First-ranking contractual mortgage for the benefit of the Bank for a partly secured property interest amounting to BGN 10,009 thousand over a Land Plot with buildings and independent sites in buildings, owner: Multiprofile hospital for active treatment — Doverie AD. 4. First-ranking pledge in accordance with the procedure of the Special Pledges Act of all present and future receivables of the Borrower against Doverie – Invest EAD. 5. Financial securities in the form of a pledge of all receivables, present and future, of the Borrower/s and of the Third Obligated Parties under all accounts in national and foreign currency, of which they are holders with the Bank. 6. A financial security in the form of a first-ranking pledge over the 4,000,000 ordinary book-entry registered voting shares with par value of BGN 1.00 of the capital of Sopharma AD, which are held by Donev Investments Holding AD, granted to an account with Unicredit Bulbank AD in accordance with and under the conditions of a separate Contract for a pledge over book-entry financial instruments in accordance with the procedure of the Financial Security Contracts Act, with a total market value of the securities as at 25 November 2021. BGN 17,120 thousand The provider of the security undertakes to maintain a value of the financial security of no less than BGN 10,000 thousand.	31 January 2027
			Total	**23,624**	**13,092**	**10,532**			

41. LEASING

In thousand BGN	***31 December 2023 BGN '000***	***31 December 2022 BGN '000***
1 January	34,209	32,857
Increases	9,604	9,797
Accrued interest	1,986	1,403
Written-off liabilities under terminated contracts	(1,646)	(2,209)
Payments	(7,759)	(7,425)
Difference resulting from currency adjustment	513	(214)
At the end of the period	**36,907**	**34,209**
Long-term part	*29,359*	*26,549*
Short-term part	*7,548*	*7,660*

42. TRADE AND OTHER LIABILITIES

	31 December 2023 BGN '000	***31 December 2022 BGN '000***
Liabilities to suppliers and clients	31,072	30,045
Liabilities under trade loans received	15,463	15,658
Advanced received	5,702	3,079
Unexercised rights under share issue	668	668
Liabilities to personnel	4,586	4,354
Liabilities to social insurance companies	948	793
Tax liabilities	2,823	1,755
Other	866	776
Total:	**62,128**	**57,128**

Liabilities under trade loans received

- Liabilities under loans granted by Telecomplect AD

Agreed amount of loan:	BGN 6,337 thousand
Interest rate:	4.5%
Maturity:	04 April 2024
Loan currency	BGN
Liability as at 31 December 2023, including:	**BGN 6,456 thousand**
Principal	BGN 6,337 thousand
Interests — current portion	BGN 119 thousand

Agreed amount of loan:	BGN 2,500 thousand
Interest rate:	4.5 %
Maturity:	31 December 2024
Loan currency	BGN
Liability as at 31 December 2023, including:	**BGN 2,547 thousand**
Principal	BGN 2,500 thousand
Interests — current portion	BGN 47 thousand

- Liabilities under loans granted by Telecomplect Invest AD

Agreed amount of loan:	BGN 8,000 thousand
Interest rate:	3%
Maturity:	31 December 2025
Loan currency	BGN
Liability as at 31 December 2023, including:	**BGN 6,460 thousand**
Principal	6,080
Interests — current portion	BGN 380 thousand

43. OTHER SPECIFIC LIABILITIES TO BANKS

	31 December 2023	*31 December 2022*
	BGN '000	***BGN '000***
Received but unrealized interests	2	8
Cash received from international transfers	7,459	987
Identified amounts	155	2
Card transactions	13,354	9,149
Other budget payments	159	40
Settlements with other natural and legal persons	824	1,879
Provisions for possible losses	30,516	25,909
Settlements with purchase/sale of currency	1,468	521
Documentary settlement creditors	3,763	4,262
Cash receipts through safe deposit box deposits	24	
Settlements with other state funds	1,592	2,572
Dividends	1,180	381
Inherited liabilities of banks in liquidation	1,159	1,303
Other liabilities	15,325	34,980
	76,980	**81,993**
Current revenue tax	4,222	3,880
	81,202	**85,873**

44. FINANCIAL RISK MANAGEMENT

The structure of the financial assets and liabilities as at 31 December 2023 is, as follows:

	Note	*31 December 2023 BGN'000*	*31 December 2022 BGN '000*
Financial assets at fair value through profit or loss, including:		**7,956**	**6,881**
Unquoted equity investment	*25.1*	*2,714*	*2,715*
Quoted equity investment	*25.2*	*5,242*	*4,166*
Financial assets at amortised cost, incl.		**2,021,522**	**1,606,968**
Financial assets at amortised cost (debt instruments)	26	*646,745*	*438,525*
Financial assets at fair value through other comprehensive income	*27*	*1,916*	*1,940*
Loans to bank customers	*28*	*1,368,131*	*1,162,604*
Receivables from related entities	*32*	*915*	*213*
Receivables from customers and suppliers	*32*	*3,115*	*2,522*
Other receivables	*32*	*700*	*1,164*
Cash and cash equivalents	**34**	**1,067,468**	**834,526**
		3,096,946	**2,448,375**

Financial liabilities	***Note***	***31 December 2023 BGN'000***	***31 December 2022 BGN '000***
Financial liabilities at amortised cost, incl.			
Bank customer deposits	*37*	*2,418,445*	*1,852,750*
Funds borrowed by the bank from other financial institutions	*38*	*43,785*	*39,225*
Liabilities of trade companies under bank loans	*40*	*23,624*	*30,707*
Liabilities to related parties	*39*	*62,004*	*76,317*
Trade liabilities	*42*	*31,072*	*30,045*
Liabilities on trade loans	*42*	*15,463*	*15,658*
Liabilities under insurance contracts		*3,648*	*2,610*
Liabilities on leasing	*41*	*36,907*	*34,209*
Other liabilities	*42;43*	*16,191*	*35,756*
Total financial liabilities at amortised cost		**2,651,139**	**2,117,277**

The group does not have the practice of working with derivative instruments.

In the course of its usual business activity, the group is exposed to various financial risks, the most of which are: interest rate risk- bound cash flows, market risk (including currency risk, fair value risk and price risk), credit risk and liquidity risk. Overall risk management focuses on the difficulties in forecasting financial markets and minimizing potential negative effects that may affect the financial performance and the Group's performance. Financial risks are identified, measured and monitored on an on-going basis with the help of various controls implemented in order to determine adequate prices of the companies' services and of the attracted loan capital, as well as to evaluate adequately the market circumstances of the investments made by the group and the forms of maintenance of the free liquid funds, without allowing unreasonable concentration of a risk.

The risk management in the group is carried out on an on-going basis by the operating management of the Group, in accordance with the policy defined by the Management Board.

The Management Board has adopted the basic principles of general financial risk management and management of specific risks, such as currency, price, interest, credit and liquidity, and the risk of using derivative and non-derivative (mainly) instruments.

You will find below a description of the different types of risks that the group is exposed to upon the performance of its commercial operations, as well as the approach adopted in the management of these risks.

44.1. Currency risk

Currency risks from banking operations

31 December 2023

	Total BGN	MDL	USD	EUR	Other
Assets	**BGN'000**	**BGN'000**	**BGN'000**	**BGN'000**	**BGN'000**
Cash and balances with the National Bank	674,423	620,200	10,721	42,624	878
Current accounts and bank deposits with banks	8,985	-	968	6,842	1,175
Debt instruments — at amortised cost	641,027	641,027	-	-	-
Loans to customers	1,368,131	1,131,265	51,418	185,448	-
Mandatory reserves	363,991		51,921	312,070	-

Capital instruments at fair value through other comprehensive income (2018: available for sale)	1,916	1,393	362	167	-6
Total assets	**3,058,473**	**2,393,885**	**115,390**	**547,151**	**2,047**
Liabilities					
Other loans	(43,785)	(27,871)	(126)	(15,788)	-
Leasing	(13,316)	(13,316)	-	-	-
Customer deposits	(2,418,445)	(1,839,832)	(90,006)	(488,372)	(235)
Other liabilities	(15,325)	(15,325)	-	-	-
Total liabilities	**(2,490,871)**	**(1,896,344)**	**(90,132)**	**(504,160)**	**(235)**

31 December 2022

Assets	**Total BGN BGN'000**	**MDL BGN'000**	**USD BGN'000**	**EUR BGN'000**	**Other BGN'000**
Cash and balances with the National Bank	550,172	486,292	12,842	49,288	1,750
Current accounts and bank deposits with banks	10,339	-	4,486	5,431	422
Debt instruments — at amortised cost	432,749	432,749	-	-	-
Loans to customers	1,162,604	943,410	36,724	182,470	-
Mandatory reserves	256,006	-	45,422	210,584	-
Capital instruments at fair value through other comprehensive income (2018: available for sale)	1,940	1,481	302	157	-
Total assets	**2,413,810**	**1,863,932**	**99,776**	**447,930**	**2,172**
Liabilities					
Other loans	(39,225)	(23,753)	(504)	(14,968)	-
Leasing	(10,710)	(10,710)	-	-	-
Customer deposits	(1,852,750)	(1,349,875)	(94,895)	(407,260)	(720)
Other liabilities	(34,980)	(34,980)	-	-	-
Total liabilities	**(1,937,665)**	**(1,419,318)**	**(95,399)**	**(422,228)**	**(720)**

The Group is exposed to a significant currency risk. The acquisition cost of the investment in Moldindconbank S.A. is paid in MDL which conversion from EUR lead to significant exchange differences.

The exchange rate differences are recognized in the Statement of Comprehensive Income.

Currency risk from banking operations

31 December 2023	**in USD BGN '000**	**in EUR BGN '000**	**in BGN BGN '000**	**in MDL BGN '000**	**Total BGN '000**
Capital investments		9	13,665		13,674
Loans and receivables			4,730		4,730
Cash and cash equivalents			20,069		20,069
Total financial assets	**-**	**9**	**38,464**	**-**	**38,473**
Bank loans		4,083	19,541		23,624
Other loans and debts			113,053		113,053
Liabilities on leasing to third parties			23,591		23,591
Total financial liabilities	**-**	**4,083**	**156,185**	**-**	**160,268**

31 December 2022	**in USD BGN '000**	**in EUR BGN '000**	**in BGN BGN '000**	**in MDL BGN '000**	**Total BGN '000**
Capital investments		9	12,648		12,657
Loans and receivables			3,899		3,899
Cash and cash equivalents			18,009		18,009
Total financial assets	**-**	**9**	**34,556**	**-**	**34,565**
Bank loans			30,707		30,707
Other loans and debts			125,406		125,406
Liabilities on leasing to third parties			23,499		23,499
Total financial liabilities	**-**	**-**	**179,612**	**-**	**179,612**

44.2. Price risk

The group is exposed to a price risk resulting from negative changes in the prices of services. In the process of negotiation of the new prices, the clients of the export oriented group companies exert serious pressure towards a decrease in the prices in the conditions of a financial-and-economic crisis, and negotiations may even be rejected. The companies oriented to the domestic market are subjected to price pressure caused by reduced purchasing power, lack of financial resource for end consumption or increase of the cost thereof.

The Group is also exposed to a price risk with respect to the shares held by it, which are classified as financial assets reported at fair value through profit and loss, and compensatory instruments reported at fair value.

44.3. Credit risk

Credit risk from banking operations

In the ordinary course of business, the Bank manages its credit risk with respect to loans and advances to customers, in respect to its deposits for other financial loans and other off-balance sheet items. The bank may be affected also by losses from credit risk concentration in a particular economic group in the context of the economic changes in Moldova. Credit risk management is monitored regularly through compliance with credit limits, assessment of the quality of debtors and some conservative policies with regard to provisions.

The bank structures the levels of credit risk, which it takes, by placing limits on the accepted risk with respect to one borrower or group of borrowers and industry segments. These risks are monitored on a revolving basis and subject to annual or more frequent review. Credit risk limits by product and industry sector are approved quarterly by the Board of Directors.

Credit risk is the current or future risk of impairment of earnings and capital due to the inability of the debtor or counterparty to meet its contractual obligations or failure to fulfil the obligations specified in the contract.

Counterparty credit risk is a subcategory of the credit risk and it is the risk of impairment of profits and equity when the counterparty in a transaction is in default before final settlement of the transaction cash flows.

The risk of settlement is the risk of loss caused by the difference between the agreed settlement price and the current market value of transactions, where the debt instrument, the equity or the foreign currency remain outstanding after due date.

Financial stability of the bank is directly influenced by the risk management approach. Given that lending plays a major role in the activities of the bank, the effective system of credit risk management has positive effects both for the bank and for its customers. The positive effects for the bank consist in reducing the losses from non-performing levels. The positive effects for the customers are tariff optimization, improving quality, diversification of services and effectiveness of their implementation, improving the protection of customer interests.

Assessment of the business model of the financial instruments portfolio of the bank

Cash and cash equivalents

The bank keeps cash at hand, cash in transit, cash in exchange office, cash in other branches, ATMs and in commemorative and anniversary notes and coins.

Nostro accounts

Bank holds funds in a Nostro account with NBM, 'opened for National Bank of Moldova funds in national currency and in other accounts'. Nostro account 'opened with licensed banks in Moldova and abroad, means money in foreign currency.

Interbank deposits

The bank has two categories of interbank deposits: Short-term deposits with maturity up to 1 month and less than 1 month and short-term deposits with maturity over 1 month and up to or including 1 year.

Minimum reserve requirement with NBM

The bank must have funds and maintain the reserve requirements of the bank under a special account with NBM in accordance with the regulatory provisions.

Treasury bills and bonds

This category consists of short-term securities issued by the National Bank of Moldova and the Ministry of Finance of the Republic of Moldova (97%) and medium-term government securities.

Loans and advances to customers

The Bank offers a wide range of products that can be represented as follows: Credit cards

Overdrafts Mortgage loans

Consumer loans Factoring

Loans for current assets Investment loans

The loans are offered in MDL, EUR and USD.

The main objective of the bank in terms of relationships between its loans, prepayment portfolio and its customers is to maintain contractual cash flows for collection. This goal is clearly identified in the banking business model of management, monitoring and organization. In addition, the main lending activities of the bank provide the basic interest revenue collected in cash.

Business model	Main factors for this classification:
Cash and cash equivalents held for collection	The business model stems from the nature of the financial assets (cash), which are short-term in nature. The results are monitored on the basis of amortized cost. There is no history of sales as expected for this type of financial asset.
Nostro accounts held for collection	The business model stems from the nature of the financial assets, which are short-term in nature. The results are monitored on the basis of amortized cost. There is no history of sales as expected for this type of financial asset.
Interbank deposits, held for collection	The main risks of the business models are consistent to the business model of assets held for collection, focusing on credit risk and interest rate risk. The risk in terms of price and fair value is considered less important. There is no history of sales. The results are monitored on the basis of amortized cost.
Treasury bill and bonds, held-to-collect	The main risks of the business models are consistent to the business model of assets held for collection, focusing on credit risk and interest rate risk. The risk in terms of price and fair value is considered less important.

	There is no history of sales. The results are monitored on the basis of amortized cost.
Minimum reserve in NBM, held-to-collect	The business model stems from the nature of the financial assets, which are short-term in nature. The results are monitored on the basis of amortized cost. There is no history of sales as expected for this type of financial asset.
Loans and advances to customers, held-to-collect	The main risks of the business models are consistent to the business model of assets held for collection, focusing on credit risk and interest rate risk. The value risk is not related to the price or the fair value. There is no history of sales. The results are monitored on the basis of amortized cost.

Quality analysis of financial assets 31 December 2023

	Stage 1	Stage 2	Stage 3	Total
Cash and balances with the National Bank of Moldova	674,423	-	-	674,423
Current accounts and bank deposits with banks	8,985	-	-	8,985
Financial investments at amortised cost	641,027	-	-	641,027
Mandatory reserves	363,991	-	-	363,991
Loans to customers	1,120,695	196,335	36,026	1,353,056
Other financial assets	15,075	-	-	15,075
Capital instruments at fair value through other comprehensive income	1,916	-	-	1,916
Carrying amount	**2,826,112**	**196,335**	**36,026**	**3,058,473**

	Stage 1	Stage 2	Stage 3	Total
Cash and balances with the National bank of Moldova	**674,921**	**-**	**-**	**674,921**
Current	674,921	-	-	674,921
Due ≤ 30 days	-	-	-	-
Due > 30 ≤ 90 days	-	-	-	-
Due > 90 days	-	-	-	-
Allowance for losses	(498)	-	-	(498)
Carrying amount	**674,423**	**-**	**-**	**674,423**

Current accounts and bank deposits with banks	**7,191**	**2,828**	**-**	**10,019**
Current	7,191	2,828	-	10,019
Due ≤ 30 days	-	-	-	-
Due > 30 ≤ 90 days	-	-	-	-
Due > 90 days	-	-	-	-
Allowance for losses	(7)	(1,027)	-	(1,034)
Carrying amount	**7,184**	**1,801**	**-**	**8,985**
Mandatory reserves	**364,362**	**-**	**-**	**364,362**
Current	364,362	-	-	364,362
Due ≤ 30 days	-	-	-	-
Due > 30 ≤ 90 days	-	-	-	-
Due > 90 days	-	-	-	-
Allowance for losses	(371)	-	-	(371)
Carrying amount	**363,991**	**-**	**-**	**363,991**
Debt instruments — at amortised cost	**663,311**	**-**	**-**	**663,311**
Current	663,311	-	-	663,311
Due ≤ 30 days	-	-	-	-
Due > 30 ≤ 90 days	-	-	-	-
Due > 90 days	-	-	-	-
Allowance for losses on financial assets	(22,284)	-	-	(22,284)
Carrying amount	**641,027**	**-**	**-**	**641,027**

	Stage 1	**Stage 2**	**Stage 3**	**Total**
Loans to customers	**1,162,863**	**211,949**	**43,828**	**1,418,640**
Current	1,128,349	186,125	9,627	1,324,101
Due ≤ 30 days	34,514	14,336	918	49,768
Due > 30 ≤ 90 days	-	11,488	11,903	23,391
Due > 90 days	-	-	21,380	21,380
Allowance for losses on financial assets	(42,168)	(15,614)	(7,802)	(65,584)
Carrying amount	**1,120,695**	**196,335**	**36,026**	**1,353,056**

Other financial assets	**15,089**	**-**	**-**	**15,089**
Current	15,089	-	-	15,089
Due ≤ 30 days	-	-	-	-
Due > 30 ≤ 90 days	-	-	-	-
Due > 90 days	-	-	-	-
Allowance for losses on financial assets	(14)	-	-	(14)
Carrying amount	**15,075**	**-**	**-**	**15,075**

31 December 2022

	Stage 1	Stage 2	Stage 3	Total
Cash and balances with the National Bank of Moldova	550,172	-	-	550,172
Current accounts and bank deposits with banks	10,339	-	-	10,339
Financial investments at amortised cost	432,749	-	-	432,749
Mandatory reserves	256,006	-	-	256,006
Loans to customers	1,059,121	58,047	33,061	1,150,229
Other financial assets	12,375	-	-	12,375
Capital instruments at fair value through other comprehensive income	1,940	-	-	1,940
Other assets				-
Carrying amount	**2,322,702**	**58,047**	**33,061**	**2,413,810**

	Stage 1	Stage 2	Stage 3	Total
Cash and balances with the National Bank of Moldova	**550,542**	**-**	**-**	**550,542**
Current	550,542	-	-	550,542
Due ≤ 30 days	-	-	-	-
Due > 30 ≤ 90 days	-	-	-	-
Due > 90 days	-	-	-	-
Allowance for losses	(370)	-	-	(370)
Carrying amount	**550,172**	**-**	**-**	**550,172**
Current accounts and bank deposits with banks	**10,379**	**-**	**-**	**10,379**
Current	10,379	-	-	10,379
Due ≤ 30 days	-	-	-	-

Due > 30 ≤ 90 days	-	-	-	-
Due > 90 days	-	-	-	-
Allowance for losses	(40)	-	-	(40)
Carrying amount	**10,339**	**-**	**-**	**10,339**
Mandatory reserves	**256,265**	**-**	**-**	**256,265**
Current	256,265	-	-	256,265
Due ≤ 30 days	-	-	-	-
Due > 30 ≤ 90 days	-	-	-	-
Due > 90 days	-	-	-	-
Allowance for losses	(259)	-	-	(259)
Carrying amount	**256,006**	**-**	**-**	**256,006**
Debt instruments — at amortised cost	**468,026**	**-**	**-**	**468,026**
Current	468,026	-	-	468,026
Due ≤ 30 days	-	-	-	-
Due > 30 ≤ 90 days	-	-	-	-
Due > 90 days	-	-	-	-
Allowance for losses on financial assets	(35,277)	-	-	(35,277)
Carrying amount	**432,749**	**-**	**-**	**432,749**

	Stage 1	Stage 2	Stage 3	Total
Loans to customers	**1,108,714**	**62,285**	**51,093**	**1,222,092**
Current	1,068,631	49,152	15,129	1,132,912
Due ≤ 30 days	40,083	6,021	8,498	54,602
Due > 30 ≤ 90 days	-	7,112	6,427	13,539
Due > 90 days	-	-	21,039	21,039
Allowance for losses on financial assets	(49,594)	(4,238)	(18,031)	(71,863)
Carrying amount	**1,059,120**	**58,047**	**33,062**	**1,150,229**
Other financial assets	**12,386**	**-**	**-**	**12,386**
Current	12,386	-	-	12,386
Due ≤ 30 days	-	-	-	-
Due > 30 ≤ 90 days	-	-	-	-
Due > 90 days	-	-	-	-
Allowance for losses on financial assets	(11)	-	-	(11)
Carrying amount	**12,375**	**-**	**-**	**12,375**

Effect of change in credit losses:

	31 December 2023
Cash and balances with the National Bank	
Balance as at 1 January	578,827
Net revaluation of allowance for losses	(498)
Created or purchased new financial assets	96,094
Other adjustments (including the impact of currency exchange rate)	-
Balance as at 31 December 2023	**674,423**
Current accounts and bank deposits with banks	
Balance as at 1 January	10,877
Net revaluation of allowance for losses	(1,034)
Created or purchased new financial assets	(858)
Other adjustments (including the impact of currency exchange rate)	-
Balance as at 31 December 2022	**8,985**
Debt instruments — at amortised cost	
Balance as at 1 January	452,809
Net revaluation of allowance for losses	(22,284)
Created or purchased new financial assets	210,502
Other adjustments (including the impact of currency exchange rate)	-
Balance as at 31 December 2023	**641,027**
Capital instruments at fair value through other comprehensive income (2017: available for sale)	
Balance as at 1 January	2,041
Net revaluation of allowance for losses	-
Created or purchased new financial assets	(125)
Other adjustments (including the impact of currency exchange rate)	-
Balance as at 31 December 2023	**1,916**

	31 December 2022
Cash and balances with the National Bank	
Balance as at 1 January	423,663
Net revaluation of allowance for losses	(370)
Created or purchased new financial assets	126,879
Balance as at 31 December 2022	**550,172**

Current accounts and bank deposits with banks	
Balance as at 1 January	229,416
Net revaluation of allowance for losses	(40)
Created or purchased new financial assets	(219,037)
Balance as at 31 December 2022	**10,339**

Debt instruments — at amortised cost	
Balance as at 1 January	384,799
Net revaluation of allowance for losses	(35,277)
Created or purchased new financial assets	83,227
Balance sheet as at 31 December 2022	**432,749**

Capital instruments at fair value through other comprehensive income (2017: available for sale)	
Balance as at 1 January	1,991
Net revaluation of allowance for losses	-
Created or purchased new financial assets	(51)
Other adjustments (including the impact of currency exchange rate)	-
Balance as at 31 December 2022	**1,940**

Explanation of terms used by CB Moldindconbank SA:

Characteristics of Stage 1: (for all contracts for which no sign is set by default):

All contracts with days past due between 0 and 30 (0 <= DAYS_PAST_DUE <= 31) that are not defined in Stage 3 or Stage 2, trigger Stage 1.

As soon as a financial instrument is created / purchased or there is no event by default and there is no significant increase in credit risk, credit losses are estimated at 12 months basis, and are recognized through profit or loss and represent a loss allowance. They are allocated based on currently available risk parameters in homogeneous portfolios.

This serves as an approximation of initial expectations for credit losses.

Financial assets interest revenue is calculated based on the gross amount (i.e. There is no adjustment for expected credit losses).

Characteristics of Stage 2: (for all contracts for which no sign is set by default): All contracts with an amount equal to 0 trigger the allocation in Stage 2.

This rule identifies unauthorized overdraft and this type of contract must be in Stage 2. It should be noted that all contracts with principal equal to 0 are excluded from the calculation of the migration matrices. In the future, the bank should establish a marker based on which these exposures can be properly filtered.

All contracts with day past due between 31 and 89 (31 <= DAYS_PAST_DUE <= 89) or contracts with restructuring marker trigger Stage 2.

D and E are classified in Stage 2.

The debtor may have assets classified in Stage 1 and Stage 2, depending on the situation.

If the risk is increased significantly and the resulting credit quality is not considered as a credit risk in the low range, then credit losses are recognized, measured throughout the term of the loan.

Expected credit losses during the period are recognized, unless the financial instrument does not represent low credit risk at the reporting date.

The calculation of interest revenue from financial assets remains the same as in Stage 1.

Characteristics of Stage 3:

The debtor registers at least one contract for more than 90 days:

Over the past 12 months the debtor has shown signs of default.

If the debtor has assets in Stage 3, all assets of the debtor will be considered as such in Stage 3. All contracts with a default marker trigger stage 3. If the customer has a contract in Stage 3, all its contracts will be affected.

If the credit risk of a financial asset increases to the extent it is considered to have a default, interest revenue is calculated based on amortized cost.

The estimated credit losses for the term of the loan are still recognized for these financial assets. IFRS 9 provides guidance on the requirements for impairment. The proposed approach distinguishes the expected 12-month credit losses and expected credit losses over the life of the loan. The standard specifies that the loss allowance should be based on the expected 12-month credit losses or losses over the loan life and depends on whether there is significant loan impairment of the financial instrument after initial recognition (or the date of commitment).

Credit losses, estimated at **12 months**, are part of the expected credit loss for the entire duration of expected credit losses, arising from probable financial instruments in default within 12 months after the reporting date (Stage 1).

Estimated credit losses **for the period** are estimated credit losses resulting from all probable events in case of default over the projected life of the financial instrument (Stage 2 or 3).

Significant conceptual differences are illustrated in the table below:

Credit losses estimated at 12 months	Estimated credit losses for the entire period
• Estimated credit losses at 12 months are losses, arising from probable financial instruments in default within 12 months after the reporting date.	• Estimated credit losses for the period are estimated credit losses resulting from all probable events in case of default over the life of the financial instrument.
• The cash shortage that will occur during the entire period if the default occurs within 12 months of the reporting date (or a shorter period if the estimated duration of the financial instrument is less than 12 months), weighted by the probability of default.	• Impairment losses are measured at projected credit losses during the period if the credit risk of an instrument has increased significantly from the initial recognition. • If in a subsequent period no significant increase in credit risk is observed, the measurement of the impairment allowance will return to the estimated credit loss for 12 months (excluding impaired purchased or issued instruments).

Distribution of exposures in stages to correspondent banks, loans and other assets:

31 December 2023

Loans	**Stage_1**	**Stage_2**	**Stage_3**	**Total**
A	551,551		-	551,551
B	611,308	175,218	-	786,526
C	-	36,731	1,842	38,573
D	4	-	30,294	30,298
E	-	-	11,692	11,692
	1,162,863	**211,949**	**43,828**	**1,418,640**

Allowance for losses	(42,168)	(15,614)	(7,802)	(65,584)
Carrying amount	**1,120,695**	**196,335**	**36,026**	**1,353,056**

Banks	**Stage_1**	**Stage_2**	**Stage_3**	**Total**
A+	15,089	-	-	15,089
E	-	-	-	-
	15,089	**-**	**-**	15,089
Allowance for losses	(14)	-	-	(14)
Carrying amount	**15,075**	**-**	**-**	**15,075**

31 December 2022

Loans

	Stage_1	**Stage_2**	**Stage_3**	**Total**
A	697,714	69	28	697,811
B	410,985	46,007	-	456,992
C	15	16,209	7,351	23,575
D	-	-	24,437	24,437
E	-	-	19,277	19,277
	1,108,714	**62,285**	**51,093**	**1,222,092**
Allowance for losses	(49,594)	(4,238)	(18,031)	(71,863)
Carrying amount	**1,059,120**	**58,047**	**33,062**	**1,150,229**

Banks	**Stage_1**	**Stage_2**	**Stage_3**	**Total**
A+	12,386	-	-	**12,386**
E	-	-	-	
	12,386	**-**	**-**	12,386
Allowance for losses	(11)	-	-	(11)
Carrying amount	**12,375**	**-**	**-**	**12,375**

Mortgage-backed loans

The following table shows credit exposures with regard to mortgage loans and advances to customers based on the loan-to-value ratio (LTV). LTV is calculated as the ratio between the gross amount of the loan or the amount set aside for the loan obligations, and the amount of the collateral. The assessment of the guarantee excludes any adjustments for the receipt and sale of the guarantee. The amount of the collateral for residential mortgage loans is based on the amount of the original guarantee, updated on the basis of the changes in residential price indices.

For loans / assets impaired or amortized, the amount of the collateral is based on recent estimates.

Loan-to-value ratio (LTV)	**31 December 2023**
	BGN'000
Less than 50%	22,761
51%—70%	46,778
71%—90%	118,129
91%—100%	149,630
Over 100%	73,385
	410,683
Impaired loans	
Less than 50%	327
51%—70%	642
71%—90%	1,747
91%—100%	1,111
Over 100%	689
	4,516

	31 December 2023
Liabilities under mortgage loans	**BGN'000**
Less than 50%	1,975
71%—90%	
Over 100%	16
	1,991

31 December 2022

	BGN'000
Less than 50%	67,246
51%—70%	111,708
71%—90%	123,186
91%—100%	26,630
Over 100%	2,550
	331,320

Impaired loans	
Less than 50%	1,135
51%—70%	740
71%—90%	1,013
91%—100%	192
Over 100%	74
	3,154

Liabilities under mortgage loans	**BGN'000**
Less than 50%	2,811
71%—90%	
Over 100%	192
	3,003

Corporate loans

Repayment of debt/fulfilment of the obligations by the corporate customer is usually the most appropriate indicator of the credit quality. However the collateral (pledge) provides additional security and CB Moldindconbank SA requires in general from corporate borrowers to provide such a collateral. CB Moldindconbank SA can also receive guarantees in the form of any real estate.

Significant increase in credit risk

In determining whether the risk of non-payment of a financial instrument has increased significantly after initial recognition, CB Moldindconbank SA believes that reasonable and appropriate information is available without undue costs or efforts. These include quantitative and qualitative information and analyses based on historical experience of bank and credit assessments and forecast information.

The purpose of the assessment is to determine whether there is a significant increase of the credit risk for a given exposure by comparing:

- probability of default (PD) at the reporting date to
- the residual duration of the long-term life calculated at the moment of initial recognition of the exposure (adjusted, if necessary, for expected changes).

Levels of credit risk

TB Moldindconbank SA assesses the credit risk associated with each asset, exposed to credit risk, taking into account certain factors depending on which assets are placed into Stages from 1 to 3. The main criteria used for placing the assets in the stages are:

Days past due

Classification according to prudential norms of the National Bank of Moldova Internal rating for exposures of legal entities

Registering the default over the past 12 months, etc.

The stages of the credit risk are determined and calibrated in such a way that the risk of default is measured and calculated exponentially so that the difference between the credit risk in Stage 1 and Stage 2 is lower than the difference between the credit risk, in Stage 2 and Stage 3.

Credit risk is attributed to each active exposure at initial recognition based on the information available for the borrower. Exposures are subject to continuous monitoring, which may result in an exposure that is transferred to another class of credit risk with time. Monitoring usually includes the following data:

For corporate exposures:

Information received from the analysis of the quarterly financial statements

Internal ratings

Data, provided by credit agencies, articles in the media, changes in the external credit rating

Significant and anticipated changes in the political, regulatory and technological environment of the borrower or its commercial activity

For retail exposures:

Data collected on client behaviour Information on debtors' official income *For all exposures:*

History of internal credit and of the banking financial system

Existing and projected changes in business, financial and economic conditions

The Bank’s portfolio is classified into identical or similar risk segments called homogeneous groups.

In order to reflect the different level of risk, a division of the exposures of the corporate sector was made, where the segments are based on the level of the granted amount (in euro). Retail exposures and corporate exposures are classified as per the product specifics, reflected through segmentation of the Group accounts.

Retail contracts were divided into the following segments: Retail trade, retail credit cards, retail consumption TL, retail consumers TM, retail consumers TS, retail mortgage and retail overdraft. Six homogeneous groups have been formed and a group for other retail trade contracts 'Retail, other'. The last group consists of products that can not be allocated based on historical default rate for the following reasons: fewer contracts, products that are no longer available in the latest records of the portfolio.

Corporate customers were divided into two sub-segments: Corporate customers => 140 thousand and corporate < 140 thousand. In order to make the allocation, the granted amount was converted into EUR and aggregated at customer level.

Bank has used statistical models to analyse the collected data and to generate estimates of the exposure throughout the life of the exposures and how they are expected to change as a result of the passage of time.

The calculation of the expected credit loss (ECL) is based on the following parameters: Term structure of probability of default (PDt),

Term structure of loss given default (LGD), Term structure of exposure at default (EAD), Discount value.

Probability of Default

Probability of default is critical information for the calculation of the expected credit loss and for the assessment of whether there is a significant increase in credit risk. The values of probability of default were allocated on the basis of segmentation and allocation of the days past due. The segmentation of the risk taken into account for all segments is based on days past due as there are no other determinants of risk or statistical models (e.g. rating). Groups of days past due were allocated on the basis of the following approaches: Customer or contract.

CB Moldindconbank S.A. believes that the significant increase in credit risk arises before an asset exceeds 30 days. The days in arrears are determined by counting the number of days of the shortest period in arrears for which a full payment is not received. The days in arrears are determined without taking into account the grace period, which may be granted to the borrower.

If there is no evidence of a significant increase in credit risk compared to initial recognition, then the calculation of the expected loss on an instrument is resumed to measure the 12-month expected credit loss.

Some qualitative indicators of credit risk growth may show an increased risk of default that continues after the indicator ceases to exist. In these cases, the bank determines a trial period in which the financial asset must demonstrate good behaviour to prove that credit risk has decreased sufficiently. When the contractual terms of the loan were changed, the evidence that the criteria for recognition of the life of the expected credit loss have not been met, includes an updated history of payments of the changed contractual terms. As a rule, this period is 12 months.

The bank monitors the effectiveness of the criteria used to identify significant increases in credit risk through periodic reviews to confirm that:

criteria do not comply when the asset is overdue by 30 days;

the average time between identification of a significant increase in credit risk and non-payment seems reasonable;

exposures are usually not transferred directly from the 12-month assessment of the expected credit loss to people with credit deficiencies;

there is no unwarranted variability in the transfer of premium for losses between 12 months probability of default (Stage 1) and the probability of default for the life cycle (Stage 2).

Non-fulfilment

The bank believes that a financial asset is in default when:

it is unlikely that the debtor repays in full its credit obligations to the bank without enforcement of the pledge (if any);

the debtor is 90 days past due for a significant credit obligation to the bank; the debtor has been in default in the last 12 months (as defined pursuant to Basel III framework);

the borrower is likely to restructure its assets as a result of bankruptcy due to the inability of the debtor to repay its credit obligations.

To determine whether a debtor is in default, the bank accounts the indicators, including: qualitative indicators: such as, breach of contractual terms and conditions;

quantitative indicators: such as, non-payment of another obligations of the same debtor to the bank; and

based on the internally generated data, obtained from external sources.

Including information for future periods

The bank includes information relating to future periods, both in assessing the credit risk of the instruments, which has grown significantly after initial recognition and in measurement of expected credit losses.

Bank formulates three economic scenarios: baseline scenario with 50% probability for an average scenario, and two less likely scenarios, positive and negative scenario with 25% probability each.

The baseline scenario is consistent with the information used by the bank for other purposes, such as strategic planning and budgeting. Reported external information includes data and economic forecasts published by government and monetary authorities in the Republic of Moldova and by financial experts.

Periodically the bank performs stress tests with extreme shocks to assess its financial stability. At least once a year, an overall review of the scenario design is performed by a group of experts from the bank.

The bank identifies and documents the main determinants of credit risk and loan losses for each portfolio of financial instruments and using historical data analysis assesses the links between macroeconomic variables, credit risk and credit losses.

The main drivers that generate credit risk for wholesale portfolios are: GDP growth, unemployment and interest rates. For exposures to specific sectors and/or regions the key factors include the relative prices of goods and/or immovable property. The main drivers that generate credit risk for retail portfolios are: Level of unemployment, house prices and interest rates.

Write-off of loans/assets

Credits or assets for which provisions are established 100% of their carrying amount in accordance with IFRS 9 so that their net value is zero can be considered for write-off (formation of loss). Such loans or assets will be written off if the bank has no reasonable expectation of recovery of assets within a reasonable time. An additional criterion used to determine the reasonable expectation of the bank to recover these assets is more than 360 days in arrears of the said assets.

The bank renegotiates/extends the loan terms for customers with financial difficulties to increase the possibility for collection and to minimize the risk of default. According to the Ordinance on the extension and renegotiation of bank loans, if the objectivity of the causes leading to default is determined, the bank starts to explore the possibility of extension or renegotiation of the loan, requesting from the customer the main documents needed for analysis.

At the discretion of the bank, it may need to have all the necessary documents and the entire information needed to make objective and fair decision.

The revised contract terms usually include extension of maturity, change in the interest repayment schedule and amendment of the terms of the loan agreement. Corporate loans and corporate borrowers are subject to a policy of extension and renegotiation. The decision making bodies of the bank periodically review the activity reports of the bank on extension and renegotiation.

For modified financial assets, as part of the bank's policy on extension and renegotiation, the assessment of days in arrears reflects whether the improvement has improved or reversed the bank's ability to collect interest and principal, and reflects also the previous experience of the bank with such extensions or renegotiations. As part of this process, the bank assesses the fulfilment of the payment obligations of the borrower against the amended contractual terms and conditions and takes into account various behavioural indicators.

As a key criterion, the existence of an extension or renegotiation is a qualitative indicator for significant increase in credit risk. The customer must demonstrate strong ability for payment and fulfilment of contractual obligations over a long period of time before the exposure ceases to be considered as affected by a high credit risk and it may be revalued to a credit risk corresponding to Stage 1 .

Loss given default is the amount of loss given default, if probable. CB Moldindconbank S.A. evaluates the parameters of the loss given default based on historical recovery rates of claims against the participating counterparties. The values of loss given default take into account the structure, the guarantee, the ranking of the claim, the industry sector of the counterparty and the cost for recovery of the collateral, which is an integral part of the financial asset.

EAD is the expected exposure at default. CB Moldindconbank S.A. determines the expected exposure at default from the current exposure of the counterparty and the potential changes in current value allowed under the contract as a result of depreciation. The expected exposure at default of a financial asset is the gross book value at the time of default. For loan commitments, the expected loss given default are all future amounts attributable to the contract, estimated on the basis of historical observations and forecasts.

As described above, and under conditions where maximum of 12 months probability of default is used for financial assets from Stage 1, CB Moldindconbank S.A. measures the expected credit loss, taking into account the risk of default against the maximum duration of the contract (including the options of the borrower), during which it is exposed to credit risk, even if for the credit risk management purposes CB Moldindconbank S.A. takes into account a longer period. The maximum term of the contract extends until the date on which CB Moldindconbank S.A. has the right to demand repayment of an advance or to terminate a loan or loan guarantee.

In cases where parameter modelling is done collectively, the financial instruments are grouped based on common risk characteristics, which include:

type of instrument;

credit risk classification;

type of guarantee;

	31 December 2023 (BGN'000)			
CORPORATE	**Stage_1**	**Stage_2**	**Stage_3**	**TOTAL**
Initial balance 2023	28,727	2,977	28,135	59,839
Stage of transfer 1	1,084	(1,053)	(21)	10
Stage of transfer 2	(7,075)	7,076	-	1
Stage of transfer 3	(373)	(304)	677	-
Internal debt increase	15,643	3,747	3	19,393
Reduction due to write-off	(3,772)	(765)	(1,632)	(6,169)
Fluctuations due to credit risk changes (net)	(4,554)	2,582	(13,989)	(15,961)
Reduction due to removal in the off-balance sheet items	-	-	(11,768)	(11,768)
Module modification	(1,998)	(438)		(2,436)
Other adjustments	(377)	(270)	(1,163)	(1,810)
Balance at the end of period, 31 December	**27,305**	**13,552**	**242**	**41,099**
RETAIL	**Stage_1**	**Stage_2**	**Stage_3**	**TOTAL**
Initial balance 2023	23,450	1,481	6,433	**31,364**
Transfer to stage 1	747	(370)	(397)	**(20)**
Transfer to stage 2	(927)	1,276	(349)	**-**
Transfer to stage 3	(350)	(567)	917	**-**
Internal debt increase	14,679	197	32	**14,908**
Reduction due to write-off	(3,662)	(137)	(527)	**(4,326)**

Fluctuations due to credit risk changes (net)	(19,058)	182	4,493	**(14,383)**
Reduction due to removal in the off-balance sheet items	(14)	-	(3,042)	**(3,056)**
Module modification	-	-	-	**-**
Other adjustments	(2)	-	-	**(2)**
Balance at the end of period, 31 December	**14,863**	**2,062**	**7,560**	**24,485**

31 December 2022 (BGN'000)

CORPORATE	**Stage_1**	**Stage_2**	**Stage_3**	**TOTAL**
Initial balance 2022	15,078	422	26,829	42,329
Stage of transfer 1	239	(239)	-	-
Stage of transfer 2	(1,242)	1,242	-	-
Stage of transfer 3	(82)	(15)	97	-
Internal debt increase	9,279	1,116	17	10,412
Reduction due to write-off	(3,379)	(336)	(459)	(4,174)
Fluctuations due to credit risk changes (net)	7,253	620	(15,409)	(7,536)
Reduction due to removal in the off-balance sheet items	-	-	(70)	(70)
Module modification	-	-	-	-
Other adjustments	159	19	476	654
Balance at the end of period, 31 December	**27,305**	**2,829**	**11,481**	**41,615**

RETAIL	**Stage_1**	**Stage_2**	**Stage_3**	**TOTAL**
Initial balance 2022	4,619	458	4,362	**9,439**
Transfer to stage 1	369	(154)	(216)	**(1)**
Transfer to stage 2	(60)	125	(65)	**-**
Transfer to stage 3	(65)	(208)	273	**-**
Internal debt increase	4,487	29	46	**4,562**
Reduction due to write-off	(976)	(49)	(396)	**(1,421)**
Fluctuations due to credit risk changes (net)	13,915	1,208	4,033	**19,156**

Reduction due to removal in the off-balance sheet items	-	-	(1,946)	**(1,946)**
Module modification	-	-	-	**-**
Other adjustments	-	-	459	**459**
Balance at the end of period, 31 December	**22,289**	**1,409**	**6,550**	**30,248**

Credit risk to other business sector

Credit risk is mainly the risk, in which borrowers, customers and other counterparties of the group will not be able to pay in full and in the usually envisaged time-limits the amounts owed by them under commercial and credit receivables. The latter are presented in the statement of financial position in a net amount, after deduction of the accrued impairments under doubtful or bad debts. Such impairments are made where and when there are events identifying loss from uncollectibility based on past experience.

Cash, including payment transactions, is limited to reputable banks and banks with good liquidity.

Granted loans

As at the date of each financial statement the Group determines whether the credit risk under the financial instruments has changed considerably against the initial recognition as it uses all the reasonably and supported information that is available without making excessive costs or efforts. When making this evaluation, the Group reviews the movement and/or restructurings of the instrument as well as objective external factors that may, in the opinion of the Group, have an impact on the receivables on an individual or collective level. In addition, the Company assesses whether there is a significant increase in credit risk when the contractual payments are overdue more than 30 days.

The groups considers a financial instrument to be a financial instrument in default when the contractual payments are more than 90 days overdue. However, in certain cases, a financial asset may be treated as one in default when internal or external information gives an indication that the Group is unlikely to receive the full amount of the outstanding sums under the contract, before taking into account any credit improvements held by it.

The applies a portfolio and individual approach to calculating the impairment for expected credit losses for provided credits. The group measures the credit risk by using the probability of default (PD), the exposure at default (EAD) and the loss given default (LGD).

The group recognizes a provision for expected credit losses (ECL) for all debt instruments that are not reported at fair value through profit or loss. ECL are based on the difference between the agreed cash-flows owed under the conditions of the contracts and all cash-flows that the Group expects to receive discounted with approximation to the initial effective rate of interest. Expected cash flows include cash flows from the sale of the collateral held or other credit enhancements that form an integral part of the terms of the contract.

ECL are recognized in two stages. For credit exposures where there is no significant increase in credit risk from the initial recognition, ECL are provisioned for credit losses that arise as a result of default events which are possible over the next 12 months (12-month ECL). For credit exposures for which there is a significant increase in credit risk from the initial recognition, a provision for loss is required in respect of the credit losses expected over the remaining exposure period, irrespective of the occurrence of the default (ECL over the duration of the instrument).

44.4. Liquidity risk

The liquidity risk is expressed in the negative situation where the group is not able to meet unconditionally all of its obligations when they fall due.

It conducts a conservative liquidity management policy whereby it maintains all the time an optimal liquid stock of cash, good ability to finance its business activity, including by ensuring and maintaining adequate credit resources and facilities, permanent control monitoring of the factual and forecast cash-flows by future periods and maintenance of balance between the maturity borders of the assets and liabilities of the companies in the Group.

Liquidity risk of Moldindconbank SA

31 December 2023	Carrying amount	Gross value	Up to 1 months	From 1 to 3 months	From 3 months up to 1 year	From one to five years	Over five years	Uncertain maturity
Types of financial liabilities								
Balance liabilities								
Other loans	43,785	47,002	366	1,992	10,010	28,903	5,731	-
Leasing	13,316	13,983	539	644	2,557	8,591	1,652	-
Customer deposits	2,418,445	2,441,011	143,056	224,566	820,588	821,247	431,554	-
Other liabilities	15,325	15,325	-	-	-	-	-	15,325
	2,490,871	**2,517,321**	**143,961**	**227,202**	**833,155**	**858,741**	**438,937**	**15,325**
Off-balance sheet liabilities								
Liabilities under extended loans and issued guarantees	71	74	-	2	11	37	24	-
Types of financial assets								
Balance assets								
Cash and balances with the National Bank	674,423	674,921	674,921	-	-	-	-	-
Current accounts and bank deposits with banks	8,985	10,019	10,019	-	-	-	-	-
Debt instruments — at amortised cost	641,027	669,823	230,433	83,849	334,502	21,039	-	-
Loans to customers	1,368,131	1,863,142	45,358	81,752	372,297	783,132	569,596	11,007
Mandatory reserves	363,991	364,363	364,363	-	-	-	-	-

Capital instruments at fair value through other comprehensive income	1,916	952	65	135	480	-	272	-
	3,058,473	**3,583,220**	**1,325,159**	**165,736**	**707,279**	**804,171**	**569,868**	**11,007**

	Carrying amount	**Gross value**	**Up to 1 months**	**From 1 to 3 months**	**From 3 months up to 1 year**	**From one to five years**	**Over five years**	**Uncertain maturity**
31 December 2022								
Types of financial liabilities								
Balance liabilities								
Other loans	39,225	39,478	1,038	1,655	6,731	20,768	9,286	-
Leasing	10,710	11,077	536	1,432	2,730	6,379	-	-
Customer deposits	1,852,750	1,853,655	83,646	140,927	715,789	598,441	314,834	18
Other liabilities	34,980	34,980	-	-	-	-	-	34,980
	1,937,665	**1,939,190**	**85,220**	**144,014**	**725,250**	**625,588**	**324,120**	**34,998**
Off-balance sheet liabilities								
Liabilities under extended loans and issued guarantees	53,676	53,676	11,552	17,044	24,035	939	106	-
Types of financial assets								
Balance assets								
Cash and balances with the National Bank	550,172	550,542	550,542	-	-	-	-	-
Current accounts and bank deposits with banks	10,339	10,378	10,378	-	-	-	-	-
Debt instruments — at amortised cost	432,749	432,749	133,705	68,984	222,592	7,468	-	-

Loans to customers	1,162,604	1,447,040	37,294	64,195	291,857	641,813	391,533	20,348
Mandatory reserves	256,006	256,266	256,266	-	-	-	-	-
Capital instruments at fair value through other comprehensive income	1,940	1,581	71	152	491	648	219	-
	2,413,810	**2,698,556**	**988,256**	**133,331**	**514,940**	**649,929**	**391,752**	**20,348**

Maturity analysis of the financial assets and liabilities from other business operations

31 December 2023	***Having no maturity*** BGN '000	**Up to 1 month** BGN '000	**from 1 to 3 m** BGN '000	**from 3 to 6 months** BGN '000	**from 6 to 12 months** BGN '000	**from 1 to 2 years** BGN '000	**from 2 to 5 years** BGN '000	**over 5 years** BGN '000	**Total** BGN '000
Available for sale financial assets and financial assets for sale		8		8		1,738	879	11,041	**13,674**
Loans and receivables		3,504	241	206	587	189	3		**4,730**
Cash and cash equivalents	20,069								**20,069**
Total assets	**20,069**	**3,512**	**241**	**214**	**587**	**1,927**	**882**	**11,041**	**38,473**
Bank loans		1,353	760	1,598	6,628	5,752	7,533		**23,624**
Other loans and debts			124	1,308	55,754	55,867			**113,053**
Liabilities on leasing to third parties		496	936	1,384	2,470	5,073	6,856	6,376	**23,591**
Total liabilities		**1,849**	**1,820**	**4,290**	**64,852**	**66,692**	**14,389**	**6,376**	**160,268**

31 December 2022	*Having no maturity*	**Up to 1 month**	**from 1 to 3 m**	**from 3 to 6 months**	**from 6 to 12 months**	**from 1 to 2 years**	**from 2 to 5 years**	**over 5 years**	**Total**
	BGN ‘000	**BGN ‘000**	**BGN ‘000**	**BGN ‘000**	**BGN ‘000**	**BGN ‘000**	**BGN ‘000**	**BGN '000**	**BGN ‘000**
Financial assets and for sale	6889	1	7				2621	3139	**12,657**
Loans and receivables				1713	1962	212	12		**3,899**
and cash equivalents	18009								**18,009**
Total assets	**24,898**	**1**	**7**	**1,713**	**1,962**	**212**	**2,633**	**3,139**	**34,565**
Bank loans		1,518	2,351	2,256	4,495	8,053	12,001	33	**30,707**
Other loans and debts			776	6,805	48,307	12,135	57,383		**125,406**
Liabilities on leasing to third parties		431	868	1,262	2,441	5,035	8,744	4,718	**23,499**
Total liabilities		**1,949**	**3,995**	**10,323**	**55,243**	**25,223**	**78,128**	**4,751**	**179,612**

Risk of interest-bearing cash flows

<u>*Interest risk from banking operations*</u>

31 December 2023	**Carrying amount**	**Up to 3 months**	**3–6 months**	**6–12 months**	**1–5 years**	**Over 5 years**	**Uncertain maturity**
Cash and balances with the National Bank	674,423	487,962	-	-	-	-	186,461
Mandatory reserves	363,991	219,944	-	-	-	-	144,047
Current accounts and bank deposits with banks	8,985	7,171	-	-	-	-	1,814
Capital instruments at fair value through other comprehensive income	1,916	178	146	269	-	-	1,323
Debt instruments — at amortised cost	641,027	313,020	107,068	204,577	-	-	16,362
Loans to customers	1,368,131	1,232,017	25,179	14,180	85,060	23	11,672
	3,058,473	**2,260,292**	**132,393**	**219,026**	**85,060**	**23**	**361,679**
Other loans	(43,785)	(18,173)	(21,358)	(367)	(275)	(2,983)	(629)
Leasing	(13,316)	(722)	(773)	(1,212)	(9,699)	(910)	-
Customer deposits	(2,418,445)	(1,111,550)	(299,899)	(189,194)	(12,759)	-	(805,043)
Other liabilities	(15,325)	(15,325)	-	-	-	-	
	(2,490,871)	**(1,145,770)**	**(322,030)**	**(190,773)**	**(22,733)**	**(3,893)**	**(805,672)**

31 December 2022	Carrying amount	Up to 3 months	3–6 months	6–12 months	1–5 years	Over 5 years	Uncertain maturity
Cash and balances with the National Bank	550,172	365,278	-	-	-	-	184,894
Mandatory reserves	256,006	197,434	-	-	-	-	58,572
Current accounts and bank deposits with banks	10,339	4,488	-	-	-	-	5,851
Capital instruments at fair value through other comprehensive income	1,940	675	589	76	-	-	600
Debt instruments — at amortised cost	432,749	205,358	125,448	101,943	-	-	-
Loans to customers	1,162,604	1,091,398	3,682	1,950	47,871	190	17,513
	2,413,810	**1,864,631**	**129,719**	**103,969**	**47,871**	**190**	**267,430**
Deposits with banks	-	-	-	-	-	-	-
Other loans	(39,225)	(5,488)	(10,525)	(2,386)	(18,984)	(1,299)	(543)
Leasing	(10,710)	-	(1,168)	(1,051)	(4,120)	(4,371)	-
Customer deposits	(1,852,750)	(870,057)	(172,493)	(240,081)	(2,193)	-	(567,926)
Other liabilities	(34,980)	(34,980)	-	-	-	-	-
	(1,937,665)	**(910,525)**	**(184,186)**	**(243,518)**	**(25,297)**	**(5,670)**	**(568,469)**

Interest risk from banking operations

31 December 2023	**interest-free** **BGN '000**	**floating interest %** **BGN '000**	**fixed interest %** **BGN '000**	**Total** **BGN '000**
Capital investments	7,956		5,718	13,674
Loans and receivables	4,316		414	4,730
Cash and cash equivalents	18,568		1,501	20,069
Total financial assets	**30,840**	**-**	**7,633**	**38,473**
Bank loans	1,280	20,849	1,495	23,624
Other loans and debts	37,771		75,282	113,053
Liabilities on leasing to related parties				-
Liabilities on leasing to third parties	3,569	2,761	17,261	23,591
Liabilities on financial guarantees				-
Total financial liabilities	**42,620**	**23,610**	**94,038**	**160,268**

31 December 2022	**interest-free** **BGN '000**	**floating interest %** **BGN '000**	**fixed interest %** **BGN '000**	**Total** **BGN '000**
Capital investments	6,881		5,776	12,657
Loans and receivables	3,318		581	3,899
Cash and cash equivalents	14,766		3,243	18,009
Total financial assets	**24,965**	**-**	**9,600**	**34,565**
Bank loans	70	30,637		30,707
Other loans and debts	36,025		89,381	125,406
Liabilities on leasing to third parties		5,544	17,955	23,499
Total financial liabilities	**36,095**	**36,181**	**107,336**	**179,612**

Insurance risk management

The main insurance activity is assumption of the risk of loss by persons and organizations that are direct subjects of the risk, as well as financial and other risks ensuing from an insured event. The activity is exposed to uncertainty related to the time and amount of the indemnifications under contracts, as well as to market risk in the part representing investment activity. The restriction of the insured risk is carried out through management of the insurance contracts by limits, methods of pricing and monitoring of the health insurance activity.

Investments in financial assets aim at decreasing the market and financial risk under the insurance activity.

Financial risk arises in relation to the investments made in financial instruments, which may bring about additional financial risks, such as market risk, credit risk and liquidity risk. This requires balance of the approach in the selection of financial instruments for investing.

Capital risk management

With the capital management the group aims at creating and maintaining possibilities to continue functioning as a group of operating enterprises and to ensure the respective return on the invested funds to the shareholders, economic benefits to the other interested parties and participants in its business, as well as to keep optimal capital structure in order to reduce the capital expenditures.

The parent company monitors on an on-going basis the certainty and structure of the capital on the basis of the indebtedness ratio. This ratio is calculated between the net debt capital and the total amount of the capital. The net debt capital is determined as the difference between the interest-bearing attracted funds (short-term and long-term) as they are specified in the statement of financial position and the cash and cash equivalents. The total amount of capital is equal to equity and net debt capital.

The table below presents the indebtedness ratios on the basis of the capital structure as at the date of the respective financial statement:

	31 December 2023	31 December 2022
	BGN ‘000	BGN ‘000
Total debt capital, incl.:	***2,594,393***	***2,044,702***
Bank customer deposits	*2,418,445*	*1,852,750*
Funds borrowed by the bank from other financial institutions	*43,785*	*39,225*
Liabilities of trade companies under bank loans	*23,624*	*30,707*
Liabilities to related entities	*62,004*	*76,317*
Trade liabilities	*31,072*	*30,045*
Liabilities on trade loans	*15,463*	*15,658*
Reduced by cash and cash equivalent	*(1,067,468)*	*(834,526)*
Net debt capital	***1,526,925***	***1,210,176***
Total equity	***481,125***	***390,204***
Total equity	***2,008,050***	***1,600,380***
Debt Ratio	***76,04%***	***75,62%***

Fair values

The Group determines fair value under IFRS 13 using the following hierarchy that reflects the significance of the factors used to determine fair value:

- Level 1: quoted prices (non-adjusted) in active markets for similar assets or liabilities;
- Level 2: inputs other than quoted prices included in level 1 that can be found for the asset or liability either directly (i.e. as quotes) or indirectly (i.e. derived from quotes);
- Level 3: inputs on the asset or liability that is not based on available market information (unavailable inputs).

The table below is an analysis of the financial instruments measured at fair value using the valuation methods used.

31 December 2023	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets	***BGN '000***	***BGN '000***	***BGN '000***	***BGN '000***	***BGN '000***
Financial assets at fair value in profit or loss	**7,956**	**5,242**	**5,242**		
Unquoted equity investment	*2,714*				
Quoted equity investment	*5,242*	*5,242*	*5,242*		
Financial assets at amortised cost, incl.	**2,021,522**	**2,021,522**	**646,745**	**1,916**	**1,372,861**
Financial assets at amortized cost (debt instruments)	*646,745*	*646,745*	*646,745*		
Financial assets at fair value in other comprehensive income	*1,916*	*1,916*		*1,916*	
Loans to bank customers	*1,368,131*	*1,368,131*			*1,368,131*
Receivables from related entities	*915*	*915*			*915*
Receivables from customers and suppliers	*3,115*	*3,115*			*3,115*
Receivables under insurance contracts					
Other receivables	*700*	*700*			*700*
Cash and cash equivalents	**1,067,468**	**1,067,468**			**1,067,468**
Total assets	**3,096,946**	**3,094,232**	**651,987**	**1,916**	**2,440,329**
Financial liabilities					
Financial liabilities at amortised cost, incl.					
Bank customer deposits	*2,418,445*	*2,418,445*			*2,418,445*
Funds borrowed by the bank from other financial institutions	*43,785*	*43,785*			*43,785*
Liabilities under bank loans	*23,624*	*23,624*			*23,624*
Liabilities to related parties	*62,004*	*62,004*			*62,004*
Trade liabilities	*31,072*	*31,072*			*31,072*
Liabilities on trade loans	*15,463*	*15,463*			*15,463*
Liabilities under insurance contracts	*3,648*	*3,648*			*3,648*
Liabilities on leasing	*36,907*	*36,907*		*36,907*	
Other liabilities	*16,191*	*16,191*			*16,191*
Total financial liabilities at amortised cost	***2,651,139***	***2,651,139***		***36,907***	***2,614,232***

31 December 2022	**Carrying amount**	**Fair value**	**Level 1**	**Level 2**	**Level 3**
Financial assets	***BGN '000***	***BGN '000***	***BGN '000***	***BGN '000***	***BGN '000***
Financial assets at fair value through profit or loss	**6,881**	**4,166**	**4,166**		**-**
Unquoted equity investment	*2,715*			-	-
Quoted equity investment	*4,166*	*4,166*	*4,166*	-	-
Financial assets at amortised cost, incl.	**1,606,968**	**1,606,968**	**438,525**	**1,940**	**1,166,503**
Financial assets at amortized cost (debt instruments)	*438,525*	*438,525*	*438,525*		
Financial assets at fair value in other comprehensive income	*1,940*	*1,940*		*1,940*	
Loans to bank customers	*1,162,604*	*1,162,604*			*1,162,604*
Receivables from related entities	*213*	*213*	-	-	*213*
Receivables from customers and suppliers	*2,522*	*2,522*			*2,522*
Other receivables	*1,164*	*1,164*			*1,164*
Cash and cash equivalents	**834,526**	**834,526**			**834,526**
Total assets	**2,448,375**	**2,445,660**	**442,691**	**1,940**	**2,001,029**
Financial liabilities					
Financial liabilities at amortised cost, incl.					
Bank customer deposits	*1,852,750*	*1,852,750*			*1,852,750*
Funds borrowed by the bank from other financial institutions	*39,225*	*39,225*			*39,225*
Liabilities to related parties	*76,317*	*76,317*	-	-	*76,317*
Trade liabilities	*30,045*	*30,045*	-	-	*30,045*
Liabilities on trade loans	*15,658*	*15,658*			*15,658*
Liabilities under insurance contracts	*2,610*	*2,610*			*2,610*
Other liabilities	*35,756*	*35,756*	-	-	*35,756*
Liabilities on leasing	*34,209*	*34,209*	-	*34,209*	
Liabilities under bank loans	*30,707*	*30,707*	-	-	*30,707*
Total financial liabilities at amortised cost	**2,117,277**	**2,117,277**	**-**	**34,209**	**2,083,068**

45. SEGMENT BASED REPORTING

The management determines the operating segments on the basis of the main products and services provided by the Group: The segment revenue and expenses for the period from 01 January to 31 December 2023, include:

31 December 2023	Banking sector	Insurance sector	Trade in 'do it yourself' goods	Non-financial enterprises performing financial services	Medical services	Detergents and household chemicals	Other	Total	Consolidation	Group
Operating revenue	350 601	25 503	175 125	324	32 664	1 463	9 496	595 176	5 339	589 837
Operating expenses	(132 877)	(23 433)	(121 682)		(7 760)	(582)	(5 333)	(291)	(2 084)	(289 583)
Net operating income	***217 724***	***2 070***	***53 443***	***324***	***24 904***	***881***	***4 163***	***303 509***	***3 255***	***300 254***
Operating and administrative expenses	(99 037)	(2 342)	(38 219)	(3 309)	(22 235)	(1 373)	(3 112)	(169 627)	(3 114)	(166 513)
Other financial revenue/expenses, net		2 040	(1 133)	30 529	(121)	(575)	(120)	30 620	34 010	(3 390)
Depreciation and impairment	(10 926)	(368)	(8 000)	(404)	(1 307)	(270)	(642)	(21 917)	(72)	(21 845)
Other income and losses, net	(1 990)	2	1 834	(16)	540	59	225	654	23	631
Operating profit	**105 771**	**1 402**	**79**	**27 124**	**1 781**	**(1 278)**	**514**	**143 239**	**34 102**	**109 137**

Profit from the acquisition and disposal of subsidiaries	4	4
Profit / loss before tax	**143 243**	**109 141**
Profit taxes	(16 955)	(16 955)
Profit/loss from continuing businesses	**126 288**	**92 186**
Profit/loss from ceased operations		
Net profit/(loss) for the year	**126 288**	**92 186**
Profit/loss from associates		
Net profit/(loss) for the year	**126 288**	**92 186**

The segment revenue and expenses for the period from 01 January to 31 December 2022, include:

31 December 2022	Banking sector	Insurance sector	Trade in ‘do it yourself’ goods	Non-financial enterprises performing financial services	Medical services	Detergents and household chemicals	Other	Total	Consolidation	Group
Operating revenue	312,905	20,589	150,754	291	28,942	1,167	9,201	523,849	4,143	519,706
Operating expenses	(118,149)	(16,042)	(104,577)	(42)	(6,383)	(1,008)	(5,787)	(251,988)	(1,223)	(250,765)
Net operating income	***194,756***	***4,547***	***46,177***	***249***	***22,559***	***159***	***3,414***	***271,861***	***2,920***	***268,941***
Operating and administrative expenses	(83,994)	(1,937)	(30,864)	(3,559)	(19,014)	(1,165)	(2,580)	(143,113)	(3,021)	(140,092)
Other financial revenue/expenses, net		(341)	(1,242)	(1,167)	(91)	(493)	(167)	(3,501)	1,376	(4,877)
Depreciation and impairment	(4,910)	(305)	(6,836)	(404)	(1,657)	(350)	(532)	(14,994)	(62)	(14,932)
Other income and losses, net	(4,282)	17	1,191	175	114	143	654	(1,988)	32	(2,020)
Operating profit	**101,570**	**1,981**	**8,426**	**(4,706)**	**1,911**	**(1,706)**	**789**	**108,265**	**1,245**	**107,020**

Profit from the acquisition and disposal of subsidiaries

Profit / loss before tax	**108,265**	**107,020**
Profit taxes	(13,466)	(13,466)
Profit/loss from continuing businesses	**94,799**	**93,554**
Profit/loss from ceased operations		
Net profit/(loss) for the year	**94,799**	**93,554**
Profit/loss from associates	-	-
Net profit/(loss) for the year	**94,799**	**93,554**

Asset and liability segments as at 31 December 2023 include:

31 December 2023	Banking sector	Insurance sector	Trade in 'do it yourself' goods	Non-financial enterprises performing financial services	Medical services	Production of detergents	Other	Total	Consolidation	Group
Property, plant and equipment	34,358	17	50,249	2,491	11,045	5,640	9,348	113,148	80	113,068
Assets with right of use	14,688	3,387	15,049	2,658	1,780	334	354	38,250	1,035	37,215
Investment properties				520			12,842	13,362		1,3362
Financial assets	642,943	10,781	9	888	0	0	1,996	656,617		656,617
Loans to bank customers	1,368,795							1,368,795		1,368,795
Trade receivables		1,219	2,458	5,029	1,992	349	1,433	12,480	5,698	6,782
Inventories			43,839	4	1,230	3,084	7,842	55,999	12	55,987
Cash and cash equivalents	1,047,399	8,019	2,373	4,628	1,389	19	3,641	1,067,468		1,067,468
Assets of the segment	**3,108,183**	**23,423**	**113,977**	**16,218**	**17,436**	**9,426**	**37,456**	**3,326,119**	**6,825**	**3,319,294**
Retained assets										61,725
Total assets										**3,381,019**

Customer deposits	2,418,445							2,418,445		2,418,445

Funds borrowed by the bank from other financial institutions	43,785							43,785		43,785
Liabilities to related parties			85	88,110	402	17,852	12,100	118,549	56,545	62,004
Liabilities of trade companies to bank institutions			4,610	16,294	1,225	1,239	256	23,624	0	23,624
Liabilities to suppliers and clients			29,964		464	440	204	31,072		31,072
Liabilities under trade loans received				15,463				15,463		15,463
Liabilities on leasing	13,316	3,569	15,689	2,756	1,974	341	346	37,991	1,084	36,907
Other specific liabilities to banks	81,202							8,1202		8,1202
Liabilities of the segment	**2,556,748**	**3,569**	**50,348**	**122,623**	**4,065**	**19,872**	**12,906**	**2,770,131**	**57,629**	**2,712,502**
Retained liabilities										39,721
Total liabilities										**2,752,223**

Asset and liability segments as at 31 December 2022 include:

31 December 2022	Banking sector	Insurance sector	Trade in 'do it yourself' goods	Non-financial enterprises performing financial services	Medical services	Production of detergents	Other	Total	Consolidation	Group
Property, plant and equipment	32,974	6	49,277	2,486	8,089	5,838	8,944	107,614	20	107,594
Assets with right of use	11,833	2,697	16,080	2,519	1,882	389	261	35,661	1,106	34,555
Investment properties				733			12,842	13,575		13,575
Financial assets	434,689	9,795	9	733	-	-	2,120	447,346		447,346
Loans to bank customers	1,162,604							1,162,604		1,162,604
Trade receivables/Receivables under insurance contracts		16	1,691	5,297	2,090	390	1,918	11,402	5,508	5,894
Inventories			37,112	8	1,033	2,924	6,939	48,016	(154)	48,170
Cash and cash equivalents	816,517	8,486	3,788	1,785	1,950	3	1,997	834,526		834,526
Assets of the segment	**2,458,617**	**21,000**	**107,957**	**13,561**	**15,044**	**9,544**	**35,021**	**2,660,744**	**6,480**	**2,654,264**
Retained assets										57,582
Total assets										**2,711,846**
Customer deposits	1,852,750							1,852,750		1,852,750
Funds borrowed by the bank from other financial institutions	39,225							39,225		39,225

Liabilities to related parties			139	114,842	709	15,765	12,387	143,842	67,525	76,317
Liabilities of trade companies to bank institutions		-	6,932	21,297		2,069	409	30,707		30,707
Liabilities to suppliers and clients			29,139		206	471	229	30,045		30,045
Liabilities under trade loans received				15,658				15,658		15,658
Liabilities on leasing	10,710	2,851	16,583	2,609	1,975	400	224	35,352	1,143	34,209
Other specific liabilities to banks	85,873							85,873		85,873
Liabilities of the segment	**1,988,558**	**2,851**	**52,793**	**154,406**	**2,890**	**18,705**	**13,249**	**2,233,452**	**68,668**	**2,164,784**
Retained liabilities										28,325
Total liabilities										**2,193,109**

46. EVENTS AFTER THE DATE OF THE REPORTING PERIOD (THE BALANCE SHEET DATE)

Doverie – United Holding AD

The Financial Supervision Commission (FSC) by its Decision No 46-E/25 January 2024 has approved a public offering of 200 000 (two hundred thousand) registered, book-entry, interest-bearing, unsecured, freely transferable, convertible bonds, with a nominal and issue value of BGN 100 (one hundred) per bond, with a floating interest rate equal to the sum of 6-month EURIBOR, increased by a premium of 2.00% per annum, but in aggregate not less than 2.00% per annum and not more than 6.00% per annum, payable in 6-monthly instalments, with a maturity of 5 (five) years from the date of issue of the convertible bond issue, in accordance with the resolutions passed by the Board of Directors of the Company (as authorised by the Articles of Association) on 24 November 2023 and 05 January 2024, and pursuant to the Prospectus for the Public Offering of the Convertible Unsecured Notes Issue of the Company.

Amount of the bond loan, tolerances, number, nominal and issue value, types of bonds and their rights. The size of the issue of convertible bonds of DOVERIE – UNITED HOLDING AD is up to 200 000 (two hundred thousand) registered, book-entry, interest-bearing, unsecured, freely transferable, convertible bonds, with a nominal and issue value of BGN 100 (one hundred) per bond. The bond loan shall be deemed to have been concluded upon subscription and payment of bonds with a total nominal value of not less than BGN 10 000 000 (ten million), in which case the amount of the bond loan shall be the value of the subscribed bonds. No variance above the upper limit of the bonded indebtedness requested to be raised is possible. Each bond of the new convertible bond issue has a nominal value of BGN 100 and an issue value of BGN 100.

All bonds issued by DOVERIE – UNITED HOLDING AD from the new issue are of one class — convertible, book-entry, registered, interest-bearing, freely transferable unsecured bonds. The Bonds of this Issue carry equal rights to their holders. The public offering of convertible bonds with rights excludes the possibility of prejudice to the interests of shareholders.

1. Issuance of rights. Relationship between the rights issued and the convertible bonds. Minimum and maximum number of bonds that can be subscribed for against the rights issued. Pursuant to Article 112b, paragraph 2 of the Public Offering of Securities Act, persons who have acquired shares of DOVERIE – UNITED HOLDING AD no later than 5 business days after the date of publication of the notice under Article 89s, paragraph 1 of the Public Offering of Securities Act. Within two working days from the expiration of the period referred to in the preceding sentence, the Central Depository shall open accounts for the rights of the persons referred to in the preceding sentence based on the data from the shareholders' book. One right is issued for each share existing at the end of the specified period. 107,499 (one hundred and seven point four hundred and ninety-nine thousandths) rights entitle to subscribe for 1 (one) convertible bond. After the issuance of the rights, any person may acquire rights in the period for their transfer/trading and in the course of the public auction; each 107,499 rights exercised enable the subscription of one convertible bond with a nominal and issue value of BGN 100 each. Any person may subscribe for such number of Convertible Bonds as is equal to the number of Rights acquired and/or held by him divided by 107,499 and rounded down to the nearest whole number. Rights shall be transferred within the transfer period set out below.

2. Starting and ending date, conditions and procedure for transfer of rights. Commencement and termination date, terms and conditions for subscription of bonds of the new issue by the rights holder.

2.1. Starting date for the transfer of rights and for the subscription of convertible bonds pursuant to Article 112b, paragraphs 4 and 5 of the Public Offering of Securities Act — the fifth business day following the expiration of 7 (seven) calendar days from the date of publication of the announcement of the public offering pursuant to Article 89s, paragraph 1 of the Public Offering of Securities Act on the websites of DOVERIE – UNITED HOLDING AD and the authorized investment intermediary
SOFIA INTERNATIONAL SECURITIES AD (if the publications are on different dates — the fifth working day following the expiry of 7 calendar days from the latest of all dates).

2.2. Deadline for the transfer of the rights pursuant to Article 112bq paragraph 4 of the Public Offering of Securities Act — 15 calendar days starting from the commencement date under item 3.1. If the period expires on a non-business day, the first following business day shall be deemed to be the closing date for the transfer.

2.3. The transfer of rights by means of their purchase and sale (trading with rights) pursuant to Article 112b, paragraph 6 et seq. of the Public Offering of Securities Act is carried out on the main market of the Bulgarian Stock Exchange (BSE) by submitting a sell order to the respective investment intermediary with which the rights accounts of the respective clients are disclosed, respectively by submitting a buy order to an investment intermediary member of the regulated market. For the acquisition of rights by other means, the provisions of the Regulations of the Central Depository AD shall apply. The commencement date for trading in rights shall coincide with the commencement date referred to in item 3.1. Pursuant to the Rules of the Bulgarian Stock Exchange AD, the last date for trading of rights on the Exchange is 2 business days before the closing date referred to in item 3.2. Shareholders who do not wish to participate in the issue of convertible bonds, as well as all other holders of rights, have the right to sell their rights in the above manner until the end of the stock exchange session on the last day of trading in rights, respectively to dispose of them by other means until the last day for the transfer of rights, but not later than provided for under the Regulations of the Central Depository AD. On the 2nd business day after the closing date of the period for transfer of the rights under item 3.2. DOVERIE – UNITED HOLDING AD, through the investment intermediary SOFIA INTERNATIONAL SECURITIES AD offers for sale under the conditions of public auction those rights against which no convertible bonds from the bond issue have been subscribed until the expiry of the period for transfer of the rights. DOVERIE – UNITED HOLDING AD will distribute the amount received from the sale of the unvested rights, less the costs of sale, *pro rata* among the holders thereof. The funds received from the sale of the rights shall be transferred to a special account opened by the Central Depository AD and shall not be used until the announcement of the bond loan in the commercial register. The distribution of the sums received from the sale of rights, both within the period for their transfer and at the auction, shall be carried out with the assistance of the Central Depository under the terms and conditions of its Rules. At the beginning of each business day during the subscription period, the Central Depository shall publicly disclose information on the rights exercised until the end of the previous business day. Persons who have acquired rights in the sale through the auction may subscribe for the relevant number of convertible bonds until the expiry of the subscription deadline under item 3.4.

2.4. Deadline for subscription of the convertible bonds pursuant to Article 112b, paragraph 5 of the Public Offering of Securities Act — 15 business days after the day on which the deadline for transfer of the rights under item 3.2 expires. Subscription before the specified start date and after the specified end date is not permitted.

2.5. The subscription of the convertible bonds of the new issue will be made under the following terms and conditions:

2.5.1. Persons who have received rights under personal accounts shall request the transfer of the rights under their sub-accounts with an investment firm. Persons holding rights shares, as well as any other holders of rights who have acquired the same within the period for their transfer, may subscribe for the relevant number of convertible bonds against them until the expiry of the period for the transfer of the rights under item 3.2, failing which their unexercised rights will be sold ex officio at a public auction. Persons who have acquired rights in the auction sale may subscribe for the relevant number of convertible bonds until the subscription deadline referred to in item 3.4. The Company provides the opportunity to subscribe for bonds remotely through the Central Depository and its members. The subscription of bonds is carried out by submitting applications in compliance with the requirements of Regulation No 38 of 21 May 2020 on the requirements to the activity of investment intermediaries. All holders of shares with rights, as well as all other holders of rights acquired within the period for their transfer and/or at the auction, shall submit the applications for subscription of convertible bonds to the authorized investment intermediary SOFIA INTERNATIONAL SECURITIES AD, with headquarters and registered address: City of Sofia, 140 Georgi S. Rakovski St., floor 4, phone: +359 2 937 98 65, e-mail: videv@sis.bg. servicing the capital increase and/or to the investment intermediaries, members of the Central Depository, with which the client accounts for the rights held by them are kept, in accordance with the procedures in force in the Rules of the Central Depository. Applications for subscription of convertible bonds shall be submitted to the above-mentioned investment intermediary servicing the public offering every business day from 9:00 a.m. to 5:00 p.m., or during the respective business hours of each investment intermediary if different from the above-mentioned, but no later than 5:00 p.m. on the last day of the subscription period, subject to compliance with the regulatory requirements.

2.5.2. The subscription of the Convertible Bonds shall be deemed to be valid only if it is made by a shareholder with rights shares and/or by another holder of rights up to the possible number of Convertible Bonds under item 2 and the full issue value of the subscribed Convertible Bonds is paid up to the subscription deadline for the bonds, subject to the conditions set out below. In the event of partial payment of the issue value, the respective number of convertible bonds for which the same has been paid in full shall be deemed subscribed. The payment of the issue value of the subscribed convertible bonds shall be made to a special collection account opened in the name of DOVERIE – UNITED HOLDING AD as follows:

IBAN: BG78UNCR70001525611271
BIC: UNCRBGSF
Bank UniCredit Bulbank AD

The collection account must be certified by the person subscribing for the bonds by the deadline for subscription of the bonds at the latest.

2.6. Pursuant to Article 89m, paragraph 2 of the Public Offering of Securities Act, the funds raised in the special account may not be used before the subscription is closed and the notice of the bond loan is entered in the Commercial Register at the Registry Agency.

3. Applicable order if all the offered bonds are subscribed before the end of the subscription; if all the offered bonds are not subscribed before the end of the subscription; if more bonds are subscribed before the end of the subscription than the offered bonds. If all the convertible bonds of this issue are subscribed before the subscription deadline, DOVERIE – UNITED HOLDING AD shall notify the FSC within 3 (three) business days pursuant to Article 112b, paragraph 12 of the Public Offering of Securities Act and shall take the necessary actions for announcement of the notice of the concluded bond loan in the Commercial Register and for registration of the issue with the Central Depository AD, the FSC and the Bulgarian Stock Exchange AD. If not all bonds are subscribed by the subscription deadline, but at least 100,000 convertible bonds are subscribed and paid for, the bond loan shall be deemed to be concluded up to the amount of the subscribed and paid bonds and the issue in this amount shall be registered with the Central Depository AD, the FSC and the Bulgarian Stock Exchange AD.

The public offering of convertible bonds with rights shall exclude the possibility of subscribing to more than the bonds referred to in point 1.

4. Procedure and time limits for the return of contributions raised and interest due in the event of a failed subscription. If the subscription ends unsuccessfully, without fulfilling the conditions stipulated in the Prospectus, or the announcement of the concluded bond loan by DOVERIE – UNITED HOLDING AD is not announced in the Commercial Register, within one month from the notification to the FSC under Article 89l, paragraph 3 of the Public Offering of Securities Act, the sums raised shall be returned to the persons who subscribed for the securities, together with the amounts charged by the bank under paragraph 1. On the day of the notification under Article 89l, paragraph 3, DOVERIE – UNITED HOLDING AD shall notify the bank of the result of the subscription, publish on its website an invitation to the persons subscribing for securities, announcing the conditions and procedure for the return of the sums raised, and send it to the investment intermediaries participating in the offering. The investment firms participating in the offering shall publish the invitation on their websites immediately upon receipt.

5. Receipt of the certification documents for the issued convertible bonds and for the payments made. Following the announcement of the bond loan, the Company registers the bond issue with the Central Depository AD. Central Depository AD will open new accounts of investors with the subscribed and paid convertible bonds. The bonds of the persons who have sub-accounts with investment intermediaries at the Central Depository AD will be allocated to the respective sub-accounts. Persons who have accounts in Register A of the Central Depository will receive the Convertible Bonds from DOVERIE – UNITED HOLDING AD on accounts in Register A. Upon request, investors may obtain certification documents — depository receipts — for the convertible bonds received by them. The issuance of depository receipts shall be carried out by Central Depository AD through the respective investment intermediary at the request of the bondholder and in accordance with the Regulations of Central Depository AD and the internal acts of the intermediary. The document certifying the contributions made is the payment document (payment order or deposit slip) and is obtained from the servicing bank through which the investor orders the payment or deposits the amount due against the subscribed convertible bonds.

6. Time, place and manner of acquaintance with the Prospectus. The prospectus for the initial public offering of bonds of DOVERIE – UNITED HOLDING AD is published on the following websites: website OF DOVERIE – UNITED HOLDING AD: https://doverie.bg/, 'Prospectuses' section; website of IP SOFIA INTERNATIONAL SECURITIES AD: www.sis.bg, 'Highlights' section, 'News' section; the website of the Financial Supervision Commission: www.fsc.bg; internet media www.x3news.com — profile of DOVERIE – UNITED HOLDING AD, 'Internal information' section. Investors may obtain a free copy of the Prospectus, together with the supplements thereto, at the following addresses: in the office of DOVERIE – UNITED HOLDING AD: City of Sofia, Izgrev District, 5 Lachezar Stanchev St., Sopharma Business Towers shopping centre, office building A, fl. 7, tel.: +359 2 984 56 35, contact person: Vanya Atanasova, every working day from 9:00 a.m. to 05:00 p.m.; at the office of the authorized investment intermediary SOFIA INTERNATIONAL SECURITIES AD, 140 Georgi S. Rakovski St., floor 4, phone: +359 2 937 98 65, contact person: Atanas Videv, every working day from 9:00 a.m. to 05:00 p.m.

On 26 March 2024 the subscription period for the bond issue ended. At the date of approval of the Consolidated Financial Statements, the entries have been made with the Central Depository and the Registry Agency.

Industrial Holding Doverie AD

In January, an Annex to the Loan Agreement dated 25 November 2022 between Sopharma AD and Industrial Holding Doverie AD was signed in the amount of BGN 1,362,000. The amount was transferred on 26 January 2024. In March, principal in the amount of BGN 6,172 thousand and interest in the amount of BGN 228 thousand were reimbursed under the same Agreement.

On 08 April 2024 a Cash Loan Agreement in the amount of BGN 3,000,000 was signed with Donev Investment Holding
AD The term of the contract is 08 April 2026 at an annual interest rate of 6%.

Doverie Invest EAD

On 22 February 2024, at an Extraordinary General Meeting of Moldindconbank, a resolution was passed to distribute a dividend from the 2022 profit in the amount of MDL 60.68 per share. On 28 February 2024 Doverie Invest EAD received MDL 223,985,608.26 and withholding tax in the amount of MDL 11,788,716.22.

Doverie Capital AD

On 24 January 2024 an Annex to the Credit Agreement 319/2021 between Sopharma AD and Doverie-Capital AD was signed changing the interest rate under the Agreement from 3.33% to 4.85%.

On 08 April 2024, a Cash Loan Agreement was signed between DONEV Investments Holding AD and Doverie – Capital AD for the amount of BGN 3,500,000.00, at an annual interest rate of 6% and the term of the agreement until 08 April 2026.

On 12 April 2024 Doverie-Capital AD has repaid to Sopharma AD principal and interest in the amount of BGN 3,500,000.00 under Loan 318/2021.

Doverie — Brico AD

In January 2024, the term of the Pleven store bank guarantee was extended to 31 January 2025. The amount of the guarantee has been increased to EUR 69 thousand (BGN 134 thousand) (see Note 28 Leases of the AFS).

On 23 February 2024, the term of the Short-Term Bank Loan Agreement in the amount of EUR 6,500 thousand was extended until 27 April 2024 (see Note 13 Bank loans of the AFS).

In February, a letter of credit was established in favour of a foreign supplier of goods in the amount of USD 82 thousand (BGN 149 thousand). The letter of credit shall expire on 16 May 2024.

On 12 March 2024, a definitive agreement was signed for the purchase of 100% of the company shares of DIY EOOD, whose main asset is a land plot with an area of 24,916 sq. m., located in the city of Sofia, intended for the construction of a shopping center. The final contract is in the mount of EUR 5,108 thousand (BGN 9,990 thousand) (see Note 32 *Commitments* of the GFO).

In March 2024, the terms of the bank guarantees for Sofia 1 and Sofia 3 stores were extended until 31 March 2025. The amount of the guarantee for the Sofia 3 store has been increased to EUR 119 thousand (BGN 234 thousand) (see Annex 28 Leases from the AFS).

On 11 April 2024, Doverie-Brico AD entered into a Long-Term Investment Bank Loan Agreement with the following terms:

- *purpose of the loan — financing/refinancing the purchase of shares in DIY EOOD and the construction of a fourth Mr. Bricolage in Sofia.*
- *Agreed amount — EUR 12,000 thousand or their lev equivalent at the BNB fixing;*
- *Annual interest rate: one-month EURIBOR + 1 point margin, but not less than 1% per annum for amounts drawn in EUR and the lender bank's CLP + 3.25 points margin, but not less than 3.25% per annum for amounts drawn in BGN;*
- *deadline for utilisation — until 11 April 2026;*
- *deadline for repayment — until 11 April 2034;*
- *loan management fee — 0.15% per annum;*

- *commitment fee — 0.15% on an annual basis;*
- *collaterals:*
- *contractual mortgage of the Company's own real estate in the city of Burgas (land and a building);*
- *first-ranking contractual mortgage on real estate (land) owned by the DIY EOOD subsidiary subject to planning permission for a new Mr. Bricolage store, along with the right to build;*
- *special pledge on future movables — machinery, plant and equipment in the new Mr. Bricolage;*
- *pledge of a financial collateral (the receivables under all bank accounts with the bank-creditor) in the amount of EUR 12,000 thousand;*
- *Suretyship by DIY EOOD.*

Bilyana Triko AD

On 01 April 2024 the Lease Agreements for real estate and movable assets with Bilyana Knitwear EOOD were terminated.

Moldindconbank S.A.

1. On 30 January 2024, the agenda of the Extraordinary General Meeting of Shareholders of the Bank scheduled for 22 February 2024 was published on the website of BC Moldindconbank S.A. (https://www.micb.md/noutati-en/109231/). There is only one item on the agenda: 'Allocation of annual net profit for 2022'.

The Extraordinary General Meeting of Shareholders of BC Moldindconbank S.A. was held by correspondence. The Resolution was implemented through the payment of a dividend of MDL 60.68 per share.

2. The situation in the agricultural sector The situation in the agricultural sector (which is strategic for the country) is quite complex; in addition to adverse weather conditions, farmers have had to face significant falling prices, including due to the influx of grain from Ukraine. This has brought many farmers to the brink, of bankruptcy, especially small ones, and their organizing protests demanding help/compensation from the

state (so far, according to them, the state’s help is not enough). The bank's loan portfolio in the agriculture sector is relatively small (<4%) and the bank has established sufficient reserves (additional calculation specifically for the agriculture sector);

3. Additionally, impairment losses and losses payable have been accrued in the total amount of BGN 1,511 thousand.

Management is not expecting a significant impact on the quality of the portfolio. The management closely monitors every development and is ready to take appropriate actions. These possible future actions taken by the Bank may encompass fields of accounting estimates, methods of calculation of adjustments to anticipated losses and credit risk provisions in compliance with IFRS 9. As at the date of these financial statements, the Bank continues to meet its obligations to the extent that form, as it should and based on its assessment of current and potential events, the Bank uses the going concern basis of preparation.

The Annual Consolidated Financial Statements for the period ended on 31 December 2023 were authorised for publishing on 17 April 2024 by:

Anna Pavlova
Chief Accountant and Chairperson of the Management Board

Alexandre Hristov
Executive Director

Petko Ivanov
Member of the Management Board

DOVERIE UNITED HOLDING

Annual Consolidated Report on the Activity for the period ended on

31 December 2023

Contents

This Annual Consolidated Report on the Activity of Doverie – United Holding AD, covering the period, ending on 31 December 2023, is prepared in accordance with the provisions of Article 44 of the Accounting Act and Article 100n, paragraph 2 and Article 100n, paragraph 5 of the Public Offering of Securities Act (POSA) including also the identified events that have occurred after the balance sheet date. The structure of this report is in accordance with Annex 2 to Article 10, item 1 and Article 11, item 1 of Ordinance No 2.

Based on management responsibility for the preparation of each of the annual financial statements of the companies included in the separate annual financial statements and in accordance with the notes thereto, the Management Board of the Holding confirms that:

✓ There have been no irregularities with the participation of directors or employees that might be significant in relation to the consolidated financial statements;

✓ All significant transactions are properly accounted for and are reflected in the annual consolidated financial statements as at 31 December 2023;

✓ There is no actual or potential violation of laws and (or) other regulations, which might have a significant impact on the annual consolidated financial statements or could serve as a basis for reporting a contingent loss;

✓ There are no legal or other restrictions on the cash flow;

✓ Trends, claims, commitments, events or unforeseeable circumstances are not known, which might be expected to impact the company as a whole.

I. General information about the economic group

1. Parent company

Doverie – United Holding AD (the parent company) is a public joint-stock company registered in the Sofia City Court under company file No 13056 as at 1996. The company is established in the same year.

The seat and registered address of Doverie – United Holding AD is 1756 Sofia, 5 Lachezar Stanchev St., bl. floor 7, tel. (02) 98 456 10; 98 456 11;
Fax: (02) 98 456 63. The company does not have opened and registered branches. The e-mail is, as follows: doverie@doverie.bg. The officially registered website is www.doverie.bg, with inside information published in the 'For Investors' category under 'News' section:
'News': https://doverie.bg/за-инвеститори/новини/

The subject of activity of Doverie – United Holding AD is the acquisition, management, evaluation and sale of shares and/or shareholdings in Bulgarian and foreign companies – legal entities, participation in any form in other local and/or foreign business companies and/or in their management; acquisition, management and sale of bonds; acquisition, evaluation and sale of patents, transfer of licenses for the use of patents of companies in which the holding company participates; financing of companies in which the holding company participates.

2. Subsidiaries

At 31 December 2023, Doverie – United Holding AD exercises control over the following subsidiaries (grouped by economic sectors):

Company	% of shareholding
FINANCIAL INSTITUTIONS	
Moldindconbank S.A.	78.21%

SUB-HOLDING COMPANIES

Industrial Holding – Doverie AD	100.00%
Doverie — Capital AD	100.00%

TRADE

Doverie — Brico AD	71.93%

HEALTH SERVICES

United Health Insurance Fund Doverie ZAD	98.15%
MC Doverie AD	100.00%
Multiprofile Hospital for Active Treatment Doverie AD	100.00%
Occupational Health Doverie EOOD	100.00%

CONSTRUCTION

Dunav AD	81.82%
Hydroisomat AD	93.34%

GRAPE AND WINE PRODUCTION

Bulgarian wine OOD	100.00%

PRODUCTION OF DETERGENTS

Doverie Care EAD	100.00%
Caretech EOOD	100.00%

LEASING OF IMMOVABLE AND MOVABLE ASSETS

Maritsatex AD	91.97%
Bilyana Triko AD	98.88%

OTHER INDUSTRIES

Doverie Invest EAD	100.00%

The main subject of activity of the companies of the Group is:

FINANCIAL INSTITUTIONS

Moldindconbank S.A. — Commercial Bank 'Moldindkonbank' SA (the 'Bank') was established in October 1991 and operates as a commercial and savings bank offering a wide range of banking services and products aimed at all categories of customers through its 70 branches (2022: 70 branches).

- The Bank may perform the following activities within the license issued by the National Bank of Moldova: Attract deposits and other recoverable resources; granting of loans, including: consumer loans, mortgage loans, factoring with or without appeal, trade finance (including, fixed amounts); financial leasing; provision of payment services in accordance with Act No 114 on payment services and electronic money (Republic of Moldova) of 18 May 2012; issuing and administering travellers' cheques, bills and other payment instruments; issuing bank guarantees and accepting commitments; transactions for its own account or on behalf of customers with any of the following means: money market instruments (cheques, bills, certificates of deposit, etc.)] foreign currency; futures and options; foreign currency and interest based instruments; securities and other financial instruments; participation in the issue of securities and other financial instruments and providing services related to these issues; advice to legal entities on the structure of authorized capital, the business strategy and other aspects related to the commercial activity, as well as advice and services related to mergers and acquisitions of legal entities; monetary intermediation (interbank intermediation); portfolio management and advice related to them; safekeeping and administration of financial instruments; loan information services; safe deposit services; issuing of electronic money in accordance with Act No 114 on payment services and electronic money of 18 May2012; any other financial activity or services, authorized by the National Bank of Moldova subject to the special laws governing the respective activities.

The Bank may provide investment services and activities as well as other additional services as per the license issued by the National Commission for Financial Markets.

The Bank may not perform the following operations: Pledge its own shares on behalf of the Bank; grant loans, secured by shares, other types of securities or bonds issued by the Bank and/or another related party belonging to the Group of the Bank.

HOLDING COMPANIES

Industrial Holding – Doverie AD — a holding company dealing with acquisition, management, evaluation and sale of patents, transfer of licenses for the use of patents of companies, in which the holding company participates, manufacturing, domestic and foreign trade in goods and services, including raw materials, yarns, fabrics and related products, mediation and engineering activities, design and construction, property management, scientific and technical, technological and patent information, investors` and independent construction supervision.

Doverie-Capital AD — a holding company dealing with domestic and foreign trade, trade representation, intermediation and agency services, organization and operation of commercial entities and any other activity.

TRADE

Doverie — Brico AD — construction, operation and management of retail outlets for household goods and repairs. The activity of the company is based on a Partnership Agreement with Mr. Bricolage SA (France), signed in 1999. According to the agreement Doverie – Brico AD has the exclusive right to use the trademark of Mr.Bricolage in the territory of Bulgaria.

The company operates in the following outlets throughout the country: Sofia 1, Plovdiv — two, Sofia 2, Varna, Blagoevgrad, Burgas, Pleven, Ruse, Dobrich, Sofia 3, Pernik (open to customers on 30 September 2022) and Haskovo (open to customers on 6 December 2023), as well as through an online shop.

INSURANCE

United Health Insurance Fund Doverie ZAD — sickness and/or accident insurance

MEDICAL SERVICES

Doverie Medical Center AD — implementation of specialized outpatient care in accordance with local legislation in force, including diagnostics, treatment, rehabilitation and monitoring of patients; consultations; prevention; laboratory and other tests; conducting medical procedures and treatments; home care and care for the sick; medicines, bandages and medical supplies, examination of temporary disability; monitoring and providing medical care during pregnancy and motherhood; carrying out activities in health promotion and prevention, including preventive medical check-ups and immunizations, issuance of medical care related documents; referring patients for consultation and hospital care.

Multiprofile Hospital for Active Treatment Doverie AD — Hospital care: diagnosis and treatment of diseases when the healing objective can not be achieved in terms of outpatient care; natal care, rehabilitation, diagnostics and consultations requested by a doctor or dentist from other medical establishments; organs, tissues and cells transplantations; collection, storage, supply of blood and blood components; haemovigilance; medical and cosmetic services; clinical trials of drugs and medical equipment in compliance with the local legislation in force, educational and scientific activities.

OHS – Doverie EOOD — occupational health service

CONSTRUCTION MATERIALS AND HOUSING SECTOR INDUSTRY

Dunav AD — design, construction, specialized construction services, production of building materials and products, entrepreneurship, comprehensive services with construction machinery and transportation; automotive repair services, domestic and international transport, shipment; training of personnel for the construction sector; domestic and foreign trade; rental and leasing of real estate; purchase, construction and furnishing of real estates for sale; tests and measurements of building materials and flaw detection of welded products.

Hydroisomat AD — purchase, construction and furnishing of real estate for sale; research and development, know-how, production and trade of intellectual products; domestic and foreign trade activities.

GRAPE AND WINE PRODUCTION

Bulgarian wine OOD — Purchase of grapes and fruit, production of wine

DETERGENTS AND HOUSEHOLD CHEMICALS

Veko EOOD (Doverie Care EAD — transformation registered on 19 January 2018) — production of detergents and other household chemicals.

Caretech EOOD — production of detergents and other household chemicals.

LEASING OF IMMOVABLE AND MOVABLE ASSETS

Maritsatex AD — A company established and operating until 31 August 2010 as an entity producing textile and related products. On a General Meeting of Shareholders held on 20 July 2010, a resolution was made to cease the textile and all related productions. Pursuant to the above resolution the employment contracts of all employees were terminated except those whose job functions were not directly related to the production process and were needed for operation of the company's assets.

On the grounds of the same resolution of the General Meeting of Shareholders, the activity of the Company is limited to '*Leasing and operation of own immovable property*'.

Bilyana Triko AD — Leasing of own immovable property.

OTHER INDUSTRIES

Doverie – Invest EAD — Acquisition, management, evaluation and disposal of equity interest in Bulgarian and foreign companies, domestic and foreign trade activities, commercial representation and agency activities, organization and operation of commercial enterprises, management and marketing services, consulting, and any other activity not prohibited by law.

3. Capital and shares

As at 31 December 2023 the capital is distributed into 21,499,855 ordinary book-entry voting shares, each having a par value of BGN 1. The shares are tradable on the Bulgarian Stock Exchange.

Doverie – United Holding AD has one class of shares issued. Each share of the company entitles to one vote in the General Meeting of the Shareholders, right to a dividend and to a liquidation quota, which are *pro-rata* to the par value of the share. The entitlement to vote arises upon the full payment of the issued value and the registration of the company, respectively of the increase of the capital, in the trade register of the court.

The management is not aware of the existence of restrictions of the transfer of the shares of the company, or restrictions concerning the holding thereof or a need of receipt of an approval from the company or another shareholder. The organizational documents of the company or individual agreements does not provide for possibilities between the companies and its management bodies and/or employees for the payment of an indemnification upon leaving or discharge without a legal ground or upon termination of the employment for reasons related to tender bidding.

As at 31 December 2023 the distribution of the Company's share capital is as follows:

Share capital	***31 December 2023 BGN '000***	***31 December 2022 BGN '000***
(BGN'000)	21,500	21,500
Number of shares (par value BGN 1.00)	21,499,855	21,499,855
Total number of registered shareholders	146,553	146,668
including legal entities	67	58
individuals	146,486	146,610
Number of shares owned by legal entities	12,606,466	12,312,540
% shareholding of legal entities	*58,64%*	*57,27%*
Number of shares owned by individuals*	8,893,389	9,187,315
% shareholding of individuals	*41,36%*	*42,73%*

*The number of shares held by individuals includes 240 unidentified shares from 1996, which the Central Depository AD manages under an issue account of Doverie – United Holding AD.

Shareholders holding more than 5% of the shares	Number of shares	% of capital
Sopharma AD	5,044,227	23.4617%
Telecomplect AD	1,917,838	8.9202%
KALIMAN-RT AD	1,786,480	8.3093%

Shares from — to	Number of shareholders	% of all shareholders	Number of owned shares	% of all shares
0-100	144,298	98.46	6,469,133	30.09
101-1000	1,944	1.33	420,045	1.95
1001-10000	242	0.17	801,411	3.73
10001-100000	57	0.04	1,572,588	7.31
100001-500000	7	0.00	1,639,735	7.63
500001-1000000	1	0.00	774,574	3.60
1000001-5000000	3	0.00	4,778,142	22.22
Over 5000000	1	0.00	5,044,227	23.46
Total	146,553	100.00	21,499,855	100.00

4. Management bodies of parent company, management and representation

The company has two-tier management system.

Supervisory Board

The members of the Supervisory Board as at 31 December 2023 are:

Ventsislav Simeonov Stoev —	Chairperson of the SB
Ivan Ognyanov Donev —	Member
Hristo Gueorguiev Hristov —	Member

Management Board

The members of the Management Board at 31 December 2023 are:

Alexandre Gueorguiev Hristov — Executive Director

Anna Ivanova Pavlova — Chairperson of the MB

Petko Kolev Ivanov — Member

The company is represented by Alexandar Georgiev Hristov.

As at 31 December 2023 the number of the employees in the economic group is 2,973 (as at 31 December 2022 it is 2,825).

The Audit Committee supports the work of the Management Board, it has the role of persons charged with governance who monitor and supervise the internal control system, risk management and financial reporting system of the company.

The Audit Committee has the following composition:

Ivan Dimov	– Chairperson (independent member)
Elena Golemanova	– Independent member
Anna Pavlova	– Member

Provisions concerning the appointment and release from office of the members of the management bodies of the company and concerning the making of amendments and supplementations to the articles of association

The resolutions for the election and release from office of members of the Supervisory Board are taken by open vote and a majority of the presented shares.

Consequently, the Supervisory Board elects and releases from office the members of the Management Board, determines their remuneration in accordance with the resolution of the General Meeting, as well as determines their rights and obligations related to the management and representation of the company, controls their activity.

The resolutions for amendments and supplementations to the articles of association are taken by open vote and a majority of 2/3 of the presented shares. Any increase and decrease of the capital shall be effective from the registration of the resolutions in the trade register

Powers of the management bodies

By decision of the General Meeting of Shareholders of 02 November 2023:

- the capital of the company may be increased by a resolution of the Management Board of the company to an amount not exceeding BGN 100,000,000 (one hundred millions BGN), by the issue of new shares. The capital may be increased in this way up to 5 (five) years from the registration of this amendment to the articles of association in the Commercial Register and Register of Non-Profit Legal Entities.
- Within 5 (five) years from the date of entry in the Commercial Register and the Register of Non-Profit Legal Entities of this Article 9b, the Board of Directors shall have the right to adopt resolutions for the issuance of warrants giving the right to subscribe for shares from a future increase of the Company's capital up to a total nominal amount of BGN 100 000 000 (one hundred million leva);
- The Board of Directors shall have the right, within 5 (five) years from the date of entry in the Commercial Register and the Register of NPLEs of this Article 9c, to adopt decisions for the issuance of bonds, including bonds convertible into shares, in BGN, EUR or other currency, with a total nominal value of not more than BGN 100 000 000 (one hundred million BGN), subject to the requirement of Article 112b, paragraph 11 of the Public Offering of Securities Act.

5. Information for the acquisition of own shares required under Article 187e of the Commerce Act (Article 39, subparagraph 6 of the Accounting Act)

The Company does not hold own shares.

In the period own shares have not been acquired and sold.

II. The information referred to in Article 247 and Article 240b of the Commerce Act

1. Information referred to in Article 247 of the Commerce Act

Information about the conduction of the activity and the condition of the Company and clarifications about the Annual Consolidated Financial Statements

Item III contains a description of the activity and condition of the Group and clarify the Annual Consolidated Financial Statements as at 31 December 2023.

Total amount of the remunerations received over the period by the board members

	2023 ***BGN '000***	***2022*** ***BGN '000***
Remunerations of the Management Board/Board of Directors	(4,608)	(4,774)
Remunerations of the Supervisory Board	(1,240)	(1,275)
Audit Committee	(111)	(114)
Total:	**(5,959)**	**(6,163)**

The members of the management and supervisory boards have not received in-kind remunerations.

Bonuses and bonus schemes

According to the Articles of Association, the Executive Director is entitled to receive a one-off remuneration (bonus) of up to 1% of the company's net profit and to be empowered to define the circle of employees to whom a bonus amount of up to 2% of the company's profit is to be distributed for each calendar year. When a part is required to be deferred for a period longer than 12 months, that portion is measured at its present value at the date of the financial statements and is referred to non-current liabilities in the statement of financial position, item 'liabilities to personnel'.

Shares and bonds of the company acquired, held and transferred by the members of the boards over the period

Data for the number of shares directly held by the members of the Supervisory Board and the Management Board

a. Ivan Ognyanov Donev — does not hold

b. Ventsislav Simeonov Stoev — 30,153 pcs. (no change)

c. Hristo Georgiev Hristov — 45 pcs. (no change)

d. Alexandre Hristov — does not hold

e. Anna Ivanova Pavlova — does not hold

f. Petko Kolev Ivanov — does not hold

	31 December 2023		31 December 2022		
Member of the Boards	Number of shares	Relative share	Number of shares	Relative share	change
Ivan Ognyanov Donev	0		0		
Ventsislav Simeonov Stoev	30,153	0.14%	30,153	0.14%	None
Hristo Georgiev Hristov	45	0,000	45	0,000	None

Alexandre Gueorguiev Hristov	0		0		
Anna Ivanova Pavlova	0		0		
Petko Kolev Ivanov	0		0		
	30,198	**0.14%**	**30,198**	**0.14%**	**-**

The company does not have issued bonds

Rights of the members of the boards to acquire shares and bonds of the company

The Statutes of the company do not provide for restrictions concerning the right of the members of the Board of Directors to acquire shares and bonds of the company.

Options over company's shares

As at the date of this report Doverie – United Holding AD does not have options granted to the members of the Supervisory Board and the Management Board with respect to its shares.

Information for the participation of the members of the Supervisory Board and of the Management Board in business companies as general partners, the holding of more than 25 per cent of the capital of another company, as well as their participation in the management of other companies or cooperatives as procurators, managers or board members

MEMBERS OF THE SUPERVISORY BOARD

VENTSISLAV SIMEONOV STOEV — CHAIRPERSON OF THE SUPERVISORY BOARD

Education:

Secondary — 9 Uniform Polytecnical High School in the city of Sofia — 1978;

Higher — the Faculty of Law of the Sofia University ‘St. ‘Kl. Ohridski’ — 1984

Relevant professional experience:

From September 1987, Ventsislav Stoev is registered in the Sofia Bar Association as an attorney-at-law. Legal service in Paris, ‘Cremades & Associates’ Law Office, Paris. Member of the International Bar Association from 1992.

Business address:

City of Sofia, Izgrev District, 5, Lachezar Stanchev Str., Building A, Floor 7.

Ventsislav Simeonov Stoev holds directly/indirectly a considerable share (more than 25%) of the capital of the following companies:

- SREDETS AD — holds directly more than 25%;
- TELECOMPLECT AD — holds directly more than 25%;
- GREEN PROJECT INVESTMENTS OOD — holds directly more than 25%;
- TELECOMPLECT INVEST AD — holds directly more than 25%;
- SOFTPRINT GROUP AD — holds directly more than 25%;
- CAPITAL INVEST INTERNATINOAL EOOD — holds directly more than 25%;
- STOEV, BOTEV AND CO Law Company — holds directly more than 25%;
- ELECTRIC SOURCE INVESTMENTS EOOD — holds indirectly more than 25%;
- TELSO AD — holds indirectly more than 25 %;
- MINERALCOMMERCE AD — holds indirectly more than 25%;
- CHEMIPLANT OOD — holds indirectly more than 25%;
- FARMAPLANT AD — holds indirectly more than 25%;
- ENERGOINVESTMENT AD — holds indirectly more than 25%;
- SOPHARMACY MC S.R.L., Moldova — holds indirectly more than 25%.
- IMPRIMART S.R.L., Moldova – holds indirectly more than 25 %.

Ventsislav Simeonov Stoev participates in a management/supervisory body in the following companies:

- DOVERIE — CAPITAL AD — Member of the Supervisory Board;
- DOVERIE — BRICO AD — Member of the Supervisory Board;
- TELECOMPLECT AD — Member of the Supervisory Board;;
- EUROPEAN KNIGHT WINE ORDER — CONSULAT BULGARIA — Member of the Management Board;

In the last five years Ventsislav Simeonov Stoev has not been:

a) sentenced for a fraud;

b) related to bankruptcy, management by a trustee in bankruptcy or liquidation in his capacity of a founder, member of administrative, management and supervisory bodies or senior manager in other companies;

c) officially publicly incriminated and has not been sanctioned by legal or regulatory authorities (including certain professional bodies);

d) deprived by the court of the right to be a member of the administrative, management or supervisory bodies of a company-issuer or of the performance of jobs in the management or the performance of the activity of a company-issuer;

e) subject to imposed coercive administrative measures or administrative penalties.

Family ties:

Ventsislav Simeonov Stoev is not a spouse or direct or collateral relative of another member of the Management Board or Supervisory Board of Doverie – United Holding AD.

IVAN OGNYANOV DONEV — MEMBER OF THE SUPERVISORY BOARD

Education:

Bachelor's degree in 'International Economic Relations' — University of National and World Economy

Master's degree in 'International Business' — University of National and World Economy

Master's Degree in 'Health Management' — Medical University

Relevant professional experience:

Ivan Ognyanov Donev is an expert, and subsequently an investor relations director in Unipharm AD in the period 2008—2017

Command of French, English, Russian and Spanish.

Business address:

City of Sofia, Izgrev District, 5, Lachezar Stanchev Str., Building A, Floor 7.

Ivan Ognyanov Donev holds directly/indirectly a considerable share (more than 25%) of the capital of the following companies:

- ELSA PHARMA OOD — holds directly more than 25%.

- UTILBRIGHT AD — holds directly more than 25%.

Ivan Ognyanov Donev participates in a management/supervisory body in the following companies:

- DONEV INVESTMENTS HOLDING AD — chairperson of the Board of Directors and Executive Director;

- SOFCONSULT GROUP AD — Member of the Board of Directors;

- UTILBRIGHT AD — Member of the Board of Directors and Executive Director;

- DOVERIE — BRICO AD — Member of the Supervisory Board;

- VICTOR HUGO ASSOCIATION — Member of the Management Board;

- ELSA PHARMA OOD — Manager;

- CELLSO EOOD — Manager.

In the last five years Ivan Ognyanov Donev has not been:

a) sentenced for a fraud;

b) related to bankruptcy, management by a trustee in bankruptcy or liquidation in his capacity of a founder, member of administrative, management and supervisory bodies or senior manager in other companies;

c) officially publicly incriminated and has not been sanctioned by legal or regulatory authorities (including certain professional bodies);

d) deprived by the court of the right to be a member of the administrative, management or supervisory bodies of a company-issuer or of the performance of jobs in the management or the performance of the activity of a company-issuer;

e) subject to imposed coercive administrative measures or administrative penalties.

Family ties:

Ivan Ognyanov Donev is not a spouse or direct or collateral relative of another member of the Management Board or Supervisory Board of Doverie – United Holding AD.

HRISTO GEORGIEV HRISTOV — MEMBER OF THE SUPERVISORY BOARD

Education:

Higher legal education, Master's Degree — major ‘Law’ — Sofia University ‘St. Kliment Ohridski’, city of Sofia.

Relevant professional experience:

Entrepreneur with over 15 years of experience in digital media and commerce. Founder of the largest digital media company in Bulgaria — Net Info AD, subsequently acquired by MTG and Nova Broadcasting Group EOOD. Executive Director of Darik Radio AD, Darik Holding AD, HR Capital AD, member of the boards of Most Financial Management AD, Biodit AD, Convenience AD (the company managing the eBag.bg e-commerce platform), Eight Investments AD (the company that developed the Healee telehealth platform), etc. Member of the management bodies of Endeavour Bulgaria, Union of Bulgarian National Electronic Media Association, Darik Foundation, etc. Mentor at the Founder Institute.

Business address:

City of Sofia, Oborishte District 82 Knyaz Al. Dondukov Blvd.

Hristo Georgiev Hristov holds directly/indirectly a considerable share (more than 25%) of the capital of the following companies:

- PUBLISH 360 EOOD — holds directly more than 25%;
- WEB FINANCE EOOD — holds directly more than 25%;
- HR CAPITAL AD — holds directly and indirectly more than 25%;
- WEB RADIO AND TV — holds indirectly more than 25%;
- ATG DESIGN INVEST OOD — holds indirectly more than 25%;
- FACECOM OOD — holds indirectly more than 25%.

- DARIK DIGITAL AD — holds indirectly more than 25%;
- HIZHA KUKER EOOD — holds indirectly more than 25%.

Hristo Georgiev Hristov participates in a management/supervisory body in the following companies:

- PUBLISH 360 OOD — Manager;
- WEB RADIO AND TV EOOD — Manager;
- DARIK RADIO AD — Member of the Board of Directors and Executive Director;
- DARIK HOLDING AD — Member of the Board of Directors and Executive Director;
- HR CAPITAL AD — Member of the Board of Directors and Executive Director;
- CONVENIENCE AD — Member of the Board of Directors;
- BIODIT AD — Member of the Board of Directors;
- RECURSIVE MEDIA AD — Member of the Board of Directors;
- DARIK DIGITAL AD — Member of the Board of Directors;
- EGOIST.BG AD — Member of the Board of Directors;
- WEB FINANCE EOOD — Manager;
- HIZHA KUKER EOOD — Manager;
- ENDEAVOUR BULGARIA Association — Member of the Management Board and representing the association;
- DARIK FOUNDATION — Member of the Management Board;
- UNION OF BULGARIAN NATIONAL ELECTRONIC MEDIA Association — Chairperson of the Management Board and representing the Association;
- SCHOOL TRUST TO 35 SCHOOL FOR FOREIGN LANGUAGES DOBRI VOYNIKOV — Member of the Board of Trustees;
- CEDAR FOUNDATION — Member of the Board of Directors;

In the last five years Hristo Georgiev Hristov has not been:

a) sentenced for a fraud;

b) related to bankruptcy, management by a trustee in bankruptcy or liquidation in his capacity of a founder, member of administrative, management and supervisory bodies or senior manager in other companies;

c) officially publicly incriminated and has not been sanctioned by legal or regulatory authorities (including certain professional bodies);

d) deprived by the court of the right to be a member of the administrative, management or supervisory bodies of a company-issuer or of the performance of jobs in the management or the performance of the activity of a company-issuer;

e) subject to imposed coercive administrative measures or administrative penalties.

Family ties:

Hristo Georgiev Hristov is not a spouse or direct or collateral relative of another member of the Management Board or Supervisory Board of Doverie – United Holding AD.

MEMBERS OF THE MANAGEMENT BOARD

ANNA IVANOVA PAVLOVA — CHAIRPERSON OF THE MANAGEMENT BOARD

Education:

Graduated the University of National and World Economy, with major ‘Accounting and Control’. Specialized banking in the Bulgarian-French Centre Marcom.

Relevant professional experience:

Since 1983 she has worked successively in Mineralbank AD, CrystalBank AD and

Touristsportbank AD as an accountant, deputy chief accountant and chief accountant, and from May to December 1996 she was the Director of the Bank Regulators Department of TB Balkanbank AD. From January 1997 until presently she has been a chief accountant and head of the Financial Office of United Bulgarian Privatisation Fund Doverie AD, and presently Doverie United Holding AD. In 2000 she specialized international accounting standards in the Delaware University. In 2001 and 2002 she passed a training course in Ernst &Young and KPMG in international accounting standards.

Business address:

City of Sofia, Izgrev District, 5, Lachezar Stanchev Str., Building A, Floor 7.

Anna Ivanova Pavlova holds directly/indirectly a considerable share (more than 25%) of the capital of the following companies:

- BONA — 96 OOD — holds directly more than 25%.

Anna Ivanova Pavlova participates in a management/supervisory body in the following companies:

- MEDICAL CENTRE DOVERIE AD — Member of the Board of Directors;
- MARITSATEX AD — Member of the Board of Directors;
- BONA — 96 OOD — Manager;

In the last five years Anna Ivanova Pavlova has not been:

a) sentenced for a fraud;

b) related to bankruptcy, management by a trustee in bankruptcy or liquidation in her capacity of a founder, member of administrative, management and supervisory bodies or senior manager in other companies;

c) officially publicly incriminated and has not been sanctioned by legal or regulatory authorities (including certain professional bodies);

d) deprived by the court of the right to be a member of the administrative, management or supervisory bodies of a company-issuer or of the performance of jobs in the management or the performance of the activity of a company-issuer;

e) subject to imposed coercive administrative measures or administrative penalties.

Family ties:

Anna Ivanova Pavlova is not a spouse or direct or collateral relative of another member of the Management Board or Supervisory Board of Doverie – United Holding AD.

<u>ALEXANDRE GUEORGUIEV HRISTOV — EXECUTIVE DIRECTOR</u>

Education:

Higher legal education, Master's Degree — major ‘Law’ — Sofia University ‘St. Kliment Ohridski’, city of Sofia.

Relevant professional experience:

Graduated Sofia University ‘St. Kliment Ohridski’, Master's degree in major ‘Law’. After completing higher education, he worked for two years as an attorney-at-law. From 2007 he worked as a ‘legal advisor’ in Doverie – United Holding AD, and from 2010 to 26 May 2017 he held the position of a ‘chief legal advisor’ in the same company. From 2010 till presently he has been a member of the board of directors Bilyana – Triko AD, and from the beginning of 2012 till presently he is also an executive director of the company. From July 2016 he is also a member of the board of directors and executive director of Hydroisomat AD. From January 2017 to 30 September 2019 he is also a manager of Hydroisomat — Engineering EOOD. He participated in the management also of many other companies, including Hebros — P AD — Member of the board of directors, Doverie Energy AD — struck-off trader — Member of the board of directors and ‘Dr Marin Marinov — independent medical and diagnostic laboratory — X-ray rooms’ AD — struck-off trader — member of the board of directors.

He was a liquidator also of Reklama OOD and Rhyton 97 AD, Pharmachim Holding AD.

He has rich experience in the fields of law and corporate management obtained in the course of his work on the above positions.

Business address:

City of Sofia, Izgrev District, 5, Lachezar Stanchev Str., Building A, Floor 7.

Alexandre Gueorguiev Hristov does not hold directly/indirectly a considerable share (more than 25%) of the capital of any other companies.

Alexandre Gueorguiev Hristov participates in a management/supervisory body in the following companies:

- HYDROISOMAT AD — Member of the Board of Directors and Executive Director;

- BILYANA – TRIKO AD — Member of the Board of Directors and Executive Director;

- DOVERIE – INVEST EAD — Member of the Board of Directors and Executive Director;

In the last five years Alexandre Gueorguiev Hristov has not been:

a) sentenced for a fraud;

b) related to bankruptcy, management by a trustee in bankruptcy or liquidation in his capacity of a founder, member of administrative, management and supervisory bodies or senior manager in other companies;

c) officially publicly incriminated and has not been sanctioned by legal or regulatory authorities (including certain professional bodies);

d) deprived by the court of the right to be a member of the administrative, management or supervisory bodies of a company-issuer or of the performance of jobs in the management or the performance of the activity of a company-issuer;

e) subject to imposed coercive administrative measures or administrative penalties.

Family ties:

Alexandre Gueorguiev Hristov is not a spouse or direct or collateral relative of another member of the Management Board or Supervisory Board of Doverie – United Holding AD.

PETKO KOLEV IVANOV — MEMBER OF THE MANAGEMENT BOARD

Education:

Graduated from the University of National and World Economy, with major ‘Social Economic Planning’. He specialized at the Institute of Postgraduate Studies at UNWE as well as the Tokai University, Tokio, in ‘Management and Leadership’ programme.

Relevant professional experience:

After completing his higher education, he worked as a General Manager of Takoma EOOD and Belvedere OOD, a Trade Director of Brasil company, a Head of Customs Department at Magined OOD, Trade and Marketing Director at Sofia Pharmacies AD.

Since 2008 he has worked as a ‘Trade Marks and Advertising Specialist’ at Doverie — United Holding AD. He was a General Manager of Medical Services — Doverie EOOD as well as a Member of the Board of
Hebros — P AD, Sopharmacy 63 EAD and Sopharmacy 64 AD.

Business address:

City of Sofia, Izgrev District, 5, Lachezar Stanchev Str., Building A, Floor 7.

Petko Kolev Ivanov does not hold directly/indirectly a considerable share (more than 25%) of the capital of any other companies.

Petko Kolev Ivanov participates in a management/supervisory body in the following companies:

- MARITSATEX AD — Member of the Board of Directors and Executive Director;
- DOVEIRE INVEST EAD — Member of the Board of Directors;

In the past five years Petko Kolev Ivanov has not been:

a) sentenced for a fraud;

b) related to bankruptcy, management by a trustee in bankruptcy or liquidation in his capacity of a founder, member of administrative, management and supervisory bodies or senior manager in other companies;

c) officially publicly incriminated and has not been sanctioned by legal or regulatory authorities (including certain professional bodies);

d) deprived by the court of the right to be a member of the administrative, management or supervisory bodies of a company-issuer or of the performance of jobs in the management or the performance of the activity of a company-issuer;

e) subject to imposed coercive administrative measures or administrative penalties.

Family ties:

Petko Kolev Ivanov is not a spouse or direct or collateral relative of another member of the Management Board or Supervisory Board of Doverie – United Holding AD.

Planned economic policy in the next year (Article 247, Paragraph 3 of the Commerce Act)

The information is specified in Section IV, item 2 of the annual consolidated report — Probable future development (Article 39, subparagraph 4 of the Accounting Act)

2. Information under Article 240b of the Commerce Act with respect to the obligation of the members of the boards to notify in writing the board of directors, respectively, the management board, when they or persons related to them enter into contracts with the company that go beyond its usual activity and considerably depart from the market conditions

In 2023 there are no concluded contracts that go beyond the usual activity of the group or considerably depart from the market conditions.

III. Review of the group's activity — information under Article 39 of the Accounting Act

1. *Overview of the results from the Group's activity and the main risks faced by it (Article 39, subparagraph 1 of the Accounting Act)*

Systematized financial information

Indicator	***2023***	***2022***
Income from usual activity (thousand BGN)	589,837	520,509
Other operating income/loss (BGN thousand)	631	(2,020)
Net profit/loss from the activity (thousand BGN)	69,927	71,802
Net earnings per share	3,2524	3,3396
Amount of the assets (BGN'000)	3,381,019	2,711,846
Net assets (BGN'000)	481,125	390,204
Number of shares (pcs.)	21,499,855	21,499,855

For the period, events of a nature that is unusual for the company, which have material impact on its activity and the revenues made by it and costs incurred, and which are reflected in the annual financial result, are not conducted.

Revenue

	2023	2022
	BGN '000	*BGN '000*
Interest revenue from banking operations	229,239	203,027
Fee and commission revenue from		
bank operations	90,395	80,549
Other revenue from banking operations	30,967	29,329
Income from insurance operations	25,137	20,335
Revenue from other business sectors	214,099	186,465
Total	**589,837**	**519,705**
including		
from transactions in Moldova	350,601	312,905
from transactions in Bulgaria	239,236	206,800

2. *Financial instruments used (Article 39, subparagraph 8 of the Accounting Act)*

Systemic risks

Systemic risks are related to the market and the macro environment in which the Company operates, therefore they can not be managed and controlled by the Management. Systemic risks are: Political risk, macroeconomic risk, inflation risk, currency risk, interest rate risk, tax risk.

Macroeconomic Risk

This is the risk of macroeconomic shocks that are measured by the achieved economic growth, increase/decrease in productivity and income of the population and others. Positive/negative trends in the macroeconomic environment affect the market performance and the final results of all economic sectors.

The main indicators of the economic environment in the Republic of Bulgaria which influence the Group's activity for the period 2023—2021 are presented in the table below:

Main indicators of the economic environment

Republic of Bulgaria

Indicator	**2023**	**2022**	**2021**
GDP in mln. BGN*	183,743	165,384	132,744
Actual growth of GDP*	1,8%	3,4%	4.6%
Inflation at the end of the year*	9,5%	15,3%	3.3%
Average exchange rate of US dollar for the year	1.80897	1.86014	1.65377
Exchange rate of US dollar at the end of the period	1.76998	1.83371	1.72685
Basic interest rate at the end of the period	3.80%	1.30%	0.00%
Unemployment rate (at the end of the period)	4.0%	4.3%	4,6%

* NSI — Recent publications 08 March 2024;

* BNB — 31 December 2023

* *GDP — preliminary data for the year.*

Republic of Moldova

Indicator	2023	2022	2021
Unemployment rate at the end of the period***	4.9%	2.5%	2.6%
GDP in mln. dollars**	17,259	14,048	12,396
Actual growth of GDP*		-	
Inflation at the end of the year****	4.2%	30.24%	13.94%
Average exchange rate of US dollar for the year	18,1607	18,9032	17,6816

Exchange rate of US dollar at the end of the period	17,4062	19,1579	17,7452
Basic interest rate at the end of the period*****	4.75%	20.00%	6.5%

National bank of Moldova

Statistical Institute of Moldova

IMF

No published data*

Preliminary data for 2023 as at 15 March 2024**

Unemployment rate at the end of the period*** data are up-to-date as at 19 March 2024. Inflation at the end of the year**** data are up-to-date as at December 2023.

Basic interest rate at the end of the period***** data are up-to-date as at 07 November 2023.

Political risk

This is the risk arising from political processes in any given country, including political destabilization, change of governance, legislation, economic policies and tax system. Political risk is directly related to the likelihood of unfavourable changes in the policy of the government and as a result there is a risk of adverse changes in the business climate.

The political climate in Bulgaria is characterized by average to high political risk. The path and the main priorities of the future economic policies are consistent and dependent largely on the recommendations of the European Commission and the International Monetary Fund. The commitments and requirements in relation to the membership of the country in the EU and the forthcoming admission to EMU is to improve the business climate and to facilitate the business and the entrepreneurship.

After three parliamentary elections, a coalition government was formed in December 2021. After a seven-month governance, the same was brought down earlier. After successive elections, again no agreement was reached on forming a regular government. A regular government with a complex inter-party arrangement and an unclear time horizon is formed after the latest prescheduled parliamentary elections on 2 April 2023.

The political and economic situation in the Republic of Moldova in 2022 is in recovery process after the shock of the unprecedented Covid-19 pandemic. The political situation in 2022 [sic] was marked by parliamentary elections and the victory of pro-European forces.

The economy of the Republic of Moldova is demonstrating a high growth rate due to increased consumption as a consequence of the disease of treachery, typical for the global economic situation. At the same time, pandemic restrictions remained less severe during the year. Following the victory of the pro-European candidate in the presidential elections last year, Moldova's economy has seen an estimated GDP growth of 8—9%. In the second half of the year, the Republic of Moldova faced an acceleration in the rate of inflation growth, both as a result of the general global trend and stimulated by the sharp rise in natural gas prices, which increased inflation. In 2022, the national currency depreciated moderately. The banking system maintains high liquidity and financial stability, banks overcome the effects of the pandemic and report satisfactory financial results

On 24 February 2022, Russian military forces invaded Ukraine. As a result, the political and economic environment in Ukraine is considerably affected, which may also result in increasing global uncertainty, shortage of energy supplies and a potential drop-down in the economic growth .

As a result from the war on the territory of Ukraine with Russia, the leading financial markets all over the world are shaken and the problems with the supply chains caused by the COVID-19 pandemic are expected to be further complicated as a consequence of this conflict on the territory of Ukraine. More and more extensive economic sanctions are imposed on the Russian Federation on the part of the European Union, USA and other countries.

The development and outcome of the conflict cannot be predicted at this time, as long as it poses lots of uncertainties and it is very hard to predict its long-term effects both on the global economic and social development of the European Union and of the world as a whole, and — in particular — of Bulgaria and the Group.

Currency risk

This risk is associated with the likelihood of local currency depreciation. For Bulgaria in particular, this is the risk of premature withdrawal of the Currency Board arrangements at fixed exchange rate of the national currency — BGN 1.95583/EUR 1. Having regard to the policy adopted by the Government and by the Central Bank, it is expected that the Currency Board will be maintained until the country joins EMU. The fixed rate of BGN to EUR brings a risk of the adverse foreign exchange fluctuations of the EUR to the other major currencies

(USD, GBP, CHF) in the international financial markets but we do not believe that such an adverse effect will determine the operations of the Company.

The bank maintains a long balanced position between the assets and the liabilities in a foreign currency in order to secure protection against this risk.

Price risk

The group is exposed to a price risk resulting from negative changes in the prices of services. The companies oriented to the domestic market are subjected to price pressure caused by reduced purchasing power, lack of financial resource for end consumption or increase of the cost thereof.

The Group is also exposed to a price risk with respect to the shares held, which are classified as financial assets available for sale, and compensatory instruments reported at fair value.

Credit risk of Bulgaria

The international rating agency Fitch Ratings has affirmed Bulgaria's long-term foreign and local currency sovereign credit rating at 'BBB' with a positive outlook, reported by the Ministry of Finance (28 October 2023).

Bulgaria's rating is supported by its strong external and fiscal position compared to countries with the same rating, the credible policy framework of EU membership and the long-standing functioning of the monetary council regime. On the other hand, the low investment-to-GDP ratio and adverse demographic factors weigh on potential economic growth and public finances in the long term, the agency said, quoted by the finance ministry's press service.

The positive outlook reflects the country's plans for eurozone membership, which could lead to further improvements in the country's external position, Fitch added.

The agency's analysts believe that the adoption of the euro is supportive of the rating because, other things being equal, it would improve the country's rating by about two notches.

Despite the delay in the euro area accession process, the rating agency's analysts believe there is broad political commitment to adopt the euro in 2025. Following the formation of the new government, the parliament has accepted all remaining commitments after the country's entry into ERM II, and the amendment to the central bank law is expected to be approved by the end of 2023, the release underlines.

Higher inflation

The agency notes, however, that inflation in Bulgaria remains significantly above that in the three EU countries with the lowest inflation and does not meet the price stability criterion, although it follows a downward trend.

Given the significant uncertainty regarding inflationary developments, Fitch Ratings remains questionable about the fulfilment of the price stability criterion in mid-2024 (the key date for euro area accession in 2025), the release said.

Bulgaria is likely to meet all other nominal criteria for euro adoption (public finances, interest rate and exchange rate).

Fitch forecasts that headline inflation, as measured by the Harmonised Index of Consumer Prices (HICP), will continue to slow gradually, while underlying inflation will decline more slowly due to strong private consumption, tight labour market conditions and second-round effects.

The agency expects average annual inflation of 9.1% in 2023, 4.6% in 2024 and 2.9% in 2025. The inflation outlook remains subject to considerable uncertainty, stemming mainly from commodity price dynamics and the manifestation of second-round effects.

Accelerating growth

Following the reported growth in the first half of 2023, despite slowing external demand, high inflation and heightened uncertainty, Fitch raised its GDP growth forecast for this year to 1.9% from 1.3% expected in May.

Household consumption is expected to be supported by higher budget spending, a stable labour market, a reduction in the propensity to save and strong credit growth.

Investment growth is expected to gradually improve in the second half of 2023 as EU transfers increase.

GDP growth will accelerate to 2.8% in 2024 and 3% in 2025, with weaker private consumption balanced by stronger investment supported by EU transfers.

The rating agency also notes the government's commitment to implement the Recovery and Sustainability Mechanism-related reforms, following the second payment request of EUR 724 million (0.8% of GDP in 2023).

Budget deficit growth

Fitch forecasts that the budget deficit will reach 2.6% of GDP in 2023 as a result of lower-than-planned spending on energy support measures, higher social and capital spending and public sector wage increases.

Despite the fiscal prudence achieved, the current government is expected to maintain slightly higher deficits in the medium term in order to increase public investment and social transfers to reduce inequality. The agency forecasts a budget deficit of 2.8% of GDP in 2024 and 3.5% of GDP in 2025.

Despite the higher fiscal deficits, Bulgaria's government debt level will remain much lower compared to EU countries, as well as to countries with the same rating. The ratio of total government debt to GDP is projected to remain below 30% by 2027.

The credit risk is the likelihood of worsening international credit ratings of a country. The low credit ratings of the country could lead to higher interest rates, tougher funding conditions for the economic entities.

The Moody’s credit agency has increased the long-term rating of Bulgaria in a foreign and local currency to Baa1 with a stable outlook. This is the first Moody’s evaluation after we joined the ERM II monetary mechanism. Moody’s decision to increase the rating reflects the improvement of the institutional capacity and the efficiency in the development of policies, whereby the country enters the last stage before Eurozone membership.

The increased rating takes into account also the decreased risk with respect to the FX debt, the considerable fiscal reserves and the expectations that the favourable dynamics of the budget indicators and the debt in the period after the pandemic shock will support the strong fiscal position.

The stable outlook shows that expectations of the rating agency that the fiscal indicators will remain stable even if an adverse scenario occurs, above the median for the countries having a Baa1 rating. Likewise, the stable outlook takes into account also the balance between the improvement of the economic and institutional environment in Bulgaria and the presence of key challenges to the rating. They are predominantly related to the negative impact of the demographic processes in the country on the potential growth in a mid-term horizon, as well as the need to continue the reforms in the fight against corruption, the independence of the judiciary and the rule of law.

The first factor for the increase of the rating is based on the progress of Bulgaria towards the joining of the Eurozone and the related strengthening of the institutional capacity and effective development of policies. Analysts see Bulgaria's joining to the ERM II monetary mechanisms as one for the final decisive steps before Eurozone membership. At the same time, Moody's takes into account also the close cooperation established between the ECB and the BNB in field of banking supervision and considers that it will further contribute to an improvement of the regulatory environment and will encourage the adoption of best practices.

The second factor for the increase of the rating is related to the strengthening of the fiscal and credit profile of the country regardless of the negative impact of the coronavirus pandemic. Moody's analysts highlight that in the Bulgaria's case, the Monetary Fund, which is in place for more than two decades, mitigates the risk of the high share of the foreign currency denominated debt of the country.

The credit portfolio of the country is supported also by the strong fiscal position of the government. After four years of increasing structural budget excesses, the debt/GDP ratio reached 20,4% in 2019, which is the second lowest level in the European Union after Estonia. Due consideration is given also to the improvement with respect to the more favourable financing options, as the ratio between the interest payments and the budgetary revenue has decreased to 1.5% in 2019 compared to 2.5% in 2016. Moody's expect also that the fiscal reserve will remain stable at around 10% of the GDP.

According to the agency, the pandemic will have a negative impact on the public finance of our country. The GDP decrease is evaluated to be 3.5% in 2020, followed by a 2.7% recovery in 2021.

The expected decrease and the need for support for the economic activity for overcoming the pandemic will exert pressure on the budgetary revenue and costs and will lead to a deficiency amounting to 3% of the GDP in 2020 and 1.6% in 2021. Moody's expect that the state debt will increase to 23.9% in 2020 and 24.2% in 2021 and will then gradually decrease to 23.5% in 2022.

The agency points out that the main factors that could lead to an increase of the outlook and rating of the country are related to considerable improvements to the quality of the work of the institutions and the sustainable convergence to a higher standard of life and institutional standard, which will support the country's joining to the Eurozone. Factors that could lead to a negative outlook and decrease of the rating are a possible considerable and permanent aggravation of the strong fiscal position of the government and the outlooks of the long-term economic growth, as well as the weakening of the institutions framework.

The International Rating Agency Fitch Ratings increased the outlooks from stable to positive for the long-term credit rating of Bulgaria in a foreign and local currency**.** The BBB rating is confirmed. This was announced by the press centre of the Ministry of Finance.

The positive outlook reflects the decrease of the macroeconomic risks resulting from the COVID-19 pandemic, supported by a more resilient economy and a stable policy framework, as well as a continuing secondary process towards adoption of the euro. According to the rating agency, the short-term downside risks resulting from the pandemic and the uncertain outcome of the elections are largely offset by the prospects for significant EU investment funding and the commitment to macroeconomic and fiscal stability, underpinned by the long-term functioning of the monetary council regime and Bulgaria's participation in the Exchange Rate Mechanism II (ERM II).

The rating agency S&P Global Ratings confirmed the BBB/A-2 long-term and short-term credit rating of Bulgarian in a foreign and local currency and left its outlook stable.

Credit risk of Moldova

In the ordinary course of business, the Bank manages its credit risk with respect to loans and advances to customers, in respect to its deposits for other financial loans and other off-balance sheet items. The bank may be affected also by losses from credit risk concentration in a particular economic group in the context of the economic changes in Moldova. Credit risk management is monitored regularly through compliance with credit limits, assessment of the quality of debtors and some conservative policies with regard to provisions.

The bank structures the levels of credit risk, which it takes, by placing limits on the accepted risk with respect to one borrower or group of borrowers and industry segments. These risks are monitored on a revolving basis and subject to annual or more frequent review. Credit risk limits by product and industry sector are approved quarterly by the Board of Directors.

Credit risk is the current or future risk of impairment of earnings and capital due to the inability of the debtor or counterparty to meet its contractual obligations or failure to fulfil the obligations specified in the contract.

Counterparty credit risk is a subcategory of the credit risk and it is the risk of impairment of profits and equity when the counterparty in a transaction is in default before final settlement of the transaction cash flows.

The risk of settlement is the risk of loss caused by the difference between the agreed settlement price and the current market value of transactions, where the debt instrument, the equity or the foreign currency remain outstanding after due date.

Financial stability of the bank is directly influenced by the risk management approach. Given that lending plays a major role in the activities of the bank, the effective system of credit risk management has positive effects both for the bank and for its customers. The positive effects for the bank consist in reducing the losses from non-performing levels. The positive effects for the customers are tariff optimization, improving quality, diversification of services and effectiveness of their implementation, improving the protection of customer interests.

Assessment of the business model of the financial instruments portfolio of the bank

Cash and cash equivalents

The bank keeps cash at hand, cash in transit, cash in exchange office, cash in other branches, ATMs and in commemorative and anniversary notes and coins.

Nostro accounts

Bank holds funds in a Nostro account with NBM, ‘opened for National Bank of Moldova funds in national currency and in other accounts’. Nostro account ‘opened with licensed banks in Moldova and abroad, means money in foreign currency.

Interbank deposits

The bank has two categories of interbank deposits: Short-term deposits with maturity up to 1 month and less than 1 month and short-term deposits with maturity over 1 month and up to or including 1 year.

Minimum reserve requirement with NBM

The bank must have funds and maintain the reserve requirements of the bank under a special account with NBM in accordance with the regulatory provisions.

Treasury bills and bonds

This category consists of short-term securities issued by the National Bank of Moldova and the Ministry of Finance of the Republic of Moldova (97%) and medium-term government securities.

Loans and advances to customers

The Bank offers a wide range of products that can be represented as follows: Credit cards

Overdrafts Mortgage loans

Consumer loans Factoring

Loans for current assets Investment loans

The loans are offered in MDL, EUR and USD.

The main objective of the bank in terms of relationships between its loans, prepayment portfolio and its customers is to maintain contractual cash flows for collection. This goal is clearly identified in the banking business model of management, monitoring and organisation. In addition, the main lending activities of the bank provide the basic interest revenue collected in cash.

Business model	Main factors for this classification:
Cash and cash equivalents held for collection	The business model stems from the nature of the financial assets (cash), which are short-term in nature. The results are monitored on the basis of amortized cost. There is no history of sales as expected for this type of financial asset.
Nostro accounts held for collection	The business model stems from the nature of the financial assets, which are short-term in nature. The results are monitored on the basis of amortized cost. There is no history of sales as expected for this type of financial asset.
Interbank deposits, held for collection	The main risks of the business models are consistent to the business model of assets held for collection, focusing on credit risk and interest rate risk. The risk in terms of price and fair value is considered less important. There is no history of sales. The results are monitored on the basis of amortized cost.
Treasury bill and bonds, held-to-collect	The main risks of the business models are consistent to the business model of assets held for collection, focusing on credit risk and interest rate risk. The risk in terms of price and fair value is considered less important. There is no history of sales. The results are monitored on the basis of amortized cost.

Minimum reserve in NBM, held-to-collect	The business model stems from the nature of the financial assets, which are short-term in nature. The results are monitored on the basis of amortized cost. There is no history of sales as expected for this type of financial asset.
Loans and advances to customers, held-to-collect	The main risks of the business models are consistent to the business model of assets held for collection, focusing on credit risk and interest rate risk. The value risk is not related to the price or the fair value. There is no history of sales. The results are monitored on the basis of amortized cost.

Characteristics of Stage 1: (for all contracts for which no sign is set by default):

All contracts with days past due between 0 and 30 (0 <= DAYS_PAST_DUE <= 31) that are not defined in Stage 3 or Stage 2, trigger Stage 1.

As soon as a financial instrument is created / purchased or there is no event by default and there is no significant increase in credit risk, credit losses are estimated at 12 months basis, and are recognized through profit or loss and represent a loss allowance. They are allocated based on currently available risk parameters in homogeneous portfolios.

This serves as an approximation of initial expectations for credit losses.

Financial assets interest revenue is calculated based on the gross amount (i.e. There is no adjustment for expected credit losses).

Characteristics of Stage 2: (for all contracts for which no sign is set by default):

All contracts with an amount equal to 0 trigger the allocation in Stage 2. This rule identifies unauthorized overdraft and this type of contract must be in Stage 2. It should be noted that all contracts with principal equal to 0 are excluded from the

the calculation of migration matrices. In the future, the bank should establish a marker based on which these exposures can be properly filtered.

All contracts with day past due between 31 and 89 (31 <= DAYS_PAST_DUE <= 89) or contracts with restructuring marker trigger Stage 2.

D and E are classified in Stage 2.

The debtor may have assets classified in Stage 1 and Stage 2, depending on the situation.

If the risk is increased significantly and the resulting credit quality is not considered as a credit risk in the low range, then credit losses are recognized, measured throughout the term of the loan.

Expected credit losses during the period are recognized, unless the financial instrument does not represent low credit risk at the reporting date.

The calculation of interest revenue from financial assets remains the same as in Stage 1.

Characteristics of Stage 3:

The debtor registers at least one contract for more than 90 days:

Over the past 12 months the debtor has shown signs of default.

If the debtor has assets in Stage 3, all assets of the debtor will be considered as such in Stage 3. All contracts with a default marker trigger stage 3. If the customer has a contract in Stage 3, all its contracts will be affected.

If the credit risk of a financial asset increases to the extent it is considered to have a default, interest revenue is calculated based on amortized cost.

The estimated credit losses for the term of the loan are still recognized for these financial assets.

IFRS 9 provides guidance on the requirements for impairment. The proposed approach distinguishes the expected 12-month credit losses and expected credit losses over the life of the loan. The standard specifies that the loss allowance should be based on the expected 12-month credit losses or losses over the loan life and depends on whether there is significant loan impairment of the financial instrument after initial recognition (or the date of commitment).

Credit losses, estimated at **12 months**, are part of the expected credit loss for the entire duration of expected credit losses, arising from probable financial instruments in default within 12 months after the reporting date (Stage 1).

Estimated credit losses **for the period** are estimated credit losses resulting from all probable events in case of default over the projected life of the financial instrument (Stage 2 or 3).

Significant conceptual differences are illustrated in the table below:

Credit losses estimated at 12 months	**Estimated credit losses for the entire period**
• Estimated credit losses at 12 months are losses, arising from probable financial instruments in default within 12 months after the reporting date. • The cash shortage that will occur during the entire period if the default occurs within 12 months of the reporting date (or a shorter period if the estimated duration of the financial instrument is less than 12 months), weighted by the probability of default.	• Estimated credit losses for the period are estimated credit losses resulting from all probable events in case of default over the life of the financial instrument. • Impairment losses are measured at projected credit losses during the period if the credit risk of an instrument has increased significantly from the initial recognition. • If in a subsequent period no significant increase in credit risk is observed, the measurement of the impairment allowance will return to the estimated credit loss for 12 months (excluding impaired purchased or or issued instruments).

Corporate loans

Repayment of debt/fulfilment of the obligations by the corporate customer is usually the most appropriate indicator of the credit quality. However the collateral (pledge) provides additional security and CB Moldindconbank SA requires in general from corporate borrowers to provide such a collateral. CB Moldindconbank SA can also receive guarantees in the form of any real estate.

Significant increase in credit risk

In determining whether the risk of non-payment of a financial instrument has increased significantly after initial recognition, CB Moldindconbank SA believes that reasonable and appropriate information is available without undue costs or efforts. These include quantitative and qualitative information and analyses based on historical experience of bank and credit assessments and forecast information.

The purpose of the assessment is to determine whether there is a significant increase of the credit risk for a given exposure by comparing:

- probability of default (PD) at the reporting date to
- the residual duration of the long-term life calculated at the moment of initial recognition of the exposure (adjusted, if necessary, for expected changes).

Levels of credit risk

TB Moldindconbank SA assesses the credit risk associated with each asset, exposed to credit risk, taking into account certain factors depending on which assets are placed into Stages from 1 to 3. The main criteria used for placing the assets in the stages are:

Days past due

Classification according to prudential norms of the National Bank of Moldova Internal rating for

exposures of legal entities

Registering the default over the past 12 months, etc.

The stages of the credit risk are determined and calibrated in such a way that the risk of default is measured and calculated exponentially so that the difference between the credit risk in Stage 1 and Stage 2 is lower than the difference between the credit risk, in Stage 2 and Stage 3.

Credit risk is attributed to each active exposure at initial recognition based on the information available for the borrower. Exposures are subject to continuous monitoring, which may result in an exposure that is transferred to another class of credit risk with time. Monitoring usually includes the following data:

For corporate exposures:

Information received from the analysis of the quarterly financial statements

Internal ratings

Data, provided by credit agencies, articles in the media, changes in the external credit rating

Significant and anticipated changes in the political, regulatory and technological environment of the borrower or its commercial activity

For retail exposures:

Data collected on client behaviour Information on debtors'

official income *For all exposures:*

History of internal credit and of the banking financial system

Existing and projected changes in the business, financial and economic conditions

The portfolio of the bank is classified in identical or similar risk segments, called homogeneous groups. In order to reflect the different level of risk, a division of the exposures of the corporate sector was made, where the segments are based on the level of the granted amount (in euro). Retail exposures and corporate exposures are classified as per the product specifics, reflected through segmentation of the Group accounts.

Retail contracts were divided into the following segments: Retail trade, retail credit cards, retail consumption TL, retail consumers TM, retail consumers TS, retail mortgage and retail overdraft. Six homogeneous groups have been formed and a group for other retail trade contracts ‘Retail, other’. The last group consists of products that can not be allocated based on historical default rate for the following reasons: fewer contracts, products that are no longer available in the latest records of the portfolio.

Corporate customers were divided into two sub-segments: Corporate customers
=> 140 thousand and corporate < 140 thousand. In order to make the allocation, the granted amount was converted into EUR and aggregated at customer level.

Bank has used statistical models to analyse the collected data and to generate estimates of the exposure throughout the life of the exposures and how they are expected to change as a result of the passage of time.

The calculation of the expected credit loss (ECL) is based on the following parameters: Term

structure of probability of default (PDt),

Term structure of loss given default (LGD), Term structure of exposure at

default (EAD), Discount value.

Probability of Default

Probability of default is critical information for the calculation of the expected credit loss and for the assessment of whether there is a significant increase in credit risk. The values of probability of default were allocated on the basis of segmentation and allocation of the days past due. The segmentation of the risk taken into account for all segments is based on days past due as there are no other determinants of risk or statistical models (e.g. rating). Groups of days past due were allocated on the basis of the following approaches: Customer or contract.

CB Moldindconbank S.A. believes that the significant increase in credit risk arises before an asset exceeds 30 days. The days in arrears are determined by counting the number of days of the shortest period in arrears for which a full payment is not received.

The days in arrears are determined without taking into account the grace period, which may be granted to the borrower.

If there is no evidence of a significant increase in credit risk compared to initial recognition, then the calculation of the expected loss on an instrument is resumed to measure the 12-month expected credit loss. Some qualitative indicators of credit risk growth may show an increased risk of default that continues after the indicator ceases to exist. In these cases, the bank determines a trial period in which the financial asset must demonstrate good behaviour to prove that credit risk has decreased sufficiently. When the contractual terms of the loan were changed, the evidence that the criteria for recognition of the life of the expected credit loss have not been met, includes an updated history of payments of the changed contractual terms. As a rule, this period is 12 months.

The bank monitors the effectiveness of the criteria used to identify significant increases in credit risk through periodic reviews to confirm that:

criteria do not comply when the asset is overdue by 30 days;

the average time between identification of a significant increase in credit risk and non-payment seems reasonable;

exposures are usually not transferred directly from the 12-month assessment of the expected credit loss to people with credit deficiencies;

there is no unwarranted variability in the transfer of premium for losses between 12 months probability of default (Stage 1) and the probability of default for the life cycle (Stage 2).

Non-fulfilment

The bank believes that a financial asset is in default when:

It is unlikely that the debtor repays in full its credit obligations to the bank without enforcement of the pledge (if any);

the debtor is 90 days past due for a significant credit obligation to the bank;

the debtor has been in default in the last 12 months (as defined pursuant to Basel III framework);

the borrower is likely to restructure its assets as a result of bankruptcy due to the inability of the debtor to repay its credit obligations.

To determine whether a debtor is in default, the bank accounts the indicators, including:

qualitative indicators: such as, breach of contractual terms and conditions;

quantitative indicators: such as, non-payment of another obligations of the same debtor to the bank;

and based on the internally generated data, obtained from external sources.

Including information for future periods

The bank includes information relating to future periods, both in assessing the credit risk of the instruments, which has grown significantly after initial recognition and in measurement of expected credit losses.

Bank formulates three economic scenarios: baseline scenario with 50% probability for an average scenario, and two less likely scenarios, positive and negative scenario with 25% probability each.

The baseline scenario is consistent with the information used by the bank for other purposes, such as strategic planning and budgeting. Reported external information includes data and economic forecasts published by government and monetary authorities in the Republic of Moldova and by financial experts.

Periodically the bank performs stress tests with extreme shocks to assess its financial stability. At least once a year, an overall review of the scenario design is performed by a group of experts from the bank.

The bank identifies and documents the main determinants of credit risk and loan losses for each portfolio of financial instruments and using historical data analysis assesses the links between macroeconomic variables, credit risk and credit losses.

The main drivers that generate credit risk for wholesale portfolios are: GDP growth, unemployment and interest rates. For exposures to specific sectors and/or regions the key factors include the relative prices of goods and/or immovable property.

The main drivers that generate credit risk for retail portfolios are: Level of unemployment, house prices and interest rates.

Write-off of loans/assets

Credits or assets for which provisions are established 100% of their carrying amount in accordance with IFRS 9 so that their net value is zero can be considered for write-off (formation of loss). Such loans or assets will be written off if the bank has no reasonable expectation of recovery of assets within a reasonable time. An additional criterion used to determine the reasonable expectation of the bank to recover these assets is more than 360 days in arrears of the said assets.

The bank renegotiates/extends the loan terms for customers with financial difficulties to increase the possibility for collection and to minimize the risk of default. According to the Ordinance on the extension and renegotiation of bank loans, if the objectivity of the causes leading to default is determined, the bank starts to explore the possibility of extension or renegotiation of the loan, requesting from the customer the main documents needed for analysis. At the discretion of the bank, it may need to have all the necessary documents and the entire information needed to make objective and fair decision.

The revised contract terms usually include extension of maturity, change in the interest repayment schedule and amendment of the terms of the loan agreement. Corporate loans and corporate borrowers are subject to a policy of extension and renegotiation. The decision making bodies of the bank periodically review the activity reports of the bank on extension and renegotiation.

For modified financial assets, as part of the bank's policy on extension and renegotiation, the assessment of days in arrears reflects whether the improvement has improved or reversed the bank's ability to collect interest and principal, and reflects also the previous experience of the bank with such extensions or renegotiations. As part of this process, the bank assesses the fulfilment of the payment obligations of the borrower against the amended contractual terms and conditions and takes into account various behavioural indicators.

As a key criterion, the existence of an extension or renegotiation is a qualitative indicator for significant increase in credit risk. The customer must demonstrate strong ability for payment and fulfilment of contractual obligations over a long period of time before the exposure ceases to be considered as affected by a high credit risk and it may be revalued to a credit risk corresponding to Stage 1 .

Loss given default is the amount of loss given default, if probable. CB Moldindconbank S.A. evaluates the parameters of the loss given default based on historical recovery rates of claims against the participating counterparties. The values of loss given default take into account the structure, the guarantee, the ranking of the claim, the industry sector of the counterparty and the cost for recovery of the collateral, which is an integral part of the financial asset.

EAD is the Expected Exposure at Default. CB Moldindconbank S.A. determines the expected exposure at default from the current exposure of the counterparty and the potential changes in current value allowed under the contract as a result of depreciation. The expected exposure at default of a financial asset is the gross book value at the time of default. For loan commitments, the expected loss given default are all future amounts attributable to the contract, estimated on the basis of historical observations and forecasts.

As described above, and under conditions where maximum of 12 months probability of default is used for financial assets from Stage 1, CB Moldindconbank S.A. measures the expected credit loss, taking into account the risk of default against the maximum duration of the contract (including the options of the borrower), during which it is exposed to credit risk, even if for the credit risk management purposes CB Moldindconbank S.A. takes into account a longer period. The maximum term of the contract extends until the date on which CB Moldindconbank S.A. has the right to demand repayment of an advance or to terminate a loan or loan guarantee.

In cases where parameter modelling is done collectively, the financial instruments are grouped based on common risk characteristics, which include:

type of instrument;

credit risk classification; type of guarantee;

ratio of the loan amount to the value of the collateral for retail mortgages;

the initial recognition date, the period remaining

until maturity date;

sector.

Credit risk to other business sector

Credit risk is mainly the risk, in which borrowers, customers and other counterparties of the group will not be able to pay in full and in the usually envisaged time-limits the amounts owed by them under commercial and credit receivables. The latter are presented in the statement of financial position in a net amount, after deduction of the accrued impairments under doubtful or bad debts. Such impairments are made where and when there are events identifying loss from uncollectibility based on past experience.

Cash, including payment transactions, is limited to reputable banks and banks with good liquidity.

Granted loans

As at the date of each financial statement the Group determines whether the credit risk under the financial instruments has changed considerably against the initial recognition as it uses all the reasonably and supported information that is available without making excessive costs or efforts. When making this evaluation, the Group reviews the movement and/or restructurings of the instrument as well as objective external factors that may, in the opinion of the Group, have an impact on the receivables on an individual or collective level.

The groups considers a financial instrument to be a financial instrument in default when the contractual payments are more than 90 days overdue. However, in certain cases, a financial asset may be treated as one in default when internal or external information gives an indication that the Group is unlikely to receive the full amount of the outstanding sums under the contract, before taking into account any credit improvements held by it.

The applies a portfolio and individual approach to calculating the impairment for expected credit losses for provided credits. The Company measures credit risk by using probability of default (PD), exposure at default (EAD) and loss given default (LGD).

The group recognizes a provision for expected credit losses (ECL) for all debt instruments that are not reported at fair value through profit or loss. ECL are based on the difference between the agreed cash-flows owed under the conditions of the contracts and all cash-flows that the Group expects to receive discounted with approximation to the initial effective rate of interest. Expected cash flows include cash flows from the sale of the collateral held or other credit enhancements that form an integral part of the terms of the contract.

ECL are recognized in two stages. For credit exposures where there is no significant increase in credit risk from the initial recognition, ECL are provisioned for credit losses that arise as a result of default events which are possible over the next 12 months (12-month ECL). For credit exposures for which there is a significant increase in credit risk from the initial recognition, a provision for loss is required in respect of the credit losses expected over the remaining exposure period, irrespective of the occurrence of the default (ECL over the duration of the instrument). (Note 44.3 of the Consolidated Annual Financial Statements as at 31 December 2023)

Interest risk

The interest risk is associated with the probability of increasing interest rates at which the Group finances its activities, and as a result reducing the net income of the Group. Although the interest risk is part of the risk associated with the macro economic environment, the Group may take measures to reduce the impact of any increase in interest rates. Doverie
– United Holding AD manages interest rate risk through a balanced use of different sources of funding.

It conducts a conservative liquidity management policy whereby it maintains all the time an optimal liquid stock of cash, good ability to finance its business activity, including by ensuring and maintaining adequate credit resources and facilities, permanent control monitoring of the factual and forecast cash-flows by future periods and maintenance of balance between the maturity borders of the company‘s assets and liabilities. (Note 44.4 of the Consolidated Annual Financial Statements as at 31 December 2023)

Tax risk

Maintaining the current tax regime is of crucial importance for the financial result of Doverie–United Holding AD. There is no guarantee that legislation that is of direct relevance to the activities of the group will not be changed in a direction that would lead to significant unforeseen costs and will consequently affect unfavourably its earnings. The taxation system in Bulgaria and Moldova is still developing as a result of which inconsistent enforcement may occur. Investors should also take into account that the value of the investment in shares may be adversely affected by changes in current tax legislation, including its interpretation and application.

Risks specific to the economic group.

Risk factors

Being a holding company, Doverie – United Holding AD does not have considerable revenues from own activity but relies on the distribution of the revenues of its subsidiaries. Any decrease in the revenues of the main subsidiaries of the Holding for one reason or another will bring about a decrease of the revenues, and hence — of the available cash-flow of the Holding too. Hence, it should be borne in mind that the risks having an impact on the activity of the Holding's subsidiaries have — although indirect — influence also on the revenues and financial result of Doverie — United Holding AD.

Financial institutions

As at 31 December 2023 in the Republic of Moldova there are 11 operating banks licensed by the National Bank of Moldova. The financial position of sector participants continues to be characterised by a steady increase in assets and deposits of individuals and legal entities. At the same time, the National Bank of Moldova has taken necessary measures for banking supervision, ensuring the stability of the banking system, despite the negative external factors.

Profit for the year increased from the previous year, mainly due to higher interest and non-interest income. Interest income increased mainly due to income from investments in debt securities. Income from lending activities and income from funds deposited with the NBM (statutory reserves) also grew.

At the same time, there is an increase in the absolute value of expired loans, non-performing loans, which is why the qualitative indicators of the loan portfolio are deteriorating slightly.

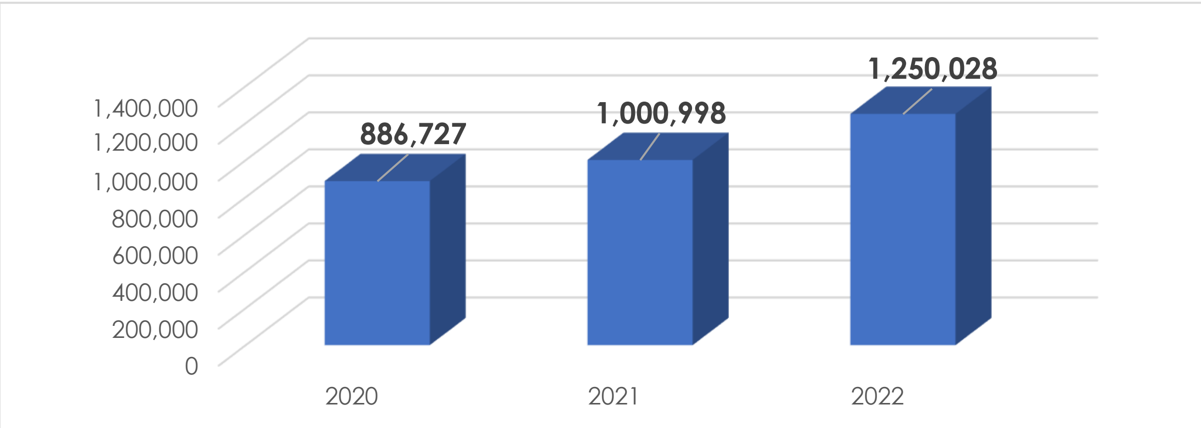
Leading banks in terms of assets as BC 'Moldova — Agroindbank' S.A. , BC Moldindconbank S.A., BC Victoriabank S.A. and OTP Group S.A. , which hold more than 85% of market share. The three most profitable banks in the country are BC Moldova – Agroindbank S.A., OTP Group S.A. and BC Moldindconbank S.A.

31 December 2023 '000	**Profit/loss**	**Market share by assets**
BC MOLDOVA — AGROINDBANK S.A.	126,281	34%
BC Moldindconbank S.A.	95,351	20%
OTP bank S.A.	77,096	14%
B.C. VICTORIABANK S.A.	67,892	20%
Other 7 banks	49,952	12%

Retail trade in shops of the type 'Do It Yourself'

The sector registered a consistent growth for the period 2020—2022. The total sales revenue of the top 20 companies mark a growth of 25% in 2022 compared to 2021, reaching BGN 1,250 million.

Revenue from sales 2020—2022 BGN'000



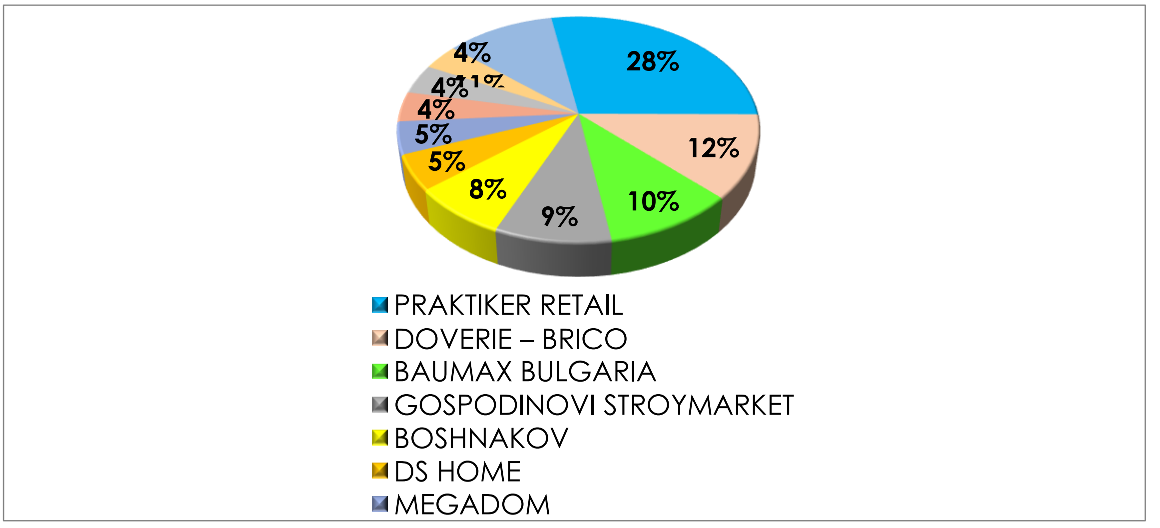
The leading companies by sales revenue for 2022 are Praktiker Retail, Doverie Brico AD and Baumax, which together have a market share of 50% among the top 20 players, while the top 10 companies hold 89%.

Most of the companies reported a positive development of the sales revenue on an annual basis in 2022. The average growth of the leading companies for the period is 25%. The growth is exclusively due to the inflation factor.

Company	Turnover 2022	Amendment 2022/2021	Turnover 2021
PRAKTIKER RETAIL	**348 192**	*26%*	**276 508**
DOVERIE – BRICO	**150 754**	*31%*	**115 471**
BAUMAX BULGARIA	**128 801**	*18%*	**109 164**
GOSPODINOVI STROYMARKET	**114 784**	*30%*	**88 600**
BOSHNAKOV	**94 480**	*41%*	**66 922**
DS HOME	**63 605**	*21%*	**52 357**
MEGADOM	**57 851**	*-12%*	**65 537**
BAUHAUS BULGARIA EOOD	**53 560**	*31%*	**40 739**
TEMAX BULGARIA	**53 326**	*40%*	**38 099**
KREZ BULGARIA	**46 383**	*20%*	**38 632**
DOMKO	**39 199**	*27%*	**30 984**
BAGIRA	**20 933**	*17%*	**17 865**
KOMPAS-SEVER	**14 345**	*46%*	**9 845**
BASH MAYSTORA	**13 796**	*50%*	**9 197**
NEDELCHEV	**12 897**	*17%*	**11 025**
MONTAZHI – 64	**12 060**	*28%*	**9 404**
ANDREEV	**8 112**	*18%*	**6 859**
STOICHKOV I SINOVE	**7 288**	*20%*	**6 084**
TAGEMAL	**5 083**	*26%*	**4 041**
IKO-EN	**4 579**	*25%*	**3 665**
Top 20 Total	**1 250 028**	***25%***	**1 000 998**

Doverie Brico registered an increase above the market average of

6 percentage points. Market share based on sales revenue, 2022



The most profitable companies (according to EBIT) for 2022 are Praktiker Retail, Megadom, Doverie Brico.

Company	EBIT 2020 ('000 BGN)	Amendment 2022/2021	EBIT 2021 (`000 BGN)
PRAKTIKER RETAIL	**48 220**	*36%*	**35 441**
MEGADOM	**11 194**	*79%*	**6 264**
DOVERIE – BRICO	**9 668**	*148%*	**3 905**
GOSPODINOVI STROYMARKET	**9 482**	*30%*	**7 277**
BAUHAUS BULGARIA EOOD	**8 732**	*30%*	**6 714**
BOSHNAKOV	**7 633**	*71%*	**4 468**
BAUMAX BULGARIA	**5 186**	*269%*	**1 406**
KREZ BULGARIA	**4 805**	*53%*	**3 134**
DOMKO	**3 920**	*157%*	**1 528**
DS HOME	**2 580**	*62%*	**1 592**
KOMPAS-SEVER	**2 072**	*52%*	**1 361**
TEMAX BULGARIA	**1 832**	*14%*	**1 604**
NEDELCHEV	**1 178**	*-19%*	**1 451**
BAGIRA	**1 063**	*-6%*	**1 130**

BASH MAYSTORA	**936**	*18%*	**792**
STOICHKOV I SINOVE	**908**	*22%*	**742**
ANDREEV	**579**	*28%*	**452**
TAGEMAL	**558**	*4%*	**539**
IKO-EN	**158**	*21%*	**131**
MONTAZHI – 64	**82**	*-16%*	**98**
Top 20 Total	**120 786**	*51%*	**80 029**

After Baumax and Domco Doverie Brico is the third largest EBIT grower at 148%. Nearly three times the industry average.

The last four years after 2018 — Doverie Brico has lost its leading position on the market /first in turnover/, the distance to the first Praktiker has grown significantly.

The second position of Doverie Brico in the coming years is threatened by the next three companies — Baumax, Gospodinov, Stroymarket.

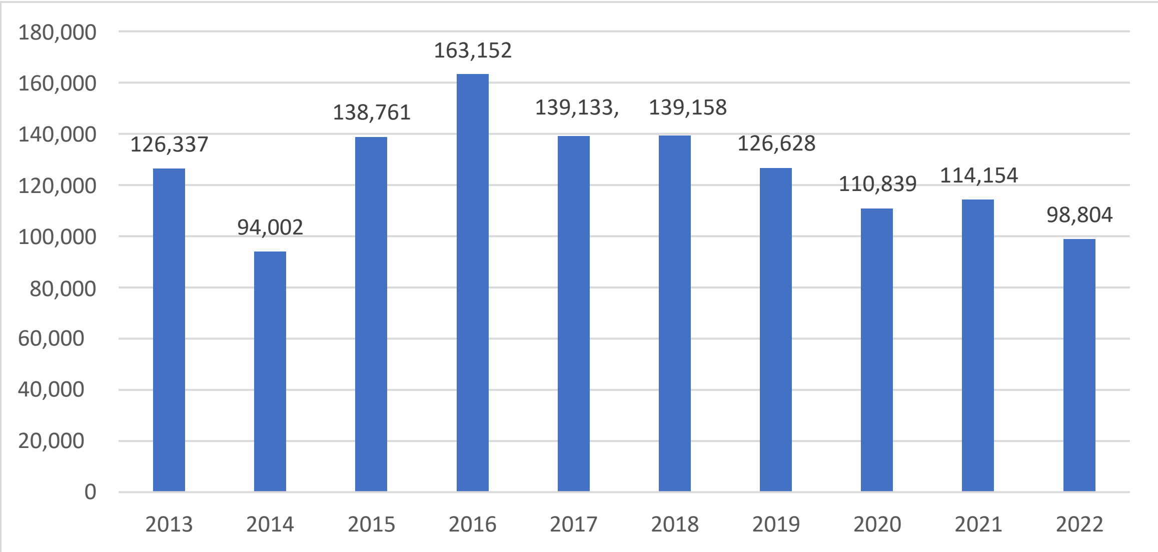
Production of wine

The production of wine from grapes marks a growth for the period 2014—2016 year, reaching 163.2 million litres in 2016. Thereafter, in 2017, 2018, 2019, 2020, domestic production declines and reaches 111 million liters according to official data. In 2021, there is a marginal increase from 2020 and production reaches 114 million litres. In 2022 compared to 2021, production decreases again and reaches 99 million litres.

This is a consequence of low subsidies /wine grapes do not receive targeted production subsidies and are equated with low labour intensive productions such as cereals/, worse climatic conditions, and a significant and growing informal sector that remains unregistered /over 50%/.

Another main reason is the significant growth of imported wine in the low price range originating from the EU and neighbouring Balkan countries /Spain, Romania, Italy, France, Macedonia/ at prices below the production prices of Bulgarian companies. The reason for this is a significantly higher average subsidy received in EU countries compared to Bulgaria. For Bulgaria, the average subsidy per acre of wine grapes is EUR 15—20 and in the EU: EUR 300—350. Another factor is the lack of cooperation of domestic producers and the inability to achieve economies of scale in production, both at the raw material level and in the final product.

Production of wine from grapes in BGN'000, 2013—2022



Exports of grape wines in volume have shown a steady decline over the period 2015—2022, reaching 17 thousand tonnes in 2022, an approximate 60% decline over the period.

Grape wine exports in value are declining over the 2015—2022 period, reaching EUR 29 million in 2022. The decline on an annual basis in 2022 is 8%. Exports are mainly directed to Poland (27%), Sweden (19%), Czech Republic (7%), USA (7%).

From Bulgaria are exported mainly bottled wines of low price class and to a lesser extent bottled wines of medium and high price class.

There is a lack of substantial state support for the promotion of quality wine on foreign markets.

The Bulgarian wineries cannot cooperate and offer together their production on the foreign markets to make a significant breakthrough.

The main export destination in volume terms in 2022 is Poland with 40%, followed by Sweden with 20% and the Czech Republic with 8%.

Imports of grape wines in volume have registered minimal growth in recent years, reaching 12.6 thousand tonnes in 2022. Bottled wines are mainly imported in the medium and high price range.

The main countries of import in volume for 2022 are Italy (25%), Spain (26%), France (12%), North Macedonia (18%) and Germany with 9%.

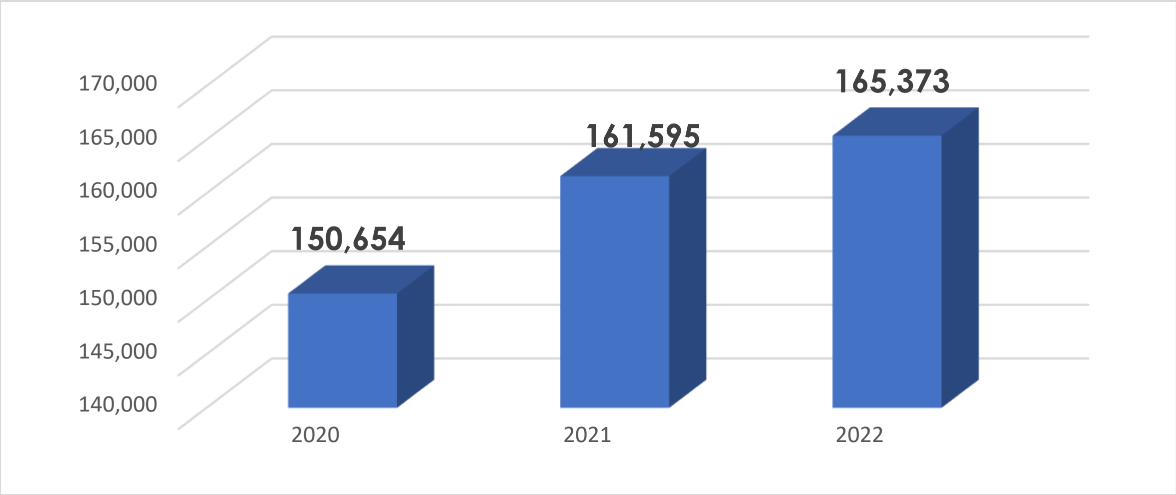
The import of wine from grapes marks a growth in value for the period 2015—2022, reaching approximately EUR 34 million in 2022 or a 13% growth on an annual basis.

The main exporters of wine for Bulgaria are France (32%), Italy (27%), New Zealand (8%), Germany (9%) and Spain (9%).

In recent years our country has turned from a net exporter to a net importer of wine.

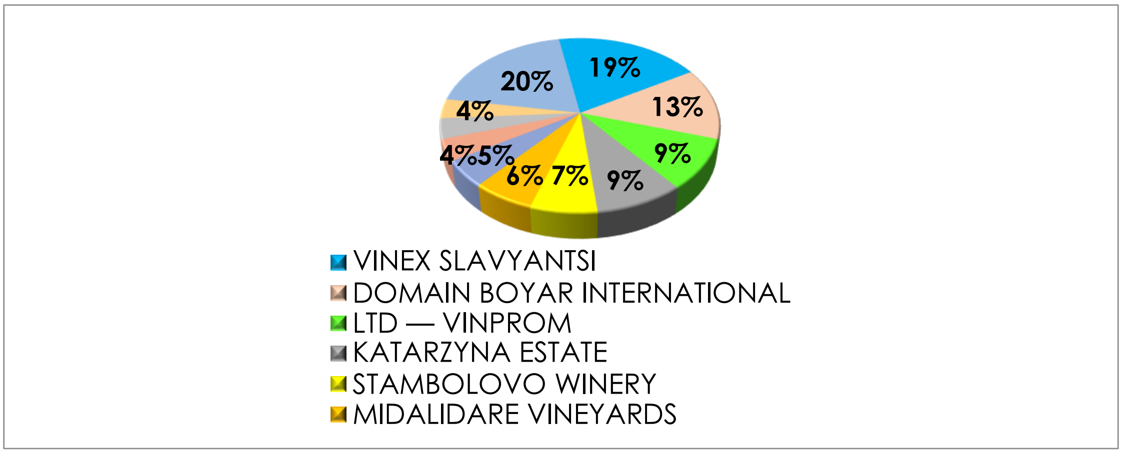
The sector registers steady performance for the period 2019—2021 and the total sales revenue of the top 20 companies slightly decrease by 2% in 2022 on an annual basis, reaching BGN 165 million. The growth was mainly due to price growth outpacing sales declines in physical terms.

Change in the turnover of the leading 20 companies in BGN thousand, 2020—2022



The leading companies by sales revenue for 2022 are Vinex Slavyantsi, Domaine Boyar, LVK Vinprom, Katarzyna Estate, which together have a market share of 50% among the top 20 players, while the top 10 companies hold 80%.

Market share by sales revenue, 2022



Most of the companies reported a positive development of the sales revenue on an annual basis. The average growth for the industry is 2%. The largest growth in turnover was recorded by Midalidare Vineyards, Angels Estate, Midalidare Estate, Bulgarian Wine.

Company	Turnover 2022	Amendment 2022/2021	Turnover 2021
VINEX SLAVYANTSI	**31 723**	*4%*	**30 572**
DOMAINE BOYAR INTERNATIONAL	**22 085**	*13%*	**19 610**
LVK — VINPROM	**15 666**	*16%*	**13 452**
KATARZYNA ESTATE	**14 910**	*12%*	**13 293**
STAMBOLOVO WINERY	**11 240**	*0%*	**11 240**
MIDALIDARE VINEYARDS	**10 393**	*36%*	**7 621**
IVENA COMMERCE – VALENTIN SHOTEV	**8 161**	*-5%*	**8 585**
ANGELS ESTATE	**6 581**	*22%*	**5 397**
LOVICO LOZARI	**6 236**	*-10%*	**6 920**
VINAL	**5 986**	*-48%*	**11 514**
EDOARDO MIROGLIO	**5 706**	*5%*	**5 441**
VINIVEL	**5 522**	*-18%*	**6 733**
VINPROM — SVISHTOV	**4 939**	*-5%*	**5 179**
BULGARIAN WINE OOD	**3 959**	*16%*	**3 424**
DOMAIN YUSTINA	**2 331**	*12%*	**2 082**
FOUR FRIENDS	**2 232**	*11%*	**2 009**

MIDALIDARE ESTATES	**2 151**	*22%*	**1 758**
VARNA VINERY	**2 090**	*16%*	**1 798**
VINZAVOD	**1 807**	*-44%*	**3 234**
DAMIANITZA	**1 655**	*-5%*	**1 733**
Top 20 Total	**165 373**	***2%***	**161 595**

Bulgarian wine registered a 14 percentage points growth in turnover above the industry average.

The most profitable companies (according to EBIT) in the analyzed sector for 2022 are Vinex Slavyantsi, Stambolovo Winery, Domaine Boyar, Vinprom Svishtov.

Company	EBIT 2020 ('000 BGN)	Amendment 2022/2021	EBIT 2021 ('000 BGN)
VINEX SLAVYANTSI	**2 743**	*268%*	**746**
STAMBOLOVO WINERY	**2 216**	*0%*	**2 216**
DOMAINE BOYAR INTERNATIONAL	**1 920**	*-28%*	**2 675**
VINPROM — SVISHTOV	**821**	*114%*	**383**
KATARZYNA ESTATE	**793**	*14%*	**694**
BULGARIAN WINE OOD	**575**	*-2%*	**588**
IVENA COMMERCE — VALENTIN SHOTEV	**559**	*35%*	**413**
LOVICO LOZARI	**346**	*-9%*	**381**
VINAL	**266**	*-68%*	**819**
VARNA VINERY	**258**	*111%*	**122**
DOMAIN YUSTINA	**163**	*31%*	**124**
VINIVEL	**147**	*9%*	**135**
DAMIANITZA	**138**	*-46%*	**255**
FOUR FRIENDS	**91**	*75%*	**52**
LVK — VINPROM	**- 173**	*-147%*	**372**
ANGELS ESTATE	**- 328**	*49%*	**- 639**
MIDALIDARE ESTATES	**- 524**	*-261%*	**- 145**

EDOARDO MIROGLIO	**- 917**	*30%*	**- 1 319**
VINZAVOD	**- 1 518**	*-2819%*	**- 52**
MIDALIDARE VINEYARDS	**- 2 239**	*-517%*	**- 363**
Top 20 Total	**5 337**	***-28%***	**7 457**

For the period under review, the average EBIT for the industry decreased by 28%. For Bulgarian wine, we have a retention in 2022 at 2021 levels.

Profitability in the wine sector is deteriorating.

<u>House building – Sofia City</u>

The business climate in the Construction sector marks a steady growth from 2014 to the beginning of 2020. As a consequence from the pandemic situation in April and May 2020 the indicator sharply aggravated but in the next months it is slowly recovering and by the beginning of 2022 is at the pre-pandemic level.

The main highlights in residential building in Sofia from the first months of 2023 are:

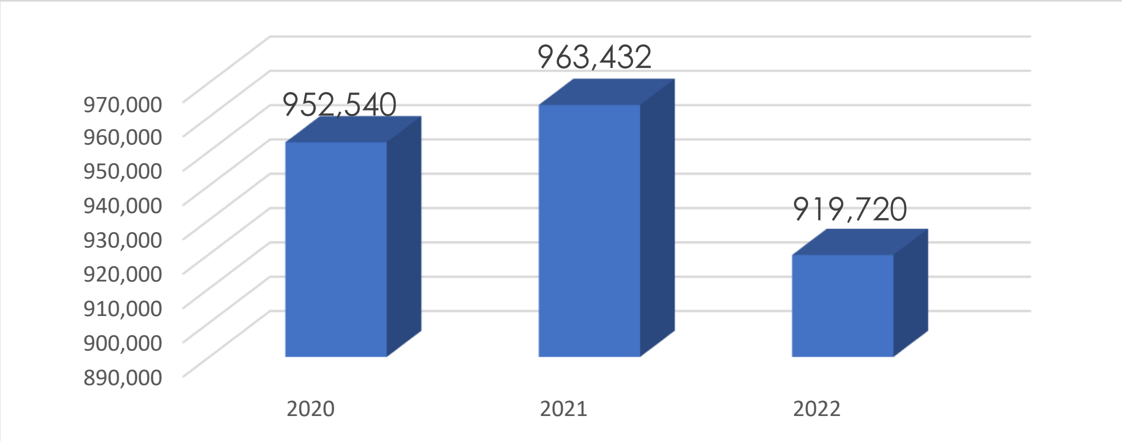
- ✓ Already in the early days of 2023, the housing market showed a lot of activity.
- ✓ Property prices continue to rise, but growth is slowing. This slowdown is expected to be more pronounced in the second half of the year.
- ✓ New property listings for sale are up around 10% on the same period in 2022. This is the first increase since 2020, as the first quarter of 2021 was marked by the pandemic and limited business activity, and then available supply began to rapidly deplete. The properties that came on the market could not satisfy the increased demand and catch up with the pace of sales.
- ✓ The other macroeconomic factors influencing the housing market continue to have a positive impact — unemployment is below 4% and incomes have continued to grow — by an average of around 17% at the end of 2022, according to the NSI. Thus, incomes, although rising at a slightly slower rate than prices, maintain a stable price-to-income ratio, making home purchases affordable for middle- and upper-income earners.
- ✓ Inflation continues to be a significant factor in the increase in real estate investment, especially against the backdrop of continued zero interest rates on deposits and limited alternatives for safe investment of available funds.

- ✓ The volumes of new housing loans are increasing. According to BNB data, after the slowdown at the end of 2022, in the first months of 2023 credit volumes grew by about 20% compared to a year earlier and returned to the growth levels typical for the period before the economic crisis and the pandemic.
- ✓ Expectations for an increase in interest rates on loans are not yet justified for Bulgaria. Growth remained minimal — within 0.06 percentage points. Currently, although paradoxically, the country has the lowest mortgage interest rates compared to other EU countries.
- ✓ The average price of purchased homes in the first quarter of 2023 is EUR 1,545/sqm compared to EUR 1,345/sqm in the first quarter of 2022 and EUR 1,550/sqm at the end of 2022. This represents a growth on an annual basis of almost 15%. The growth on an annual basis in the previous quarters was 22—23%. It can be seen that the current rate of growth is slowing but remains significant. After subtracting inflation, real growth remains at just 1.3% year-on-year, the lowest level since 2021.
- ✓ Prices in Sofia have peaked and are moving up almost entirely on inflation. Its slowdown contributes to the expected slowdown in house price growth.
- ✓ The average total price of apartments purchased in Q1 increased to EUR 132,800 compared to EUR 115,500 average price in 2022. This in turn indicates that market activity has shifted towards larger apartments amid the prevalence of one-bedroom purchases last year.

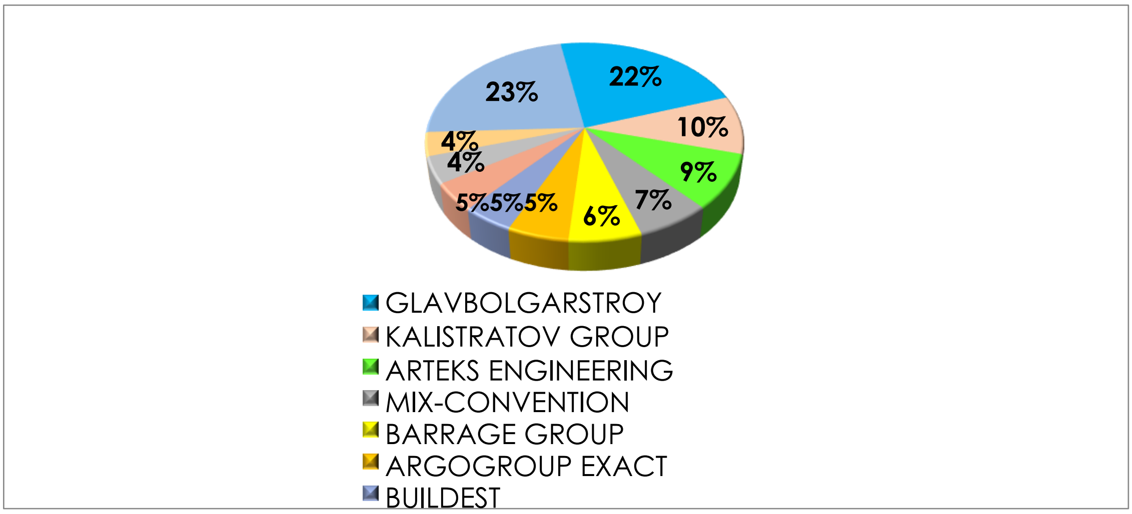
The leading companies by sales revenue for 2022 are Glavbolgarstroy, Arteks Engineering, Kalistratov Group, which together have a market share of 41 % among the top 20 players, while the top 10 companies hold 77 %.

Revenues of the top 20 players in the market are expected to decline by 5% on an annual basis in 2022 compared to 2021, reaching BGN 920 million.

Change in the turnover of the leading 20 companies in BGN thousand, 2020—2022



Market share by sales revenue, 2022



The following table shows the turnover development of the leading companies for the period 2021/2022.

Company	Turnover 2022	Amendment 2022/2021	Turnover 2021
GLAVBOLGARSTROY	**206 674**	*-4%*	**214 633**
KALISTRATOV GROUP	**87 690**	*9%*	**80 555**
ARTEKS ENGINEERING	**82 732**	*-6%*	**88 255**
MIKS CONSTRUCTION	**61 503**	*12%*	**54 893**
BARAGE GROUP	**59 838**	*1%*	**59 382**
AGROGROUP EXACT	**50 675**	*63%*	**31 072**
BILDEST	**42 177**	*75%*	**24 069**

NIVEL	**41 514**	*175%*	**15 097**
AVAIL PROPERTIES	**40 340**	*-32%*	**59 232**
EIS – CONSTRUCTION COMPANY	**35 826**	*-56%*	**80 875**
BUILDI STROY	**32 888**	*34%*	**24 502**
JUNG PROJECT	**31 254**	*33%*	**23 557**
CONTRACT CITY	**30 868**	*47%*	**21 060**
MIRAT GROUP	**30 058**	*28%*	**23 421**
BARAGE CONSTRUCTION	**24 704**	*-15%*	**29 221**
BOKAL ENGINEERING	**19 442**	*3%*	**18 824**
NIKMI	**17 776**	*-59%*	**43 050**
BULGARIAN BUILDING COMPANY	**16 733**	*-13%*	**19 210**
AT ENGINEERING 2000	**5 211**	*-90%*	**51 684**
HYDROISOMAT	**1 817**	*116%*	**840**
Top 20 Total	**919 720**	***-5%***	**963 432**

After Nivel, Hydroisomat realised the second most significant turnover growth in 2022 compared to 2021 — 116%.

The most profitable companies based on EBIT in the analysed sector for 2022 are Arteks, Agrogroup, NIKMI, Glavbolgarstroy.

Company	**EBIT 2022 (’000 BGN)**	**Amendment 2022/2021**	**EBIT 2021 (‘000 BGN)**
ARTEKS ENGINEERING	**14 502**	*121%*	**6 571**
AGROGROUP EXACT	**8 474**	*247%*	**2 444**
NIKMI	**8 346**	*-47%*	**15 781**
GLAVBOLGARSTROY	**6 793**	*259%*	**1 891**
JUNG PROJECT	**4 521**	*156%*	**1 769**
KALISTRATOV GROUP	**3 104**	*-2%*	**3 153**
CONTRACT CITY	**2 908**	*124%*	**1 300**

MIRAT GROUP	**2 118**	*45%*	**1 459**
BILDEST	**1 962**	*259%*	**546**
BULGARIAN BUILDING COMPANY	**1 952**	*35%*	**1 443**
BOKAL ENGINEERING	**1 680**	*106%*	**814**
NIVEL	**1 646**	*204%*	**542**
MIKS CONSTRUCTION	**1 446**	*-4%*	**1 512**
BARAGE GROUP	**1 053**	*-15%*	**1 241**
EIS — CONSTRUCTION COMPANY	**1 043**	*-98%*	**42 999**
AVAIL PROPERTIES	**838**	*-72%*	**3 045**
AT ENGINEERING 2000	**440**	*96%*	**225**
HYDROISOMAT	**210**	*4300%*	**- 5**
BUILDI STROY	**152**	*-31%*	**221**
BARAGE CONSTRUCTION	**44**	*-31%*	**64**
Top 20 Total	**63 232**	***-27%***	**87 015**

Hydroisomat realized the highest EBIT growth among the top 20 companies in the market — 4300%.

House building – Ruse

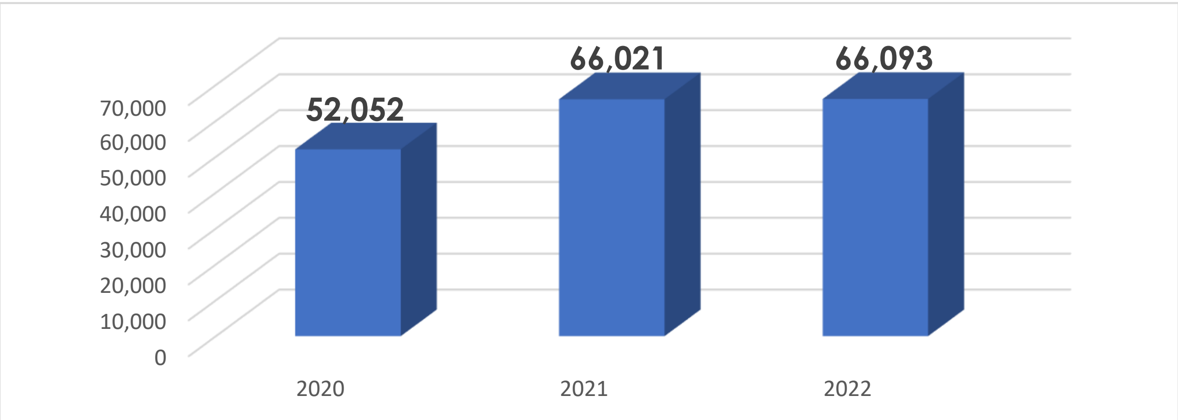
The trend of the housing market in Ruse is similar to that in Sofia. The post-pandemic decline has been overcome and there is an upward trend.

- ✓ In the second quarter of 2023 the construction of 21 residential buildings in Ruse started (16 in the same period of 2022 and 18 in the first quarter of 2023)
- ✓ Compared to 2022, there is an upward trend in new building starts on an annual basis.
- ✓ The number of dwellings in new developments for the first half of 2023 are 172 and remain constant compared to the second half of 2022 (172) having seen an increase compared to the first half of 2022 (36).
- ✓ The floor area of the newly launched residential buildings under construction in Ruse in the first half of 2023 is nearly 19,600 sq.m and marks an increase of 300% on an annual basis and 5% compared to the second half of 2022.
- ✓ Average sales prices by neighbourhood are presented in the following table.

District	Single bedroom		Double bedroom		Triple bedroom		Total
	price	EUR/sq.m	price	EUR/sq.m	price	EUR/sq.m	EUR/sq.m
Vazrazhdane alleys	31 862	624	48 359	821	57 156	673	684
Vazrazhdane	40 042	925	68 305	965	81 700	996	996
Druzhba 1	34 674	836	44 365	744	72 200	783	799
Druzhba 2	26 590	763	41 111	617	58 900	615	617
Druzhba 3	20 900	633	39 520	662	71 250	716	695
Zaharna Fabrika	19 570	407	-	-	-	-	407
Zdravets	34 580	798	55 907	873	70 205	908	873
Zdravets East	35 150	870	48 925	712	62 628	771	810
Zdravets Sever 1	44 650	970	52 155	841	80 750	1 009	901
Zdravets Sever 2	45 077	1 138	52 155	734	64 505	826	864
Malyovitsa	-	-	20 615	404	28 405	247	283
Midia Enos	38 000	1 027	43 092	684	70 005	736	692
New industrial zone	-	-	29 640	617	-	-	617
Rodina 1	46 144	760	46 550	608	88 635	1 003	947
Rodina 2	23 892	530	53 770	722	80 275	983	859
Rodina 3	-	-	49 400	726	80 750	859	776
Freight station	-	-	62 700	908	-	-	908
Traction	25 175	585	-	-	-	-	585
Hashove	45 030	1 185	64 599	1 176	104 870	1 054	1 088
Tsvetnitsa	38 807	1 068	65 550	962	76 950	858	945
Central cooperative market	-	-	41 187	688	97 356	947	950
Central South Region	41 325	983	57 000	904	83 125	906	903
Centre	42 750	977	68 162	1 080	104 499	1 035	1 020
Charodeika — Sever	38 855	995	38 000	628	27 692	321	597
Charodeika — Yug	19 950	475	50 397	781	52 240	614	700
Wide Centre	36 100	921	66 262	1 065	83 600	919	912
Yalta	30 400	611	69 825	931	71 155	930	934
Villa area Russophiles	17 337	456	-	-	37 810	461	461

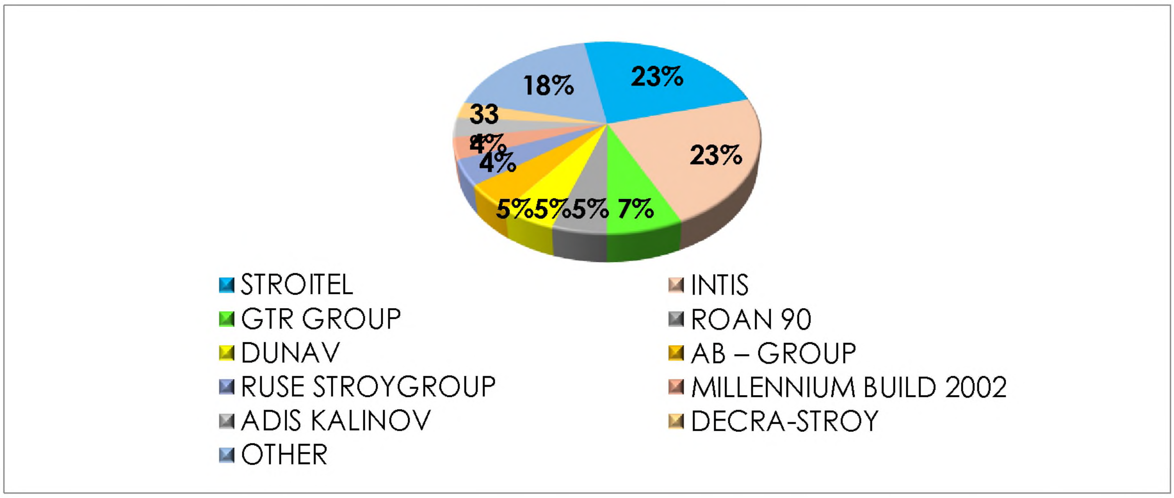
The leading companies marked a growth in the period 2020—2022 and the total revenue of the top players reached BGN 66 million.

Change in the turnover of the leading companies in BGN thousand, 2020—2022



The leading companies by sales revenue for 2022 are Stroitel, Intis and GTR Group, which together have a market share of 53% among the top 10 companies.

Market share by sales revenue, 2022



Most of the companies reported a positive development of the sales revenue on an annual basis. Most notable is the growth of the AB Group.

Company	Turnover 2022	Amendment 2022/2021	Turnover 2021
STROITEL	**15 442**	*1%*	**15 248**
INTIS	**14 813**	*66%*	**8 906**
GTR GROUP	**4 647**	*-24%*	**6 128**
ROAN 90	**3 350**	*112%*	**1 579**
DUNAV	**3 293**	*9%*	**3 016**
AB — GROUP	**3 068**	*2107%*	**139**
RUSE STROYGROUP	**2 904**	*21%*	**2 400**
MILLENIUM BUILD 2002	**2 399**	*-49%*	**4 704**
ADIS KALINOV	**2 139**	*-8%*	**2 323**
DECRA-STROY	**1 879**	*-14%*	**2 179**
PM INVEST GROUP	**1 869**	*0%*	**1 869**
POLISTROY — 2001	**1 850**	*33%*	**1 388**
ARGOSAD-2005 BG	**1 786**	*109%*	**855**

BVS STROY	**1 514**	*0%*	**1 514**
INVESTSTROY — RUSE	**1 319**	*-28%*	**1 831**
EXTREME	**975**	*-32%*	**1 438**
ASTRA-8	**849**	*-16%*	**1 014**
TARGET ENGINEERING CONSTRUCTION BG	**778**	*0%*	**778**
NIKS-2002	**757**	*-85%*	**4 994**
GIK ENGINEERING	**462**	*-88%*	**3 718**
Top 20 Total	**66 093**	***0%***	**66 021**

Dunav registered a sales growth of 9 percentage points above the industry average.

The most profitable companies based on the EBIT result in the analysed sector for 2022 in Ruse are Intis, Stroitel, AB-Group.

Company	EBIT 2020 (‘000 BGN)	Amendment 2022/2021	EBIT 2021 (`000 BGN)
INTIS	**2 387**	*663%*	**313**
STROITEL	**1 393**	*-20%*	**1 745**
AB — GROUP	**732**	*0%*	**732**
RUSE STROYGROUP	**437**	*214%*	**139**
PM INVEST GROUP	**415**	*0%*	**415**
POLISTROY — 2001	**303**	*-41%*	**516**
ARGOSAD-2005 BG	**272**	*0%*	**272**
DECRA-STROY	**189**	*178%*	**68**
BVS STROY	**185**	*0%*	**185**
ASTRA-8	**157**	*-57%*	**362**
ADIS KALINOV	**100**	*-37%*	**159**
DUNAV	**77**	*-82%*	**430**
ROAN 90	**32**	*7%*	**30**
INVESTSTROY — RUSE	**28**	*-32%*	**41**
NIKS-2002	**28**	*-97%*	**1 112**

MILLENIUM BUILD 2002	**24**	*-93%*	**368**
EXTREME	**17**	*-54%*	**37**
TARGET ENGINEERING CONSTRUCTION BG	**13**	*0%*	**13**
GTR GROUP	**- 426**	*-3143%*	**14**
GIK ENGINEERING	**- 1 715**	*-105%*	**- 838**
Top 20 Total	**4 648**	***-24%***	**6 113**

Danube recorded a significantly higher EBIT decline compared to the market average.

<u>Hospital care in Bulgaria</u>

The market of private hospitals in Bulgaria

The active private hospitals in the country in 2022 are 116 (115 in 2021). They account for

36% of all the hospitals in the country.

The number of beds in private hospitals in 2022 is 14,901 or 28% of the total.

The number of patients passing through private hospitals reached a record high in 2022, reaching nearly 771 thousand people or 38% of all patients passing through the country.
This represents an annual growth rate of 12% in 2022 after a 10% growth for the period 2021/2020.

The sector reports a constant growth for the period 2020—2022 and the total revenue of the top 20 players reached BGN 1.1 billion, registering 20% growth on annual basis (the growth for the preceding year is 23%). This strong growth is also largely due to the additional funding of the health system associated with the pandemic, as well as the inflationary processes in the country and the associated increase in the prices of clinical pathways.

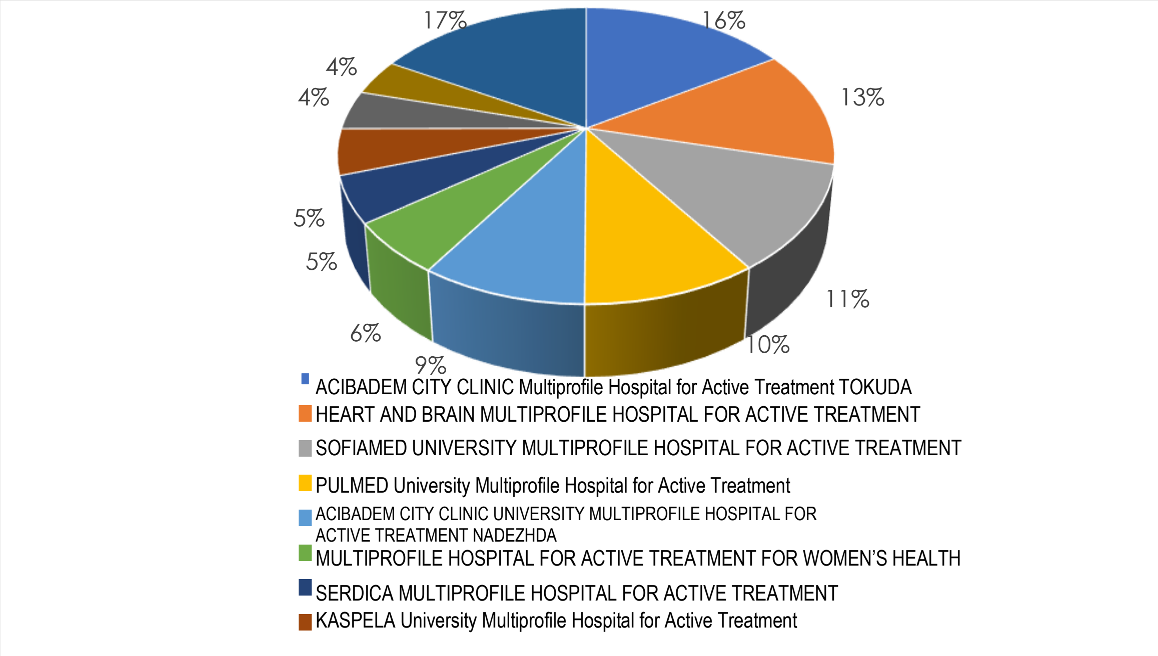
Change in the turnover of the leading 20 companies in BGN thousand, 2020—2022

Company	Turnover 2022	Amendment 2022/2021	Turnover 2021
ACIBADEM CITY CLINIC Multiprofile Hospital For Active Treatment TOKUDA	176 738	*22%*	144 525
HEART AND BRAIN Multiprofile Hospital for Active Treatment	141 418	*111%*	67 161
SOFIAMED University Multiprofile Hospital for Active Treatment	127 256	*14%*	111 834
PULMED University Multiprofile Hospital for Active Treatment	106 067	*8%*	98 444
ACIBADEM CITY CLINIC University Multiprofile Hospital For Active Treatment	100 102	*14%*	87 603
NADEZHDA MULTIPROFILE HOSPITAL FOR ACTIVE TREATMENT FOR WOMEN'S HEALTH	62 695	*8%*	58 043
SERDICA Multiprofile Hospital for Active Treatment	55 795	*11%*	50 142
KASPELA University Multiprofile Hospital for Active Treatment	55 181	*16%*	47 640
SAINT SOFIA Multiprofile Hospital for Active Treatment	47 192	*63%*	28 911
MEDICA University Multiprofile Hospital for Active Treatment RUSE	43 958	*5%*	42 030
CENTRAL ONCO HOSPITAL Multiprofile Hospital For Active Treatment	28 784	*14%*	25 261
THRACIA Multiprofile Hospital for Active Treatment	27 151	*-1%*	27 295
BURGASMED Multiprofile Hospital for Active Treatment	26 106	*-2%*	26 651
SELENA University Specialised Obstetrician Hospital	23 921	*15%*	20 829
PULSE Multiprofile Hospital for Active Treatment	19 794	*-6%*	21 128
VITA Multiprofile Hospital for Active Treatment	17 372	*8%*	16 064
DOVERIE Multiprofile Hospital for Active Treatment	17 037	*19%*	14 375
RAHILA ANGELOVA Multiprofile Hospital for Active Treatment	15 570	*-29%*	22 018
ZDRAVE VELINGRAD Multiprofile Hospital for Active Treatment	5 441	*-8%*	5 936
CARDIOLIFE Multiprofile Hospital for Active Treatment	3 519	*3%*	3 408
Top 20 Total	1 101 097	*20%*	919 298

Doverie Hospital registered a turnover growth comparable to the industry average — 19%.

The leading companies by sales revenue for 2022 are MBAL Tokuda, Heart and Brain, Sofiamed, Pulmed which together have a market share of 50% among the top 20 players, while the top 10 companies hold 83%.

Market share by sales revenue, 2022



The biggest growth in percentage in the turnover among the leading companies in the sector for the period 2022—2021 is marked by Heart and Brain Multiprofile Hospital for Active Treatment (+111%), Saint Sofia Multiprofile Hospital for Active Treatment (+63%) and Tokida Multiprofile Hospital for Active Treatment (+22%).

The most profitable companies (based on EBIT) in the analysed sector for 2022 are City Clinic, Tokuda, Pulmed, Medica Ruse, Sofiamed.

The highest EBIT growth was recorded by the Doverie Multiprofile Hospital for Active Treatment — 1180%.

Company	EBIT 2020 ('000 BGN)	Amendment 2020/2019	EBIT 2021 (`000 BGN)
ACIBADEM CITY CLINIC Multiprofile Hospital for Active Treatment TOKUDA	**16 179**	*25%*	**12 990**
ACIBADEM CITY CLINIC University Multiprofile Hospital for Active Treatment	**15 154**	*22%*	**12 434**
PULMED University Multiprofile Hospital for Active Treatment	**10 162**	*50%*	**6 766**
MEDICA University Multiprofile Hospital for Active Treatment RUSE	**8 713**	*44%*	**6 034**
SOFIAMED University Multiprofile Hospital for Active Treatment	**5 884**	*2%*	**5 794**

SELENA University Specialised Obstetrician Hospital	**5 676**	*83%*	**3 108**
SAINT SOFIA Multiprofile Hospital for Active Treatment	**3 032**	*129%*	**1 324**
BURGASMED Multiprofile Hospital for Active Treatment	**2 711**	*-3%*	**2 803**
KASPELA University Multiprofile Hospital for Active Treatment	**2 606**	*827%*	**281**
CENTRAL ONCO HOSPITAL Multiprofile Hospital for Active Treatment	**2 265**	*279%*	**597**
NADEZHDA MULTIPROFILE HOSPITAL FOR ACTIVE TREATMENT FOR WOMEN'S HEALTH	**1 980**	*119%*	**904**
PULSE Multiprofile Hospital for Active Treatment	**1 839**	*240%*	**541**
DOVERIE Multiprofile Hospital for Active Treatment	**1 344**	*1180%*	**105**
VITA Multiprofile Hospital for Active Treatment	**1 117**	*-57%*	**2 604**
ZDRAVE VELINGRAD Multiprofile Hospital for Active Treatment	**772**	*0%*	**770**
SERDICA Multiprofile Hospital for Active Treatment	**457**	*5%*	**437**
CARDIOLIFE Multiprofile Hospital for Active Treatment	**342**	*109%*	**164**
HEART AND BRAIN Multiprofile Hospital for Active Treatment	**306**	*135%*	**- 870**
RAHILA ANGELOVA Multiprofile Hospital for Active Treatment	**- 471**	*-311%*	**223**
THRACIA Multiprofile Hospital for Active Treatment	**- 1 592**	*-190%*	**1 770**
Top 20 Total	**78 476**	***34%***	**58 779**

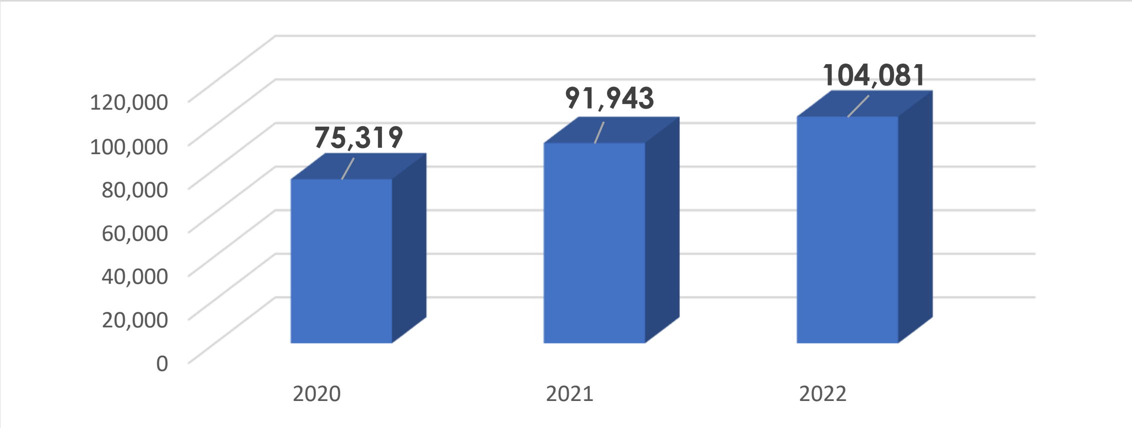
Private Medical Centers

The number of private medical centres in the country is constantly growing, reaching 786 psc. in 2022, with 20 more than the previous year.

The sector registers a growth for the period 2020—2022 and the total sales revenue of the top 20 companies increased by 13% in 2022 on an annual basis, reaching BGN 104 million. The reasons for this significant growth is on the one hand additional funding due to the pandemic and on the other hand — an increase in the prices of clinical paths financed by the health fund due to inflationary processes.

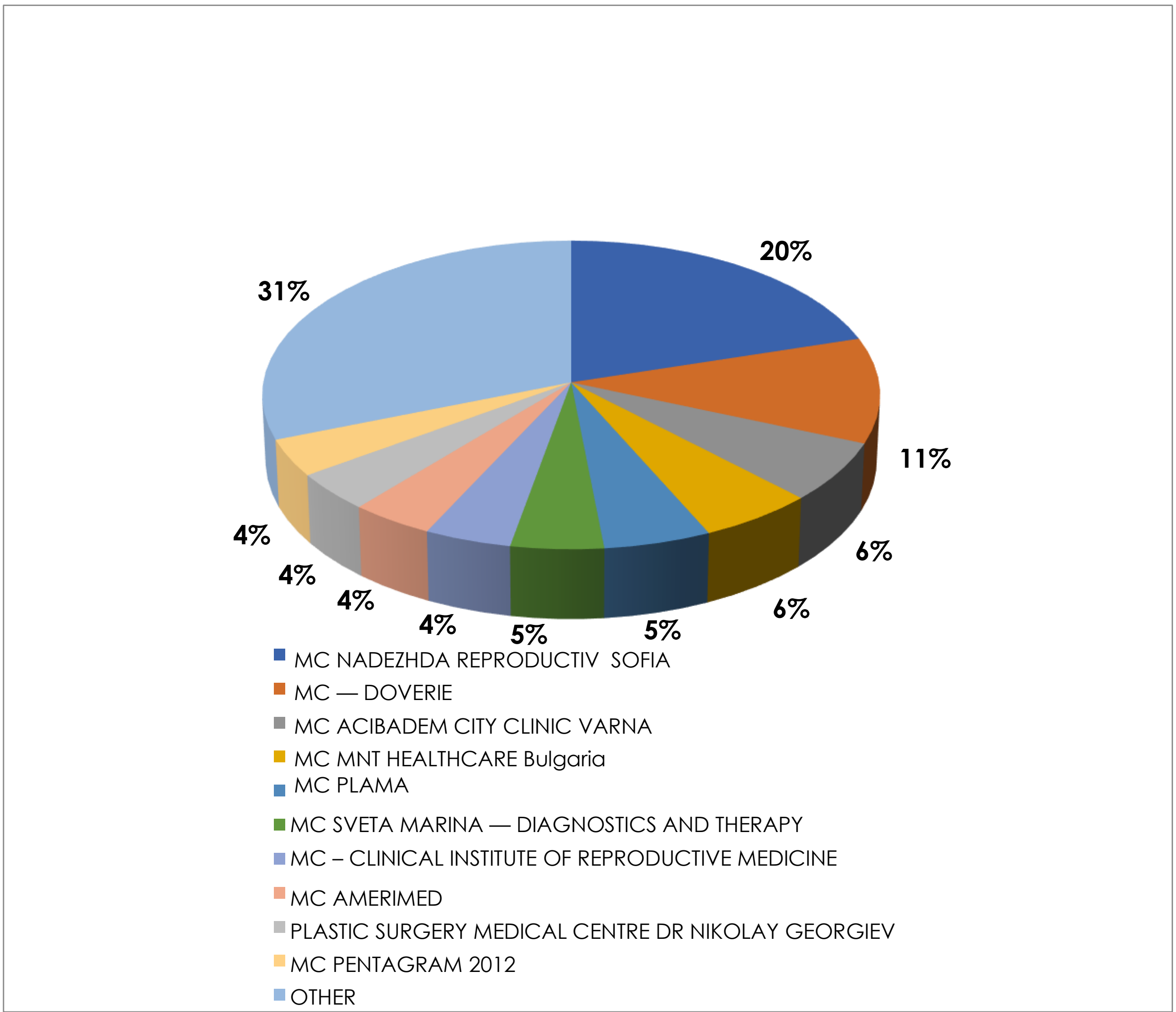
Most of the medical centres are concentrated in the big cities in the country — Sofia, Varna, Plovdiv, Stara Zagora, Burgas.

Change in the turnover in . BGN thousand, 2020—2022



The leading companies in terms of sales revenues for 2022 are MC Nadezhda Reproductive, MC Doverie and MC Acibadem City Clinic.

Market share by sales revenue, 2022



Company	Turnover 2022	Amendment 2022/2021	Turnover 2021
MC NADEZHDA REPRODUCTIVE SOFIA	**21 114**	*15%*	**18 300**
MC — DOVERIE	**11 485**	*47%*	**7 809**
MC ACIBADEM CITY CLINIC VARNA	**6 520**	*14%*	**5 735**
MC THIRD POLYCLINIC	**3 660**	*-30%*	**5 265**
MC PLAMA	**5 427**	*16%*	**4 691**
MC SVETA MARINA — DIAGNOSTICS AND THERAPY	**4 690**	*0%*	**4 690**
MC EUROPEAN CARDIOLOGY	**3 688**	*-18%*	**4 519**
MC MNT HEALTHCARE Bulgaria	**5 849**	*32%*	**4 433**
MC — CLINICAL INSTITUTE OF REPRODUCTIVE MEDICINE	**4 393**	*11%*	**3 950**
PLASTIC SURGERY MEDICAL CENTRE DR NIKOLAY GEORGIEV	**4 176**	*8%*	**3 862**
MC PENTAGRAM 2012	**4 031**	*13%*	**3 559**
MC AMERIMED	**4 209**	*21%*	**3 472**
MEDICAL CENTER 1 — PLOVDIV	**3 358**	*2%*	**3 280**
NEW LIFE — GINAECOLOGY MEDICAL CENTRE	**3 450**	*12%*	**3 087**
MC Vereya	**3 545**	*17%*	**3 018**
SPECIALIZED MEDICAL AID AMBULATORY — MC POLIMED	**2 975**	*4%*	**2 852**
MC ST. IVAN RILSKI	**2 748**	*0%*	**2 748**
MEDICAL CENTRE TRANSHELIX	**3 261**	*23%*	**2 650**
MC AVICENA — MARCONI MDS	**3 837**	*63%*	**2 358**
MC REPROBIOMED	**1 665**	*0%*	**1 665**
Top 20 Total	**104 081**	***13%***	**91 943**

MC Doverie recorded turnover growth of 34 percentage points above the industry average.

The highest amounts of profit before tax for 2022 in absolute terms is marked by MC MNT, MC NADEZHDA REPRODUCTIVE SOFIA, MC Avicena.

Company	EBIT 2020 ('000 BGN)	Amendment 2022/2021	EBIT 2021 ('000 BGN)
MC MNT HEALTHCARE Bulgaria	**5 752**	*77%*	**3 247**
MC NADEZHDA REPRODUCTIVE SOFIA	**2 901**	*-8%*	**3 169**
MC AVICENA — MARCONI MDS	**2 592**	*64%*	**1 579**
MC ACIBADEM CITY CLINIC VARNA	**1 409**	*40%*	**1 004**
MEDICAL CENTER 1 — PLOVDIV	**1 298**	*-3%*	**1 343**
MC AMERIMED	**1 266**	*18%*	**1 072**
MC PENTAGRAM 2012	**1 068**	*9%*	**982**
MC PLAMA	**955**	*81%*	**529**
MEDICAL CENTRE TRANSHELIX	**819**	*20%*	**680**
MC — CLINICAL INSTITUTE OF REPRODUCTIVE MEDICINE	**709**	*20%*	**592**
MC Vereya	**704**	*-2%*	**716**
PLASTIC SURGERY MEDICAL CENTRE DR NIKOLAY GEORGIEV	**665**	*-31%*	**964**
MC — DOVERIE	**586**	*-28%*	**809**
SPECIALIZED MEDICAL AID AMBULATORY — MC POLIMED	**292**	*-28%*	**404**
MC ST. IVAN RILSKI	**239**	*0%*	**239**
MC SVETA MARINA — DIAGNOSTICS AND THERAPY	**199**	*0%*	**199**
NEW LIFE — GINAECOLOGY MEDICAL CENTRE	**167**	*-29%*	**235**
MC THIRD POLYCLINIC	**30**	*-98%*	**1 618**
MC EUROPEAN CARDIOLOGY	**- 11**	*-129%*	**38**
MC REPROBIOMED	**- 13**	*0%*	**- 13**
Top 20 Total	**21 627**	***11%***	**19 406**

Voluntary health insurance

In 2022, the accrued premium income of sickness and accident insurances in Bulgaria reached BGN 154.3 million in total, a growth on an annual basis by 16%.

Benefits paid for 2022 amount to BGN 106 million with a growth on an annual basis of 26%.

The growth in claims outpaced the growth in premium income by 10 percentage points, resulting in a margin contraction to BGN 48 million. – 31.16%.

To a significant extent, the market is shaped and controlled by insurance brokers, as intermediaries over 360 in the country, who maintain low levels of premium income at ever-increasing costs associated with healthcare providers /hospitals and medical centers/.

Total acquisition costs paid by the health funds /commissions for insurance brokers/ amounted to BGN 27.64 million. – 17.94% of premium income.

The technical result / margin for the health funds after the decrease in broker costs / for 2022 is BGN 20.4 million. – 13.24% of premium income.

There is a monopoly of the NHIF in the field of compulsory health insurance. In the future, with demonopolisation of the compulsory health insurance, the potential for market development is huge.

Structurally, the voluntary health insurance market has a negligible share of less than 1% of the total health insurance/insurance market.

Voluntary health insurance is mainly implemented by legal entities/employers who additionally insure their employees as part of the general social package.

Voluntary health insurance initiated by individuals is still at a symbolic level.

The total premium income for 2022 for the Sickness insurance only (United Health Insurance Fund Doverie AD offers this insurance only) is BGN 92.5 million and for the Accident insurance — BGN 61.8 million.

The growth in premium income for 2022 compared to 2021 is 17% for Sickness insurance and 14.59% for Accident insurance.

Premium income on Sickness insurance — 2021—2022 BGN thousand

Company	Turnover 2022	Amendment 2022/2021	Turnover 2021
IC GENERALI BULGARIA AD	**23 498**	*11.10%*	**20 889**
UNITED HEALTH INSURANCE FUND DOVERIE AD	**21 392**	*11.98%*	**18 829**
IC BULGARIA INSURANCE AD	**12 054**	*4.11%*	**11 558**
IC EUROINS AD	**8 480**	*-4.02%*	**8 821**
IC FI HELT AD	**8 000**	*11.26%*	**7 099**
IC SAGLASSIE AD	**4 766**	*9.80%*	**4 299**
OTHER	**14 310**	*47.55%*	**7 505**
Total	**92 500**	*14.59%*	**79 000**

The leading insurance funds by market share for 2022 in Sickness insurance are: ZD Generali Insurance AD (25.3%), IC **United Health Insurance Fund Doverie AD (23.12%)**, IC Bulgaria Insurance AD (12.97%), IC Euroins AD (9.16%), IC Fi Health AD (8.64%), IC Saglassie AD (5.14%).

The leading insurance funds by market share for 2022 in Accident insurance are: Generali Insurance AD (19.7%), DZI General Insurance AD (16.8%), IC Euroins AD (15.3%), IC Bulstrad AD (10%), IC Armeec (6.5%), IC Allianz (5.1%)

Sickness insurance has a different share in the total insurance portfolio of the companies. The largest share of sickness insurance is observed in United Health Insurance Fund Doverie AD, Fi Health, ZAD Bulgaria Insurance.

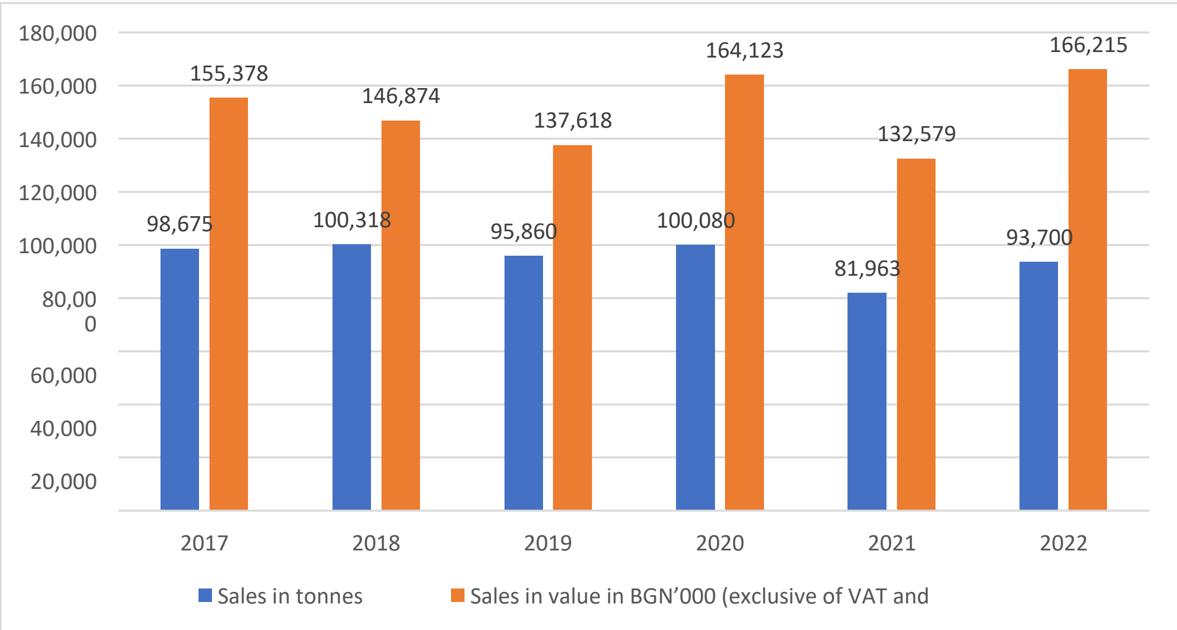
Company	2017	2018	2019	2020	2021	2022
ZAD BULSTRAD LIFE	20.70%	24.70%	26.70%	39.80%	37.50%	0.00%
United Health Insurance Fund Doverie AD	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
ZAD BULGARIA AD	87.60%	86.10%	79.20%	73.40%	72.00%	72.60%
GENERALI INSURANCE AD	10.00%	6.00%	6.70%	6.90%	8.00%	0.00%
ZK UNICA LIFE AD	12.80%	12.50%	12.00%	13.60%	0.00%	0.00%
DZI LIFE INSURANCE EAD	8.80%	12.20%	14.70%	10.00%	9.40%	0.00%
FIHEALTH INSURANCE AD	88.10%	80.40%	83.40%	80.70%	80.50%	77.80%
INSURANCE COMPANY EUROINS AD	2.10%	2.80%	2.50%	3.20%	3.00%	2.00%
ZAD ALLIANZ BULGARIA LIFE	1.80%	2.20%	3.20%	4.50%	0.00%	0.80%

Production of detergents and household chemicals

The production of detergents and household chemicals marks a growth for the period 2014—2022 year, reaching 99 thousand tonnes in 2022. The growth on an annual basis in 2022 compared to 2021 is 17%.

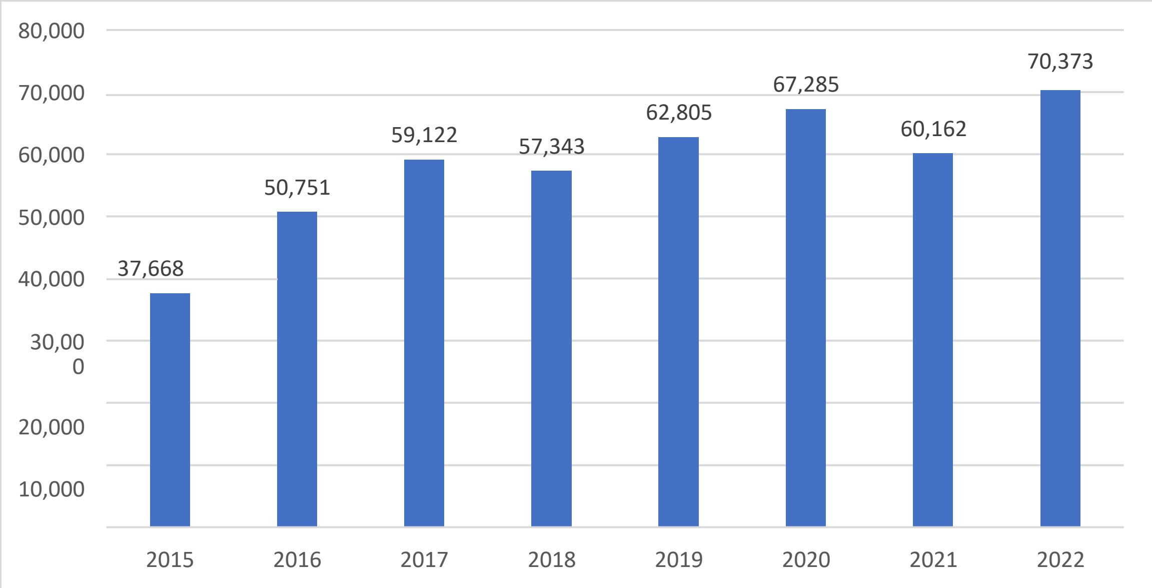
The country's sales in kind and value of detergents and cleaners will grow in 2022 compared to 2021, reaching 93.7 thousand tons and BGN 166 million, respectively.

Development of sales of detergents and household chemicals, 2017—2022



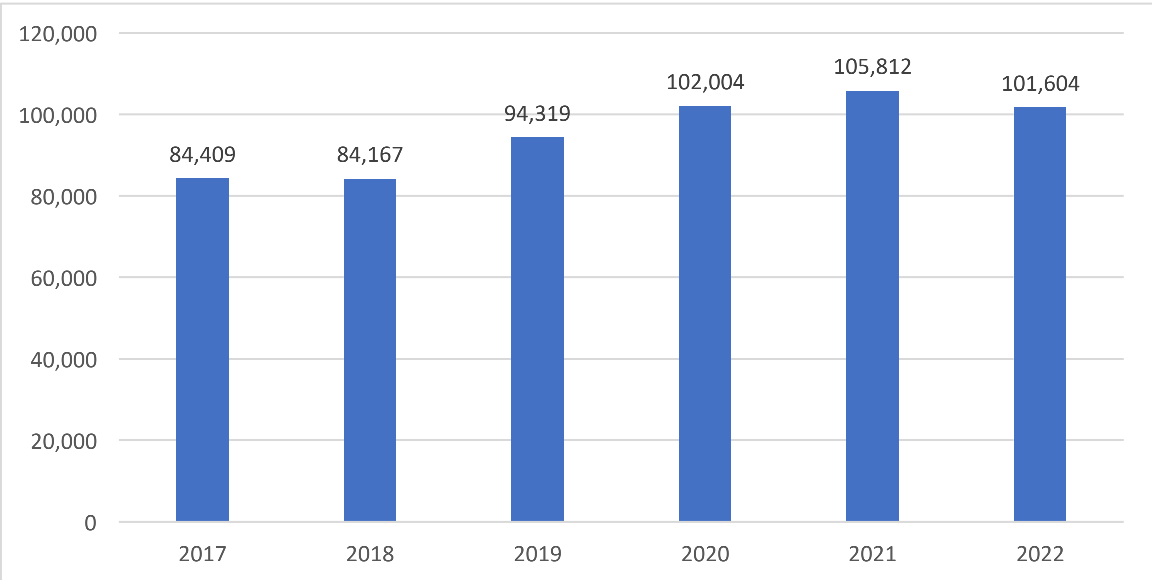
The export of detergents and household chemicals marks a growth in terms of value for the period 2015—2022 year, reaching EUR 70 million but the volumes remain relatively unchanged approximately 70 thousand tonnes.
Main export destinations are Romania (39%), Ukraine (21%) and Armenia (5%).

Export development in EUR thousand, 2015—2022



The import of detergents and household chemicals also marks a consistent growth for the period 2015—2020 year, reaching EUR 102 million in 2022.
Insurance Main countries of origin of import are Romania (21%), Germany (15%), Italy (10%) and Turkey (10%) and Greece (12%).

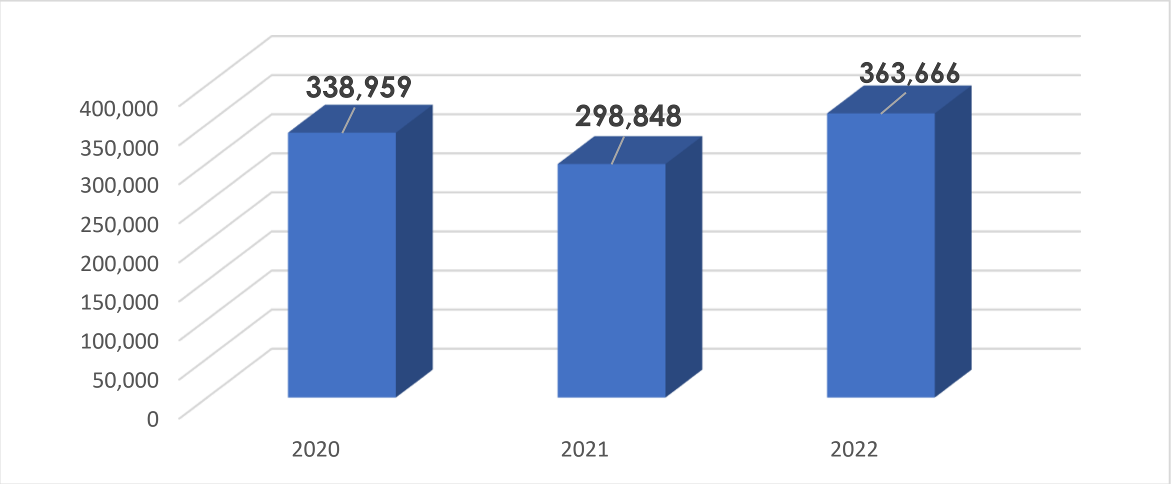
Import development in EUR thousand, 2015—2022



Our country is a net importer of detergents and cleaners.

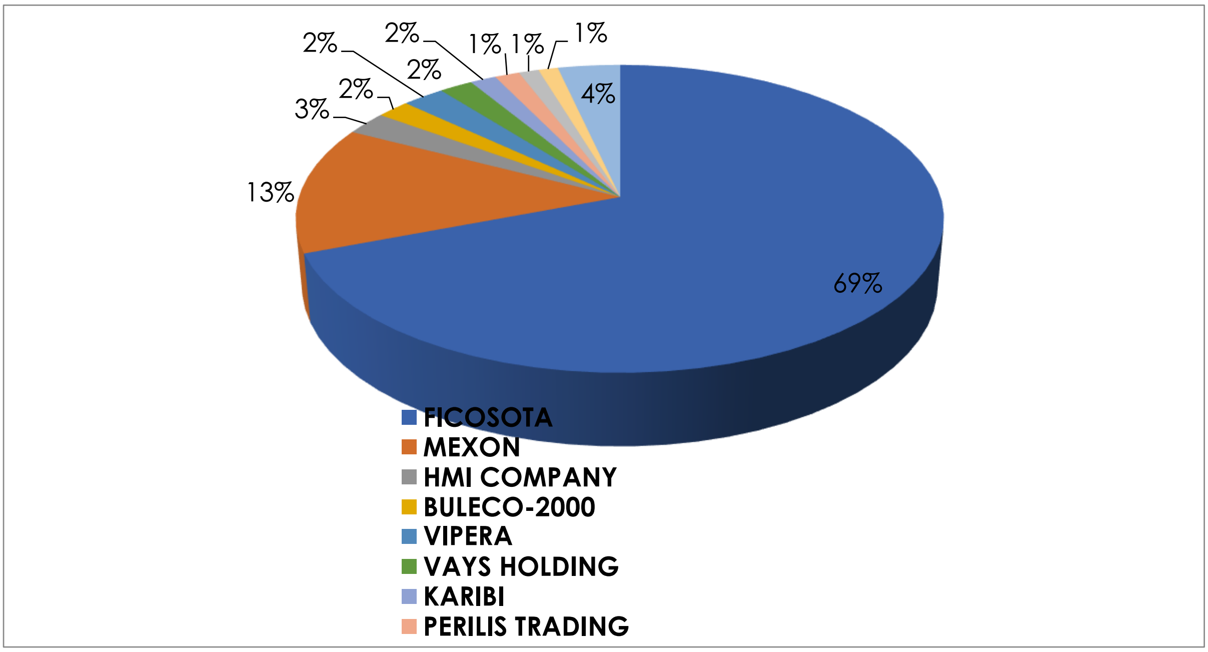
The sector registered a growth for the period 2020—2022. The total sales revenue of the top 20 companies marked a growth of 22% in 2022 on an annual basis, reaching BGN 364 million.

Change in the turnover in thousand BGN, 2020—2022



Leading companies by sales revenue for 2021 are Ficosota, Mexon and HMI Company. which hold 85% of the market of the top 20 manufacturers.

Market share by sales revenue, 2022



Most companies registered a growth in turnover for the analyzed period.

Company	Turnover 2022	Amendment 2022/2021	Turnover 2021
FICOSOTA	**251 681**	*23%*	**203 933**
MEXON	**48 673**	*9%*	**44 553**
HMI COMPANY	**8 829**	*5%*	**8 427**
BULECO-2000	**6 969**	*20%*	**5 802**
VIPERA	**5 405**	*74%*	**3 106**
VAYS HOLDING	**5 163**	*48%*	**3 487**
CARRIBEAN	**4 156**	*45%*	**2 866**
PERILIS TRADING	**4 073**	*46%*	**2 787**
CAPRICORN CHEMICALS GROUP	**3 991**	*117%*	**1 839**
COBRA PRO	**3 928**	*44%*	**2 737**
AROMATIC	**3 904**	*9%*	**3 588**
PACHICO	**3 715**	*16%*	**3 206**
INDUSTRIAL CHEMISTRY	**3 483**	*16%*	**3 015**
VICTORY-2000	**2 193**	*-9%*	**2 407**
PRESTIGE 2007	**1 629**	*9%*	**1 492**
DOVERIE – CARE	**1 587**	*-21%*	**2 002**
ИВКО-3.	**1 438**	*64%*	**879**
RADITRADE	**1 263**	*25%*	**1 012**
H.E.L.A. HIM	**1 056**	*10%*	**956**
EMERI	**530**	*-30%*	**754**
Top 20 Total	**363 666**	***22%***	**298 848**

The highest profits before tax in absolute terms for 2022 are marked by Ficosota, Vays holding, Karibi.

Company	EBIT 2020 ('000 BGN)	Amendment 2022/2021	EBIT 2021 (`000 BGN)
FICOSOTA	**11 079**	*-42%*	**19 047**
VAYS HOLDING	**1 979**	*188%*	**687**
CARRIBEAN	**1 335**	*308%*	**327**
HMI COMPANY	**747**	*177%*	**270**
CAPRICORN CHEMICALS GROUP	**674**	*106%*	**327**
PERILIS TRADING	**636**	*120%*	**289**
AROMATIC	**631**	*87%*	**337**
COBRA PRO	**584**	*6%*	**553**
INDUSTRIAL CHEMISTRY	**456**	*-10%*	**508**
VIPERA	**452**	*250%*	**129**
BULECO-2000	**296**	*49%*	**199**
RADITRADE	**246**	*-15%*	**289**
H.E.L.A. HIM	**246**	*22%*	**202**
MEXON	**198**	*-70%*	**661**
ИВКО-3.	**187**	*450%*	**34**
PRESTIGE 2007	**158**	*-13%*	**181**
VICTORY-2000	**90**	*11%*	**81**
PACHICO	**80**	*120%*	**- 402**
EMERI	**22**	*-79%*	**105**
DOVERIE – CARE	**- 1 201**	*33%*	**- 1 795**
Top 20 Total	**18 895**	***-14%***	**22 029**

IV. *Analysis of financial and non-financial indicators for the result from the activity (Article 39, subparagraph 2 of the Accounting Act), as well as a description of the condition of the company and clarification of the annual consolidated financial statement (Article 247, Paragraph 1 of the Commerce Act)*

Analysis of the statement of profit and loss

(in thousand BGN)	**31 December 2023**	**31 December 2022**	change	%
Interest revenue from banking operations	229,239	203,027	26,212	12,91%
Interest expenses from banking operations	(81,237)	(47,340)	(33,897)	71,60%
Net interest income	*148,002*	155,687	(7,685)	-4,94%
Fee and commission revenue from banking operations	90,395	80,549	9,846	12,22%
Expenses for fees and commissions from banking operations	(43,530)	(34,093)	(9,437)	27,68%
Net fee and commission income	46,865	*46,456*	409	0,88%
Other net operating revenue	4,174	5,957	(1,783)	-29,93%
Exchange rate differences from banking operations	26,793	23,372	3,421	14,64%
Charged impairment/ reversal of impairment from banking operations	(8,110)	(36,716)	28,606	-77,91%
Total net income from banking operations	**217,724**	**194,756**	**22,968**	**11,79%**
Income from insurance operations	25,137	20,335	4,802	23,61%
Expenses for insurance operations	(22,004)	(15,026)	(6,978)	46,44%
Net income from insurance operations	**3,133**	**5,309**	**(2,176)**	**-40,99%**
Revenue from other business sectors	214,099	186,465	27,634	14,82%
Expenses from other business sectors	(134,702)	(117,589)	(17,113)	14,55%
Net income from other business sectors	**79,397**	**68,876**	**10,521**	**15,28%**
Operating and administrative expenses	(166,513)	(140,092)	(26,421)	18,86%

Other financial revenue/expenses, net	(3,390)	(4,877)	1,487	-30.49%
Depreciation and impairment	(21,845)	(14,932)	(6,913)	46.30%
Other operating income/loss	631	(2,020)	2,651	-131.24%
Operating profit	**109,137**	**107,020**	**2,117**	**1.98%**
Profit from the acquisition and disposal of subsidiaries	4		4	
Profit before tax	**109,141**	**107,020**	**2,121**	1.98%
Profit taxes	(16,955)	(13,466)	(3,489)	25.91%
Net profit for the period of reference	**92,186**	**93,554**	(1,368)	**-1.46%**
Net profit attributable to:				
Equity holders of the parent company	69,927	71,802	(1,875)	-2.61%
Non-controlling participations	22,259	21,752	507	2.33%
	92,186	**93,554**		

Analysis of the statement of financial position

(in thousand BGN)	**31 December 2023**	**31 December 2022**	change	%
ASSETS				
Property, plant and equipment	113,068	107,594	5,474	5.09%
Assets with right of use	37,215	34,555	2,660	7.70%
Investment properties	13,362	13,575	(213)	-1.57%
Goodwill	5,140	5,140		0.00%
Other intangible assets	13,111	9,930	3,181	32.03%
Financial assets at fair value through profit or loss	7,956	6,881	1,075	15.62%
Financial assets at amortised cost	646,745	438,525	208,220	47.48%
Financial assets at fair value through other comprehensive income	1,916	1,940	(24)	-1.24%
Loans to bank customers	1,368,131	1,162,604	205,527	17.68%
Other bank assets	29,325	25,103	4,222	16.82%
Assets for sale	8,981	12,132	(3,151)	-25.97%
Deferred tax assets	5,832	5,277	555	10.52%
Trade receivables	6,782	5,894	888	15.07%

Inventories	55,987	48,170	7,817	16.23%
Cash and cash equivalents	1,067,468	834,526	232,942	27.91%
Total assets	**3,381,019**	**2,711,846**	**669,173**	**24.68%**
EQUITY AND LIABILITIES				
Capital attributable to equity holders of the parent company				
Share capital	21,500	21,500		0.00%
Reserves	55,636	35,007	20,629	58.93%
Accumulated profit/(loss)	403,989	333,697	70,292	21.06%
	481,125	**390,204**	**90,921**	**23.30%**
Non-controlling participations	147,671	128,533	19,138	14.89%
Total equity	**628,796**	**518,737**	**110,059**	**21.22%**
Bank customer deposits	2,418,445	1,852,750	565,695	30.53%
Funds borrowed by the bank from other financial institutions	43,785	39,225	4,560	11.63%
Liabilities to related parties	62,004	76,317	(14,313)	-18.75%
Liabilities of trade companies to financial institutions	23,624	30,707	(7,083)	-23.07%
Liabilities under share purchase agreements				
Leasing	36,907	34,209	2,698	7.89%
Provisions for employee benefits	14,601	8,903	5,698	64.00%
Deferred tax	5,879	5,387	492	9.13%
Trade and other liabilities	62,128	57,128	5,000	8.75%
Liabilities under insurance operations	3,648	2,610	1,038	39.77%
Other specific liabilities to banks	81,202	85,873	(4,671)	-5.44%
Total liabilities	**2,752,223**	**2,193,109**	**559,114**	**25.49%**
Total capital and liabilities	**3,381,019**	**2,711,846**	**669,173**	**24.68%**

LOANS TO BANK CUSTOMERS

	31 December 2023 *BGN '000*	*31 December 2022* *BGN '000*
Loans	1,418,640	1,222,092
Other financial assets	15,089	12,386
Loans, total	**1,433,729**	**1,234,478**
Minus: Discount for loss of value of loans	(65,584)	(71,863)
Minus: Discount for loss of value of other financial assets	(14)	(11)
	1,368,131	**1,162,604**

29.1 The analysis of the loan portfolio by industry is presented below:

	31 December 2023 *BGN '000*	*31 December 2022* *BGN '000*
Agriculture	46,796	47,690
Extractive industry	1,143	324
Manufacturing industry	95,650	94,120
Electricity generation, heating, gas, water	3,751	1,733
Water distribution, sewerage	191	15
Construction	29,061	30,751
Trade, maintenance and repair of motor vehicles	14,469	7,276
Wholesale of grain, seeds and animal feeds	17,243	25,489
Food trade	87,889	79,027
Trade in pharmaceutical products	34,784	35,133
Trade in construction materials	31,419	33,470
Trade in fuel	10,626	14,225
Trade in other goods	75,393	57,117
Transportation	18,953	22,421
Hotel and restaurant management	5,778	5,418
Information and telecommunication	17,864	12,742
Financial activity, insurance	110,686	92,543
Dealing in real estate	9,528	9,952
Professional, scientific and technical service activities	2,904	3,310
Administrative services ad spot	2,980	648
Public administration	30,037	11,733
Education	634	333
Separate loans	756,479	630,988
Health and social care	6,128	4,895
Leisure activities	691	583
Other services	7,563	156
	1,418,640	**1,222,092**

Financial assets at amortised cost

	31 December 2023 BGN '000	31 December 2022 BGN '000
Financial assets at amortised cost (government securities)	669,029	473,802
Minus: Impairment allowance	(22,284)	(35,277)
	646,745	**438,525**

Investments in government securities at 31 December 2023 represent:

- Treasury bills to the amount of BGN 663,311 thousand equivalence with maturity from 182 to 3,653 days, issued by the Ministry of Finance of the Republic of Moldova with an interest rate between 5.85% and 16% per annum.
- Government bonds to the amount of BGN 5,718 thousand equivalence with maturity from 304 to 5,840 days, issued by the Ministry of Finance of Republic of Bulgaria with an interest rate between 0.80% and 2.30% per annum.

As at 31 December 2023 there aren't any pledged government securities.

Financial assets at fair value through profit or loss

Unquoted equity investments

	31 December 2023 BGN '000	% of interest	31 December 2022 BGN '000	% of interest
Mr. Bricolage	9		9	
Engineering and Development Company AD	2,704	8,30	2,704	8,30
Melko International AD	1	0,03	1	0,03
Hydroisomat AD			1	
	2,714		**2,715**	

Quoted equity investment

	31 December 2023 BGN '000	% of interest interest	31 December 2022 BGN '000	% of interest interest
Exclusive Property REIT	76	0,42	66	0,42
Sopharma AD	5,063	0.51	2 699	0.45
Doverie – United Holding AD			1,320	0.81
ImPulse Growth AD	63	0.84	51	0.84
Compensatory bond	40		30	
	5,242		**4,166**	

Property, plant and equipment

	Land		Buildings		Plants and equipment		Transport vehicles		Inventories		In progress		Others, including biological assets		Total	
	31 December 2023	**31 December 2022**	**31 December 2023**	**31 December 2022**	**31 December 2023**	**31 December 2022**	**31 December 2023**	**31 December 2022**	**31 December 2023**	**31 December 2022**	**31 December 2023**	**31 December 2022**	**31 December 2023**	**31 December 2022**	**31 December 2023`**	**31 December 2022**
	BGN '000	***BGN '000***	***BGN '000***	***BGN '000***	***BGN '000***	***BGN '000***	***BGN '000***	***BGN '000***	***BGN '000***	***BGN '000***	***BGN '000***	***BGN '000***	***BGN '000***	***BGN '000***	***BGN '000***	***BGN '000***
Book value																
Balance as at 1 January	**30,169**	**32,252**	**60,414**	**56,748**	**53,426**	**47,665**	**2,825**	**2,454**	**14,250**	**12,189**	**3,733**	**2,429**	**4,720**	**3,745**	**169,537**	**157,482**
Difference resulting from revaluation	-	-	415	(111)	551	(41)	75	(10)	51	(4)	148	(26)	-	-	**1,240**	**(192)**
Balance as at 01 January (recalculated)	**30,169**	**32,252**	**60,829**	**56,637**	**53,977**	**47,624**	**2,900**	**2,444**	**14,301**	**12,185**	**3,881**	**2,403**	**4,720**	**3,745**	**170,777**	**157,290**
Acquired	17	83	153	462	4,324	1,703	519	246	1,854	1,565	7,773	11,903	1,431	975	**16,071**	**16,937**
Effect from revaluation to fair value	87	1,648	-	4,125	-	794	-	12	-	-	-	-	-	-	**87**	**6,579**
Impairment		-	-	(19)	-	(44)	-	-	-	-	-	-	-	-	**-**	**(63)**
Written-off	(209)	(218)	(5)	(1,054)	(9,073)	(3,717)	(587)	(511)	(1,025)	(581)	(61)	(747)	(8)	(38)	**(10,968)**	**(6,866)**
Transfer to property, plant and equipment	-	-	1,072	263	5,473	7,066	1,361	634	1,324	1,081	(10,361)	(9,826)	71	38	**(1,060)**	**(744)**
Transfer of assets with right of use	-	-	-	-	-	-	172	-	107	-	-	-	-	-	**279**	-
Reclassification as assets, held for sale	-	(3,596)	-	-	-	-	-	-	-	-	-	-	-	-	-	**(3,596)**
Balance as at 31 December 2023	**30,064**	**30,169**	**62,049**	**60,414**	**54,701**	**53,426**	**4,365**	**2,825**	**16,561**	**14,250**	**1,232**	**3,733**	**6,214**	**4,720**	**175,186**	**169,537**
Accumulated depreciation																
Balance as at 1 January	-	-	**20,196**	**16,549**	**30,096**	**27,532**	**193**	**443**	**9,899**	**9,667**	-	-	**1,559**	**1,346**	**61,943**	**55,537**
Accrued depreciation for the year	-	-	1,751	1,607	6,773	5,805	720	500	1,239	796	-	-	373	243	**10,856**	**8,951**
Effect from revaluation to	-	-	-	2,104	-	-	-	34	-	-	-	-	-	-	**-**	**2,138**

fair value																
Written-off depreciation	-	-	-	(62)	(8,934)	(2,535)	(487)	(784)	(925)	(564)	-	-	(15)	(30)	**(10,361)**	**(3,975)**
Impairment	-	-	(336)	(2)	-	(706)	(63)	-	-	-	-	-	-	-	**(399)**	**(708)**
Transfer of assets with right of use	-	-	-	-	-	-	79	-	-	-	-	-	-	-	**79**	**-**
Balance as at 31 December 2023	**-**	**-**	**21,611**	**20,196**	**27,935**	**30,096**	**442**	**193**	**10,213**	**9,899**	**-**	**-**	**1,917**	**1,559**	**62,118**	**61,943**
Carrying amount as at 1 January	**30,169**	**32,252**	**40,633**	**40,199**	**23,881**	**20,133**	**2,707**	**2,011**	**4,402**	**2,522**	**3,881**	**2,429**	**3,161**	**2,399**	**108,834**	**101,753**
Balance as at 31 December 2023	**30,064**	**30,169**	**40,438**	**40,218**	**26,766**	**23,330**	**3,923**	**2,632**	**6,348**	**4,351**	**1,232**	**3,733**	**4,297**	**3,161**	**113,068**	**107,594**

Investment properties

	31 December 2023	31 December 2022
	BGN '000	BGN '000
Balance as at 1 January	**13,575**	**13,773**
Written-off	(216)	(410)
Evaluation to fair value	3	212
Balance as at 31 December	**13,362**	**13,575**

	Land	*Office space*	*Production facilities*	*Social facilities*	*Total*
Balance as at 01 January 2022	**8,709**	**3,153**	**1,788**	**123**	**13,773**
Written-off	-	(330)	(78)	(2)	(410)
Written-off on sale of subsidiaries	-	-	-	-	-
Fair value through profit or loss — not realised	45	99	68	-	212
Balance as at 31 December 2022	**8,754**	**2,922**	**1,778**	**121**	**13,575**
Written-off	(81)	(106)	(29)	-	(216)
Written-off on sale of subsidiaries	-	-	-	-	-
Fair value through profit or loss — not realised	3	-	-	-	3
Balance as at 31 December 2023	**8,676**	**2,816**	**1,749**	**121**	**13,362**

- During the period properties were sold in a residential building in Plovdiv representing parking spaces, as well as a detached object in a building of 303 sq.m and a building of 619 sq.m in Vratsa for a total value of BGN 216 thousand. (31 December 2022: BGN 20 thousand).

The investment properties presented in the report are:

- Surveyed plot of land in Dobrich, amounting to BGN 520 thousand, owned by Doverie Capital AD. (for 31 December 2022 BGN 517 thousand.).
- ‘Business Centre’ investment property, located in the city of Ruse, 10 Captain Evstati Vinarov St., consisting of a land plot with identifier 634.2.492 with an area of 1,181 sq.m. together with the constructed in it 3 separate objects representing a building on 4 floors with identifier 634.2.492.1 with a built-up area of 643 sq.m. and having a total floorage of 3,170 sq.m. with 22 administrative premises per floor, a separate site — ‘restaurant’ having a total floorage of 240 sq.m. and a separate site — ‘sports hall’ located in the basement with a floor area of 294.50 sq.m.

  According to the reference provided, identifiable sites of the property are leased to 60 tenants. The value of the property is BGN 2,176 thousand.
- Land/zoned property (ZP) with a total area of 59,267 sq.m., amounting to BGN 6,378 thousand, located in Plovdiv, 144, Vasil Levski St.
- Buildings with total area of 6,431 sq.m., amounting to BGN 678 thousand, located in Plovdiv, 144, Vasil Levski St.
- On 14 February 2013 a Framework Agreement was signed between Bilyana Triko AD on the one side, Norman Hunter, Bilyana Knitwear EOOD, represented by Hristina Stamova and Bilyana Trading AD, represented by Hristina Stamova on the other hand as follows:

  Bilyana Knitwear EOOD rents a plot of land with identifier 56126.600.282 together with the buildings with identifiers 56126.600.282.1 and 56126.600.282.2; in the reporting period the plot of land and the buildings are classified as investment property to the amount of BGN 3,610 thousand.

V. Important events that occurred after the date, as at which the consolidated annual financial statements of Doverie – United Holding AD are drawn up

Doverie – United Holding AD

The Financial Supervision Commission (FSC) by its Decision No 46-E/25 January 2024 has approved a public offering of 200 000 (two hundred thousand) registered, book-entry, interest-bearing, unsecured, freely transferable, convertible bonds, with a nominal and issue value of BGN 100 (one hundred) per bond, with a floating interest rate equal to the sum of 6-month EURIBOR, increased by a premium of 2.00% per annum, but in aggregate not less than 2.00% per annum and not more than 6.00% per annum, payable in 6-monthly instalments, with a maturity of 5 (five) years from the date of issue of the convertible bond issue, in accordance with the resolutions passed by the Board of Directors of the Company (as authorised by the Articles of Association) on 24 November 2023 and 05 January 2024, and pursuant to the Prospectus for the Public Offering of the Convertible Unsecured Notes Issue of the Company.

Amount of the bond loan, tolerances, number, nominal and issue value, types of bonds and their rights. The size of the issue of convertible bonds of DOVERIE – UNITED HOLDING AD is up to 200,000 (two hundred thousand) registered, book-entry, interest-bearing, unsecured, freely transferable, convertible bonds, with a nominal and issue value of BGN 100 (one hundred) per bond. The bond loan shall be deemed to have been concluded upon subscription and payment of bonds with a total nominal value of not less than BGN 10 000 000 (ten million), in which case the amount of the bond loan shall be the value of the subscribed bonds. No variance above the upper limit of the bonded indebtedness requested to be raised is possible. Each bond of the new convertible bond issue has a nominal value of BGN 100 and an issue value of BGN 100. All bonds issued by DOVERIE – UNITED HOLDING AD from the new issue are of one class — convertible, book-entry, registered, interest-bearing, freely transferable unsecured bonds. The Bonds of this Issue carry equal rights to their holders. The public offering of convertible bonds with rights excludes the possibility of prejudice to the interests of shareholders.

1. Issuance of rights. Relationship between the rights issued and the convertible bonds. Minimum and maximum number of bonds that can be subscribed for against the rights issued. Pursuant to Article 112b, paragraph 2 of the Public Offering of Securities Act, persons who have acquired shares of DOVERIE – UNITED HOLDING AD no later than 5 business days after the date of publication of the notice under Article 89s, paragraph 1 of the Public Offering of Securities Act. Within two working days from the expiration of the period referred to in the preceding sentence, the Central Depository shall open accounts for the rights of the persons referred to in the preceding sentence on the basis of the data from the shareholders' book. One right is issued for each share existing at the end of the specified period. 107,499 (one hundred and seven point four hundred and ninety-nine thousandths) rights entitle to subscribe for 1 (one) convertible bond. After the issuance of the rights, any person may acquire rights in the period for their transfer/trading and in the course of the public auction; each 107,499 rights exercised enable the subscription of one convertible bond with a nominal and issue value of BGN 100 each. Any person may subscribe for such number of Convertible Bonds as is equal to the number of Rights acquired and/or held by him divided by 107,499 and rounded down to the nearest whole number.

Rights shall be transferred within the transfer period set out below.

2. Starting and ending date, conditions and procedure for transfer of rights. Commencement and termination date, terms and conditions for subscription of bonds of the new issue by the rights holder.

2.1. Starting date for the transfer of rights and for the subscription of convertible bonds pursuant to Article 112b, paragraphs 4 and 5 of the Public Offering of Securities Act — the fifth business day following the expiration of 7 (seven) calendar days from the date of publication of the announcement of the public offering pursuant to Article 89s, paragraph 1 of the Public Offering of Securities Act on the websites of DOVERIE – UNITED HOLDING AD and the authorized investment intermediary SOFIA INTERNATIONAL SECURITIES AD (if the publications are on different dates — the fifth working day following the expiry of 7 calendar days from the latest of all dates).

2.2. Deadline for the transfer of the rights pursuant to Article 112bq paragraph 4 of the Public Offering of Securities Act — 15 calendar days starting from the commencement date under item 3.1. If the period expires on a non-business day, the first following business day shall be deemed to be the closing date for the transfer.

2.3. The transfer of rights by means of their purchase and sale (trading with rights) pursuant to Article 112b, paragraph 6 et seq. of the Public Offering of Securities Act is carried out on the main market of the Bulgarian Stock Exchange (BSE) by submitting a sell order to the respective investment intermediary with which the rights accounts of the respective clients are disclosed, respectively by submitting a buy order to an investment intermediary member of the regulated market. For the acquisition of rights by other means, the provisions of the Regulations of the Central Depository AD shall apply. The commencement date for trading in rights shall coincide with the commencement date referred to in item 3.1. Pursuant to the Rules of the Bulgarian Stock Exchange AD, the last date for trading of rights on the Exchange is 2 business days before the closing date referred to in item 3.2. Shareholders who do not wish to participate in the issue of convertible bonds, as well as all other holders of rights, have the right to sell their rights in the above manner until the end of the stock exchange session on the last day of trading in rights, respectively to dispose of them by other means until the last day for the transfer of rights, but not later than provided for under the Regulations of the Central Depository AD. On the 2nd business day after the closing date of the period for transfer of the rights under item 3.2.

DOVERIE – UNITED HOLDING AD, through the investment intermediary SOFIA INTERNATIONAL SECURITIES AD offers for sale under the conditions of public auction those rights against which no convertible bonds from the bond issue have been subscribed until the expiry of the period for transfer of the rights. DOVERIE – UNITED HOLDING AD will distribute the amount received from the sale of the unvested rights, less the costs of sale, *pro rata* among the holders thereof. The funds received from the sale of the rights shall be transferred to a special account opened by the Central Depository AD and shall not be used until the announcement of the bond loan in the commercial register.

The distribution of the sums received from the sale of rights, both within the period for their transfer and at the auction, shall be carried out with the assistance of the Central Depository under the terms and conditions of its Rules. At the beginning of each business day during the subscription period, the Central Depository shall publicly disclose information on the rights exercised until the end of the previous business day. Persons who have acquired rights in the sale through the auction may subscribe for the relevant number of convertible bonds until the expiry of the subscription deadline under item 3.4.

2.4. Deadline for subscription of the convertible bonds pursuant to Article 112b, paragraph 5 of the Public Offering of Securities Act — 15 business days after the day on which the deadline for transfer of the rights under item 3.2 expires. Subscription before the specified start date and after the specified end date is not permitted.

2.5. The subscription of the convertible bonds of the new issue will be made under the following terms and conditions:

2.5.1. Persons who have received rights under personal accounts shall request the transfer of the rights under their sub-accounts with an investment firm. Persons holding rights shares, as well as any other holders of rights who have acquired the same within the period for their transfer, may subscribe for the relevant number of convertible bonds against them until the expiry of the period for the transfer of the rights under item 3.2, failing which their unexercised rights will be sold ex officio at a public auction. Persons who have acquired rights in the auction sale may subscribe for the relevant number of convertible bonds until the subscription deadline referred to in item 3.4. The Company provides the opportunity to subscribe for bonds remotely through the Central Depository and its members. The subscription of bonds is carried out by submitting applications in compliance with the requirements of Regulation No 38 of 21 May 2020 on the requirements to the activity of investment intermediaries. All holders of shares with rights, as well as all other holders of rights acquired within the period for their transfer and/or at the auction, shall submit the applications for subscription of convertible bonds to the authorized investment intermediary SOFIA INTERNATIONAL SECURITIES AD, with headquarters and registered address: City of Sofia, 140 Georgi S. Rakovski St., floor 4, phone: +359 2 937 98 65, e-mail: videv@sis.bg. servicing the capital increase, and/or to the investment intermediaries, members of the Central Depository, with which the client accounts for the rights held by them are kept, in accordance with the procedures in force in the Rules of the Central Depository. Applications for subscription of convertible bonds shall be submitted to the above-mentioned investment intermediary servicing the public offering every business day from 9:00 a.m. to 5:00 p.m., or during the respective business hours of each investment intermediary if different from the above-mentioned, but no later than 5:00 p.m. on the last day of the subscription period, subject to compliance with the regulatory requirements.

2.5.2. The subscription of the Convertible Bonds shall be deemed to be valid only if it is made by a shareholder with rights shares and/or by another holder of rights up to the possible number of Convertible Bonds under item 2 and the full issue value of the subscribed Convertible Bonds is paid up to the subscription deadline for the bonds, subject to the conditions set out below. In the event of partial payment of the issue value, the respective number of convertible bonds for which the same has been paid in full shall be deemed subscribed. The payment of the issue value of the subscribed convertible bonds shall be made to a special collection account opened in the name of DOVERIE – UNITED HOLDING AD as follows:

IBAN: BG78UNCR70001525611271

BIC: UNCRBGSF

Bank UniCredit Bulbank AD

The collection account must be certified by the person subscribing for the bonds by the deadline for subscription of the bonds at the latest.

2.6. Pursuant to Article 89m, paragraph 2 of the Public Offering of Securities Act, the funds raised in the special account may not be used before the subscription is closed and the notice of the bond loan is entered in the Commercial Register at the Registry Agency.

3. Applicable order if all the offered bonds are subscribed before the end of the subscription; if all the offered bonds are not subscribed before the end of the subscription; if more bonds are subscribed before the end of the subscription than the offered bonds. If all the convertible bonds of this issue are subscribed before the subscription deadline, DOVERIE – UNITED HOLDING AD shall notify the FSC within 3 (three) business days pursuant to Article 112b, paragraph 12 of the Public Offering of Securities Act and shall take the necessary actions for announcement of the notice of the concluded bond loan in the Commercial Register and for registration of the issue with the Central Depository AD, the FSC and the Bulgarian Stock Exchange AD.

If not all bonds are subscribed by the subscription deadline, but at least 100,000 convertible bonds are subscribed and paid for, the bond loan shall be deemed to be concluded up to the amount of the subscribed and paid bonds and the issue in this amount shall be registered with the Central Depository AD, the FSC and the Bulgarian Stock Exchange AD. The public offering of convertible bonds with rights shall exclude the possibility of subscribing to more than the bonds referred to in point 1.

4. Procedure and time limits for the return of contributions raised and interest due in the event of a failed subscription. If the subscription ends unsuccessfully, without fulfilling the conditions stipulated in the Prospectus, or the announcement of the concluded bond loan by DOVERIE – UNITED HOLDING AD is not announced in the Commercial Register, within one month from the notification to the FSC under Article 89l, paragraph 3 of the Public Offering of Securities Act, the sums raised shall be returned to the persons who subscribed for the securities, together with the amounts charged by the bank under paragraph 1. On the day of the notification under Article 89l, paragraph 3, DOVERIE – UNITED HOLDING AD shall notify the bank of the result of the subscription, publish on its website an invitation to the persons subscribing for securities, announcing the conditions and procedure for the return of the sums raised, and send it to the investment intermediaries participating in the offering. The investment firms participating in the offering shall publish the invitation on their websites immediately upon receipt.

5. Receipt of the certification documents for the issued convertible bonds and for the payments made. Following the announcement of the bond loan, the Company registers the bond issue with the Central Depository AD. Central Depository AD will open new accounts of investors with the subscribed and paid convertible bonds. The bonds of the persons who have sub-accounts with investment intermediaries at the Central Depository AD will be allocated to the respective sub-accounts. Persons who have accounts in Register A of the Central Depository will receive the Convertible Bonds from DOVERIE – UNITED HOLDING AD on accounts in Register A. Upon request, investors may obtain certification documents — depository receipts — for the convertible bonds received by them. The issuance of depository receipts shall be carried out by Central Depository AD through the respective investment intermediary at the request of the bondholder and in accordance with the Regulations of Central Depository AD and the internal acts of the intermediary. The document certifying the contributions made is the payment document (payment order or deposit slip) and is obtained from the servicing bank through which the investor orders the payment or deposits the amount due against the subscribed convertible bonds.

6. Time, place and manner of acquaintance with the Prospectus. The prospectus for the initial public offering of bonds of DOVERIE – UNITED HOLDING AD is published on the following websites: website OF DOVERIE – UNITED HOLDING AD: https://doverie.bg/,

'Prospectuses' section; website of IP SOFIA INTERNATIONAL SECURITIES AD: www.sis.bg, 'Highlights' section, 'News' section; the website of the Financial Supervision Commission: www.fsc.bg; internet media www.x3news.com — profile of DOVERIE – UNITED HOLDING AD, 'Internal information' section. Investors may obtain a free copy of the

Prospectus, together with the supplements thereto, at the following addresses: in the office of DOVERIE – UNITED HOLDING AD: City of Sofia, Izgrev District, 5 Lachezar Stanchev St., Sopharma Business Towers shopping centre, office building A, fl. 7, tel.: +359 2 984 56 35, contact person: Vanya Atanasova, every working day from 9:00 a.m. to 05:00 p.m.; at the office of the authorized investment intermediary SOFIA INTERNATIONAL SECURITIES AD, 140 Georgi S. Rakovski St., floor 4, phone: +359 2 937 98 65, contact person: Atanas Videv, every working day from 9:00 a.m. to 05:00 p.m.

On 26 March 2024 the subscription period for the bond issue ended. The procedure for registration in the Central Depository has also been launched.

Industrial Holding Doverie AD

In January, an Annex to the Loan Agreement dated 25 November 2022 between Sopharma AD and Industrial Holding Doverie AD was signed in the amount of BGN 1,362,000. The amount was transferred on 26 January 2024. In March, principal in the amount of BGN 6,172 thousand and interest in the amount of BGN 228 thousand were reimbursed under the same Agreement.

On 08 April 2024 a contract for a cash loan in the amount of BGN 3,000,000 was concluded with Donev Investment Holding AD. The term of the contract is 08 April 2026 at an annual interest rate of 6%.

Doverie Invest EAD

On 22 February 2024, at an Extraordinary General Meeting of Moldindconbank, a resolution was passed to distribute a dividend from the profit for 2022 in the amount of MDL 60.68 per share. On 28 February 2024 Doverie Invest EAD received MDL 223,985,608.26 and withholding tax in the amount of MDL 11,788,716.22.

Doverie Capital AD

On 01 January 2024 an Annex to the Credit Agreement 319/2021 between Sopharma AD and Doverie-Capital AD was signed changing the interest rate under the agreement from 3.33% to 4.85%.

On 08 April 2024, a Cash Loan Agreement was signed between DONEV Investments Holding AD and Doverie – Capital AD for the amount of BGN 3,500,000.00, at an annual interest rate of 6% and the term of the agreement until 08 April 2026.

On 12 April 2024 Doverie-Capital AD has repaid to Sopharma AD principal and interest in the amount of BGN 3,500,000.00 under Loan 318/2021.

Doverie — Brico AD

In January 2024, the term of the Pleven store bank guarantee was extended to 31 January 2025. The amount of the guarantee has been increased to EUR 69 thousand (BGN 134 thousand) (see Note 28 Leases of the AFS).

On 23 February 2024, the term of the Short-Term Bank Loan Agreement in the amount of EUR 6,500 thousand was extended until 27 April 2024 (see Note 13 Bank loans of the AFS).

In February, a letter of credit was established in favour of a foreign supplier of goods in the amount of USD 82 thousand (BGN 149 thousand). The letter of credit shall expire on 16 May 2024.

On 12 March 2024, a final agreement was concluded for the purchase of 100% of the shares of a DIY EOOD whose main asset is a land plot with an area of 24,916 sq. m., located in the city of Sofia, intended for the construction of a shopping center. The final contract is in the mount of EUR 5,108 thousand (BGN 9,990 thousand) (see Note 32 *Commitments* of the GFO).

In March 2024, the terms of the bank guarantees for Sofia 1 and Sofia 3 stores were extended until 31 March 2025. The amount of the guarantee for the Sofia 3 store has been increased to EUR 119 thousand (BGN 234 thousand) (see Annex 28 Leases from the AFS).

On 11 April 2024, Doverie-Brico AD entered into a Long-Term Investment Bank Loan Agreement with the following terms:

- *purpose of the loan — financing/refinancing the purchase of shares in DIY EOOD and the construction of a fourth Mr. Bricolage in Sofia.*
- *Agreed amount — EUR 12,000 thousand or their lev equivalent at the BNB fixing;*
- *Annual interest rate: one-month EURIBOR + 1 point margin, but not less than 1% per annum for amounts drawn in EUR and the lender bank's CLP + 3.25 points margin, but not less than 3.25% per annum for amounts drawn in BGN;*
- *deadline for utilisation — until 11 April 2026;*
- *deadline for repayment — until 11 April 2034;*
- *loan management fee — 0.15% per annum;*

- *commitment fee — 0.15% on an annual basis;*
- *collaterals:*
- *contractual mortgage of the Company's own real estate in the city of Burgas (land and a building);*
- *first-ranking contractual mortgage on real estate (land) owned by the DIY EOOD subsidiary subject to planning permission for a new Mr. Bricolage store, along with the right to build;*
- *special pledge on future movables — machinery, plant and equipment in the new Mr. Bricolage;*
- *pledge of a financial collateral (the receivables under all bank accounts with the bank-creditor) in the amount of EUR 12,000 thousand;*
- *Suretyship by DIY EOOD.*

Bilyana Triko AD

On 01 April 2024 the Lease Agreements for real estate and movable assets with Bilyana Knitwear EOOD were terminated.

Moldindconbank S.A.

1. On 30 January 2024, the agenda of the Extraordinary General Meeting of Shareholders of the Bank scheduled for 22 February 2024 was published on the website of BC Moldindconbank S.A. (https://www.micb.md/noutati-en/109231/). There is only one item on the agenda: 'Allocation of annual net profit for 2022'.

The Extraordinary General Meeting of Shareholders of BC Moldindconbank S.A. was held by correspondence. The Resolution was implemented through the payment of a dividend of MDL 60.68 per share.

2. The situation in the agricultural sector The situation in the agricultural sector (which is strategic for the country) is quite complex; in addition to adverse weather conditions, farmers have had to face significant falling prices, including due to the influx of grain from Ukraine. This has brought many farmers to the brink. of bankruptcy, especially small ones, and their organizing protests demanding help/compensation from the state (so far, according to them, the state's help is not enough).

The bank's loan portfolio in the agriculture sector is relatively small (<4%) and the bank has established sufficient reserves (additional calculation specifically for the agriculture sector);

3. Additionally, impairment losses and losses payable have been accrued in the total amount of BGN 1,511 thousand. Management is not expecting a significant impact on the quality of the portfolio. The management closely monitors every development and is ready to take appropriate actions. These possible future actions taken by the Bank may encompass fields of accounting estimates, methods of calculation of adjustments to anticipated losses and credit risk provisions in compliance with IFRS

9. As at the date of these financial statements, the Bank continues to meet its obligations to the extent that form, as it should and based on its assessment of current and potential events, the Bank uses the going concern basis of preparation.

1. *Probable future development (Article 39, subparagraph 4 of the Accounting Act/ and planned economic policy in the next year /Article 247, paragraph 3 of the Commerce Act)*

The present forecast is based on the consolidated statements of the holding as at 31 December 2023. In this forecast our approach is based on the principle of maximum caution and it is a conservative variant of development. We have aligned the forecast with the current trends of the businesses in the holding.

The main focus in the activity of the management in the next years will be the gradual optimisation of the activity, as we get rid of strategic unpromising and losing business and invest and develop with priority in profitable ones. What will be sought in business that will be developed in the long run will be optimisation also of the operating costs (mostly administrative) and improvement of profitability.

As evident from the submitted accounts on a consolidated basis the holding will generate a sufficiently high profit and positive net cash flow and will be able to serve free of trouble its bank credits and other short-term and long-term obligations.

The forecast shows that in the years, the positive net cash flow (net profit + depreciation) will increase to a level of BGN 123 million at the end of 2026.

The following table presents the projections for profit and loss for the period 2020—2024.

Projection for profit and loss of DOH AD — consolidated base for 2024—2026

BGN thousand	*2023 — report	2024	2025	2026
Interest revenue	229,239	236,116	243,200	250,496
Interest expenses	(81,237)	(83,512)	(85,850)	(88,254)
Net interest income	**148,002**	**152,605**	**157,350**	**162,242**
Fee and commission revenue	90,395	99,435	109,378	120,316
Fee and commission expenses	(43,530)	(52,236)	(62,683)	(75,220)
Net fee and commission income	**46,865**	**47,199**	**46,695**	**45,096**
Other net operating revenue	4,174	5,000	6,000	7,000
Exchange rate differences from banking operations	26,793	27,000	28,000	29,000
Charged impairment/reversal of impairment from banking operations	(7,528)	(8,000)	(9,000)	(10,000)
Other net operating revenue				
Total net income from banking operations	**218,306**	**223,803**	**229,044**	**233,338**
Income from insurance operations	25,137	25,388	25,642	25,899
Expenses under insurance operations	(21,888)	(22,107)	(22,328)	(22,551)
Net income from insurance operations	**3,249**	**3,281**	**3,314**	**3,347**
Revenue from other business sectors	214,096	216,237	218,399	220,583
Expenses from other business sectors	(134,805)	(136,153)	(137,515)	(138,890)
Net income from other business sectors	**79,291**	**80,084**	**80,885**	**81,694**
Operating and administrative expenses	(165,963)	(169,282)	(172,668)	(174,395)
Other financial revenue/expenses, net	(3,360)	(3,360)	(3,360)	(3,360)
Depreciation	(21,892)	(22,000)	(21,000)	(20,000)
Other income/loss	591	1,000	1,000	1,000
Operating profit	**110,222**	**113,526**	**117,216**	**121,624**
Profit from the acquisition and disposal of subsidiaries/provisions				

Profit/loss from ceased operations				
Profit / loss before tax	**110,226**	**113,526**	**117,216**	**121,624**
Profit taxes	(16,371)	(17,000)	(17,500)	(18,000)
Net profit/loss for the year	**93,855**	**96,526**	**99,716**	**103,624**
Profit/loss from associates				
Net profit/(loss) for the year	**93,855**	**96,526**	**99,716**	**103,624**

**Data in the 2023 Statement column is taken from the preliminary consolidated statement as at the fourth quarter of 2023.*

In estimating the individual elements under profit and loss on a consolidated basis we have made the following assumptions:

- **In the section on the prediction of net income from banking operations, we have assumed the current financial results of B.C. Moldindconbank S.A. at the end of 2023.**

The Bank's total income from interest and banking operations at the end of 2023 increased by over 12.8% compared to the same period in 2022. Net interest income for the period decreased marginally by 4.5% to BGN 148 million. This is the result of a reduction of the net interest margin in 2023 compared to 2022.

The bank's net interest margin (NIM) as at the end of September 2023 is 6.12%, which is around the average market value. In the present prediction we rely on an average annual growth in interest incomes amounting to 3% and increase of the interest costs by 2.8%. This increase will be related to the smooth increase of the credit portfolio of the bank under the conditions of a minimum growth of the interest margin. As a comparison, the credit portfolio to the bank as at end of 2023 increases by 10% compared to the same period of the past year.

In revenues from fees and commissions we predict an average annual growth of 10%. As regards fee and commission costs we predict a 20% increase on an annual basis. This will cause a gradual decrease of fee and commission margin.

For other net operating income from banking activities, we predict an average annual increase of BGN 1 million.

We predict an increase in foreign exchange differences on an annual average basis also of BGN 1 million.

As regards the impairment costs related to non-serving credits in the credit portfolio, we also predict an average annual increase of BGN 1 million.

This increase is mainly related to an increase in the Bank's total credit portfolio.

Notwithstanding the past pandemic and the war next door in Ukraine, the quality of the bank's credit portfolio is very good as non-serviced debts are less than 6% of the portfolio. We predict that in the next years this percentage will smoothly decrease. The trend of decrease of the percentage of credits overdue in the total credit portfolio is also preserved.

We estimate that the net income from banking operations will grow from around BGN 218 million as at the end of 2023 to around BGN 233 million at the end of the forecast period. This will also cause a gradual incre4ase of the net profit of the bank. By the end of 2023 the net profit of the bank is BGN 92.7 million. Over the years, we also forecast sustainable preservation of the market share of the bank in the banking system of the Republic of Moldova in excess of 20%.

- **With respect to net income from insurance operations the estimates of the health fund United Health Insurance Fund Doverie AD are presented. By mid-2021, the Group's second insurance fund, Insurance Company Medico 21 AD, was sold.** The forecast is for a minimum average annual revenue growth by 1 % at increase of annual average costs by 1 %, and maintaining the level of the operating margin of 2023. The net income from insurance services in absolute terms increased marginally from BGN 3.28 million to BGN 3.34 million. Upon implementation in the coming years of a de-monopolization of NHIF in the country these numbers may be very different. In the forecast, given the convention of conservatism, we rely on the situation from 2023, i.e. without real reform in the sector.

- **In the part comprising net income from the other business of DUH AD (other than the banking and insurance one) — the main shares — most than 80% belongs to Doverie-Brico AD – a Do-It-Yourself type store Mr. Bricolage).** The forecast is for a minimum average annual revenue growth by 1 % at increase of annual average costs by 1 %, and maintaining the level of the operating margin. We have estimated, based on the precautionary principle, as to how long the policy of the Holding as regards the disposal of unprofitable businesses in the coming years will continue. This disposal will lead to increase in the net income from other businesses. In the forecast period, the net income from other business will increase from BGN 79.2 to about BGN 81.7 million

- **The prediction for the operational and administrative costs** is based on a conservative assumption for an average annual increase of 2% in the beginning of the period and a gradual decrease to 1%

as at the end of the period. These expenses increase from BGN 169 million to about BGN 174 million at the end of the period. This is the main reserve to reduce costs and improve overall profitability of the Holding.

- **Forecasting the other elements of the permanent costs (depreciation, other financial revenues and costs and other incomes and related losses).**

The main element here is depreciation, which we predict at a level of BGN 20 million at the end of the forecast period.
In the future, if non-operating assets and businesses in the structure of the holding (other than banking, health insurance, medical and the Bricolage chain) are disposed of, such depreciations may as well be lower, which will bring about an improvement of the net consolidated result of the holding.

The financial expenses include mainly interests paid to banks under service of loans. These costs are in total in the annual average range of about BGN 3 – 3.5 million. We conservatively assume that they will remain at this level in case of an unchanged volume of the used bank credits, although our strive will be to gradually decrease the credit indebtedness of the structure by disposal of ineffective business and assets.

The item other revenues/losses from activity is forecast to be at the level of around BGN 1 million on an average annual basis.

- **The positions of profits/losses from acquisition and disposition of subsidiaries and profit/loss from discontinued activities**. In view of the principle of maximum caution, we do not expect profits or losses in these positions in the period of prediction.

As a result of the estimated revenues and expenses we expect a consolidated profit of the Holding in the amount of BGN 103 million at the end of the period.
The forecast shows that in the years, the positive net cash flow (net profit + depreciation) will increase to a level of BGN 123 million at the end of 2026.
Doverie – United Holding AD will be able to smoothly service its bank credits.

2. *Research and development activity (Article 39, subparagraph 5 of the Accounting Act)*

Doverie – United Holding AD does not perform a research and development activity.

One of the companies, part of the economic group of Doverie – United Holding AD, United Health Insurance Fund Doverie ZAD AD holds licences for insurance operations and another — Doverie Brico AD operates on the basis of a commercial agreement with Mr. Bricolage SA (France). Details of existing licenses and commercial franchise agreement are presented in the following paragraphs:

1. **United Health Insurance Fund Doverie ZAD AD** The company has received a license by decision No 581-03/22 July 2013 from the Financial Supervision Commission for insurance activities under:

- Insurance under item 1 of Section 2, letter 'A' 'Types of insurances. Risks.' of Appendix No 1 to the Insurance Code — Accident insurance /including industrial accidents and occupational diseases/ covering the following risks:

  - - fixed monetary amounts;

  - - compensations;

  - - combination of the two options above.

- Insurance under item 2 of Section 2, letter of insurances. Risks.' of Appendix No 1 to the Insurance Code — Sickness, covering the following risks:

  - - fixed monetary amounts;

  - - compensations;

  - - combination of the two options above.

In accordance with Article 8(1) of the Insurance Code, persons that can operate as insurers under this Code are the persons who received a license for insurance activity.

The company carries its activity since 01 August 2013 by offering medical insurances as follows:

1. Accident
2. Sickness

2. **Doverie – Brico AD** The main activity of the Company is the construction and management of Do-It-Yourself type chain of stores. The activity of the Company is based on a Partnership Agreement with Mr. Bricolage SA (France) entered into in 1999 for a period of ten years and renewed in 2009 for a new period of ten years. According to the agreement Doverie – Brico AD has the exclusive right to use the trademark of **Mr.**

Bricolage in the territory of Bulgaria and Macedonia as well as to use the support of Mr. Bricolage SA during the construction of shops of the type 'Do It Yourself' in these countries. After the sale of 100% of the capital in the subsidiary Brico Macedonia dooel in May 2017, the rights for the territory of the Republic of Macedonia are terminated. On 31 July 2018 a new Partnership Agreement is entered into with Mr. Bricolage SA, GrancFrance with a period of validity of 10 years. Pursuant to this agreement Doverie – Brico AD has the right to use the brand and sing Mr. Bricolage on the territory of Bulgaria for the sale of 'do-it-yourself' goods, as well as to use the technical assistance and know-how provided by Mr. Bricolage SA, France.

Apart from the described above Doverie–United Holding AD and its subsidiaries are not dependent on any other patents, licenses, industrial, commercial or financial contracts and new production processes.

3. *Information for the acquisition of own shares required under Article 187e of the Commerce Act (Article 39, subparagraph 6 of the Accounting Act)*

Doverie – United Holding AD has not redeemed own shares.

4. *Presence of branches of the entity (Article 39, subparagraph 7 of the Accounting Act)*

Doverie – United Holding AD does not have registered branches.

VI. Information under Annex 2 to Article 10, paragraph 1 and Article 11, paragraph 1 of Ordinance 2 to the Public Offering of Securities Act

1. *The information given in terms of value and quantity about the main categories of goods, products and/or provided services, with an indication of their share in the revenues from sales in general and the changes that occurred in the accounting financial period*

The information is disclosed in section IV.

2. *Information about the revenues distributed under the individual categories of activities, domestic and foreign markets, as well as information for the sources of supply with materials required for the production of goods or the provision of services with reflection of the extent of dependence with respect to each individual seller or buyer/user, as in case that the relative share of any of them exceeds 10 per cent of the costs or revenues from sales, information is presented for every person separately, for such person's share in the sales or purchases and such person's relations to the issuer*

Information about the incomes distributed under the separate categories is specified in section III item 1 hereof.

For the current period there is no client whose relative share is 10 per cent of the sales revenues.

The group is not dependent with respect to specific clients and suppliers, the business processes are not related to expending of materials and raw materials.

3. *Information for concluded significant transactions.*

The Group considered that significant transactions are those that result or could reasonably be expected to result in a change, amounting to 3% or more of the financial result before taxes and/or assets and liabilities. In the accounting period transactions going beyond the threshold have not been made.

4. *Information for shareholdings of the issuer, for its main investments in the country and abroad (in securities, financial instruments, intangible assets and real estates), as well as the investments in stocks outside its group of entities within the meaning of the Accounting Act and the sources/manners of financing.*

The information for shareholdings and main investments in the country and abroad of Doverie – United Holding AD is indicated in section III. Review of the company's activity in the notes to the Annual Consolidated Financial Statements as well '25. *CAPITAL INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS*

Information about the securities owned is indicated in the notes '*26. FINANCIAL ASSETS AT AMORTISED COST' and '27. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME'*

Information about investments in intangible assets and real estates is indicated in the notes to the Annual Consolidated Financial Statements *No 20 Property, plant and equipment, No 24 Intangible assets and No 22 Investment properties.*

5. *Information about the loan contracts entered into by the issuer, by its subsidiary or parent-company, in their capacity of borrowers, with an indication of the conditions under them, including of the final deadlines for payment, as well as information for submitted guarantees and assumption of obligations.*

Detailed description of the terms and conditions of the existing bank loan contracts is presented in the Annual Consolidated Financial Statements – Note '40. *'LIABILITIES OF TRADE COMPANIES TO FINANCIAL INSTITUTIONS'*

6. *Information about the loan contracts entered into by the issuer, by its subsidiary or parent-company, in their capacity of lenders, including provision of any type of guarantees, including to related parties, with an indication of the specific conditions under them, including of the final deadlines for payment, and the objective they were granted for.*

Loans granted by Doverie – United Holding AD as at 31 December 2023

- **Long-term**

Company	*UIC*	*Agreed amount of loan BGN'000*	*Date of Contract (including supplementary agreements)*	*Purpose of the loan*	*Repayment term repayment*	*Interest %*	*Total loan receivables BGN'000*	*including principal BGN'000*	*Interest BGN'000*	*Pledged collateral*
Doverie Invest EAD	205426924	22,900	30 March 2020; Annex 08 May 2020	Repayment of liabilities to Sopharma	31.01.2027	2.8 until 22 April 2021 2.4% after the first year until 31 January 2027	14,345	14,345		Promissory note for BGN 27,480 thousand
Doverie Care EAD	204956297	6,310	01.02.2022	Novation of old loan agreements	31.01.2027	3.00%	6,922	6,922		Promissory note for BGN 9,060 thousand
Doverie Care EAD	204956297	15	18.08.2022	Purchase of raw materials	18.08.2027	3.00%	15	15		Promissory note for BGN 18 thousand

Hydroisomat AD	121732517	2,200	07.06.2021	Purchase of real estate and execution of construction	07.06.2026	3.00%	1,400	1400			Promissory note for BGN 2,640 thousand
Caretech EOOD	206496893	300	07.12.2021	Purchase of new machinery	07.12.2026	3.00%	140	140			Promissory note for BGN 360 thousand
Bulgarian wine OOD	123576718	687	01.12.2027	Novation of old loan agreements	01.12.2027	3.00%	495	495			Promissory note for BGN 825 thousand
Total:							**23,317**	**23,317**			

Loans granted by Industrial Holding – Doverie AD as at 31 December 2023

Company	***UIC***	***Agreed amount of loan BGN'000***	***Date of Contract (including supplementary agreements)***	***Purpose of the loan***	***Repayment term repayment***	***Interest %***	***Total loan receivables BGN'000***	***including principal BGN'000***	***Interest BGN'000***	***Pledged collateral***
Bulgarian wine OOD	123576718	150	14 March 2012; Annex dated 01 December 2022	Renewal of old liabilities	01.12.2027	3.00%	145	141	4	Promissory note for BGN 175 thousand

Loans and deposits granted by Doverie – Capital AD as at 31 December 2023

1. **Loans granted by Doverie – Capital AD**

Company	*UIC*	*Agreed amount of loan BGN'000*	*Date of Contract (including supplementary agreements)*	*Purpose of the loan*	*Repayment term*	*Interest %*	*Total loan receivables BGN'000*	*including principal BGN'000*	*Interest BGN'000*	*Provided collaterals*
Dunav AD	827182859	1,315	Contract dated 01 December 2022	For working capital	until 01 December 2025	3.00%	1,315	1,315	-	Promissory note BGN 1,578 thousand
Doverie Invest EAD	205426924	1,550	Contract dated 05 March 2019		31 December 2025	3.00%	1,532	1,532	-	Promissory note BGN 13,620 thousand
Doverie Invest EAD	205426924	2,300	Contract dated 29 May 2019 and latest Annex dated 05 December 2019		29 May 2025	3.00%	2,300	2,300	-	Promissory note for BGN 3,960 thousand
Doverie Invest EAD	205426924	2,728	Contract dated 08 June 2020		08 June 2021 with an extension option up to 5 years	3.00%	2,528	2,528	-	Promissory note for BGN 3,274 thousand
Total:							**7,675**	**7,675**	-	

2. Loans granted by Bilyana Triko AD

Company	*UIC*	*Agreed amount of loan BGN’000*	*Date of Contract (including supplementary agreements)*	*Purpose of the loan*	*Repayment term*	*Interest %*	*Total loan receivables BGN'000*	*including principal BGN'000*	*Interest BGN’000*	*Provided collaterals*
ET Paskal Moskov	201983331	450	05 April 2019/05 April 2020 / 05 June 2020/17 December 2020/ 15 June 2021/15 December 2021/15 December 2022	working capital	31.12.2024	5.00%	414	414	0	Contractual mortgage BGN 619 thousand
Total:							**414**	**414**	**0**	

Accepted collaterals on loans granted by companies over which Doverie – United Holding AD exercises control:

- Bulgarian wine OOD — a promissory note amounting to BGN 825 thousand.
- Doverie Care EAD — promissory note amounting to BGN 9,875 thousand
- Doverie Invest EAD — promissory note amounting to BGN 27,480 thousand.
- Doverie Capital AD — promissory note amounting to BGN 2,640 thousand
- Caretech EOOD — promissory note amounting to BGN 360 thousand

Provided collaterals on leases

Promissory note in favour of Sopharma Property REIT — BGN 74 thousand

Provided collaterals on loans

Telecomplect AD — promissory note amounting to BGN 8,300 thousand.

Suretyship and pledges:

- under loan agreement of MHAT Doverie AD amounting to BGN 500 thousand, maturity — 05 September 2024 and Investment loans with maturity 21 June 2027 amounting to BGN 1,400 thousand.
- under a bank loan agreement of Bulgarian Wine OOD amounting to BGN 300 thousand, maturity 25 March 2024, BGN 332 thousand with maturity 25 August 2027, and an overdraft amounting to BGN 100 thousand with maturity 24 September 2024.
- Under an overdraft agreement amounting to BGN 2,075 thousand of Doverie Care EAD with maturity 25 July 2025;
- Pledge of 3,750 shares from the capital of Doverie Capital AD.

7. *Information for the use of the funds from a new emission of securities made in the reporting period.*

No issue of shares was materialized during the reporting period.

8. *Analysis of the ratio between the achieved financial results reflected in the consolidated financial statements for the period, and the earlier published estimates for these results.*

BGN thousand	*Report 2023	Forecast 2023	Absolute difference	Percentage difference
Interest revenue	229,239	187,668	41,571	22.15%
Interest expenses	(81,237)	(41,870)	(39,367)	94.02%
Net interest income	**148,002**	**145,798**	**2,204**	**1.51%**
Fee and commission revenue	90,395	86,267	4,128	4.79%
Fee and commission expenses	(43,530)	(40,067)	(3,463)	8.64%
Net fee and commission income	**46,865**	**46,200**	**665**	**1.44%**
Other net operating revenue	4,174	2,500	1,674	66.96%
Exchange rate differences from banking operations	26,793	10,000	16,793	167.93%
Charged impairment reversal of impairment from banking operations	(7,528)	(2,000)	(5,528)	276.40%
Other net operating revenue				
Total net income from banking operations	**218,306**	**202,498**	**15,808**	**7.81%**
Income from insurance operations	25,137	24,573	564	2.30%
Expenses under insurance operations	(21,888)	(18,761)	(3,127)	16.67%
Net income from insurance operations	**3,249**	**5,812**	**(2,563)**	**-44.10%**
Revenue from other business sectors	214,096	183,347	30,749	16.77%
Expenses from other business sectors	(134,805)	(116,081)	(18,724)	16.13%
Net income from other business sectors	**79,291**	**67,266**	**12,025**	**17.88%**

Operating and administrative expenses	(165,963)	(130,238)	(35,725)	27.43%
Other financial revenue/expenses, net	(3,360)	(4,968)	1,608	-32.37%
Depreciation	(21,892)	(22,000)	108	-0.49%
Other income/loss	591	1,000	(409)	-40.90%
Operating profit	**110,222**	**119,370**	**(9,148)**	**-7.66%**
Profit from the acquisition and disposal of subsidiaries/provisions	4		4	
Profit/loss from ceased operations				
Profit / loss before tax	**110,226**	**119,370**	**(9,144)**	**-7.66%**
Profit taxes	(16,371)	(11,937)	(4,434)	37.15%
Net profit/loss for the year	**93,855**	**107,433**	**(13,578)**	**-12.64%**
Profit/loss from associates				
Net profit/(loss) for the year	**93,855**	**107,433**	**(13,578)**	**-12.64%**

**Data in the 2023 Statement column is taken from the preliminary consolidated statement as at the fourth quarter of 2023.*

- Total net income from banking operations was 7.81% higher than forecast, mainly due to a significant 167% increase in foreign exchange income over forecast. For the other elements of net banking income, the forecast is very close to actual performance.

- For net income from insurance operations, the reported figure is 44% below forecast. When the forecast for income from insurance operations came true, the surprise turned out to be the significantly higher growth of expenses related to insurance risks. Since the beginning of 2024, this imbalance has been substantially corrected as a result of unit price increases for sickness insurance.

- In the net revenue from other business activities, there is a 17.88% growth against the forecast. We also have some margin improvement in this segment versus 2022. This is due to the efforts made on the part of the management to get rid of non-profitable companies and to optimise the operation of the rest.

- In the expense part, the more significant differences from the forecast concern the positions of administrative costs, where an increase of 27.43% is reported. This growth is mainly related to outpacing growth in wage costs. For other items such as depreciation, net finance costs and other, the costs are below the preliminary estimates.

  In the next years, the group will work specifically towards an optimisation of the administrative costs (there are reserves here), and the depreciation policy will be revised (introduction of a more accelerated depreciation of long-term tangible assets, where possible). Presently, the depreciations for the group, as a whole, are at a low level of less than 6% of the total revenues.

  Another main task is related to the disposal of frozen and non-operational FTA (Maritsatex AD) and optimization of the work of the companies operating at a loss /Doverie-Care AD, Dunav AD/.

  As an ultimate result, the net profit of the Group is in the amount of just over BGN 93.8 million, BGN 13.5 million below the preliminary forecast.

9. *Analysis and evaluation of the policy concerning the management of the financial resources with an indication of the capacities for servicing of the obligations, the possible threats and measures that the issuer has taken or is to take in view of the elimination thereof.*

The Group Management controls on an on-going basis the collection of the receivables and ensures regular servicing of its obligations. The financial risk management is disclosed in detail in Note 47 ‘Financial risk management’ to the annual consolidated financial statements.

10. *Evaluation of the possibilities to implement the investment inventions with an indication of the amount of the available funds and reflection of the possible changes in the structure of financing of this activity.*

Being a holding company, Doverie – United Holding AD does not perform an individual investment programme but actively participates in the development, financial securing and performance of the approved investment projects of its subsidiaries.

Information for changes that may have occurred in the reporting period in the main management principles of the issuer and of its group of entities within the meaning of the Accounting Act.

In the reporting period there are no changes in the main management principles.

11. *Information for the main characteristics of the internal control system and risk management system applied by the issuer in the process of preparation of the financial reports.*

The information is dealt with in item 3 of the Corporate Management Declaration in accordance with Article 100o(8) of the Public Offering of Securities Act.

12. *Information for the changes in the management and supervisory bodies over the reporting period.*

In 2023, there was no change in the composition of the management and control bodies of the holding company.

13. *Information for the amount of the remunerations, prizes and/or benefits of each of the members of the management and supervisory bodies for the reporting period paid by the issuer and its subsidiaries,* regardless of whether they were included in the issuer's costs or ensue from the profit distribution, including:

a. amount of the remunerations accrued and paid by the Company to the members of the Management Board and the Supervisory Board

	Gross remuneration	Profit distribution	Total
Ivan Ognyanov Donev	36,000		36,000
Ventsislav Simeonov Stoev	36,000		36,000
Hristo Georgiev Hristov	36,000		36,000
Alexandre Gueorguiev Hristov	18,000		18,000
Anna Ivanova Pavlova	18,000		18,000
Petko Kolev Ivanov	18,000		18,000

b) conditional or deferred remunerations arisen in the year, even if the remunerations is owed as at a later moment

None

c) amount owed by the issuer or its subsidiaries for payment of pensions, retirement indemnifications or other similar indemnifications.

None

- amount of the remunerations accrued and paid by the Company to the members of the Audit Committee

	Gross remuneration	Profit distribution	Total
Anna Ivanova Pavlova	8,400		8,400
Ivan Pantaleev Dimov	8,400		8,400
Elena Stefanova Golemanova	8,400		8,400

14. *Information for issuer's shares held by members of the management and supervisory bodies, procurators and the supreme management staff, including the shares held by each of them individually and as a percentage of the shares of each class, as well as options granted to them by the issuer with respect to its securities — type and amount of the securities, in respect of which the options are established, price for the exercising of the options, purchase price, if any, and term of the options.*

Submitted in Section II. Information referred to in Article 247 and Article 240b of the Commerce Act, subparagraph 1

15. *Information for the arrangements known to the company (including after the end of the financial year) which may in a future period result in changes in the relative share of stocks or bonds held by present shareholders or bondholders.*

There are no such arrangements

16. *Information for pending court, administrative or arbitration proceedings concerning obligations or receivables of the issuer amounting to at least 10 per cent of its equity; if the total value of the issuer's obligations or receivables under all initiated proceedings exceeds 10 per cent of its equity, information must be submitted for each proceeding separately.*

Doverie – United Holding AD does not have pending court, administrative or arbitration proceedings concerning obligations or receivables in the amount of at least 10% of its own capital.

17. Data for the director for relations to the investor, including telephone and correspondence address.

Since 08 April 2021 Investor Relations Director is performed by Vanya Atanassova, with correspondence address at: 5 Lachezar Stanchev St., building 'A', floor 7, 1756 Sofia, phone: +02/9845635(11), e-mail: v.atanassova@doverie.bg.

VII. Approval of the Annual consolidated financial statement and the report on the activity

The Annual Consolidated Financial Statements for the period ended on 31 December 2023 were authorised for publishing on 17 April 2024 by:

Anna Pavlova
Chairperson of the MB

Alexandre Hristov
Executive Director

Petko Ivanov
Member of the Management Board

Corporate Governance Statement

pursuant to Article 100n, paragraph 8 of the Public Offering of Securities Act and Article 40 of the Accounting Act

1. Information as to whether the issuer complies with the Corporate Governance Code approved by the Financial Supervision Commission or any other corporate governance code as appropriate:

In October 2007 a working group of Bulgarian experts — representatives of the business circles in the country, the Bulgarian Stock Exchange AD, governmental and non-governmental organizations and the academic community, adopted a National Corporate Governance Code. The Code was approved by the National Corporate Governance Commission and was subsequently amended and supplemented in February 2012, April 2016 and July 2021 In its current version, the Code has been approved by the Financial Supervision Commission by Resolution No 850-CCU dated 25 November 2021.

The National Corporate Governance Code is consistent with the regulatory framework without repeating it. It contains recommendations for Bulgarian public companies to implement best practices and principles of corporate governance, including in the area of sustainable development. Its rules and regulations are standards for the governance and supervision of public companies that have proven their effectiveness over the years.

Taking into consideration the above circumstances, on 09 January 2008, Doverie – United Holding AD has signed a statement that it adopts the National Corporate Governance Code and that it will perform its activities pursuant to its provisions. Doverie – United Holding AD shall enclose every year to its annual financial statements information about the implementation of the National Corporate Governance Code.

2. Information on corporate governance practices applied by the issuer in addition to the respective Code;

In addition to the National Corporate Governance Code, Doverie – United Holding AD does not apply other corporate governance practices that are part of other codes.

3. Explanation by the issuer which parts of the National Corporate Governance Code are not complied with and the reasons for that

The information is provided in the 'Comply or Explain' report — Implementation of the National Code of Corporate Governance as at 31 December 2023. The Company strives to comply with the recommendations of the Code and in the event of deviation its management provides explanations as to the reasons for this.

4. Description of the main features of the internal control and risk management systems of the issuer in relation to the financial reporting process:

Financial management and control is a process integrated in the operations of the company, implemented by management and employees. It is a set of activities and procedures implemented by management in order to provide reasonable assurance that the objectives of the company will be achieved through:

1. Compliance with laws, regulations and contracts;

2. Reliability and comprehensiveness of financial and operational information;

3. Economy, efficiency and effectiveness of operations;

4. Safeguarding of assets and information.

The system of financial management and control is structured within the following interrelated elements:

1. **Control environment:** It includes personal integrity and professional ethics of management and employees; management philosophy (approach) and work style; organizational structure, ensuring segregation of duties, hierarchy and clear rules, rights, obligations and reporting levels; policies and practices in human resources management; personnel competence.

2. **Risk Management:** The process of identifying, assessing and monitoring the risks that may affect the achievement of the company's objectives, and putting in place the necessary control activities to mitigate these risks to an acceptable level. In addition, risk management requires implementation of systematic monitoring and status reporting. This is the way to monitor whether

risks are managed successfully, weather the controls actually minimize the risks involved and whether the objectives threatened by these risks are achieved, ensuring transparency and accountability of the company's activities.

3. Control activities: Rules, procedures and actions aimed at reducing the risks in achieving the objectives of the company and contributing to the implementation of the management decisions. They are: ***preventive actions*** — prevent occurrence of adverse events; ***disclosing actions*** — establish the occurrence of adverse events and advise the immediate superior; ***corrective actions*** — aim to correct the effects of adverse events that have occurred.

The control actions conclude procedures and activities related to:

1. Resolution, approval and authorization procedures;

2. Division of responsibilities;

3. Double signatory system;

4. Preliminary control;

5. Procedures for complete, true, accurate and timely accounting of all operations;

6. Monitoring procedures;

7. Review of procedures, actions and operations;

8. Anti-corruption procedures;

9. Rules for access to assets and information;

10. Human resources management procedures;

11. Procedures for documenting, archiving and storage of information;

12. Data comparison.

4. Information and telecommunication: Information is the set of data about events that are important for the implementation of all levels of activity in the Company. The effective information shall be timely, relevant, current, accurate, true and accessible and shall be brought down to the employees of all hierarchical levels in an appropriate form and within appropriate deadlines.

Communication is a two-way flow of information in the downlink and uplink on all information channels of the company — horizontally and vertically — in order to raise awareness and to help achieving the objectives of the organization. As communication plays an important role in the management and control of activities, it is necessary to create appropriate conditions and procedures for its implementation.

5. Monitoring: Comprehensive overview of the organization, which aims to provide assurance that controls are functioning as intended and remain effective over time. It is performed mainly as work in progress, but it needs additional special assessments. Procedures are in place:

- for ongoing monitoring — this is internal control monitoring integrated into the normal, recurring daily activities of the company. It is performed continuously in real time and dynamically respond to changing conditions;

- Special *ad hoc* assessments — performed after the events and their scope and frequency depend on the risk assessment and the effectiveness of the ongoing monitoring.

All monitoring results, incl. deficiencies, identified during ongoing monitoring, special assessments or by internal audits, are reported to the management and/or the persons that may take the necessary measures to resolve the problems.

5. Information under Article 10, paragraph 1, letters ‘c’, ‘d’, ‘f’, ‘h’ and ‘i’ of Directive 2004/25/EC of the European Parliament and of the Council of 21 April 2004 on takeover bids:

Article 10(1), lettera ‘c’: Significant direct and indirect shareholdings (including indirect shareholdings through pyramid structures and cross-shareholdings) within the meaning of Article 85 of Directive 2001/34/EC:

For the period 1 January – 31 December 2023 the Company received no notifications pursuant to Article 145 of the Public Offering of Securities Act (POSA).

Article 10(1), lettera ‘d’: The holders of any securities with special control rights and a description of those rights:

Doverie – United Holding AD has no shareholders with special control rights.

Article 10(1), lettera ‘f’: Any restrictions on voting rights, such as limitations of the voting rights of holders of a given percentage or number of votes, deadlines for exercising voting rights, or systems whereby, with the company’s cooperation, the financial rights attaching to securities are separated from the holding of securities:

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

Article 10(1), lettera 'h': The rules governing the appointment and replacement of board members and the amendment of the articles of association:

The appointment and dismissal of members of the Management and Supervisory Boards is pursuant to the provisions of the Commerce Act (CA), POSA and the Statutes of the company.

Supervisory Board

The General Meeting of Shareholders elects and dismisses the members of the Supervisory Board, determines the remuneration, the bonuses and the guarantees with respect to their management.

The mandate of the Supervisory Board members is five years, and of the first Supervisory Board — 3 (three) years. The members of the Supervisory Board may be re-elected without restrictions.

The members of the Supervisory Board shall be individuals with legal capacity who meet the requirements of Article 234, paragraph 2 of the Commerce Act and Article 116a, paragraph 1^1 of the Public Offering of Securities Act (POSA). At least one-third of the members of the Supervisory Board should be independent persons within the meaning of Article $116a^1$, paragraph 2 of the Public Offering of Securities Act (POSA).

Management Board

The Supervisory Board appoints and dismisses the members of the Management Board, determines the individual remuneration and the guarantees with respect to their management and pursuant to the decision of the General Meeting of Shareholders, determines their rights and obligations in terms of management and representation of the Company and controls their activity.

The mandate of the Management Board members is 5 (five) years. The members of the Management Board may be re-elected without restrictions.

The members of the Management Board should be individuals with legal capacity who meet the requirements of Article 234, paragraph 2 of the Commerce Act and Article 116a, paragraph 1^1 of the Public Offering of Securities Act (POSA).

The Statutes of Doverie – United Holding AD shall be amended and supplemented by a resolution of the General Meeting of Shareholders adopted by a majority of 2/3 (two thirds) of the shares represented. The current Statutes of the Company is published in the Commercial Register under No 20231110161837 and are available on the Company's website: www.doverie.bg, under 'About us' category, 'Documents'
section.

Article 10(1), lettera 'i' The powers of board members, and in particular the power to issue or buy back shares:

Pursuant to the Statutes of Doverie – United Holding AD, the Supervisory Board of the company has the following competences:

- representing the company only in its relationship with the Management Board;

- approving the rules of procedure of the Management Board and adopting the report on its activity at least once per every three months.

- approving the authorization of one or more persons of the Management Board to represent and carry out the operational management of the company;

- approving the adoption by the Management Board of resolutions, for which the law has defined specific requirements for their validity;

- approving the annual financial statements, the report on the activity and the proposal for the distribution of profits and adopting resolutions for convening a general meeting;

- when deemed necessary, the Management Board with the approval of the Supervisory Board may propose to the General Meeting of Shareholders to approve predefined resolutions, transactions or actions that pursuant to the Statutes are within the competence of the Management Board.

Pursuant to the Statutes of Doverie – United Holding AD, the Management Board of the company has the following powers:

- convening the general meeting; defining the manner of conduct of the general meeting and the manner of exercising the right to vote for each individual meeting of the general meeting, as the relevant information shall be made available to the shareholders in the invitation to convene the general meeting;

- adopting rules for voting at the general meeting of shareholders by electronic means, by correspondence and by a proxy;

- with the approval of the Supervisory Board, empowers one or more executive directors to represent and carry out the operational management of the company;

- may adopt resolutions on all matters where the Statutes or the law does not provide for the exclusive competence of the General Meeting or the Supervisory Board.

- When deemed necessary, with the approval of the Supervisory Board, it may propose to the General Meeting to approve predefined solutions, transactions or actions that pursuant to the Statutes are within the competence of the Management Board.

The provisions of the Public Offering of Securities Act apply to make decisions in connection with transactions under Article 114 of POSA. The conclusion of the above transactions requires the express authorization by the General Meeting, respectively the prior approval of the Management Board of the Company.

In its latest version, the Statutes authorize the Management Board within 5 (five) years from the entry of this amendment to the Statutes in the Commercial Register (10 November 2023) to increase the Company's capital up to an amount not exceeding BGN 100,000,000 (one hundred million) by issuing new ordinary or preference shares. Within the same 5-year period, the Management Board is also entitled to adopt resolutions for the issuance of warrants giving the right to subscribe for shares from a future capital increase up to a total nominal amount of BGN 100,000,000, in which cases the Management Board is also empowered to adopt conditional resolutions pursuant to Article 113, paragraph 2, subparagraph 2 of the Public Offering of Securities Act (POSA). Within the said 5-year period, the Management Board shall also have the right to adopt resolutions for the issuance of bonds, including convertible bonds, with a total nominal value of not more than BGN 100,000,000, and shall accordingly be empowered to increase the Company's capital by issuing new shares to be subscribed by the holders of the Company's convertible bonds.

In the aforementioned cases, the prescribed threshold of up to BGN 100,000,000 shall apply in aggregate to the sum of the values of all capital increases, including shares that have been/will be issued through the exercise of warrants or the conversion of bonds.

Pursuant to the Statutes of Doverie – United Holding AD, the Company may repurchase its shares in accordance with the applicable legislation using the procedure and the manner provided therein. To date, the company has not made any decisions for redemption of shares and the Management Board has not been empowered by the General Meeting of Shareholders to do so.

6. Composition and operation of the management and supervisory bodies and their committees

Doverie – United Holding AD has a two– tier management system.

The Supervisory Board comprises of three members elected by the General Meeting. The Supervisory Board adopts rules of procedure and elects a chairperson among its members.

The chairperson convenes the meetings of the Supervisory Board at his/her discretion and at the request of the members of the Supervisory Board or the Management Board.

The resolutions of the Supervisory Board are adopted by a majority of its members.

The Supervisory Board members may adopt resolutions without being present, if all members in writing have agreed upon the respective resolution.

The Supervisory Board has the right to set up committees to support its work.

The Management Board comprises of three members elected by the Supervisory Board. The Management Board adopts the rules of procedure, which is approved by the Supervisory Board.

The Management Board meets at least once a month. It may adopt resolutions if the majority of the members are present in person. The resolutions are adopted by simple majority. Minutes are drafted for each meeting of the Management Board and for the decisions made and they are signed by all attending members.

The Management Board may adopt resolutions without being present, if all members in writing have agreed upon the respective resolution.

7. Description of the diversity policy, applied to the management and supervisory bodies of the issuer

The structure of the management and supervisory bodies of the issuer is laid down in the Statutes and is appropriate to the nature, scale and complexity of the company. The members of the management and supervisory bodies of the issuer are selected and evaluated based on different criteria such as education, professional experience, reputation and management skills.

The company does not apply a diversity policy in relation to criteria such as age, gender, etc. in respect of members of its management and supervisory bodies, as it considers that they do not have a determining influence on the management and performance of the company.

The shareholders and the members of the Supervisory Board of Doverie – United Holding AD have the right to choose which persons to participate in the supervisory and management bodies of the company, respectively, guided by the criteria described above – education, experience, reputation and management skills, business ethics, teamwork, etc. This ensures a management and control system based on transparency and independence, which is a key element of the company's sound functioning.

17 April 2024
City of Sofia

Alexandre Hristov
Executive Director

Anna Pavlova
Chief Accountant and Chairperson of the Management Board

Petko Ivanov
Member of the Management Board

MANAGEMENT STATEMENT

The present document is drawn up in accordance with Article 100o of the Public Offering of Securities Act, effective from 03 June 2016 and refers to the annual consolidated financial statements for the period ending 31 December 2023.

The Management Board of Doverie – United Holding AD confirms on the basis of all of its knowledge and beliefs that:

- The annual consolidated financial statements are drawn up in accordance with the International Accounting Standards and the International Financial Reporting Standards adopted in the Commission of the European Union;
- The consolidated statement of profit or loss and other comprehensive income gives a fair view in all aspects of materiality of the economic group's activity and financial results as at 31 December 2023;
- The consolidated statement of financial position reflects correctly the property status in all materiality aspects of the economic group's assets and liabilities as at 31 December 2023.
- The cash-flow and statement of changes in equity as at the date of the annual consolidated statements are presented in accordance with the requirements of the effective accounting legislation and provide a fair view of the movement of cash-flows and of the changes in the Holding's equity;
- The applied disclosure is conformed with the qualitative characteristics of the annual consolidated financial statements in all material aspects;
- The Management Board does not have information about departures from and violations of the Bulgarian legislation and the undertaken arrangements, which could if found bring about serious sanctions or losses for the economic group Doverie – United Holding AD and, being such, should be reflected or disclosed in the consolidated annual financial statements, including as a basis for the arising of future or present losses or obligations from unforeseen events;

- Doverie – United Holding AD has not participated — except for the transactions reflected in the annual consolidated financial statements — in other transactions through members of the supervisory and management bodies, as well as the executive director or employees, any of which would be of direct or indirect interest for any them. None of the listed persons has declared such information.

17 April 2024
City of Sofia

Alexandre Hristov
Executive Director

Anna Pavlova
Chief Accountant and Chairperson of the Management Board

Petko Ivanov
Member of the Management Board

‘COMPLY OR EXPLAIN’
REPORT

Implementation of the National Corporate Governance Code as at
31 December 2023

Doverie – United Holding AD compiles a Programme for Good Corporate Governance and every year since 2003 the Holding has reported its activities with regard to good corporate governance in the Report on the Activity.

In October 2007, a working group of Bulgarian experts adopted a National Corporate Governance Code (the Code), which was subsequently adopted by the National Corporate Governance Commission. In this respect, on 09 January 2008, Doverie – United Holding AD has signed a statement that it adopts the National Corporate Governance Code and that it will perform its activities pursuant to its provisions.

Compliance with the Code is reported on a ‘comply or explain’ basis, whereby the recommendations of the Code are followed and, in the event of deviation or non-compliance, the Company’s management provides explanations as to why.

This report provides information on the implementation of the National Corporate Governance Code by Doverie – United Holding AD.

The actions of the management and the employees of Doverie – United Holding AD are aimed at strengthening the principles of good corporate governance, enhancing the confidence of shareholders, investors and those, interested in the management and the operations of the holding.

The amendments and supplements to the Code adopted by the National Corporate Governance Commission in February 2012, April 2016 and July 2021 take into account the changes in the regulatory framework that have occurred since its adoption. At the end of 2014, in order to improve corporate governance reports, an Annex to the Code on the content of ‘Comply or Explain’ reports was also adopted in relation to the European Commission Recommendation of 9 April 2014 on the quality of corporate governance reporting (based on the ‘comply or explain’ principle).

The 2021 version of the Code includes supplements in line with EU and Republic of Bulgaria's sustainable development policy. The goals set out in the Green Deal, the Taxonomy Regulation, the Corporate Sustainability Reporting Directive are taken into account. The provisions of the Code are also consistent with the 2015 UN Sustainable Development Goals and the 2011 UN Guiding Principles on Business and Human Rights. In its latest version, the Code was approved by Decision No 850 —ККУ of 25 November 2021 of the Financial Supervision Commission.

CONTENTS

Chapter One

CORPORATE BOARDS

Two-tier management system -

The Supervisory Board and the Management Board jointly act in the interest of the shareholders and take into consideration the interests of the stakeholders.

Doverie – United Holding AD applies this practice.

1. MANAGEMENT BOARD

1.1. FUNCTIONS AND TASKS

1.1.1. Should manage the company in accordance with the established company visions, goals and strategies in the best interest of all shareholders.

Doverie – United Holding AD applies this practice.

1.1.2. Should monitor the performance of the company and initiate changes in the management of its activities, when necessary.

Doverie – United Holding AD applies this practice.

1.1.3. Should treat equally all shareholders acting in their interest and in a diligent manner.

Doverie – United Holding AD applies this practice.

1.1.4. The members of the Management Board shall base their actions on common principles of integrity and managerial and professional competence. The Management Board shall adopt and follow a Code of Conduct.

Doverie – United Holding AD applies this practice. The Code of Conduct of the employees of the Holding was approved by Resolution of the Management Board of 20 November 2006.

1.1.5. The Management Board, in carrying out its functions, shall strive to achieve the Sustainable Development Goals. It shall develop and implement the stakeholder engagement policy approved by the Supervisory Board.

Doverie – United Holding AD applies this practice. Approval of a stakeholder engagement policy is envisaged.

1.1.6. Shall set up and control the establishment and proper functioning of a corporate risk management system, including internal control and internal audit, while informing the Supervisory Board about its actions in a timely manner.

Doverie – United Holding AD applies this practice. Internal Control and Risk Management Policy in the Company has been approved. In accordance with the requirements of Article 107 of the Independent Financial Audit Act (IFAA), a new Audit Committee was elected by resolution of the General Meeting of Shareholders of 14 June 2017, and the Rules (Statutes) of the Audit Committee of Doverie – United Holding AD were approved. The Audit Committee comprises of three members and two of them are independent members.

1.1.7. The Management Board encourages the implementation of and ensures compliance by subsidiaries with the sustainability principles adopted at group level, where applicable.

Doverie – United Holding AD applies this practice.

1.1.8. Shall establish the company's financial and information system and shall ensure its reliable functioning according to the directions set by the Supervisory Board.

Doverie – United Holding AD applies this practice. The established financial and information system of the Company is being updated in a timely manner with regard to the legislative changes, IFRS, as well as the changes in Doverie Group.

1.1.9. Shall coordinate with the Supervisory Board its work on the company's business plan, carrying out of material transactions and implementing any other operations and actions required by the company's constitutional documents.

Doverie – United Holding AD applies this practice. The decisions of the Management Board are coordinated with the Supervisory Board in compliance with the provisions of the Commerce Act (CA), Public Offering of Securities Act (POSA) and the Statutes of the Company.

1.1.10. Shall inform and report to the Supervisory Board on its actions. For that purpose MB shall provide the requested information in the format and within the established deadlines.

Doverie – United Holding AD applies this practice. The Management Board informs and reports to the Supervisory Board on its actions on joint meetings, providing periodic information (quarterly unconsolidated and consolidated financial statements, annual financial statements) as well as other regulated information.

1.2. STRUCTURE AND COMPETENCE

1.2.1. The structure and the number of members of the Management Board should guarantee the effective performance of the company.

Doverie – United Holding AD applies this practice. The Management Board consists of a Chairperson and two members (one of them is an Executive Director) with appropriate education, experience and competence, and they guarantee the effective performance of the Company.

1.2.2. Upon proposing new members of the Management Board, the principles of compliance of the candidates' competencies with the nature of the company's activities shall be followed.

Doverie – United Holding AD applies this practice.

1.2.3. Management Contracts concluded with the members of the Management Board shall stipulate the responsibilities and tasks, the criteria and level of the remuneration, the duty of loyalty to the Company, and the conditions for their dismissal.

Doverie – United Holding AD applies this practice.

1.2.4. The competences, rights and responsibilities of the members of the Management Board shall comply with the law, the constitutional documents of the Company, and good professional and management practice. In addition, the Management Board members should be kept informed of the new trends in corporate governance and sustainable development.

Doverie – United Holding AD applies this practice.

1.3. REMUNERATION

1.3.1. In accordance with the law and good corporate governance practices, the amount and structure of the remuneration of the members of the Management Board should take into account the following:

1.3.1.1. The responsibilities and the contribution of each of the members of the Management Board to the Company's performance and results;

1.3.1.2. The ability to attract, select and retain qualified and loyal managers;

1.3.1.3. The need to have the interests of the members of the Management Board aligned with the long-term interests of the Company.

The Remuneration Policy for Members of the Management Board and Members of the Supervisory Board of Doverie – United Holding AD (the Remuneration Policy), adopted by Resolution of the General Meeting of Shareholders on 29 September 2020, has been developed in accordance with the provisions of Ordinance No 48 of 20 March 2013 on Remuneration Requirements (Ordinance No 48) and establishes clear and objective principles for the remuneration of the members of the Management Board.

In accordance with the Policy, all members of the Management Board of Doverie – United Holding AD receive permanent remuneration, the specific amount of which is determined by the General Meeting of Shareholders of the Company in accordance with the requirement of Article 116c, paragraph 1 of the Public Offering of Securities Act (POSA). The remuneration is paid under the terms and conditions of the Management Contracts, concluded between the Management Board members and the holding.

In accordance with Article 40, paragraph 6 of the Statutes in case of a positive annual financial result (net profit), the Executive Director is entitled to receive a one-time remuneration of 1% (one percent) of the net annual profit of the Company.

1.3.2. It is recommended that the remuneration of the members of the Management Board should consist of a fixed and a variable component.

1.3.2.1. The structure and type of variable remuneration should be specifically defined or definable and should be linked with clear and specific criteria and indicators with respect to the Company's performance and/or the meeting of goals set by the Supervisory Board.

1.3.2.2. The Company may offer to the Management Board member variable remuneration such as shares, options on shares, and other appropriate financial instruments.

Doverie – United Holding AD does not apply this practice. The remuneration of the Management Board members consists of one component — fixed remuneration. Until now the members of the Management Board have not been offered shares, options on shares or other appropriate financial instruments.

1.3.3. The disclosure of the remuneration of the members of the Management Board is in accordance with the law and the constitutional documents of the Company. Shareholders should have easy access to the policy, adopted by the Company concerning the determination of the remunerations and the bonuses of the Management Board members, as well as to the information about the annual remunerations and additional incentives received by them.

Doverie – United Holding AD applies this practice. Information on annual remuneration received of the Board of Directors is presented with the Company's annual financial statements —in the Annual Report on the Activity as well as in the Report on the Implementation of the Remuneration Policy. Doverie – United Holding AD shall publicly disclose its Remuneration Policy and any subsequent changes thereto in a clear and accessible manner in accordance with the requirements of Article 11(7) of Ordinance No 48 — on the Company's website: www.doverie.bg, under 'About us' category, 'Documents' section.

1.4. CONFLICT OF INTERESTS

1.4.1. The members of the Management Board should avoid and prevent any real or potential conflict of interests.

Doverie – United Holding AD applies this practice.

1.4.2. The procedures for avoiding and disclosing conflicts of interests should be stipulated in the constitutional documents of the Company.

Doverie – United Holding AD will apply this practice. Approval of the Rules for the Avoidance and Disclosure of Conflicts of Interest of the Company's Corporate Boards is envisaged.

1.4.3. The members of the Management Board should immediately disclose any conflicts of interests and provide shareholders with access to information on transactions between the company and its subsidiaries, on the one hand, and members of the Management Board or persons related to them, on the other hand.

Doverie – United Holding AD applies this practice.

1.4.4. The Management Board and the Supervisory Board guarantee that all related party transactions shall be approved and carried out in such a way, which ensures effective management of conflict of interest and protects the interest of the company and its shareholders.

Doverie – United Holding AD applies this practice.

1.4.5. Each conflict of interests should be disclosed to the Supervisory Board. The members of the Management Board should inform the Supervisory board on having any direct, indirect or third-party-related material interest in any transaction or event, which could directly influence the company.

Doverie – United Holding AD applies this practice.

2. SUPERVISORY BOARD

2.1. FUNCTIONS AND TASKS

2.1.1. In accordance with the segregation of functions within the two-tier management system, the Supervisory Board must appoint the Management Board of the company, provide it with strategic guidance, oversee and control its activities.

Doverie – United Holding AD applies this practice.

2.1.2. The Supervisory Board shall provide guidance to the Management Board on defining the vision, the goals, the strategy of the Company and the interests of the shareholders and stakeholders, including in the context of sustainable development, and shall control their implementation. It is recommended that the vision, objectives and strategies are established in accordance with the economic, social and environmental priorities of the company.

Doverie – United Holding AD applies this practice.

2.1.3. The Supervisory Board shall provide guidance to the Management Board concerning the development and implementation of the risk management system, including the internal control, internal audit, and the financial information systems of the Company, and shall control their proper functioning.

Doverie – United Holding AD applies this practice.

2.1.4. The Supervisory Board must ensure compliance with the law and the rules set in the constitutional and other internal documents of the company.

Doverie – United Holding AD applies this practice.

2.1.5. The Supervisory Board shall carry out its activity by effective information exchange with the Management Board.

Doverie – United Holding AD applies this practice.

2.1.6. It is recommended that the Supervisory Board shall evaluate the performance of the Management Board as a whole and the work of each of its individual members at least once per year.

Doverie – United Holding AD applies this practice.

2.1.7. The Supervisory Board shall treat equally all shareholders and stakeholders, shall act faithfully in their best interest and in a diligent manner.

Doverie – United Holding AD applies this practice.

2.1.8. When performing their duties, the members of the Supervisory Board should have access to all the necessary information about the company's activities.

Doverie – United Holding AD applies this practice.

2.2. APPOINTMENT AND DISMISSAL OF THE MEMBERS OF THE MANAGEMENT BOARD

2.2.1. The Supervisory Board shall appoint and dismiss the members of the Management Board in compliance with the legal requirements, constitutional documents of the Company, the best corporate governance standards, while respecting the principles of continuity and sustainability of the work of the Management Board.

Doverie – United Holding AD applies this practice.

2.3. STRUCTURE AND COMPETENCE

2.3.1. The members of the Supervisory Board should carry out their tasks independently and impartially in the best interest of the company.

Doverie – United Holding AD applies this practice. The Company complies with the requirement of Article 116a^{1}(2) of the POSA that at least one third of the members of the Supervisory Board be independent persons.

2.3.2. The number of the members of the Supervisory Board, including the number of independent members and the proper segregation of tasks among them, shall be stipulated in the constitutional documents of the Company.

Doverie – United Holding AD applies this practice.

2.3.3. The independent member of the Supervisory Board shall act impartially and independently in the best interests of the company and all its shareholders. It is recommended to limit the number of the consecutive terms of the independent SB members.

Doverie – United Holding AD applies this practice.

2.3.4. The members of the Supervisory Board should have appropriate knowledge and experience required to hold such position. At least one of the members should have financial competences. In addition, the Supervisory Board members should be kept informed of the new trends in corporate governance and sustainable development.

Doverie – United Holding AD applies this practice.

2.3.5. After their election the new members of the Supervisory Board have to be familiarized with the basic legal and financial issues related to the activities of the Company. Professional training of the members of the Supervisory Board should be their constant priority.

Doverie – United Holding AD applies this practice.

2.3.6. The members of the Supervisory Board should have sufficient time to carry out their tasks and duties. It is recommended that the constitutional documents of the Company should limit the number of the companies in which the members of the Supervisory Board may hold management positions.

Doverie – United Holding AD applies this practice.

The company may not limit the activity of the members of the Supervisory Board.

2.3.7. It is recommended that the procedures for selecting new Supervisory Board members should take into account the requirements for continuity and should ensure sustainability in the functioning of the Supervisory Board.

Doverie – United Holding AD applies this practice.

2.4. REMUNERATION OF THE MEMBERS OF THE SUPERVISORY BOARD

2.4.1. The Supervisory Board, with the assistance of the Remuneration Committee, where one has been established, shall develop a clear and specific remuneration policy for the members of the Management Board and the Supervisory Board, which shall be approved by the General Meeting of Shareholders. The policy sets out the principles for the amount and structure of remuneration. It should comply with the regulatory requirements in terms of structure and content.

Doverie – United Holding AD applies this practice. The Remuneration Policy for Members of the Management Board and Members of the Supervisory Board of Doverie – United Holding AD (the Remuneration Policy) was developed by the Supervisory Board and adopted by Resolution of the General Meeting of Shareholders on 29 September 2020. The Policy has been prepared in accordance with the provisions of Ordinance No 48 of 20 March 2013 on Remuneration Requirements (Ordinance No 48) and establishes clear and objective principles for the remuneration of the members of the Management Board and the Supervisory Board.

2.4.2. It is recommended that the remuneration of the members of the Supervisory Board should be based on their activity and responsibilities and should not relate to the company's results.

Doverie – United Holding AD applies this practice. All members of the Supervisory Board of Doverie – United Holding AD receive fixed remuneration, which amount is determined by the General Meeting of Shareholders of the company.

2.4.3. The remuneration of the independent members shall be their basic salary without variable remuneration and shall reflect their individual participation in meetings, their performance level in regard with their assigned tasks to control the operations of the executive management and to participated effectively in the work of the company.

Doverie – United Holding AD applies this practice.

2.4.4. The variable remuneration of the Supervisory Board members should not include stock options.

Doverie – United Holding AD applies this practice. The Remuneration Policy of the company does not provide for remuneration to the Supervisory Board members in the form of company's shares, share options or other rights to acquire shares. Remunerations based on changes in the prices of the company's shares are not provided for either.

2.4.5. The disclosure of the remuneration of the members of the Supervisory Board shall be in accordance with the law and the constitutional documents of the Company. Shareholders should have easy access to information concerning the remuneration.

Doverie – United Holding AD applies this practice. Information on annual remuneration received of the Supervisory Board members is presented with the Company's annual financial statements —in the Annual Report on the Activity as well as in the Report on the Implementation of the Remuneration Policy. Doverie – United Holding AD shall publicly disclose its Remuneration Policy and any subsequent changes thereto in a clear and accessible manner in accordance with the requirements of Article 11(7) of Ordinance No 48 — on the Company's website: www.doverie.bg, under 'About us' category, 'Documents' section.

2.5. CONFLICT OF INTERESTS

2.5.1. The members of the Supervisory Board should avoid and prevent any real or potential conflict of interests.

Doverie – United Holding AD applies this practice.

2.5.2. The procedures for avoiding and disclosing conflicts of interests should be stipulated in the constitutional documents of the Company.

Doverie – United Holding AD will apply this practice. Approval of the Rules for the Avoidance and Disclosure of Conflicts of Interest of the Company's Corporate Boards is envisaged.

2.5.3. The members of the Supervisory Board should immediately disclose any conflicts of interests and provide shareholders with access to information on transactions between the company and its subsidiaries, on the one hand, and members of the Supervisory Board or persons related to them, on the other hand.

Doverie – United Holding AD applies this practice.

2.6. COMMITTEES

2.6.1. The work of the Supervisory Board should be assisted by committees. The Supervisory Board should assess the need for setting up committees in accordance with the specific operations of the company.

Doverie – United Holding AD applies this practice in accordance with the current needs of the company.

2.6.2. Depending on the requirements of the existing legislation and based on the criteria defined therein, the Supervisory Board approves the proposal the Management Board has made to the General Meeting of Shareholders of the company to elect an audit committee, whose composition shall comply with the legal requirements and the specific needs of the company.

Doverie – United Holding AD applies this practice. In accordance with the requirements of Article 107 of the Independent Financial Audit Act (IFAA), a new Audit Committee was elected by resolution of the General Meeting of Shareholders on 14 June 2017. The Rules (Statutes) of the Audit Committee of Doverie – United Holding AD have been approved by the General Meeting of Shareholders and are published on the company's website: www.doverie.bg, under 'About us' category, 'Documents' – Audit Committee section.

2.6.3. The committees should be set up according to written pre-established structure, scope of tasks, way of functioning and reporting procedures.

Doverie – United Holding AD applies this practice.

Chapter Two

AUDIT AND INTERNAL CONTROL

1. The corporate boards shall propose to the General Meeting the selection of an auditor based on a written recommendation from the Audit Committee.

Doverie – United Holding AD applies this practice. An Audit Committee was elected by resolution of the General Meeting of Shareholders on 14 June 2017 and it is responsible for the selection procedure of the registered auditor. The Audit Committee's written recommendation for the appointment of the registered auditor shall be presented at the annual General Meeting of Shareholders in accordance with the requirements of Article 108 of the Independent Financial Audit Act (IFAA). The auditors are appointed by the General Meeting for each financial year.

2. Corporate boards with the assistance of the Audit Committee shall ensure compliance with applicable law with regard to independent financial audit.

Doverie – United Holding AD applies this practice.

3. The principle of rotation should be applied in proposing and appointing an external auditor.

Doverie – United Holding AD applies this practice.

4. The audit committee supervises the internal audit process and monitors the overall relations with the external auditor, including approval of non-audit services, provided by the latter.

Doverie – United Holding AD applies this practice.

5. The Company should develop and implement an internal control system, which should identify any risks associated with the operation of the company and should help their effective management. Such system should also ensure the effective functioning of the reporting and the disclosure of information systems.

Doverie – United Holding AD applies this practice. An Internal Control and Risk Management Policy has been adopted at Doverie – United Holding AD in accordance with the requirements for the establishment of an internal control system.

Chapter Three

PROTECTION OF SHAREHOLDERS' RIGHTS

1. PROTECTION OF SHAREHOLDERS' RIGHTS

Corporate boards shall ensure equal treatment of all shareholders, including minority and foreign shareholders, and should be responsible to protect their rights and to facilitate the exercise of these rights within the limits permitted by the applicable legislation and pursuant to the provisions of the constitutional documents of the company. Corporate boards shall ensure that all shareholders are informed of their rights, the company’s financial performance and corporate events through the company’s disclosure system and the company’s website.

Doverie – United Holding AD applies this practice.

2. GENERAL MEETING OF SHAREHOLDERS

2.1. All shareholders should be informed about the rules for convening and conducting General Meetings of Shareholders, including voting procedures. Corporate boards should provide sufficient and timely information concerning the date and venue of the General Meeting, as well as complete information on the matters to be discussed and resolved at the meeting.

Doverie – United Holding AD applies this practice.

2.2. It is recommended that corporate boards should maintain a database of contacts of its shareholders holding 5% or more of the company's capital, allowing direct messages to be sent to them or to a person they designate.

Doverie – United Holding AD applies this practice.

2.3. During the General Meeting of the Shareholders, the corporate boards should ensure that each shareholder is in possession of the right to express opinion and ask questions.

Doverie – United Holding AD applies this practice.

2.3.1. Shareholders who have the right to vote should have the opportunity to exercise their voting rights directly or through the use of a proxy at the General Meeting of Shareholders, and where the constitutional documents of the Company stipulate that — by correspondence and/or electronic means.

Doverie – United Holding AD applies this practice. In accordance with the Statutes of the company effective from 26 January 2021, the General Meeting Of Shareholders may also be conducted by the use of electronic means, by one or more of the forms provided for in the Public Offering of Securities Act, as well as by a combination of a physical-attendance session and any of these forms. In addition, the voting right in the General Meeting may also be exercised by correspondence — by mail, including e-mail, courier, etc. The Management Board shall adopt the rules for voting by electronic means and by correspondence and shall determine the manner in which voting rights are to be exercised and how they are to be exercised for each individual session of the General Meeting.

2.3.2. Corporate boards shall exercise effective control and ensure that necessary arrangements are made for the voting by correspondence or voting of the authorized representatives (proxies) in accordance with the instructions of the shareholders or in accordance with the law.

Doverie – United Holding AD applies this practice. The rules for voting at a General Meeting Of Shareholders by a proxy and by correspondence shall be adopted by the Management Board and shall be attached to the invitation of the convening of the General Meeting.

2.3.3. Corporate boards shall establish rules for the organisation and conduct of regular and extraordinary General Meetings of Shareholders. These rules shall guarantee the equal treatment of all shareholders and the right of each shareholder to express their opinion about the items on the agenda of the General Meeting of Shareholders.

Doverie – United Holding AD applies this practice.

2.3.4. Corporate boards shall establish the rules and procedures for the conduct of the General Meeting of Shareholders in a manner which does not make voting procedure unnecessarily difficult or expensive.

Doverie – United Holding AD applies this practice.

2.3.5. Corporate boards shall take actions to encourage the participation of all shareholders at the General Meeting of Shareholders, including by allowing the use of technical means (including internet) whenever possible and necessary.

Doverie – United Holding AD applies this practice. Article 27a of the Statutes of the company, effective from 26 January 2021, provides for the possibility that the General Meeting Of Shareholders be also conducted by the use of electronic means, by one or more of the forms provided for in the Act, as well as by a combination of a physical-attendance session and any of these forms. According to the Statutes, the rules for voting by electronic means are adopted by the Management Board, which also determines the method of voting for each individual session of the General Meeting. The information shall be provided in the invitation for the convening of the specific General Meeting.

2.3.6. It is recommended that all members of the corporate boards attend the General Meeting of Shareholders.

Doverie – United Holding AD applies this practice.

2.4. Written materials for the General Meeting of Shareholders

2.4.1. Documentation and reference materials related to the agenda of the General Meeting of Shareholders should be clear, accurate and not misleading the shareholders. All proposals concerning major corporate events shall be presented as separate items on the agenda of the General Meeting of Shareholders, including the proposal for profit distribution.

Doverie – United Holding AD applies this practice.

2.4.2. The company shall maintain a special section on its website describing the rights of shareholders and their participation in the General Meeting of Shareholders.

Doverie – United Holding AD applies this practice. The invitation and materials as well as the Protocols of the General Meetings of Shareholders are published within the statutory deadlines on the company's website: www.doverie.bg in the 'For Investors' category, 'General Meetings of Shareholders' section. Through the Contact Form in the 'Contacts' category on the website the shareholders may inform themselves about any issues regarding their participation in the General Meeting of the Shareholders.

2.4.3. Corporate boards shall assist shareholders, entitled under current law, to include additional items and to propose resolutions on items already included in the agenda of the General Meeting.

Doverie – United Holding AD applies this practice.

2.5. Corporate boards shall guarantee the right of all shareholders to be informed about the resolutions that have been made by the General Meeting of Shareholders.

Doverie – United Holding AD applies this practice. The protocols of the General Meeting shall be published on the Company's website within the statutory deadlines: www.doverie.bg, section 'For Investors' category, 'General Meetings of Shareholders' section and in the information media X3News. They are also provided to the Financial Supervision Commission (FSC) and the Bulgarian Stock Exchange (BSE).

3. EQUAL TREATMENT OF SHAREHOLDERS OF THE SAME CLASS

3.1. All shareholders of the same class should be treated equally.

3.2. All shares of the same class should give equal rights to the shareholders of the same class.

3.3. Corporate boards shall guarantee that sufficient information is provided to the investors about the rights attached to the shares of each class prior to their acquisition.

Doverie – United Holding AD applies this practice. The shares of the Company are ordinary, registered, dematerialized, freely transferable shares of one class with one voting right at the General Meeting of Shareholders, right to dividend and right to liquidation share.

4. CONSULTATION BETWEEN SHAREHOLDERS ABOUT MAIN SHAREHOLDER RIGHTS

4.1. Within the limits of the applicable law and according to the company's constitutional documents, the corporate board may not hinder shareholders, including institutional investors, to consult each other on matters, related to their main shareholder rights in a manner, which does not allow misuse.

Doverie – United Holding AD applies this practice.

5. CONTROLLING RIGHTS SHAREHOLDERS' TRANSACTIONS AND ABUSIVE TRANSACTIONS

5.1. Corporate boards shall not allow transactions of shareholders with controlling rights, which violate the rights and/or legal interests of other shareholders, including when the controlling shareholders are negotiating with themselves.

The management of Doverie – United Holding AD is not aware of circumstances about shareholders with special controlling rights.

Chapter Four

DISCLOSURE OF FINANCIAL AND NON-FINANCIAL INFORMATION

1. Corporate boards shall establish the information disclosure policy in compliance with legal requirements and the constitutional documents.

Doverie – United Holding AD applies this practice.

2. In accordance with the established policies under item 1, the corporate boards shall create and maintain a financial and non-financial information disclosure system.

Doverie – United Holding AD applies this practice.

3. The financial and non-financial information disclosure system should guarantee equal access to information to shareholders, investors, and other stakeholders and should not allow for any misuse of inside information.

Doverie – United Holding AD applies this practice. The disclosure of information to the FSC, the BSE and the public shall be made simultaneously — through the X3News specialized information media. The information shall also be published on the company's website. With regard to inside information, the Company shall fully comply with the requirements of Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse.

4. Corporate boards shall guarantee that the financial and non-financial information disclosure system provides complete, timely, true and comprehensive information that allows for objective and well-informed decision-making and assessment.

Doverie – United Holding AD applies this practice.

5. Corporate boards shall promptly disclose information about the capital structure of the company and agreements that lead to effective control, according to the company's disclosure rules.

Doverie – United Holding AD applies this practice.

6. Corporate boards shall establish and oversee the compliance with the internal rules for the preparation of the interim and annual reports and the proper disclosure of information.

Doverie – United Holding AD applies this practice. The Company shall present all interim and annual financial statements and other regulated information in a timely and exhaustive manner in accordance with the requirements of the Public Offering of Securities Act and its implementing regulations. The information shall be provided simultaneously to the FSC, the BSE and the public through the X3news information media and it shall also be published on the company's website: www.doverie.bg.

7. Corporate boards shall adopt internal rules which provide timely disclosure of any significant periodic and ad-hoc information about the company, its management, corporate boards, operations and shareholding structure.

Doverie – United Holding AD applies this practice.

8. Where applicable, corporate boards shall adopt rules that ensure disclosure on an annual basis of non-financial information in accordance with national law and applicable European law. In this regard, corporate boards should include in their annual reports information on how and to what extent the company's activities qualify as environmentally sustainable, such as: what proportion of its turnover is the result of products and services that are related to economic activities that qualify as environmentally sustainable; what proportion of its capital expenditure, where applicable, and what proportion of its operating expenses is related to assets or processes associated with economic activities that qualify as environmentally sustainable. When the corporate board prepares a separate report on non-financial reporting, this information should be included in the report.

Doverie – United Holding AD applies this practice. The Company discloses non-financial information on a consolidated annual basis.

9. It is recommended that the company should set up and maintain a corporate website as part of a well-functioning information disclosure system with approved content, scope and frequency of information disclosure. It is recommended that the official information posted on the website should include at minimum:

- basic, identifying information about the company and its business model;
- up-to-date information about the shareholding structure, where applicable;
- constitutional documents of the company and adopted policies, pertaining to the operations and the functioning of the company;
- information about the structure and composition of the managing and supervisory bodies of the company as well as basic information about their members, including information about any committees;
- financial statements for the last ten years at least;
- materials for upcoming General Meetings of the Shareholders as well as any additional materials which have been submitted in compliance with the law; information about resolutions of the General Meetings of Shareholders for the last five years at least, including information about the dividends distributed by the company for that period;
- information about external auditors;

- information about up-coming events;
- information about the shares issued and other financial instruments;
- any information that is material to the company's activities;
- information about shareholders' rights, including sufficient information on the shareholders' right to request the inclusion of matters and to propose resolutions on matters already included in the agenda of the General Meeting under the provisions of Article 223a of the Commerce Act;
- contact details of the company's Investor Relations Director.

9.1. It is recommended that the company should also maintain an English version of its corporate website with identical content.

Doverie – United Holding AD applies this practice. The website of the Company: www.doverie.bg has been updated in 2019. The English version of the website is not fully corresponding to the Bulgarian version.

10. The company should periodically disclose information about its corporate governance. The disclosure of corporate governance information shall be effected in line with the
'comply or explain' principle. This principle requires to explain the reasons for not complying with individual provisions of the Code.

Doverie – United Holding AD applies this practice. The Company presents this Report as a separate document to the annual financial statements.

11. Corporate boards shall provide disclosure of any material periodic and ad-hoc information about the company through channels that provide equal and timely access to relevant information by users.

Doverie – United Holding AD applies this practice. The information shall be disclosed through the X3news specialized information media and it shall also be published on the company's website.

Chapter Five

STAKEHOLDERS. SUSTAINABLE DEVELOPMENT

1. Sustainable development is about achieving a balance between social and environmental principles, such as socially justifiable and environmentally sound economic development. It aims to meet the needs of the current generation without compromising the ability of future generations to meet their own needs.
2. Corporate boards should be committed to establishing specific actions and policies on company sustainability, including the disclosure of climate and social aspects of their activities.

Doverie – United Holding AD applies this practice.

3. Corporate boards shall ensure effective interaction with the company's stakeholders. In addition, corporate boards shall provide guidance, shall approve and oversee the stakeholder engagement policy. The stakeholder group shall include certain interested parties and groups of individuals who are directly influenced by the company and who are in a position to influence the company themselves, including suppliers, customers, employees, creditors, public pressure groups and others. The company shall identify the stakeholders who are interested in its activities, based on their scale and sphere of influence and impact, as well as their role and relationship to the company's sustainable development.

Doverie – United Holding AD applies this practice. Approval of a stakeholder engagement policy is envisaged.

4. Corporate boards shall comply with existing laws in its stakeholder engagement policy . The corporate bodies shall guarantee respect for stakeholders' rights, established by law or by virtue of mutual agreement with the company. Good corporate governance practice requires taking into consideration the interests of stakeholders with regard to the principles of transparency, accountability, business ethics and protection of human rights.

Doverie – United Holding AD applies this practice.

5. Corporate bodies shall provide stakeholders with sufficient information about their legal rights.

Doverie – United Holding AD applies this practice.

6. It is recommended that corporate boards shall establish specific rules for addressing the interests of stakeholders to ensure appropriate stakeholder engagement when decisions requiring their input are made. These rules should ensure balance between company development and the economic, social and ecological improvement of the environment in which the company operates.

Doverie – United Holding AD will apply this practice. Written rules are envisaged to be developed.

7. Corporate boards shall maintain effective relations with the company's stakeholders. The company should periodically and in compliance with the legal provisions and good international practice for disclosure of non-financial information provide information about economic, social and environmental issues of concern to stakeholders, such as: fighting corruption; work with employees, suppliers and clients; company's social responsibility; environmental protection and human rights violations.

Doverie – United Holding AD applies this practice. The Company shall submit a consolidated non-financial statement to its annual consolidated financial statements in accordance with the requirements of the Public Offering of Securities Act and the Accounting Act.

8. Corporate boards shall guarantee the right of prompt and regular access of stakeholders to relevant, sufficient and reliable information about the company when stakeholders participate in the process of corporate governance.

Doverie – United Holding AD applies this practice.

17 April 2024
City of Sofia

Executive Director: ________________________

(Alexandre Hristov)

CONSOLIDATED NON-FINANCIAL DECLARATION UNDER ARTICLE 51 OF THE ACCOUNTING ACT

31 DECEMBER 2023

CONTENTS

1. Introduction

Pursuant to Article 51 of the Accounting Act, Doverie – United Holding AD, in its capacity of a public interest undertaking and a parent company in a large group, which exceeds, as at 31 December 2023, on a consolidated basis the criteria for an average number of employees in the financial year of 500 persons, has an obligation to prepare a non-financial declaration as a part of its annual consolidated financial statement.
The non-financial information contained in the present document reflects the policies of Doverie – United Holding AD with respect to the Group's activities in the fields of ecology, social issues, employees, respecting of human rights and the fight against corruption and bribes.

2. Business model of the Group — goal, strategy, corporate structure, infrastructure, products, policies pursued in relation to the primary and ancillary activities of the Group

Doverie – United Holding AD is a public joint-stock company registered in 1996 as the largest former privatisation fund in the country. The Company is established in relation with the mass privatisation process.
More than 160,000 Bulgarian citizens are shareholders in the privatisation fund during this initial period. Presently, the shareholders of the holding are more than 140 thousand people, the largest shareholder having a share of 23,4617% being Sopharma AD. There is no natural person or legal entity exercising control over the holding within the meaning of the Public Offering of Securities Act.
In the last 20 years, the Company has undergone a serious process of transformation and restructuring and has established itself as one of the largest economic structures in the country.
Today, the Holding has leading positions in its core sectors: bank sector (Republic of Moldova) — BC Moldindconbank S.A., a chain of
‘Do It Yourself’ stores — Mr. Bricolage, additional health insurance — United Health Insurance Fund Doverie Insurance Joint-Stock Company AD (UHIF Doverie ZAD AD), group of companies in pre-hospital and hospital medical care —
Multiprofile Hospital for Active Treatment — Doverie AD (MHAT – Doverie AD),
Medical Centre – Doverie AD (MC – Doverie AD) and occupational medicine — Occupational Health Service – Doverie EOOD (OHS – Doverie EOOD).
The Holding is also active in other sectors such as construction and wine production.

2.1. Purpose

Doverie–United Holding AD follows its main investment goal: To provide its shareholders with a steady income from dividends and from the increase of the share market price. The company shares are traded on the Bulgarian Stock Exchange AD.

2.2. Strategy

The achievement of the main goals is performed consistently by solving the following strategic tasks:

- Investment in and management of profitable enterprises;
- Innovations in production technologies;
- Releasing cash resources from 'dead' assets and utilizing them for acquisition of new production equipment;
- Sale of minority interests and concentrating resources at best market conditions;
- Diversification of investments in different sectors of the economy in view of the sustainability of the economic base;
- Conducting a single corporate policy on homogeneous objects — budgeting, production rules, certification, financial reporting, internal control, human resources management;
- Compliance with strict discipline and business ethics.

2.3. Corporate structure

As at 31 December 2023, Doverie – United Holding AD exercises control over the following subsidiaries (grouped by economic sectors):

Company	*Per cent of shareholding*
Financial institutions	
BC Moldindconbank S.A.	78.21%
Sub-holding companies	
Industrial Holding – Doverie AD	100%
Doverie – Capital AD	100%
Trade	
Doverie – Brico AD	71.93%
Health services	
United Health Insurance Fund Doverie AD	98.15%
MC Doverie AD	100%
MHAT Doverie AD	100%
OHS – Doverie EOOD	100%
Construction	
Dunav AD	81.82%
Hydroizomat AD	93.34%
Grape and wine production	
Bulgarian wine OOD	100%
Production of detergents	
Doverie Care EAD	100.00%
Caretech EOOD	100.00%

Company	*Per cent of shareholding*
Leasing of immovable and movable assets	
Maritsatex AD	91.97%
Bilyana Triko AD	98.88%
Other industries	
Doverie – Invest EAD	100.00%

2.4. Main market segments, subsidiaries, products and services **Financial institutions**

BC Moldindconbank S.A. is the second largest bank in Moldova with the best developed bank network in the country and high reputation on the international financial market. Within the license issued to it by the National Bank of Moldova, the bank can perform the following activities: attraction of deposits and other recoverable funds; lending; financial lease; provision of payment services; issue and administration of traveller's cheques, accounts and other payment instruments; issue of guarantees and assumption of obligations; transactions of own account or on account of customers in securities and other financial instruments, money market instruments, foreign currency; futures and option contracts, etc.; participation in the issue of securities and other financial instruments and providing services related to such an issue; advice to legal entities on the structure of authorized capital, the business strategy and other aspects related to the commercial activity, as well as advice and services related to mergers and acquisitions of legal entities; monetary intermediation (interbank intermediation); portfolio management and advice related to them; safekeeping and administration of financial instruments; loan information services; safe deposit services; issuing of electronic money; any other financial activity or services, authorized by the National Bank of Moldova subject to the special laws governing the respective activities. The Bank may provide investment services and activities as well as other additional services as per the license issued by the National Commission for Financial Markets.

Sub-holding companies

Industrial Holding – Doverie AD — a holding company dealing with acquisition, management, evaluation and sale of patents, transfer of licenses for the use of patents of companies, in which the holding company participates, manufacturing, domestic and foreign trade in goods and services, including raw materials, yarns, fabrics and related products, mediation and engineering activities, design and construction, property management, scientific and technical, technological and patent information, investors’ and independent construction supervision.

The activity of **Doverie – Capital AD** is in the sphere of the domestic and foreign trade activity, trader representation, intermediation and agency, organisation and operation of business undertakings, management and marketing activity, acquisition, management, evaluation and sale of shareholdings in Bulgarian and foreign companies, etc.

Trade

The trade activity of the Holding is carried out through Doverie – Brico AD and performed through construction, operation and management of retail outlets for household goods and repairs. The activity of the company is based on a Partnership Agreement with Mr. Bricolage SA (France) entered into in 1999 and renewed in 2009. In July 2018 a new Partnership Agreement was entered into with Mr. Bricolage SA, (France) with a period of validity of 10 years.

Pursuant to this agreement Doverie – Brico AD has the right to use the brand and sing Mr. Bricolage on the territory of Bulgaria for the sale of 'do-it-yourself' goods, as well as to use the technical assistance and know-how provided by Mr. Bricolage SA.

The Company operates 11 outlets throughout the country: Sofia – three, Plovdiv – two, Varna, Blagoevgrad, Burgas, Pleven, Ruse and Dobrich. The Company is a leader in the sector and holds 11% of the market.

The concept of the Mr. Bricolage store is to offer in one place all the necessary products for home and garden decoration and repair, thus satisfying the needs of the people who love to make and carry out repair activities.

Health services

The first main area of health services is supplementary health insurance, which is provided through United Health Insurance Fund Doverie ZAD.

Health insurance companies (insurance) cover both the ordinary and specific health needs of each insured person. The subject of health insurance is the provision of up-to-date highly specialized diagnostic and consultative hospital care and rehabilitation for protection, recovery and improvement of the health of the insured persons, as well as reimbursement of expenses for medications and medical devices. The system sets out the principles of mutual assistance among the insured, self-management of health, freedom of choice of doctors, efficiency and economy of health services,

United Health Insurance Fund Doverie ZAD AD is the company leader on the market of additional voluntary health insurance for sickness and/or accident.

The second major area of the Holding's health services is related to the provision of outpatient and hospital medical care at Doverie Medical Complex.

The modern medical complex is functionally divided into a diagnostic and consultative centre and a multiprofile hospital for active treatment. Doverie Hospital is created in the end of 2005 and is one of the first private hospitals in Bulgaria. The medical complex has high-tech equipment and highly qualified specialists – a prerequisite for precise diagnostics and effective treatment of patients.

The third major area of the Holding's health services is provided through the Occupational Health Service — OHS – Doverie EOOD.
The services assist employers in establishing an occupational safety and health organization; in assessment of occupational risks and analysis of the health status of employees; in training of workers and officials on health and safety at work rules; proposing measures to eliminate and reduce identified risks. The services are licensed as a Type 'C' Control Authority.

Other industries and sectors

The construction sector is presented by Dunav AD and Hydroizomat AD.

Dunav AD — is a company, specialized in design, construction, specialized construction services, production of building materials and products.

Hydroizomat AD — is a company, specialized in production of waterproofing, insulation and other materials; construction, repair and services.

The grapes and wine production sector is presented by the company Bulgarian Wine OOD.

The goal of the wine business is the creation of quality products with a strong brand and the transformation of **Bulgarian Wine OOD** into a preferred supplier of basic and first-class wines in Bulgaria. Medi Valley is a modern wine complex consisting of a modern wine cellar and its own vineyard of 370 dca of wine vineyard. The company purchases also grapes and fruit for the production of wines. The annual production is about 350 tonnes of wine. The winery's trademarks are 'A Good Year', 'eXcentric Incanto', 'Incanto', 'Great Bulgaria' and 'Winemaker's selection'.

The production of and trade in detergents and household chemistry sector is represented by Doverie – Care EAD.
The product range of the company includes detergents and household chemicals with the brands of 'Easy' and 'Typhoon', a mineral paste 'Terra' for heavily soiled hands, car products, antifreeze, and sealant compounds for joints.

The leasing of movable and immovable assets is represented by Maritsatex AD and Bilyana – Triko AD.
Until 2010 Maritsatex AD functioned as an undertaking for the production of textile and textile products. After this period, by a resolution of the General Meeting of Shareholders of 20 July 2010 the textile and all the related productions were stopped and the activity of the company was reduced to letting on lease and operation of own real estates.
Bilyana – triko AD is also a company, the subject of activity of which is letting on lease of own real estates.

Other industries
Doverie – Invest EAD is a company specialised in acquisition, management, evaluation and disposal of equity interest in Bulgarian and foreign companies, domestic and foreign trade activities, commercial representation, intermediation and agency activities, organization and operation of commercial enterprises.

2.5. Policies pursued in relation to the primary and ancillary activities of the Group

Business Development Policy and Engagement of the Management

The goals of the management of the Holding are aimed at maintaining the leading position in the market and building long-term partnerships with clients based on mutual trust. The goal of management is to meet the increasing customer requirements and the need to provide even better services and products.

Building mutual trust with customers is done through the provision of impeccable service and quality products and services

Customer Feedback and Satisfaction

The investments of the Holding are not an end in themselves. Considerable and continuous efforts are focused on providing modern services and products that are safe, reliable and at the same time easy to use. This ensures the top position of the Holding in the field of complex health services, trade, as well as in other business areas.

Vocational Training

The opportunity for professional development and the provision of vocational training to employees is one of the focuses and one of the most powerful means of achieving strategic goals. The high expectations of management and employees in this direction are met by organizing training initiatives in various areas. Strong emphasis is placed on the development of the skills of the employees for the purpose of delivering the highest quality of goods and services. Traditional importance is attached to trainings and initiatives to improve the leadership qualities of current and potential management staff.

In 2023, as in previous years, a special emphasis is placed on linking theoretical learning with actual practice. The importance of on-site training as a real expression of this aspiration is established and validated as a working and effective model.

Ongoing Improvement

The Holding monitors closely the compliance of its structure with external and internal requirements for responsible, transparent and sustainable operations.

Compliance with laws and regulations, as well as transparent reporting to shareholders and other stakeholders, is a key responsibility.

3. Policies and activities of the Group with respect to ecological issues

Managing and minimizing the impact of significant aspects on the environment is an integral part of the overall management system of the Holding.

The strategic goal of the management is to continuously improve the practice towards prevention and/or reduction of the environmental impact, as well as to increase the level and culture of the eco-friendly behaviour of the Company. The implementation of the environmental policy is synchronized with activities in different areas – quality of production, financing, employee health protection, safety at work and others.
In order for the environmental policy to be successful, the parent company requires the governing bodies of all subsidiaries, employees and workers to display high professionalism and responsible environmental behaviour in their daily work.
The companies in the Group have been issued the relevant certificates, specific to the activity performed:

- **Hydroizomat AD** — ISO 9000:2015, ISO 14001:2015, BS OHSAS 18001:2007.

The Company is registered in the Central Occupational Register of Builders to the Bulgarian Construction Chamber for the execution of sites from first group, from third to fifth category — Certificate No I – TV 016543.

- **Doverie Care EAD** — participates in an Integrated Management System (IMS) and holds the following certificates: ISO 9001:2015, ISO 14001:2015, ISO 18001:2007. In its activity the company has always strived to comply with all environmentally related regulatory requirements.

The powder dispensing tower in the washing powder workshop is equipped with a set of filters that prevent release of particulate matter into the atmosphere.
The phosphate content of the products is reduced to levels below those laid down in the European Directives.
In order to implement its environmental policy, Doverie Care EAD cooperates actively with all control organizations in this regard.

- **OHS – Doverie EOOD** — Occupational health services are subject to registration with the Ministry of Health, and the Company's current certificate is No 032-5 / 22 July 2019. It has been accredited a Control Authority of type 'C' with accreditation certificate Reg. No 130 OKC (issued by Executive Agency Bulgarian Accreditation Service). The Control Authority controls the physical factors of the working environment (micro climate, artificial lighting and noise) and controls electrical equipment and facilities up to 1000 V.

- **United Health Insurance Fund Doverie ZAD AD** holds a certificate of license issued by the Financial Supervision Commission to conduct insurance business. The Company have arrangement in place for separate collection of waste. Recycled stationery and supplies are used in daily business.

- **MHAT Doverie AD** and **MC Doverie** — The hospital is licensed to carry out medical treatment by Licence No MB-300/19 January 2017 (originally issued in 2005), and the medical center — Certificate of registration of outpatient medical care facility No 5714/24 March 2021 (originally issued in 2001). A hospital waste management system is functioning in the hospital and the medical centre that sets up rules and procedures for the management of hospital waste, with an emphasis on the proper collection, storage and transportation of hazardous hospital waste and reducing the risk of their handling. It ensures personnel and other persons protection to prevent the spread of infectious agents in the hospital.

MHAT Doverie AD and MC Doverie have concluded contracts for the collection, transportation and disposal of hazardous waste, as well as a contract for the transportation and treatment (recycling) of separated household waste with licensed companies.

- **Dunav AD** — the company is ISO 9001:2015, ISO 14001:2015, OHSAS 18001:2007 certified. The Company holds certificates by the Bulgarian Construction Chamber — Central Occupational Register of Builders for the performance of construction works as follows:
  - first group construction sites from third to fifth category;
  - second group construction sites from third to fourth category
  - third group construction sites from third to fifth category;
  - fourth group construction sites from third to fifth category;

The control of the factors of the working environment in the structures of the Group is carried out by a Control Body ‘Elements of the Working Environment’ of type C. Safe working conditions are ensured by controlling the factors of the working environment, risk assessment at workplaces, introduction of physiological mode of work and rest. In 2023, certificates are prepared for all the companies with protocols containing data from measurement and conformity assessment of the factors: microclimate, noise, vibration, dust, chemical agents.

4. Group’s policies and activities with respect to the social issues and the issues related to the employees

The Holding complies with the working conditions laid down in the Labor Code and the Occupational Health and Safety Act regarding working conditions in the workplace in all its companies. The management bodies of the subsidiaries follow and adhere to a single strategy imposed by the parent company, which is crucial for the development and achievement of the overall corporate objectives and pays particular attention to the development of uniform human resources management policies. The policies in this area are aimed at achieving accountability and ownership of the staff in the fulfilment of the set goals and tasks, while the senior management strives to support the middle management and the employees in realizing the management priorities of the Group.

The aim of the group social policy is to promote development and to stimulate positive changes in the overall activity of the Group, which in the end have a positive impact on the work process and on the social status of the workers.

To achieve its goals, the Group works with the statutory and internally approved regulations, rules and instructions related to:

- ✓ Labour law and social security relations;
- ✓ Organization of labour and remunerations;
- ✓ Employment and social policy;
- ✓ Employment conditions and safety at work;

✓ collective labour agreements.

The social arrangements reached have the following basic guidelines:

- *Safety and health of the employees in the individual companies of the Group* — the employees of the Group in accordance with their activity and needs in the company are provided with: Special workwear and personal protective equipment; free food; measurement of the working environment parameters by an accredited body; periodic medical examinations; joining the Multisport physical activity programme.
- *Social benefits, financial benefits and compensations* — the employer insures all employees at the Group's expense against risks arising from illness related to the financial provision of certain medical goods and health services; supplementary pension benefits are agreed for the Group's employees at the employer's expense.

The policy of Doverie–United Holding AD is aimed at ensuring safe working conditions, a fair system of remuneration and motivation, and opportunities for professional development.

At the end of the current reporting period, the number of the staff in the group Doverie–United Holding AD is 2973.

The structure of the Group staff as of 31 December 2023 by gender, age, education and professional qualification is presented in the following tables:

Gender based structure

Indicators	Number	Share (%)
Total workforce	**2973**	
Incl. senior staff	268	9%
Male	**1045**	**35%**
Men in senior positions	171	64%
Female	**1928**	**65%**
Women in senior positions	108	36%

The gender based ratio of the workers and employees is respectively 35% men to 65% women. In the Group Management the ratio is 64% men to 36% women.

Age structure

Indicators	Number	Share (%)
Total workforce	**2973**	
Up to 20 years	27	1%
From 21 to 40 years	1441	48%
From 41 to 60 years	1329	45%
Over 60 years	176	6%
Average age for the Group	50	
including average age of men	51	
including average age of women	48	

The largest share in the total number of employees is **from 21 to 40 years — 48% and from 41 to 60 years — 45%**. This implies that the majority of the staff have significant work experience and established work habits.

Education of the employees

Indicators	Number	Share (%)
Total workforce	**2973**	
1. Higher education, incl.:	**2043**	***69%***
– Master degree	638	*21%*
– Bachelor degree	1319	*44%*
– Professional bachelor/specialist	86	*3%*
2. Secondary education, incl.:	**905**	***30%***
– secondary with III degree of professional qualification	49	*2%*
– secondary with II degree of professional qualification	13	*0%*
– general secondary education	843	*28%*
3. Primary education	**25**	***1%***
4. Lower than primary education		*0%*

Occupational Injuries

In 2023 there were no accidents at work within the Group companies.

No significant structural changes have been made during the reporting period, no changes in the Group's human resources management policies or other actions that could have an adverse impact on the employees.

5. Policies and activities of the Group related to the human rights issues

Doverie – United Holding AD expresses its commitment to respect the human rights and to prevent any forms of conduct on the part of the employees and business partners of the Group, which infringe upon the dignity and rights of the individual personality.

The corporate management of the Group companies is guided by the principle of equal treatment and does not allow discrimination against its workers and employees in the process of recruitment, determination of the remuneration, access to training, promotion or termination of the employment on the basis of a racial, national or social origin, religion, education, gender, sexual orientation, political views, social position or property status.

The adopted Personal Data Protection Policy of Doverie – United Holding AD reflects the priority of the right of personal data protection (as a part of the right to privacy) in the corporate system of values, as well as the serious engagement of the management with respect to the preservation of the confidentiality of the personal data and the prevention of unauthorised access to or malicious use of information.

In 203 there are no registered cases of grave consequences on the human rights related to decisions and acts of the Group companies.

6. Policies and activities of the Group concerning the issues related to the fight against corruption and bribes

Doverie – United Holding AD does not tolerate and refrains from any acts and conduct that could be perceived as a form of bribery or a corruption practice, including active or passive bribe, abuse of assets of the company, improper personal use of the benefits, etc. The management assumes that the encouragement of a culture of ethics and honesty is key for the maintenance of the trust of the business partners, the shareholders and the investment community.

A Code of Ethics of the employees of Doverie – United Holding AD is adopted in the company, which is binding upon the entire staff.

For the reporting period there are no employees dismissed in the Group due to established cases of corruption.

Although on a group level there is no written system of assessment of the corruption related risk, all processes and procedures are conducted in a way that rules out any forms of corruption in the Group companies. The transactions of each of the companies are subject to preliminary individual evaluation as those of a considerable amount are approved by the management of the respective company, and if need arises – also by the management of the holding.

7. Disclosure of information in relation to Article 8 of the Taxonomy Regulation

Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 establishing a framework to facilitate sustainable investments and amending Regulation (EU) 2019/2088 (the Taxonomy Regulation/Regulation) provides a framework for classifying economic activities considered sustainable in relation to six environmental objectives:

- climate change mitigation;
- adapting to climate change;
- the sustainable use and conservation of aquatic and marine resources;
- transition to a circular economy;
- pollution prevention and control;
- conservation and restoration of biodiversity and ecosystems.

Within the meaning of Article 3 of the Regulation, an economic activity qualifies as environmentally sustainable when: (1) contributes significantly to one or more of the six environmental objectives; (2) does not cause significant harm to any of the other five environmental objectives (the DNSH framework); (3) is carried out in accordance with the minimum guarantees relating to health and social conditions at work at company level (social guarantees); (4) meets the technical verification criteria established by the Commission in accordance with Articles 10 to 15 of the Regulation.

Article 8 of the Regulation requires companies to include in their consolidated non-financial report information on **how and to what extent the company's activities relate to economic activities that qualify as environmentally sustainable** under Articles 3 and 9 of the Regulation. In particular, companies should disclose:

- the proportion of their turnover derived from products or services related to economic activities that qualify as environmentally sustainable;
- the proportion of their capital and operating expenditure related to assets or processes associated with economic activities that qualify as environmentally sustainable.

Commission Delegated Regulation (EU) 2021/2178 of 6 July 2021 supplementing Regulation (EU) 2020/852 sets out the content and presentation of information to be disclosed by companies regarding sustainable economic activities. Under the Delegated Regulation, an eligible economic activity ('eligible activity') from a taxonomy perspective is an economic activity that is described in Delegated Regulation (EU) 2021/2139 of 4 June 2021, regardless of whether that economic activity meets any or all of the technical screening criteria set out in that Delegated Regulation, and a taxonomically ineligible economic activity is any economic activity that is not described in Delegated Regulation (EU) 2021/2139. An economic activity consistent with the taxonomy ('consistent activity') is an economic activity that meets specific criteria (set out in Article 3 of the Regulation) that economic activities must meet to be considered environmentally sustainable.

In accordance with the requirements of Article 8 of Regulation (EU) 2020/852 and Delegated Regulation (EU) 2021/2178, Doverie – United Holding AD prepared an analysis of the company's economic activities in order to identify which of them are eligible
/inadmissible and consistent with the EU taxonomy.

This statement presents an analysis of the eligibility and compliance of the economic activities of Doverie – United Holding AD carried out in 2023. The analysis in the text below and the data in Notes 1, 2 and 3 present the holding company's results for the period 1 January — 31 December 2023.

This statement does not compare data with a previous period, as the scope of the EU taxonomy has now been significantly expanded. 2023 is the first period for which the holding company discloses data according to the EU taxonomy consistent with the **six environmental objectives** of the Regulation. Along with the inclusion of 4 new environmental targets relative to 2022 reporting, 7 new economic sectors have been added to the taxonomy requirements.

7.1. Eligibility of the activities of Doverie – United Holding AD

Doverie – United Holding AD presents the share of its eligible and ineligible economic activities under Delegated Regulation (EU) 2021/2139 of 4 June 2021 and Delegated Regulation (EU) 2021/2178 of 6 July 2021 as follows:

Percentage of eligible and ineligible economic activities in the total turnover, capital and operating expenses of Doverie – United Holding AD for 2023.

	Total for 2023 (BGN)	**Proportion of eligible activities (%)**	**Proportion of ineligible activities (%)**
Turnover	589 837 000	**10.8**	89.2
CapEx	232 481 000	**1.4**	98.6
OpEx	13 087 000	**16.9**	83.1

Taxonomy eligibility assessment focuses on the main economic activities for the provision of goods or services. Doverie – United Holding AD unites many companies from different sectors of the economy in several locations in Bulgaria and in the Republic of Moldova. In this context, the holding company generates revenues from the trading of goods and services, but also has a number of activities ancillary to the main ones.

Key Performance Indicators (KPIs)

Key Performance Indicators (KPIs) include:

- KPI related to turnover;
- KPI related to capital expenditure (CapEx);
- KPI related to operating expenses (OpEx).

The methodology used to calculate the KPI for turnover, capital expenditure and operating expenses is in accordance with Sections 1.1.1, 1.1.2 and 1.1.3 of Annex I to Delegated Regulation (EU) 2021/2178. In order to ensure reliability and consistency in the reporting of the three KPIs, the holding company has eliminated double counting of the same amounts when attributing them to turnover, CapEx and OpEx, through the detailed analytical accounting that has been established.

Pursuant to Delegated Regulation (EU) 2021/2178, the disclosures in relation to the EU taxonomy take into account the accounting criteria when calculating the numerator and denominator of eligible and ineligible net turnover, CapEx and OpEx:

- Turnover (Article 8, paragraph 2, letter a of the Regulation) — is the proportion of net turnover derived from products or services, including intangible assets, related to economic activities that qualify as environmentally sustainable (numerator) divided by net turnover (denominator) as defined in Article 2, paragraph 5 of Directive 2013/34/EU.
- Capital expenditure (Article 8, paragraph 2, letter b of the Regulations) — CapEx includes the acquisition of tangible and intangible assets in the relevant financial year before depreciation, amortisation and revaluations, including those arising from revaluations and write-downs, for the relevant financial year, net of changes in fair

value. Capital expenditure reflects the following parameters: ‘Property, plant and equipment’, ‘Rents’, ‘Projects’ and ‘Other intangible assets’.

- Operating expenses (Article 8, paragraph 2, letter b of the Regulation) — OpEx includes non-capitalized direct costs that relate to research and development, short-term leases, maintenance and repairs, and other direct costs associated with the day-to-day maintenance of assets related to property, plant and equipment by the Company or a third party to which activities are outsourced and that are necessary to ensure the continued and efficient operation of those assets.

In order to calculate the share of economic activities eligible under the EU taxonomy in net turnover, capital and operating expenses, the ratio of net turnover, CapEx and OpEx considered eligible in the taxonomy (numerator) to the total turnover, CapEx and OpEx (denominator) of Doverie – United Holding AD as of 31 December 2023 was calculated.

KPI related to turnover

Delegated Regulation (EU) 2021/2178 defines the DAC denominator for turnover on the basis of the net turnover of the holding company determined in accordance with Article 2, paragraph 5) of Directive 2013/34/EU (the amounts derived from the sale of products and the provision of services after deduction of trade discounts, value added tax and other taxes directly related to turnover) and including revenues included in the scope of IFRS 15 and IFRS 16.

The results of the analysis show that **10.8% of the total value** of the holding's **net turnover** in 2023 is attributable to the **economic activities eligible under the taxonomy**. Revenues from these activities amount to BGN 63,974,754.14 and are related to the turnover generated by nine of the holding company's subsidiaries.

With respect to the numerator, the **following taxonomy-eligible activities** have been identified:

- **Manufacture of organic basic chemicals** *(taxonomy code 3.14*) — 0.2%. The activity is linked to the **first two environmental objectives**: climate change mitigation and adaptation;
- **Acquisition and ownership of buildings** *(taxonomy code 7.7*) — 0.2%. The activity is linked to the first two environmental objectives: climate change mitigation and adaptation;
- **Transport by motorcycles, cars and light trucks** *(taxonomy code 6.5*) — 0.002%. The activity is eligible for the taxonomy and is related to the first two environmental objectives: climate change mitigation and adaptation;
- **Construction of new buildings** *(taxonomy code 7.1/3.1*) — 0.7%. The activity is eligible for the taxonomy and is linked to three of the environmental objectives: climate change mitigation, adaptation and transition to a circular economy;
- **Acquisition and ownership of buildings** *(taxonomy code 7.7*) — 0.2%. The activity is eligible for the taxonomy and is related to the first two environmental objectives: climate change mitigation and adaptation;

- **Sale of second-hand goods** (*taxonomy code 5.4*) — 0.1%. The activity is eligible for the taxonomy and is related to the fourth environmental objective: transition to a circular economy;
- **Emergency care**(*taxonomy code 14.1*) — 5.3%. The activity is eligible for the taxonomy and is related to the second environmental objective: adapting to climate change;
- **General Insurance: climate-related risk-taking** (*taxonomy code 10.1*) — 4.3%. The activity is eligible for the taxonomy and is related to the second environmental objective: adapting to climate change.

KPI related to CapEx

CapEx-related DACs are determined by dividing the taxonomy's corresponding capital expenditure (numerator) by the total capital expenditure (denominator).

Delegated Regulation (EU) 2021/2178 provides the definition of total capital expenditure, which includes the acquisition of tangible and intangible fixed assets and investment property during the financial year, before depreciation, amortisation and any additional valuations, including those arising from revaluations and impairments, and excluding changes in fair value. These include acquisitions of property, plant and equipment (IAS 16), intangible assets (IAS 38), right-of-use assets (IFRS 16), investment property (IAS 40).

The analysis shows that **1.4% of the total capital expenditure** of Doverie – United Holding AD for 2023, amounting to BGN 3,283,344.18, is attributable to the **economic activities eligible under the taxonomy**.

With respect to the numerator, the following taxonomy-eligible activities have been identified:

- **Transport by motorcycles, cars and light trucks** (*taxonomy code 6.5*) — 0.2%. The activity is eligible for the taxonomy and is related to the first two environmental objectives: climate change mitigation and adaptation.
- **Renovation of existing buildings** (*taxonomy code 7.2/3.2*) — 0.1%. The activity is eligible for the taxonomy and is linked to three of the environmental objectives: climate change mitigation, adaptation and transition to a circular economy.
- **Renewal of water collection, treatment and supply systems** (*taxonomy code 5.2/2.1*) — 0.01%. The activity is eligible for the taxonomy and is linked to three of the environmental objectives: climate change mitigation, adaptation, sustainable use and conservation of water and marine resources.
- **Manufacture of electrical and electronic equipment** (*taxonomy code 1.2*) — 1.1%. The activity is eligible for the taxonomy and is related to the fourth environmental objective: transition to a circular economy.

KPI related to OpEx

The OpEx-related DAC is determined by dividing the taxonomy-relevant operating costs (numerator) by the total operating costs (denominator).

Delegated Regulation (EU) 2021/2178 sets out the definition of general operating expenses, which consist of direct non-capitalised expenses that relate to research and development, the cost of repair and refurbishment of buildings (used in operations and investment properties), short-term leases, maintenance and repairs, and any other direct costs associated with the day-to-day servicing of property, plant and equipment assets and investment properties.

The analysis shows that **16.9 % of the total operating costs** of Doverie – United Holding AD for 2023, in the amount of BGN 2,206,246.21, are attributable to the economic activities eligible under the taxonomy.

In terms of the numerator, Doverie – United Holding AD has considered all operating costs, with direct costs related to salaries, training and other human resource adaptation needs excluded from the analysis.

With respect to the numerator, the following activities eligible under the taxonomy have been identified:

- **Transport by motorcycles, cars and light trucks** *(taxonomy code 6.5)* — 0.3%. The activity is eligible for the taxonomy and is related to the first two environmental objectives: climate change mitigation and adaptation.
- **Acquisition and ownership of buildings** *(taxonomy code 7.7)* — 0.5%. The activity is linked to the first two environmental objectives: climate change mitigation and adaptation.
- **Renovation of existing buildings** *(taxonomy code 7.2/3.2)* — 13.8%. The activity is eligible for the taxonomy and is linked to three of the environmental objectives: climate change mitigation, adaptation and transition to a circular economy.
- **Renewal of water collection, treatment and supply systems** *(taxonomy code 5.2/2.1)* — 0.1% . The activity is eligible for the taxonomy and is related to the first two environmental objectives: climate change mitigation and adaptation.
- **Installation, maintenance and repair of energy efficient equipment** *(taxonomy code 7.3)* — 0.1%. The activity is eligible for the taxonomy and is related to the first two environmental objectives: climate change mitigation and adaptation.
- **Computer programming, consultancy and related activities** *(taxonomy code 7.2)* — 0.1%. The activity is eligible for the taxonomy and is related to the second environmental objective: adapting to climate change.
- **Manufacture of electrical and electronic equipment** *(taxonomy code 1.2)* — 1.3%. The activity is eligible for the taxonomy and is related to the fourth environmental objective: transition to a circular economy.
- **Repair, renovation and re-manufacture** *(taxonomy code* 5.1) — 0.7%. The activity is eligible for the taxonomy and is related to the fourth environmental objective: transition to a circular economy.

7.2. Conformity of the activities of Doverie – United Holding AD

Following a thorough review, including the relevant business units and functions, it was found that the economic activities that Doverie – United Holding AD carried out in 2023 did not meet the technical criteria established by the Commission in accordance with Articles 10 to 15 of the Regulation. Therefore, **the share of taxonomy-consistent economic activities amounts to 0% for the three key indicators — net turnover, capital and operating expenditure.** In the future, Doverie – United Holding plc will continue to intensively examine whether the Group's economic activities are eligible and taxonomy consistent in terms of the technical criteria related to the six environmental objectives of the Regulation.

17 April 2024
City of Sofia

Executive Director: Alexandre Gueorguiev Hristov

Annex 1. Share of turnover from products or services related to economic activities consistent with the taxonomy.

				Criteria for substantial contribution						DNSH criteria ('No significant harm')									
Economic activities (1)	Code (2)	Absolute turnover (3)	Turnover ratio (4)	Mitigation of climate change	Adapting to climate change	Water (7)	Pollution (8)	Circular Economy (9)	Biodiversity and ecosystems (10)	Mitigation of climate change (11)	Adapting to climate change (12)	Water (13)	Pollution (14)	Circular economy (15)	Biodiversity (16)	Minimum precautions (17)	Proportion consistent	Category (allowing	Category (transitiona
Text		*BGN*	*%*	*%*	*%*	*%*	*%*	*%*	*%*	*Yes/No*	*Yes/No*	*Yes/No*	*Yes/No*	*Yes/No*	*Yes/No*	*Yes/No*	*%*	*y*	*T*
A. ACTIVITIES ELIGIBLE UNDER THE TAXONOMY			**10.8%**																
A.1. Environmentally sustainable activities (consistent with taxonomy)																			
not applicable			0%	0%	0%	0%	0%	0%	0%								0%		
Turnover from environmentally sustainable activities (consistent with taxonomy) (A.1)		**0.00**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	***No***	***No***	***No***	***No***	***No***	***No***	***No***	**0%**	**0%**	**0%**
A.2 Taxonomically eligible but not ecologically sustainable activities (not taxonomically relevant activities)																			
Manufacture of organic basic chemicals		1 432 494.00	0.2%																
Transportation by motorcycles, cars and light trucks		13 159.17	0.002%																
Construction of new buildings		4 134 900.00	0.7%																
Acquisition and ownership of buildings		1 156 885.20	0.2%																
Sale of second-hand goods		496 204.57	0.1%																
Emergency care		31 238 364.58	5.3%																
General Insurance: addressing climate-related risks		25 502 746.62	4.3%																

Turnover from activities eligible for taxonomy but not environmentally sustainable (non-taxonomy consistent activities) (A.2)	**63 974 754.14**	**10.8%**				
Total (A.1+A.2)	**63 974 754.14**	**10.8%**				
B. ACTIVITIES INELIGIBLE UNDER THE TAXONOMY						
Turnover of Activities Ineligible Under The Taxonomy	**525 862 245.86**	**89.2%**				
Total (A+B)	**589 837 000.00**	**100%**				

Annex 2. Share of capital expenditures (CapEx) from products or services related to taxonomy-consistent economic activities.

				Criteria for substantial contribution						DNSH criteria ('No significant harm')									
Economic activities (1)	Code (2)	Absolute capital expenditure (3)	Proportion of capital expenditure (4)	Mitigation of climate change (5)*	Adapting to climate change	Water (7)	Pollution (8)	Circular Economy (9)	Biodiversity and ecosystems	Mitigation of climate change (11)	Adapting to climate change (12)	Water (13)	Pollution (14)	Circular Economy (15)	Biodiversity (16)	Minimum precautions (17)	Proportion, consistent with the taxonomy, of the total	Category (enabling activity)	Category (transitional activity) (21)
Text		*BGN*	*%*	*%*	*%*	*%*	*%*	*%*	*%*	*Yes/ No*	*Yes/ No*	*Yes/ No*	*Yes/ No*	*Yes/ No*	*Yes/ No*	*Yes/ No*	*%*	*y*	*T*
A. ACTIVITIES ELIGIBLE UNDER THE TAXONOMY			**1.4%**																
A.1. CapEx of environmentally sustainable activities (consistent with taxonomy)																			
Not applicable			0%	0%	0%	0%	0%	0%	0%								0%		
CapEx of environmentally sustainable activities (consistent with taxonomy) (A.1)		**0.00**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**No**	**No**	**No**	**No**	**No**	**No**	**No**	**0%**	**0%**	**0%**
A.2 Taxonomy — Eligible but not environmentally sustainable activities (not consistent with taxonomy)																			
Motorcycle, car and light commercial vehicle transport (CapEx B)		**425 927.00**	0.2%																
Renovation of existing buildings (CapEx B)		**221 948.00**	0.1%																
Renewal of collection, treatment and water supply systems (CapEx B)		**25 903.00**	0.01 %																

Manufacture of electrical and electronic equipment (CapEx B)	**2 609 566.18**	1.1%
CapEx of activities eligible under the taxonomy but not environmentally sustainable activities (non-taxonomy-consistent activities) (A.2)	**3 283 344.18**	**1.4%**
Total (A.1+A.2)	**3 283 344.18**	**1.4%**
B. ACTIVITIES INELIGIBLE UNDER THE TAXONOMY		
Capital expenditure for activities ineligible under the taxonomy	**229 197 655.82**	**98.6 %**
Total (A+B)	**232 481 000.00**	**100%**

Annex 3. Share of operating expenses (OpEx) from products or services related to taxonomy-consistent economic activities.

				Criteria for substantial contribution						DNSH criteria ('No significant harm')									
Economic activities (1)	Code (2)	Absolute running costs (3)	OpEx Proportion (4)	Mitigation of climate change (5)*	Adapting to climate change (6)	Water (7)	Pollution (8)	Circular Economy (9)	Biodiversity and ecosystems (10)	Mitigation of climate change (11)	Adapting to climate change (12)	Water (13)	Pollution (14)	Circular Economy (15)	Biodiversity (16)	Minimum precautions (17)	Proportion, consistent with the taxonomy, of the total capital expenditure, year	Category (enabling activity) (20)	Category (transitional activity) (21)
Text		*BGN*	*%*	*%*	*%*	*%*	*%*	*%*	*%*	*Yes/No*	*Yes/No*	*Yes/No*	*Yes/No*	*Yes/No*	*Yes/No*	*Yes/No*	*%*	*y*	*T*
A. ACTIVITIES ELIGIBLE UNDER THE TAXONOMY			**16.9%**																
A.1. Environmentally sustainable activities (consistent with taxonomy)																			
Not applicable		0.00	0%	0%	0%	0%	0%	0%	0%								0%		
Operating expenses for environmentally sustainable activities (consistent with taxonomy) (A.1)		**0.00**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**No**	**No**	**No**	**No**	**No**	**No**	**No**	**0%**	**0%**	**0%**
A.2 Taxonomically eligible but not ecologically sustainable activities (not taxonomically relevant activities)																			
Motorcycle, cars and trucks transport (OpEx B)		41 907.00	0.3%																
Acquisition and ownership of buildings (OpEx B)		62 195.00	0.5%																
Renovation of existing buildings (OpEx B)		1 810 153.71	13.8%																
Upgrading water harvesting systems, water treatment and water supply (OpEx B)		11 033.58	0.1%																

Installation, maintenance and repair of energy efficient facilities (OpEx B)	8 502.67	0.1%			
Computer programming, consulting and related activities (OpEx B)	10 410.22	0.1%			
Production of electric and electronic equipment (OpEx B)	175 625.03	1.3%			
Repair, refurbishment and remanufacture (OpEx B)	86 419.00	0.7%			
Operating expenses eligible for taxonomy but not environmentally sustainable activities (non-taxonomy consistent activities) (A.2)	**2 206 246.21**	**16.9%**			
Total (A.1+A.2)	**2 206 246.21**	**16.9%**			
B. ACTIVITIES INELIGIBLE UNDER THE TAXONOMY					
Operating expenses for activities ineligible under the taxonomy	**10 880 753.79**	**83.1%**			
Total (A+B)	**13 087 000.00**	**100%**			

INDEPENDENT AUDITOR`S REPORT

TO THE SHAREHOLDERS OF

DOVERIE – UNITED HOLDING AD

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the Consolidated Financial Statements of **DOVERIE – UNITED HOLDING AD** and its subsidiaries ('the Group'), containing the Consolidated Statement of Financial Position as at 31 December 2023 and the Consolidated Statement of Profit or Loss and Other Comprehensive Income, the Consolidated Statement of Changes in Equity and the Consolidated Cash Flow Statement for the year then ended, as well as the explanatory notes to the Consolidated Financial Statements, containing the summary of significant accounting policies.

In our opinion the enclosed consolidated financial statements provide a true and fair view in all significant aspects of the consolidated financial position of the Group as at 31 December 2023 and of its financial operating results, and of the consolidated cash flows for the year then ended, in compliance with the International Financial Reporting Standards (IFRS), adopted by the European Union (EU).

Basis of the opinion

We conducted our audit in accordance with the International Standards on Auditing. (ISA). Our responsibilities under these standards are further described in the section of our report 'Auditor`s Responsibilities on the Audit of the Consolidated Financial Statements'. We are independent of the Group, pursuant to the International Code of Ethics for professional accountants (including International Independence Standards), and the ethical requirements of the Independent Financial Audit Act (IFAA), applicable to our audit of the consolidated financial statements in Bulgaria, and we have delivered our other ethical responsibilities in accordance with the provisions of IFAA and the IESBA Code. We believe that the audit evidence obtained by us are sufficient and appropriate to provide a basis for our opinion.

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Key audit issues

Key audit issues are those issues, which according to our professional judgement have been of the greatest significance in the audit of the consolidated financial statements for the current period. These issues are addressed as part of our audit of the consolidated financial statements as a whole and in the context of the formation of our opinion, and we do not provide a separate opinion on these issues.

Impairment of credits and advances granted to bank customers (subsidiary CB Moldindconbank SA)

Note 2.9.1 Financial assets, Impairment of financial assets, Note 28 Loans to bank customers, to the Consolidated Financial Statements present detailed information for the estimate of the impairment loss of the loans and advances granted to customers as at 31 December 2023.

Key audit issue	How the key audit issue was addressed in the course of our audit
The correct measurement of the impairment of loans and advances to customers requires material estimates on the part of the Group management. The evaluation measurement of the accumulated impairments of loans and advances granted to customers includes, according to the requirements of IFRS 9, the measurement of 12-month expected credit losses, as well as ones for the entire life cycle of the loan, an evaluation of the presence of a considerable increase of the credit risk or the occurrence of non-performance. As at 31 December 2023 the value of the loans and advances granted to customers before impairment amounts to BGN 1,433,729 thousand (2022 — BGN 1,234,478 thousand and the impairment provision amounts to BGN (65,584) thousand (2022 BGN (71,863) thousand) The establishment of a considerable increase in the credit risk or the occurrence of non-performance and the measurement of the 12-month expected credit losses, as well as these for the entire life cycle of the loan are a part of the process of measurement of the Bank, which, in addition to all other factors, is based on credit risk models, specific identifiers for a considerable increase of the credit risk and non-performance, the financial condition of the counterparty, the expected future cash-flows or the value of the security. The use of different financial modelling techniques, scenarios and assumptions may result in different measurements of the cost for impairment of loans and advances to	During our audit, our audit procedures included, but not only: Communication with the component auditor, receipt of access to models of impairment of the bank and to the auditors' documentation, understanding of the processes of measurement and testing (on the basis of an excerpt) of the design and operative effectiveness of the controls with respect to the lending and provisioning processes. We obtained understanding of the criteria and distribution of the credit to the respective Phase, we made a review of the models of expected credit loss, including the accuracy of the calculations. Likewise, as regards the loans, we obtained the necessary information related to the internal control, which includes control guaranteeing that the data, on which the key parameters are calculated, namely probability of default ('PD') and Loss Given Default ('LGD'), are transferred correctly and in full from the Bank's database to the statistical models and are regularly updated. We have examined the calculations of discounted cash flows and the expected future cash flows, including a measurement of the security. We carried out different types of analytical procedures for the loan provisions. We also assessed whether the respective disclosures in the consolidated financial

customers. Due to the fact that this position is a considerable part of the total assets of the Group (40%) and in view of the uncertainty related thereto with respect to the estimates, we consider this a key audit issue.	statement appropriately reflect the exposure of the Group, through its subsidiary, to credit risk and whether they are compliant with the IFRS.

Information Other than the Consolidated Financial Statements and the Auditor's Report Thereon

Management bears the responsibility for the other information. The other information comprises of the Consolidated Management Report, the Corporate Governance Statement and Consolidated Non-financial Statement, prepared by the management in accordance with Chapter Seven of the Accounting Act, but does not include the Consolidated Financial Statements and our audit report thereon, which we have received before the date of our audit report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of conclusion of certainty about it, unless explicitly stated in our report and to the extent indicated.

In connection with our audit of the consolidated financial statements, our responsibility lies in reading the other information thus assessing whether this other information is materially inconsistent with the consolidated financial statements or with our knowledge gained during the audit or it seems to contain otherwise substantially incorrect reporting.

If based on the work that we have done, we reach a conclusion that there is a substantial incorrect reporting in the other information, we are required to report this fact.

We have nothing to report in this regard.

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

The Management is responsible for the preparation and fair presentation of the present Consolidated Financial Statements in compliance with the IFRS, adopted by the EU, and is also responsible for the implementation of such an internal control system, determined as relevant by the Management to the preparation of the Consolidated Financial Statements that are free of material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Management is responsible for assessing the Group's ability to continue as a going concern, disclosing, when applicable, issues related to the going concern assumption and using the accounting basis based on the going concern assumption, unless the Management intends to liquidate the Group or to cease its operations, or if the Management has no other alternative but to do so.

Those charged with general governance are responsible for supervising the financial reporting process of the Group.

Auditor's Responsibility for the Consolidated Financial Statements

Our goals are to obtain reasonable assurance about whether the Consolidated Financial Statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an audit report, which includes our audit opinion. Reasonable assurance is a high level of security, but does not guarantee that an audit conducted in accordance with ISA will always disclose materially incorrect reporting when it exists. Misstatements may occur as a result of fraud or error and are considered material if it could reasonably be expected that they, individually or as a group, could influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of the audit, in accordance with ISA, we use professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatements in the consolidated financial statements, whether due to fraud or error, develop and implement audit procedures in response to these risks and obtain sufficient and appropriate audit evidence to provide basis for our opinion. The risk of not revealing significant misstatements resulting from fraud is higher than the risk of material misstatements resulting from error, because fraud may involve collusion, forgery, deliberate omissions, statements to deceive the auditor, as well as neglect or circumvention of internal controls.
- Obtain understanding of the 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 internal control of the Group.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Reach a conclusion on the appropriateness of the use by the Management of the accounting basis, based on the going concern assumption and based on the audit evidence obtained, as to whether there is a material uncertainty related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we reach a conclusion that there is significant uncertainty, we are required to attract attention in our audit report on the disclosures in the consolidated financial statements related to the uncertainty or in the event that these disclosures are inadequate to modify our opinion. Our conclusions are based on audit evidence obtained as at the date of our audit report. Future events or conditions may, however, cause the Group to cease its operations as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including disclosures, and whether the consolidated financial statements present fundamental transactions and events in a manner that achieves fair presentation.
- We obtain sufficient and appropriate audit evidence about the financial information of the undertakings or business activities within the Group in order to express an opinion on the consolidated financial statement. We are responsible for the briefing, supervision and performance of the audit of the Group. We bear the exclusive liability for our auditor’s opinion.

We communicate with the persons, in charge of the general governance, among other issues, the planned scope and timing of the audit and significant audit findings, including significant deficiencies in the internal control that we have identified during our audit.

We also provide those charged with general management with a statement that we have fulfilled the relevant ethical requirements regarding the independence and that will communicate with them all relationships and other matters that could reasonably be regarded as relevant to our independence, where applicable, and the related precautions.

Among the matters communicated with those charged with the general governance, we determine those issues that have been of greatest significance in the audit of the consolidated financial statements for the current period and which are therefore key audit issues. We describe these issues in our audit report, except in cases where the law or regulations prevent public disclosure of information about this issue or if, in extremely rare cases, we decide that an issue should not be communicated in our report, as could reasonably be expected that the adverse consequences of this action would outweigh the benefits in terms of public interest from this communication.

Report in Relation to Other Legal and Regulatory Requirements

Additional issues for reporting pursuant to the Accounting Act and the Public Offering of Securities Act

In addition to our responsibilities and reporting under ISA, described above in the section 'Information other than the consolidated Financial Statements and the Auditor's Report thereon', in respect to the Consolidated Management Report and the Corporate Governance Statement of the Group and the Consolidated Non-Financial Statement, we have fulfilled the procedures added pursuant to ISA as per the 'Guidelines on New and Expanded Audit Reports and Communication from the Auditor' of the Professional Organization of Certified Public Accountants and Registered Auditors in Bulgaria — Institute of Certified Public Accountants (ICPA)'. These procedures concern checks on the presence and checks on the form and content of such other information to help us form an opinion on whether the other information includes the disclosures and the reports provided for in Chapter Seven of the Accounting Act and the Public Offering of Securities Act (Article 100n(10) of POSA in conjunction to Article 100n(8) items 3 and 4 of POSA, applicable in Bulgaria.

Opinion in conjunction with Article 37, paragraph 6 of the Accounting Act

Based on the procedures performed, our opinion is that:

a) The information included in the Consolidated Management Report for the financial year, for which the consolidated financial statements are prepared is in line with the consolidated financial statements.
b) The Consolidated Management Report is prepared in accordance with the requirements of Chapter Seven of the Accounting Act and Article 100n(7) of the Public Offering of Securities Act.
c) The Corporate Governance Statement of the Group for the financial year, for which the consolidated financial statements have been prepared presents the information required under Article 100n(8) of the Public Offering of Securities Act.
d) The Consolidated Non-Financial Declaration for the financial year, for which the consolidated financial statement is drawn up, is submitted and drawn up in compliance with the requirements of Chapter Seven of the Accounting Act.

Opinion in relation to Article 100n(10) in relation to Article 100n(8), subparagraphs 3 and 4 of the Public Offering of Securities Act

Based on the procedures performed and the acquired knowledge and understanding of the Group`s operations and the environment in which it operates, in our opinion, the description of the main features of the internal control and risk management systems of the Group in relation to the financial reporting process, which is part of the Consolidated Management Report (as element of the Corporate Governance Statement) and the information under Article 10(1), letters 'c', 'd', 'f', 'h' and 'k' of Directive 2004/25/EC of the European Parliament and of the Council of 21 April 2004 on takeover bids, do not contain cases of material incorrect reporting.

Reporting on the compliance of the electronic format of the consolidated financial statements included in the annual consolidated financial report on the activities referred to in Article 100n(5) of the POSA with the requirements of the ESEF Regulation

We performed a commitment for expressing a reasonable level of assurance with respect to the compliance of the electronic format of the consolidated financial statement of DOVERIE – UNITED HOLDING AD for the year ended on 31 December 2023, enclosed in the electronic file '8945008Q3OIEBAOUB529-20231231-BG-CON.zip', with the requirements of Commission

Delegated Regulation (EU) 2019/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format ('ESEF Regulation'). Our opinion concerns only the electronic format of the consolidated financial statement and does not cover the other information included in the annual consolidated financial statement for the activity under Article 100n, Paragraph 5 of the Public Offering of Securities Act.

Description of the subject and the applicable criteria

The management has drawn up an electronic format of the consolidated financial statement of the Group for the year ended on 31 December 2023 in accordance with the procedure of the ESEF Regulation for the purpose of compliance with the requirements of the Public Offering of Securities Act. The rules for preparation of consolidated financial statements in this electronic format are set out in the ESEF Regulation and they have in our opinion the characteristics of appropriate criteria for the formation an opinion of a reasonable level of assurance.

Responsibility of the management and the persons assigned with general governance

The Group's management is responsible for the application of the requirements of the ESEF Regulation upon the preparation of the electronic format of the consolidated financial statement in XHTML. These responsibilities include the choice and application of appropriate iXBRL markings, using the taxonomy of the ESEF Regulation, as well as the introduction and application of such an internal control system as the management may deem necessary for the preparation of the electronic format of the annual consolidated financial statement of the Group, which does not contain material discrepancies with the requirements of the ESEF Regulation.

Those assigned with general governance are responsible for supervising the process of preparation of the annual consolidated financial report of the Group, including the application of the ESEF Regulation.

Auditor's responsibilities

Our responsibility is reduced to expressing an opinion on the reasonable level of assurance as to whether the electronic format of the consolidated financial statement is in line with the requirements of the ESEF Regulation. For this purpose we have complied with 'Guidelines on the expressing of an auditor's opinion in relation to the application of the European single electronic format (ESEF) for the financial statements of companies whose securities are admitted to trade at a regulated market in the European Union (EU)' of the professional organisation of registered auditors in Bulgaria, the Institute of Certified Public Accountants (ICPA)" and we performed a commitment for expressing a reasonable level of assurance in accordance with ISAE 3000 (revised) 'Assurance Engagements Other than Audits or Reviews of Historical Financial Information' (ISAE 3000 (revised)). This standard requires from us to comply with the ethical requirements, to plan and comply with appropriate procedures in order to obtain a reasonable level of assurance whether the electronic format of the consolidated financial statement of the Group is prepared in all material aspects in line with the applicable criteria specified hereinabove. The nature, time and scope of the selected procedures depend on our professional assessment, including the assessment of the risk of material non-compliances with the requirements of the ESEF Regulation, whether due to fraud or mistake.

Reasonable assurance is a high level of assurance, but it does not guarantee that an engagement performed in accordance with ISAIS 3000 (Revised) will always disclose a material non-compliance when it exists.

Quality management requirements

We apply the International Standard on Quality Management (ISQM) 1, which requires us to develop, implement and maintain a quality management system, including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements for registered auditors in Bulgaria.

We are in line with the ethical and independence requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) of the International Ethics Standards Board for Accountants (IESBA Code), adopted by ICPA through the Independent Financial Audit Act.

Summary of the work done

The purpose of the planned procedures performed by us was the obtaining of a reasonable level of assurance that the electronic format of the consolidated financial statement is drawn up, in all material aspects, in line with the requirement of the ESEF Regulation. As a part of the evaluation of the compliance with the requirements of the ESEF Regulation with respect to the electronic (XHTML) format for reporting of the consolidated report of the Group, we preserved professional scepticism and used professional evaluation. We also:

— obtained understanding of the internal control and the processes related to the application of the ESEF Regulation with respect to the consolidated financial statement of the Group and including the drawing-up of the consolidated financial statement of the Group in an XHTML format and its marking in a machine-readable language (iXBRL);
— we checked whether the applied XHTML format is valid;
— we checked whether the human-readable part of the electronic format of the consolidated financial statement corresponds to the audited consolidated financial statement;
— we evaluated the completeness of the markings in the consolidated financial statement of the Group in the use of a machine readable language (iXBRL) in accordance with the requirements of the ESEF Regulation;
— we evaluated the appropriateness of the used iXBRL markings, chosen by the main taxonomy, as well as the creation of an element of the extended taxonomy in compliance with the ESEF Regulation, when there is an appropriate element missing in the main taxonomy;
— we evaluate the appropriateness of the comparing (fixing) of the elements of the expanded taxonomy in line with the ESEF Regulation.

We believe that the evidence obtained by us are sufficient and appropriate to provide a basis for our opinion.

Opinion on the compliance of the electronic format of the consolidated financial statement with the requirements of the ESEF Regulation

In our opinion, based on the procedures performed by us, the electronic format of the consolidated financial statement of the Group for the year ended on 31 December 2023, which is contained in the enclosed electronic file ‘8945008Q3OIEBAOUB529-20231231-BG-CON.zip’, is drawn up in all material aspects in compliance with the requirements of the ESEF Regulation

Reporting in accordance with Art. 10 of Regulation (EC) No 537/2014 in conjunction with Art. 59 of the Independent Financial Audit Act

According to the Independent Financial Audit Act in conjunction with Art. 10 of Regulation (EU) No 537/2014, we report additionally the information hereunder.

— HLB BULGARIA OOD is appointed as a statutory auditor of the consolidated financial statements of **DOVERIE – UNITED HOLDING AD** for the year ended 31 December 2023 by the General Meeting of Shareholders held on 22 June 2023 for a period of one year.
— The audit of the consolidated financial statements of the Group for the year ended 31 December 2023 represents the seventh full ongoing commitment to the statutory audit of that group performed by us.
— We confirm that the audit opinion we have expressed is in accordance with the additional report submitted to the Audit Committee of **DOVERIE – UNITED HOLDING AD**, pursuant to Art. 60 of the Independent Financial Audit Act.
— We confirm that we have not provided outside the audit the services prohibited under Art. 64 of the Independent Financial Audit Act.
— We confirm that during the audit we have maintained our independence from the Group.
— We have provided the following services to the Group for the period covered by our statutory audit, in addition to the audit itself:
Engagement in compliance with the requirements of International Standard on Related Services (ISRS) 4400 (revised) 'Agreed-Upon Procedures Engagements', in pursuance of the requirements established by the Public Offering of Securities Act for a comparison of the historic financial information as at as at 31 December 2021 and as at 31 December 2022, and for the years ending on these dates, submitted in the Prospectus with the Non-Consolidated and Consolidated Financial Statements drawn up in accordance with the International Financial Reporting Standards:
— Prospectus for public offering of an issue of 200 000 convertible interest-bearing unsecured bonds of Doverie – United Holding AD dated 24 November 2023.

Audit company

HLB BULGARIA OOD

Registration number 017

Stoycho Milev

Manager

Evtim Evtimov

Registered auditor, responsible for the audit

Registration number 0882

22 April 2024