



# BANKS RESOLUTION FUND ANNUAL REPORT 2025



BULGARIAN NATIONAL BANK

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## Contents

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|                                                                                                                                             |    |
|---------------------------------------------------------------------------------------------------------------------------------------------|----|
| Summary.....                                                                                                                                | 5  |
| I. Economic Activity in 2025.....                                                                                                           | 8  |
| 1. External Environment.....                                                                                                                | 8  |
| 2. Economic Activity in Bulgaria.....                                                                                                       | 10 |
| 3. State of the Banking System .....                                                                                                        | 14 |
| II. Management of the Banks Resolution Fund .....                                                                                           | 17 |
| 1. BNB Powers.....                                                                                                                          | 17 |
| 2. Sources of Funding.....                                                                                                                  | 18 |
| 3. Determination of Annual and Extraordinary Contributions .....                                                                            | 18 |
| 3.1. Sub-fund for Branches of Third-country Credit Institutions.....                                                                        | 18 |
| 3.2. Sub-fund for Contributions to the SRF.....                                                                                             | 19 |
| 4. Use of the BRF Financial Means .....                                                                                                     | 20 |
| 4.1. Use of Financial Means of the Sub-fund for Branches of Third-country<br>Credit Institutions.....                                       | 20 |
| 4.2. Use of Financial Means of the Sub-fund for Contributions to the SRF .....                                                              | 20 |
| 5. Investment of the BRF Financial Means.....                                                                                               | 20 |
| 6. Main Types of Risk.....                                                                                                                  | 21 |
| 6.1. Market Risk .....                                                                                                                      | 21 |
| 6.2. Credit and Liquidity Risk.....                                                                                                         | 21 |
| III. Key Indicators of BRF Performance in 2025.....                                                                                         | 23 |
| 1. Contributions to the BRF in 2025 .....                                                                                                   | 23 |
| 1.1. Contributions to the Sub-fund for Branches of Third-country Credit<br>Institutions .....                                               | 23 |
| 1.2. Contributions to the Sub-fund for Contributions to the SRF.....                                                                        | 23 |
| 2. Investment of the BRF Financial Means.....                                                                                               | 24 |
| 3. Use of the BRF Financial Means .....                                                                                                     | 24 |
| 3.1. Use of Financial Means of the Sub-fund for Branches of Third-country<br>Credit Institutions.....                                       | 24 |
| 3.2. Use of Financial Means of the Sub-fund for Contributions to the SRF .....                                                              | 25 |
| 4. Financial Means Available in the BRF Sub-funds as of 31 December 2025 .....                                                              | 25 |
| IV. Organisation of the Operational Implementation of the BRF-Related<br>Activities at the BNB and Participation in the SRB Structures..... | 26 |
| 1. Units Assisting the BNB Governing Council in Relation to the BRF<br>Management Function .....                                            | 26 |
| 2. Participation in the Single Resolution Board .....                                                                                       | 26 |
| V. Events Occurred after the Date of the Financial Statements .....                                                                         | 28 |
| VI. Projected Future Developments .....                                                                                                     | 29 |
| VII. Financial Statements as of 31 December 2025 .....                                                                                      | 30 |

## List of Abbreviations

|        |                                                                                |
|--------|--------------------------------------------------------------------------------|
| ABRF   | Administration of the Banks Resolution Fund                                    |
| BNB    | Bulgarian National Bank                                                        |
| BRF    | Banks Resolution Fund                                                          |
| ECB    | European Central Bank                                                          |
| EU     | European Union                                                                 |
| FOMC   | Federal Open Market Committee                                                  |
| GDP    | Gross Domestic Product                                                         |
| HICP   | Harmonised Index of Consumer Prices                                            |
| IAS    | International Accounting Standards                                             |
| IASB   | International Accounting Standards Board                                       |
| IFRS   | International Financial Reporting Standards                                    |
| LBNB   | Law on the BNB                                                                 |
| LRRCIF | Law on the Recovery and Resolution of Credit Institutions and Investment Firms |
| NSI    | National Statistical Institute                                                 |
| O-SIIs | Other systemically important institutions                                      |
| SIA    | structured indexed account                                                     |
| SRB    | Single Resolution Board                                                        |
| SRF    | Single Resolution Fund                                                         |
| SRM    | Single Resolution Mechanism                                                    |
| TREA   | Total Risk Exposure Amount                                                     |

## Summary

The Banks Resolution Fund (the BRF, the Fund) was established in 2015 under the Law on the Recovery and Resolution of Credit Institutions and Investment Firms<sup>1</sup> (LRRCIIF) as a national resolution financing scheme for credit institutions and branches of third-country credit institutions for which the Bulgarian National Bank (BNB) is a resolution authority within the meaning of Article 2 of the LRRCIIF. The Fund is not an autonomous legal entity and consists of two sub-funds having different purposes and scope: 1) a sub-fund established to finance the application of the resolution tools and powers under the LRRCIIF in relation to branches of third-country credit institutions; and 2) a sub-fund established to raise contributions under Articles 69 to 71 of Regulation (EU) No 806/2014<sup>2</sup> and their transfer to the Single Resolution Fund (SRF).

In 2025, global economic activity was characterised by relative resilience, with global economic growth remaining moderate, while its dynamics reflected changes in US foreign trade policy, global trade volatility and favourable global labour market conditions. Inflationary processes developed in divergent directions, with inflation in the euro area falling to a level close to the target of the European Central Bank (ECB), while in the United States it remained above target and accelerated in the second half of the year. The Federal Reserve System and the ECB continued the process of monetary policy easing. The US Federal Reserve System cut the reference interest rate by a total of 75 basis points in the second half of the year in view of indications of deterioration in US labour market conditions, while the ECB, taking into account the prospects for the achievement of the euro area inflation target, reduced the key interest rates by a total of 100 basis points in the first half of 2025. The monetary policy measures taken and changes in market participants' expectations about future interest rate developments contributed to a decline in yields and interest rates in the short-term maturity sectors and to a rise in the long-term maturity sectors of all asset classes.

In 2025, Bulgaria's real gross domestic product (GDP) growth stood at 3.2 per cent (according to seasonally adjusted data). Household consumption had the highest positive contribution to growth in the context of an increase in the number of employed persons, higher labour income in real terms, an increase in net fiscal transfers and high lending activity. Annual consumer price inflation accelerated to 3.5 per cent at the end of 2025 (2.1 per cent in December 2024), with the groups of services and food contributing most. Higher inflation was mainly driven by factors of the domestic macroeconomic environment, which were related to rising unit labour costs and sustained strong private consumption, with one-off discretionary fiscal measures having an additional impact.

<sup>1</sup> Published in the *Darjaven Vestnik*, issue 62 of 14 August 2015.

<sup>2</sup> Regulation (EU) No 806/2014 of the European Parliament and of the Council of 15 July 2014 establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism and a Single Resolution Fund and amending Regulation (EU) No 1093/2010 (OJ, L 225/1 of 30 July 2014).

In 2025, Bulgaria's banking sector continued to operate in a high degree of uncertainty in the external environment related to geopolitical and geoeconomic factors, and under the favourable influence of domestic environment factors. Banking sector's capital indicators and liquidity position remained stable, and asset quality – good.

Lending activity remained strong, mainly in loans to households. Concurrently, net interest income rose at a lower annual rate than that reported in 2024, while impairment increased. The banking system reported lower profit for 2025 compared to the previous year, with levels of profitability indicators remaining good. In the context of the increase in total loans and advances, the ratio of their gross non-performing part declined. The excess of regulatory capital over the capital requirements and applicable capital buffers continued to fully cover net non-performing exposures (residual credit risk). Over the year, the levels of liquidity coverage and net stable funding ratios significantly exceeded the regulatory minima.

Given the uncertainty in the economic environment and the high rates of lending growth, the countercyclical capital buffer rate was confirmed at 2.0 per cent until the end of the first quarter of 2027 by a decision of the BNB Governing Council of December 2025. Due to the persistence of long-term macro-prudential and systemic risks in the banking sector, in 2025 the systemic risk buffer rate of 3 per cent for all banks, applicable to all exposures in the Republic of Bulgaria, was confirmed. As regards risks of a structural nature, the annual review of the buffer for other systemically important institutions (O-SIIs) carried out by the BNB Governing Council in 2025 identified six institutions for which the buffer rates for 2026 have been set within the range from 0.5 per cent to 1.0 per cent. The requirements for credit standards in granting and renegotiating loans secured by residential property, introduced as of 1 October 2024, continued to be subject to a periodic analysis.

In April 2025, the BNB Governing Council set the total amount of the annual contributions to the sub-fund for branches of third-country credit institutions to the BRF for 2025 at BGN 130 thousand. As of 31 December 2025, the available financial means in this sub-fund amounted to BGN 1184 thousand.

In 2025, the Single Resolution Board (SRB) did not collect regular annual contributions to the SRF from credit institutions licensed in the Republic of Bulgaria as the SRF financial means continue to cover its target level as of the end of 2024. In April 2025, based on SRB decision on the calculation of adjustments to individual *ex-ante* annual contributions, including one credit institution licensed in the Republic of Bulgaria which submitted corrective data for 2023, the BNB Governing Council decided to adjust the amount of the funds in the sub-fund under Article 134, paragraph 1, item 2 of the LRRCIF, deducted from the liabilities of that credit institution for *ex-ante* contribution to the SRF for 2023, and to recover funds of BGN 33 thousand in the above mentioned sub-fund. As of 31 December 2025, financial means in the sub-fund dedicated for the contributions to the SRF amounted to BGN 486,487 thousand.

In 2025, no resolution powers were exercised in respect of credit institutions or branches of third-country credit institutions licensed in the Republic of Bulgaria and, therefore, no BRF

financial means were spent on resolution actions or transfer of extraordinary contributions to the SRF.

This Report presents the BNB functions and tasks related to the Fund management. It provides an annual review of the BRF development and performance in the context of the international environment, economic activity in Bulgaria and the state of the banking system. The Report contains also all components of the BRF financial statements as of 31 December 2025, presenting its assets and financial position, cash flows, financial performance and change in net assets, along with the report of the independent auditor.

The Annual Report of the Banks Resolution Fund for 2025 was adopted by the BNB Governing Council by Resolution No 162 of 22 April 2026.

## I. Economic Activity in 2025

### 1. External Environment

Global economic activity in 2025 was characterised by relative resilience, with global economic growth remaining moderate. Developed market economies recorded sustained growth similar to the previous year, while growth remained higher in emerging and developing market economies. The change in US foreign trade policy *vis-à-vis* their main trading partners was a major factor influencing global economic activity dynamics. This change consisted mainly of an increase in import tariffs and led to volatility in global trade, as well as in net exports and inventories of major economies. Global labour market conditions were favourable, with the unemployment rate remaining at historically low levels for the third consecutive year, at 4.9 per cent<sup>3</sup>.

Economic activity in the United States remained relatively high over the year, but real GDP growth slowed to 2.1 per cent from 2.8 per cent in 2024. The main factor behind the slowdown was the uncertainty caused by changes in the country's economic and foreign trade policy priorities following the new presidential administration's inauguration at the beginning of the year. Private consumption and investments remained the main growth drivers of the US economy over the year, while the contribution to growth of public sector consumption and investments declined.

Euro area real GDP growth accelerated to 1.4 per cent compared to 0.9 per cent in the previous year, with investments contributing most and, to a lesser extent, changes in inventories and private consumption. Net exports had an essential negative contribution driven by the weakening of external demand as a result of changes in US customs policy.

In 2025, US annual inflation measured by the personal consumption expenditure price index remained above the 2.0 per cent target set by the Federal Open Market Committee (FOMC). The declining annual inflation process that began in 2022 came to a halt after April 2025, after which inflation began to gradually accelerate, reaching 2.9 per cent in December 2025, compared to 2.7 per cent at the end of 2024. Core inflation in the United States (excluding food and energy products) did not change substantially in 2025, standing at 3.0 per cent as of December, unchanged from the end of 2024. The components of core inflation experienced a slowdown in service price growth year on year, mainly due to a deceleration in housing cost inflation. Commodity price inflation rose in 2025, which is also likely to have been driven by the higher tariffs introduced by the new presidential administration.

Euro area annual consumer price inflation slowed more strongly than in the United States, reaching 1.9 per cent at the end of 2025, compared to 2.4 per cent at the end of 2024. Core inflation stood at 2.3 per cent in December against 2.7 per cent a year earlier. The inflation decline was mainly driven by services and electricity and gas prices. Services inflation slowed down from 4.0 per cent at the end of 2024 to 3.4 per cent at the end of 2025, reflecting slower growth in labour costs included in the final prices of services.

<sup>3</sup> According to an International Labour Organization estimate published on 14 January 2025.

In 2025, market environment was driven by leading central banks' monetary policies and the uncertainty stemming from the revision of the US trade policy *vis-à-vis* their major trading partners. Consumer price inflation in the euro area decelerated to the 2 per cent target, while that in the US remained above the Federal Reserve target. Taking into account the high level of uncertainty resulting from changes in US trade policy, the Federal Reserve kept the federal funds rate unchanged in January-August 2025. In view of the growing risks to the US labour market, the Federal Reserve undertook three consecutive benchmark rate cuts, by 25 basis points each, at its meetings in September, October and December as these cuts were described as preventive. At the same time, the Governing Council of the ECB reduced its key interest rates by a total of 100 basis points in the first half of 2025 reflecting more favourable prospects of declining inflation in the euro area to the ECB's target. In the second half of the year, the ECB kept interest rates unchanged and signalled that it is in a good position from a monetary policy perspective. Interest rates remained the main instrument of monetary policy implementation by the Federal Reserve and the ECB, while the reduction in the size of central banks' balance sheets by discontinuing the reinvestments of funds from maturing securities purchased for the purposes of the monetary policy, was secondary. Over the review period, US and European financial market volatility indices rose compared to 2024.

The decrease in the ECB's deposit facility rate was the main driver of the decrease in unsecured deposit rates in the interbank market in 2025. By 31 December 2025, the €STR decreased to 1.92 per cent compared to 2.91 per cent at the end of 2024. The trade volume of overnight deposits in the unsecured euro area money market increased in 2025, with the daily average for the year reaching EUR 63.3 billion (compared with EUR 53.0 billion in 2024). The interest rate on unsecured deposits in the interbank market (EURIBOR) with a three-month maturity declined to 2.03 per cent at the end of 2025 (compared to 2.71 per cent at the end of 2024) and interest rates on six-months and 12-months maturity deposits declined to 2.11 per cent and 2.24 per cent, respectively (from 2.57 per cent and 2.46 per cent, respectively, at the end of 2024).

In 2025, German government bond yields declined in the maturity sectors of up to one year inclusive but rose, in longer-term maturity sectors. German government two-year bond yields rose by 4 basis points to 2.12 per cent, with ten-year yields increasing by 49 basis points to 2.86 per cent. These developments led to an increase in the slope of the German yield curve, measured by the spread between ten-year and two-year government bond yields: by 45 basis points to 73 basis points at the end of 2025. The four ECB interest rate cuts were a major factor behind declining German government bond yields in short-term maturity sectors. Expectations of increased issuance of German government securities to finance defence and infrastructure spending contributed to the rise in yields in the medium- and long-term maturity sectors. Macroeconomic data releases in 2025, which were predominantly better than expected, also contributed to the increase in German government bond yields. Rising yields on German government securities in the medium and long-term maturity sectors were constrained by increased demand for low-risk assets due to the uncertainty caused by the US President Administration's trade policy and enhanced geopolitical tensions. Yield spreads between the government securities of euro area countries and those of Germany mostly declined in 2025. More significant volatility and slight widening of spreads were observed in April, during the period when the US announced

the so-called “reciprocal” tariffs. In the ten-year maturity sector, the sharpest narrowing in spreads was observed for government bonds of Italy (by 46 basis points), Spain (by 26 basis points), and Portugal (by 19 basis points). Euro area periphery countries experienced a larger narrowing of spreads, mainly reflecting favourable macroeconomic developments in these countries, positive rating news for many of them, as well as ECB’s monetary policy easing. Over the year, ten-year government bond spreads narrowed to a lesser extent for the other euro area core countries. France’s spread was most volatile owing to the periods of escalation and easing of the political crisis in the country and the inability to reach a political compromise on the approach for reducing the country’s budget deficit.

In 2025, yield dynamics in other asset classes that could be potentially part of a structured nominal model portfolio, which forms the return on the BRF’s structured indexed account (SIA) held with the BNB, were also downward in short-term maturity sectors and upward in long-term ones, following dynamics of benchmark yield curves against which these financial instruments are traded.

## 2. Economic Activity in Bulgaria

In 2025, Bulgaria’s real GDP growth was 3.2 per cent<sup>4</sup> (3.1 per cent according to non-seasonally adjusted data). By final consumption expenditure component, private consumption, followed by gross fixed capital formation and government consumption had the strongest contributions to the economic activity growth. Fiscal policy continued to have a pro-cyclical effect and stimulated domestic demand mainly through higher social payments and strong growth in compensation of employees in the public sector. Net exports contributed negatively to real GDP growth.

Household final consumption expenditure rose by 7.7 per cent on an annual basis in real terms, supported by labour market developments with regard to employment growth and rising labour income in real terms. The main factors influencing wage growth were stronger labour demand in the context of rising economic activity and preserved significant labour shortages, as well as increased government sector wages and minimum wage since January 2025. Additional factors with a positive effect on private consumption dynamics were rising net fiscal transfers, high lending activity and persistent negative real interest rates on household deposits, which have contributed to the comparatively high consumption patterns.

Government consumption rose by 7.0 per cent on an annual basis in real terms over 2025, with data on Consolidated Fiscal Programme implementation indicating that personnel, operating and healthcare expenses had a bearing on it.

Gross fixed capital formation posted 10.3 per cent growth in real terms compared to 2024, with public and private investments, including in housing, contributing to this, according to the BNB’s estimates.<sup>5</sup> The increase in government investments was mainly in

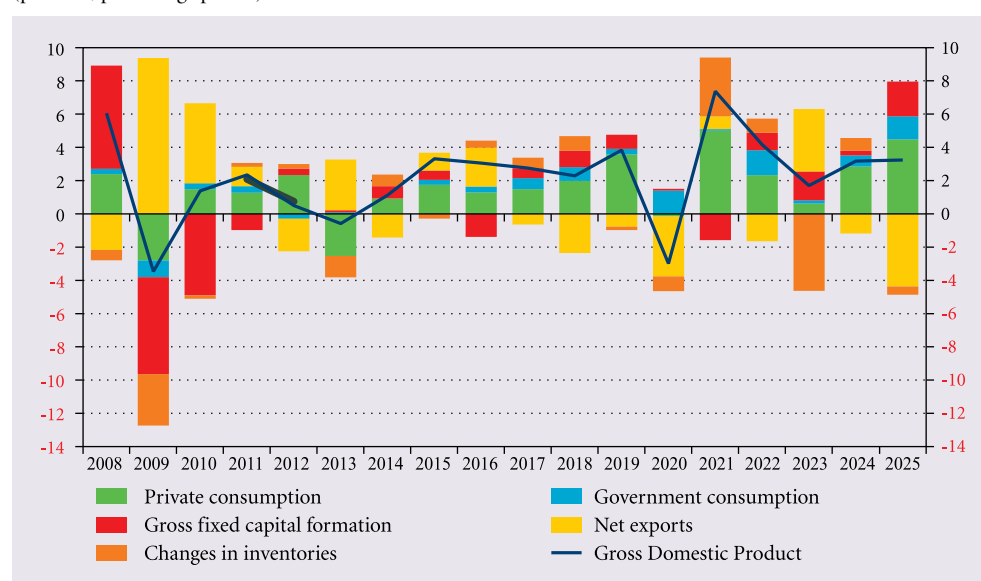
<sup>4</sup> According to seasonally adjusted data. The analysis employs preliminary data from the National Statistical Institute published on 6 March 2026.

<sup>5</sup> The NSI does not provide official data on the breakdown of total investments into private and public investments in the economy. Private investment series is constructed by the BNB as a difference between total investments and the estimated amount of public investments on an accrual basis in real terms. Public investment estimates for January–September 2025 are based on quarterly non-financial accounts of the general government sector, published by the NSI, while data for the fourth quarter of 2025 are based on the Consolidated Fiscal Programme.

relation to projects financed by the European Union (EU), in particular those launched under the National Recovery and Resilience Plan. Factors supporting growth of investment activity of the private sector over 2025 were the increased final consumption expenditure, sales of new dwellings and active supply of credit resources by banks. Foreign direct investment inflows into the sectors of financial services, manufacturing and information services also increased over the year. Despite high investment activity, the overall business climate indicator deteriorated in 2025 compared to 2024, with a large share of firms identifying the uncertain economic environment and labour shortages as factors hampering their activities.

**Chart 1. GDP Rate of Change in Real Terms and Contributions by Final Consumption Expenditure Component**

(per cent; percentage points)



Sources: NSI, BNB calculations.

The negative contribution of net exports to the real GDP change in 2025 reflected a decline in exports (by 2.1 per cent on an annual basis) in combination with strong year-on-year growth in goods and services imports (by 5.9 per cent on an annual basis). The decline in exports was entirely due to the trade in goods, strongly affected by the repairs in key metal and oil processing enterprises. At the same time, the accelerated growth in goods imports was in line with the strong growth of domestic demand.

In terms of the trends across economic sectors, gross value added posted a 2.6 per cent increase in real terms in 2025, according to both seasonally adjusted and non-seasonally adjusted data. The services sector had a positive contribution to this dynamics, notably the sub-sectors of general government; education; human health and social work activities; trade, transport, accommodation and food services and real estate operations. As regards industry, value added declined, entirely driven by manufacturing, while construction reported an increase in economic activity.

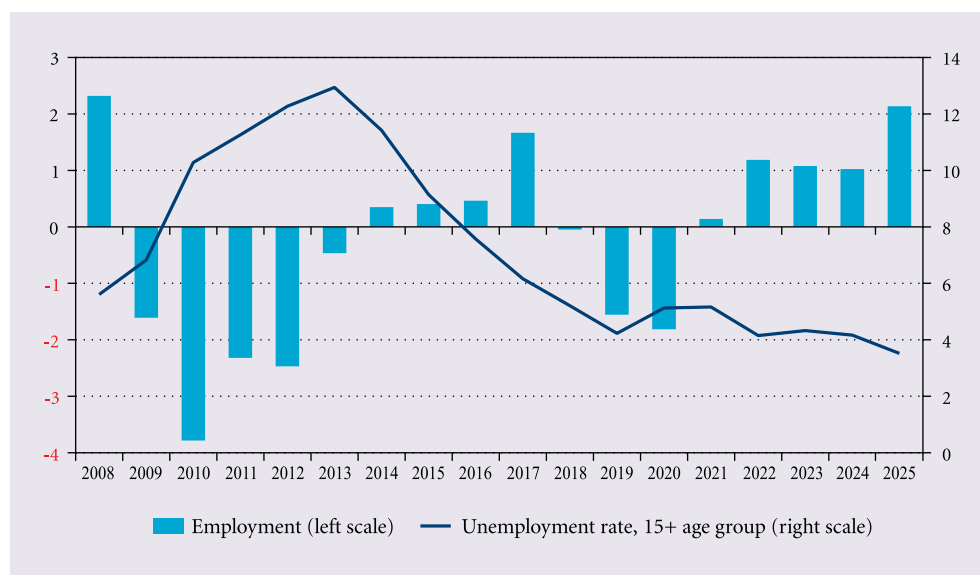
Gross operating surplus at current prices for the overall economy increased by 9.0 per cent<sup>6</sup> in 2025 (8.8 per cent according to non-seasonally adjusted data), reflecting primarily the improvement in financial performance of firms in services and, to a lesser extent, in construction and agriculture.

Labour market conditions remained tight. In 2025, the number of employed persons rose by 2.1 per cent according to seasonally adjusted data (2.2 per cent according to the non-seasonally adjusted data), with the services sector, in particular the sub-sector of trade, transport, hotels and food services, having the main contribution to the reported growth. The number of persons employed in construction also increased, while in manufacturing and agriculture, it declined for a fourth consecutive year. Based on NSI's Labour Force Survey data, the unemployment level was 3.5 per cent on average for the year<sup>7</sup> (both seasonally adjusted and non-seasonally adjusted data), marking the lowest historical level.

**Chart 2. Rate of Change in Employment and the Level of Unemployment**

(per cent, on an annual basis; seasonally adjusted data)

(per cent of labour force)



Source: NSI.

In 2025, annual growth of non-government sector's deposits remained high, accelerating in the second half of the year to reach 16.4 per cent at the end of the year (10.1 per cent by end-2024). The upward dynamics was mainly driven by household deposits, rising year on year by 19.8 per cent (11.8 per cent in December 2024). The intensive depositing of free cash holdings in the banking system over the second half of 2025 for the purpose of their automatic conversion into euro after Bulgaria's accession to the euro area from the beginning of 2026, which was stimulated by the banks' campaigns for depositing such cash without fees, was the main factor behind the accelerated growth of household deposits.

<sup>6</sup> According to seasonally adjusted data. The analysis employs preliminary data from the National Statistical Institute published on 6 March 2026.

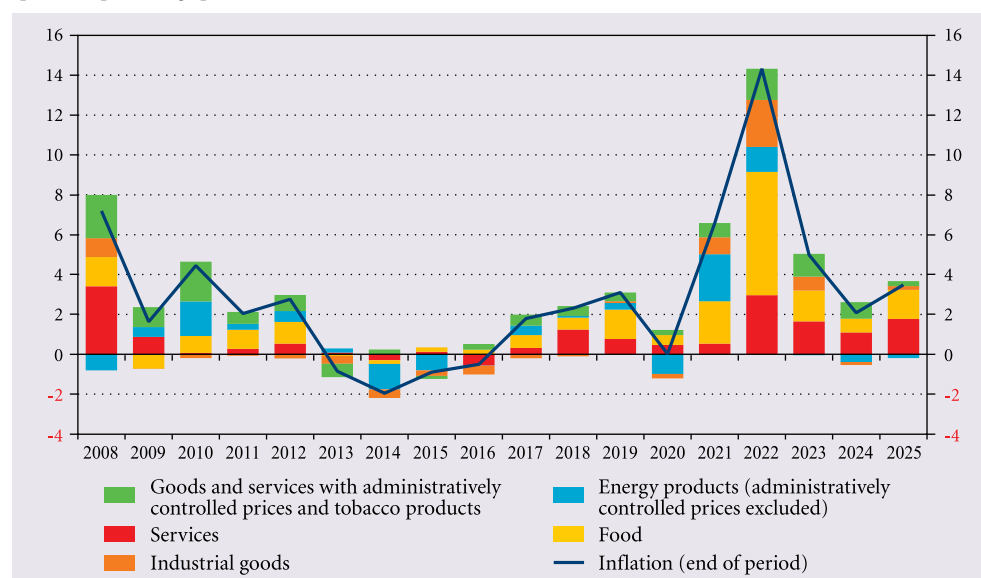
<sup>7</sup> Data refer to the age group of 15 and older.

As a result of the high liquidity in the banking system, which was further underpinned by intensive depositing of cash holdings in the second half of 2025, interest rates on newly attracted funds in the household sector remained at low levels. Interest rates on newly granted housing and consumer loans remained broadly unchanged on an average annual basis, with those on housing loans retaining their very low historical levels. The weighted average interest rate on new time deposits of non-financial corporations decreased against 2024. Corporate lending rates also showed downward dynamics, reflecting the significantly higher share of euro-denominated loans compared to the household sector, their linkage to reference indices in the interbank euro area market and the downward trend in key euro area interest rates until mid-2025.

Annual growth of credit to the non-government sector accelerated slightly from the end of 2024, reaching 15.5 per cent in December 2025. Household credit, which rose by 21.1 per cent on an annual basis, had the main contribution to the overall credit growth. Housing loans continued to play a key role in the growth of credit to households. Factors supporting growth of housing loans were rising labour income, low interest rates on housing loans, limited opportunities for investing savings accumulated in the economy amid negative real interest rates on deposits, and banks' high liquidity and sound capital position. At the end of 2025, credit to non-financial corporations posted growth of 10.1 per cent on an annual basis.

**Chart 3. Annual HICP Inflation Rate and Contribution of Major Goods and Services Groups to It**

(per cent; percentage points)



Sources: NSI, BNB calculations.

Notes: This structure corresponds to the Eurostat classification; tobacco products and goods and services with administratively controlled prices are presented separately. The index of goods and services with administratively controlled prices is calculated through the elementary aggregates level in the consumer basket.

Annual HICP inflation accelerated to 3.5 per cent at the end of 2025 (2.1 per cent in December 2024). Higher inflation was largely influenced by factors of the domestic mac-

roeconomic environment. Increased unit labour costs raised firms' production costs, which in combination with sustained strong private consumption created a prerequisite for higher costs to be passed on to final consumer prices. Fiscal policy also continued to be a pro-inflationary factor, supporting growth in household disposable income and consumption for another year in a row through rising social payments and compensation of employees in the public sector, as well as automatic increase in minimum wage. Services and food groups contributed most to headline consumer price inflation at the end of 2025. A major one-off factor behind the acceleration of inflation in services and food groups was the restoration of the standard VAT rate of 20 per cent for supply of bread and flour and for restaurant and catering services, in force from the beginning of 2025. Other one-off factors driving end-year inflation were increased excise duties on tobacco products in January and May 2025 and electricity price rises in January and July 2025. At the same time, energy products (excluding administratively controlled prices) contributed negatively to headline inflation, driven by crude oil price declines in international markets.

### 3. State of the Banking System

In 2025, Bulgaria's banking sector continued to operate amid a high degree of uncertainty in the external environment related to geopolitical and geoeconomic factors and a favourable influence of domestic environment factors. Banking sector's capital indicators and liquidity position remained stable, and asset quality – good.

Lending activity remained strong, especially in loans to households. Concurrently, net interest income rose at a lower annual rate than that reported in 2024, while impairment increased. For 2025, the banking system reported lower profits than in the previous year, with profitability indicators remaining good. In the context of the increase in total loans and advances, the proportion of their gross non-performing part declined. The excess of regulatory capital over the capital requirements and applicable capital buffers continued to fully cover net non-performing exposures (residual credit risk). Over the year, the levels of liquidity coverage and net stable funding ratios significantly exceeded the regulatory minima.

In view of the economic environment uncertainty and high credit growth rates, the countercyclical capital buffer rate was confirmed by the BNB Governing Council decision of December 2025 at 2.0 per cent until the end of the first quarter of 2027. Due to the persistence of long-term macroprudential and systemic risks in the banking sector, the systemic risk buffer of 3 per cent was confirmed in 2025 for all banks, applicable to all exposures in the Republic of Bulgaria. As regards risks of a structural nature, the annual review of the buffer for O-SIIs carried out by the BNB Governing Council in 2025 identified six institutions for which the buffer rates in 2026 were set to range from 0.5 per cent to 1.0 per cent. Requirements to credit standards in extending and renegotiating loans secured by residential property, introduced from 1 October 2024, continued to be subject to a periodic analysis.

The capital position of the banking system remained stable in 2025, with capital ratios well above the minimum regulatory requirements and applicable capital buffers. By end-December 2025, the total capital adequacy ratio was 26.56 per cent, compared

to 22.97 per cent by end-2024. Regulatory equity (own funds) of the banking system rose by BGN 6.1 billion against end-2024 (28.7 per cent) to BGN 27.4 billion. Total risk exposure amount (TREA) grew by BGN 10.5 billion (11.3 per cent) coming to BGN 103.1 billion at the end of 2025. The amount of exposures was affected by regulatory changes<sup>8</sup> applied by credit institutions since the beginning of 2025. The main component of TREA – risk-weighted exposures for credit, counterparty credit and dilution risks, as well as free deliveries – increased by BGN 8.0 billion (9.4 per cent) to BGN 93.6 billion at end-2025. Their growth was driven by the removal of more favourable temporary treatment of 0 per cent for exposures to EU central governments and central banks where these exposures are denominated and funded in the domestic currency of another Member State, with 20 per cent of the risk weight assigned to these exposures being applied from 1 January 2025.<sup>9</sup> The leverage ratio for the banking system was 11.26 per cent at end-December 2025 (when a fully phased-in definition of tier 1 capital is applied) indicating a high capital coverage of the total exposure and a low indebtedness level of the banking system. In 2025, all credit institutions in Bulgaria reported a level of leverage well above the minimum regulatory requirement of 3 per cent.

Attracted funds in the banking sector remained adequately covered by high quality liquid assets, with the levels of liquidity coverage ratio and net stable funding ratio remaining significantly above the regulatory requirement of 100 per cent in all credit institutions. By end-2025, the aggregate liquidity coverage ratio for the banking system was 280.6 per cent (241.3 per cent by end-2024), and the net stable funding ratio was 167.0 per cent (165.3 per cent at the end of 2024).

Gross non-performing loans and advances in the banking system increased by BGN 262 million (6.9 per cent) from end-2024 to BGN 4.09 billion. At the same time, under the influence of the faster increase in the total amount of loans and advances, the non-performing loans ratio<sup>10</sup> fell to 2.8 per cent at the end of December 2025 (compared to 3.2 per cent a year earlier).

The banking system's profit was BGN 3.6 billion in 2025, down BGN 43 million (1.2 per cent) from end-2024. Total net operating income rose by BGN 189 million (2.4 per cent) from end-2024 to BGN 8.1 billion. Its main component – net interest income – increased by BGN 72 million (1.3 per cent) reaching BGN 5.6 billion at the end of the period. At the same time, impairment costs on financial assets not measured at fair value through

<sup>8</sup> Data on the regulatory capital with reference dates of 31 March, 30 June, 30 September and 31 December 2025 are aggregated for the banking system on the basis of regulatory reporting in force since the beginning of 2025 pursuant to Regulation (EU) 2024/1623 of the European Parliament and of the Council of 31 May 2024 amending Regulation (EU) No 575/2013 as regards requirements for credit risk, credit valuation adjustment risk, operational risk, market risk and the output floor (CRR III) and Commission Implementing Regulation (EU) 2024/3117 laying down implementing technical standards with regard to supervisory reporting of institutions and repealing Commission Implementing Regulation (EU) 2021/451.

<sup>9</sup> As per Regulation (EU) No 2024/1623 of the European Parliament and of the Council of 31 May 2024 amending Regulation (EU) No 575/2013, amending Article 500a, for the reporting periods in 2025, credit institutions should apply a 20 per cent risk weight to exposures to central governments and central banks of EU Member States where these exposures are denominated and funded in the domestic currency of another Member State. This Regulation was published in the EU Official Journal on 19 June 2024, with certain amendments applicable from 9 July 2024.

<sup>10</sup> A definition of loans and advances applicable as from June 2020 (cash balances at central banks and other demand deposits are excluded).

profit or loss increased by BGN 67 million (9.7 per cent) compared to 2024 to BGN 762 million at the end of 2025. Over the same period, banks' expenses on contributions to resolution funds and deposit guarantee schemes decreased by BGN 63 million (28.6 per cent) to BGN 158 million by end-2025.

Table 1 Key Indicators of the Banking System<sup>11</sup>

| Key indicators                                                                                                    | December 2024 | December 2025 | Annual change (per cent) |
|-------------------------------------------------------------------------------------------------------------------|---------------|---------------|--------------------------|
| Assets, BGN million                                                                                               | 191,542       | 227,041       | 18.5                     |
| Assets as a share of GDP, per cent                                                                                | 93.5          | 100.1         | -                        |
| Equity, BGN million                                                                                               | 23,143        | 29,720        | 28.4                     |
| Profit, BGN million                                                                                               | 3,685         | 3,642         | -1.2                     |
| Total capital adequacy ratio, per cent                                                                            | 22.97         | 26.56         | -                        |
| Common equity tier 1 capital ratio, per cent                                                                      | 21.30         | 24.89         | -                        |
| Capital surplus/deficit relative to capital requirements, including the combined buffer requirement*, BGN million | 5,172         | 9,011         | -                        |
| Capital surplus/deficit as a ratio to the risk-weighted assets, per cent                                          | 5.6           | 8.7           | -                        |
| Liquidity coverage ratio, per cent                                                                                | 241.3         | 280.6         | -                        |
| Return on assets, per cent                                                                                        | 1.92          | 1.60          | -                        |
| Return on equity, per cent                                                                                        | 15.92         | 12.25         | -                        |
| Gross non-performing loans ratio**, per cent                                                                      | 3.2           | 2.8           | -                        |

\* A 'combined buffer requirement' is a concept referred to in Article 2, paragraph 3 of the BNB Ordinance No 8 of 27 April 2021 on Capital Buffers, the Combined Buffer Requirement, Restrictions on Distributions and the Guidance on Additional Own Funds.

\*\* A definition of loans and advances applicable as from June 2020 (cash balances at central banks and other demand deposits are excluded).

Source: BNB.

<sup>11</sup> Based on updated supervisory reports on an individual basis at end-December 2024 and end-December 2025, submitted by 25 February 2026.

## II. Management of the Banks Resolution Fund

### 1. BNB Powers

The Banks Resolution Fund was established in 2015 under the Law on the Recovery and Resolution of Credit Institutions and Investment Firms as a national resolution financing arrangement.<sup>12</sup> The BRF is not an autonomous legal entity.

Since 27 July 2020, as a result of established close cooperation with the ECB<sup>13</sup> and joining the Single Resolution Mechanism (SRM), the Bulgarian National Bank in its capacity as a resolution authority is fully responsible for BRF administration and management, and collected financial means are allocated in two separate sub-funds having different purposes and scope:

- a sub-fund established to finance the application of the resolution tools and powers in relation to branches of third-country credit institutions (Article 134, paragraph 1, item 1 of the LRRCIIF): a sub-fund for branches of third-country credit institutions.

This sub-fund ensures a mechanism to finance resolution of branches of third-country credit institutions (outside the scope of the SRM). Its purpose is to limit to the maximum extent possible the use of public funds at a national level in case additional financing of resolution is needed.

- a sub-fund established to raise contributions under Articles 69–71 of Regulation (EU) No 806/2014 and their transfer to the SRF (Article 134, paragraph 1, item 2 of the LRRCIIF): a sub-fund for contributions to the Single Resolution Fund.

This sub-fund is earmarked for raising contributions from the credit institutions licensed in the Republic of Bulgaria that fall within the scope of the SRM and for transferring them to the SRF.

BNB decisions as a resolution authority for credit institutions, including those concerning administration and management of the Fund, are taken by the Governing Council of the BNB.

Pursuant to the LRRCIIF, the BNB is responsible for the following main activities in relation to operational Fund governance: determining and raising annual and extraordinary contributions from branches of third-country credit institutions; concluding agreements for borrowing funds and other forms of support and provision of loans under the terms and conditions specified in Articles 141 and 142 of the LRRCIIF; investing the funds of the BRF; fulfilling the obligations arising from the LRRCIIF in relation to the application

<sup>12</sup> From the moment of establishment of the Fund until 27 July 2020, the Management Board of the Bulgarian Deposit Insurance Fund took decisions on the operational management of the BRF, and the BNB, as a resolution authority for credit institutions, had powers relating to the determination of contributions to the BRF and the use of its financial means for resolution purposes.

<sup>13</sup> *Decision (EU) 2020/1015* of the European Central Bank of 24 June 2020 on the establishment of close cooperation between the European Central Bank and the Bulgarian National Bank (ECB/2020/30) (OJ L 224 I of 13 July 2020, p 1).

of resolution tools requiring the establishment of companies whose capital is financed through the BRF funds; appointing a registered auditor to carry out an independent financial audit of the annual financial statements of the BRF; adopting and publishing the annual financial statements of the BRF.

The Bulgarian National Bank as a national resolution authority within the meaning of Regulation (EU) No 806/2014 acts as a main contact point with the credit institutions established in the Republic of Bulgaria for the purpose of collecting the information required to determine the contributions in the SRF and its submission to the SRB. In addition, the BNB is obliged to notify the credit institutions of the determined/recalculated<sup>14</sup> individual amount of their contributions to the SRF, to collect the contributions in the earmarked sub-fund of the BRF or to deduct the contribution liabilities from the funds in the sub-fund for contributions to the SRF and to transfer the collected/deducted amounts to the SRF.

## 2. Sources of Funding

The BRF sources of funding include: annual and extraordinary contributions by banks and branches of third-country credit institutions; returns on the investment of the BRF funds; reimbursement of amounts used for resolution purposes under the terms set for application of appropriate resolution tools and related income and compensation; and other sources.

Where the available financial means raised from annual and extraordinary contributions are not sufficient to cover the expenses incurred to finance resolution actions, the BRF may be replenished by borrowing or other forms of support from banks, financial institutions or other third parties in case such options are immediately accessible on reasonable terms.

## 3. Determination of Annual and Extraordinary Contributions

Contributions to resolution financing arrangements may be annual individual contributions determined for each credit institution and a branch of a third-country credit institution, as well as extraordinary contribution. The contributions are determined and raised under the procedure set out below for each of the two sub-funds, according to the powers of the authorities under the relevant resolution financing arrangement.

### 3.1. Sub-fund for Branches of Third-country Credit Institutions

Contributions to the sub-fund for branches of third-country credit institutions are determined by the BNB.

Individual annual contributions to this sub-fund are one-off annual fixed sums calculated by the BNB on the basis of the amount of covered deposits of branches of third-country credit institutions and available financial means in the sub-fund under

<sup>14</sup> Within an ongoing procedure for determining the contributions to the SRF, credit institutions may submit corrective reporting templates of data submitted in previous procedures during which contributions to the SRF were determined. In these cases, the SRB recalculates the relevant bank's contribution to the SRF for the period for which corrective data are submitted.

Article 134, paragraph 1, item 1 of the LRRCIF. The terms and conditions for determining the amount of individual annual contributions of branches of third-country credit institutions to the BRF and their collection by the BNB are provided for in Ordinance No 41 of the BNB.<sup>15</sup>

Where the amount of the financial means accumulated in the sub-fund is not sufficient to cover the costs associated with the financing of the resolution, the BNB determines and raises extraordinary contributions from branches of third-country credit institutions pursuant to the provisions of the LRRCIF.

### 3.2. Sub-fund for Contributions to the SRF

Individual annual contributions and extraordinary contributions to the SRF for all credit institutions licensed in the Republic of Bulgaria are determined by the SRB.

Principles and rules for determining the individual annual contributions and extraordinary *ex-post* contributions of credit institutions to the SRF are laid down in Regulation (EU) No 806/2014, Commission Delegated Regulation (EU) 2015/63<sup>16</sup> and Council Implementing Regulation (EU) 2015/81.<sup>17</sup> Annual contributions are calculated in accordance with the type, size and risk profile of an institution, as well as the target level of the funds, accounting for at least 1 per cent of the amount of covered deposits of all credit institutions licensed in participating Member States. Credit institutions have the opportunity to meet their obligations related to annual *ex-ante* contributions by both cash and partially by undertaking irrevocable payment commitments<sup>18</sup> that are guaranteed entirely by a collateral of low risk assets.

It is a responsibility of the BNB, as a national resolution authority, to notify the credit institutions of the contributions determined by the SRB, as well to raise and transfer the collected amounts to the SRF in accordance with the Agreement on the Transfer and Mutualisation of Contributions to the Single Resolution Fund.<sup>19</sup>

<sup>15</sup> BNB Ordinance No 41 of 25 February 2021 on Determining the Amount of the Individual Annual Contributions of Branches of Third-country Credit Institutions to the Banks Resolution Fund, published in the Darjaven Vestnik, issue 23 of 19 March 2021.

<sup>16</sup> Commission Delegated Regulation (EU) 2015/63 of 21 October 2014 supplementing Directive 2014/59/EU of the European Parliament and of the Council with regard to *ex-ante* contributions to resolution financing arrangements (OJ, L 11 of 17 January 2015, p 44).

<sup>17</sup> Council Implementing Regulation (EU) 2015/81 of 19 December 2014 specifying uniform conditions of application of Regulation (EU) No 806/2014 of the European Parliament and of the Council with regard to *ex-ante* contributions to the Single Resolution Fund (OJ, L 15 of 22 January 2015, p 1).

<sup>18</sup> The share of irrevocable payment commitments is specified in a decision of the SRB and in accordance with Article 70(3) of Regulation (EU) No 806/2014 – that share shall not exceed 30 per cent of the amount of annual contributions.

<sup>19</sup> Ratified by a law adopted by the 44th National Assembly on 8 November 2018 (published, Darjaven Vestnik, issue 96 of 20 November 2018, effective as of 24 November 2018).

## 4. Use of the BRF Financial Means

### 4.1. Use of Financial Means of the Sub-fund for Branches of Third-country Credit Institutions

Symmetrically to the power to determine the contributions in the sub-fund for branches of third-country credit institutions, the BNB takes decisions on the use of the sub-fund financial means for the purposes of the efficient application of resolution tools towards branches of third-country credit institutions.

### 4.2. Use of Financial Means of the Sub-fund for Contributions to the SRF

Financial means which are raised in this sub-fund are intended solely for a transfer of contributions due to the SRF.

Upon a decision of the SRB, SRF financial means are used for the purposes of resolution of credit institutions, including credit institutions falling within the direct powers of the BNB. Within the resolution scheme, the SRB may use the SRF financial means only to the extent necessary to ensure the effective application of the resolution tools and solely for the purposes laid down in Regulation (EU) No 806/2014.

## 5. Investment of the BRF Financial Means

The BRF financial means are held in accounts with the BNB and are invested in accordance with the Law on the BNB and in compliance with the Internal Rules for Management of the Banks Resolution Fund Financial Means<sup>20</sup>, (Internal Rules) while consistently adhering to the principles of security, liquidity, and profitability. Investment decisions are taken by the BNB Governing Council, and financial means in individual funds are invested separately (without mixing them).

The procedure under which the BNB, as a resolution authority, manages the BRF financial means and the interaction and tasks of the BNB structural units in relation to this activity are laid down in the Internal Rules.

The Internal Rules also define the eligible financial instruments for the purposes of BRF financial means management, taking into account the current status and expected developments of the economy and financial markets, as well as the possible approaches to the management of financial means in the two sub-funds, which the BNB: (a) in its capacity as a manager of the BRF may apply in accordance with the LRRCIIF, on the one hand; and (b) in its capacity as a provider of investment services to customers may offer according to the restrictions of the LBNB, on the other hand. Considering the above, the financial instruments defined as eligible for investing the Fund's financial means are a current account with the BNB and a SIA with the BNB, which are opened and serviced according to the General Terms and Conditions of the Bulgarian National Bank on Servicing Accounts of Banks, Budget Organisations and Other Customers.

As regards the SIA financial instrument, the BNB Governing Council, on a proposal from the Deputy Governor in charge of the Banking Department, takes a decision on

<sup>20</sup> Adopted by BNB Governing Council Decision No 446 of 17 December 2020.

the eligible classes of assets and investment restrictions by type of risk. This decision is reviewed at least once a year.

The financial instrument, in which financial means of each of the two sub-funds may be invested, is chosen on a quarterly basis by the BNB Governing Council on a proposal from the Deputy Governor in charge of the Banking Department, accompanied by an analysis of the expected return and risk and in consistent compliance with the principles of security, liquidity and profitability.

## 6. Main Types of Risk

Risk management focuses on minimising potential negative effects that may affect the financial position of the Fund. In the course of its ordinary activities, the Fund is exposed to the following main financial risks related to financial instruments used in managing the financial means of each of the two BRF sub-funds:

### 6.1. Market Risk

**Currency risk:** currency risk exists where there is a mismatch between the currency structure of assets and that of liabilities.

With the introduction of the currency board arrangement in Bulgaria and the fixing of the Bulgarian currency to the euro, the financial statements, prepared in Bulgarian levs, are affected by movements in the exchange rate of the lev against the currencies other than the euro.

In 2025, the Banks Resolution Fund's financial means were not exposed to currency risk, as the financial instruments possessed by it were held in Bulgarian levs.

**Price risk:** the risk of a decrease in the value of the investment as a result of adverse changes in market price levels.

In 2025, the Banks Resolution Fund had no financial instruments exposed to price risk.

**Interest risk:** interest risk relates to the risk of interest rate fluctuations, which may impact the future cash flows of assets (investments) and interest-bearing liabilities.

In 2025, the Banks Resolution Fund's cash is held in current accounts with the BNB, applying floating interest rates determined in accordance with the General Terms and Conditions of the Bulgarian National Bank on Servicing Accounts of Banks, Budget Organisations and Other Customers.

### 6.2. Credit and Liquidity Risk

**Credit risk** is mostly the risk for the BRF of being unable to collect its receivables within an appropriate time frame. When determining how much the credit risk is increased compared to the initial recognition of the asset, the BNB Governing Council uses all reasonable and supportable information that is available.

Loss given default is a judgement for damages that the Fund would suffer in the event of default. It is based on the difference between the contractual cash flows and the cash flows that the Fund is expected to receive.

The maximum credit exposure is the carrying amount of cash and cash equivalents as of 31.12.2025.

**Liquidity risk** primarily manifests in two aspects: the first aspect is the risk of the Fund being unable to meet its obligations when due, and the second aspect comprises the risk of being unable to sell an asset on international markets at a fair value within an appropriate time frame in accordance with the respective market conventions.

In 2025, the Fund's financial means are held in current accounts with the BNB.

Detailed information on the management of financial risks, to which the BRF is exposed, is provided in Note 9 'Financial Risk Management' of section VII 'Financial Statements as of 31 December 2025'.

### III. Key Indicators of BRF Performance in 2025

#### 1. Contributions to the BRF in 2025

##### 1.1. Contributions to the Sub-fund for Branches of Third-country Credit Institutions

In April 2025, the BNB Governing Council determined the total amount of annual contributions to the BRF sub-fund for branches of third-country credit institutions for 2025 at BGN 130 thousand and informed the contribution debtors, thereof. Funds were paid up to the sub-fund's account within the statutory time-limit (30 days from the date of notification).

In 2025, no circumstances have occurred that require extraordinary contributions to be raised from branches of third-country credit institutions in the sub-fund under Article 134, paragraph 1, item 1 of the LRRCIIF.

##### 1.2. Contributions to the Sub-fund for Contributions to the SRF

In 2025, no funds were raised in the sub-fund for contributions to the SRF.

On 10 February 2025, the SRB published a press release stating that the requirement for the target level of the SRF<sup>21</sup> continued to be met as of 31 December 2024, as a result of which, in the absence of any change in circumstances, there are no intentions to collect regular annual contributions to the SRF in 2025.<sup>22</sup> Therefore, in the context of the procedure for determining the individual annual contributions to the SRF in 2025, the SRB only followed its procedure for the recalculation of the individual annual *ex-ante* contributions of the institutions that submitted corrective data in respect of previous procedures for determining contributions to the SRF.<sup>23</sup>

In April 2025, following a notification by the SRB of a decision on the calculation of adjustments to individual *ex-ante* annual contributions, including of one credit institution licensed in the Republic of Bulgaria, which submitted corrective data for 2023, the BNB Governing Council decided to adjust the amount of the funds in the sub-fund under Article 134, paragraph 1, item 2 of the LRRCIIF, deducted from the liabilities of this credit institution for *ex-ante* contributions to the SRF for 2023, and for reimbursement of BGN 33 thousand to the aforementioned sub-fund. Recovered funds received on 24 April 2025 into the account of the earmarked sub-fund are subject to use in accordance

<sup>21</sup> Determined according to Article 69(1) of Regulation (EU) No 806/2014.

<sup>22</sup> See *No additional SRF bank levies needed for 2025; Fund continues to meet target level*, SRB, press release, Monday, 10 February 2025.

<sup>23</sup> Procedures for determining individual annual *ex-ante* contributions for the 2016–2023 period.

with the provisions of § 56, paragraph 2<sup>24</sup> of the Transitional and Final Provisions of the Law on Amendment of the LRRCIIF.

Between 1 January and 31 December 2025, the BNB did not receive any decision of the SRB on determining and raising contributions to the SRF for 2025.

## 2. Investment of the BRF Financial Means

Taking into account the current state and trends in the development of the economy and financial markets, as well as the results of the quarterly analyses of the expected return and risk in determining the financial instrument in which the BRF funds to be invested, in 2025 the BNB Governing Council maintained the implemented investment strategy, and the financial means of the sub-fund for branches of third-country credit institutions and of the sub-fund for contributions to the SRF continued to be held in current accounts with the BNB. These accounts are subject to the General Terms and Conditions of the Bulgarian National Bank on Servicing Accounts of Banks, Budget Organisations and Other Customers, and are remunerated at the applicable standard annual interest rate on current accounts valid for the relevant periods. As a result of the positive interest rates in 2025, interest income amounting to BGN 8486 thousand was accrued and received on the Fund's financial means, including BGN 20 thousand – for the sub-fund for branches of third-country credit institutions and BGN 8466 thousand – for the sub-fund for contributions to the SRF. In 2025, no interest expense was recorded as a result of the investment of the Fund's resources.

As of 31 December 2025, the Fund's assets consist entirely of cash in levs held in current accounts with the BNB.

## 3. Use of the BRF Financial Means

### 3.1. Use of Financial Means of the Sub-fund for Branches of Third-country Credit Institutions

In 2025, the BNB exercised no resolution powers in respect of branches of third-country credit institutions, hence, no funds of this sub-fund were spent. In addition, over the period under review no requests for loans to other resolution financing arrangements were received.

<sup>24</sup> 'Upon a relevant notification by the Single Resolution Board with regard to an initial contribution, the resolution authority under Article 2, paragraph 1 shall order a transfer to the Single Resolution Board of a sum from the sub-fund under Article 134, paragraph 1, item 2 in accordance with Article 8 of the Agreement on the transfer and mutualisation of contributions to the SRF. After the transfer of the funds, the remaining funds generated in the sub-fund under Article 134, paragraph 1, item 2, if any, shall be deducted from the liabilities of the institutions for future contributions to the Single Resolution Fund following a decision of the resolution authority until they are exhausted.'

### 3.2. Use of Financial Means of the Sub-fund for Contributions to the SRF

In 2025, the BNB did not receive any request from the SRB for raising contributions to the SRF and no funds from the earmarked sub-fund were transferred to the SRF over the period under review.

## 4. Financial Means Available in the BRF Sub-funds as of 31 December 2025

The financial means of the BRF as of 31 December 2025 amounted to BGN 487,671 thousand, including BGN 1184 thousand in the sub-fund for branches of third-country credit institutions and BGN 486,487 thousand – in the sub-fund for contributions to the SRF.

The outstanding amount in the sub-fund for contributions to the SRF is due to changes in the legal framework in 2020 related to Bulgaria's participation in the SRM, the direct application of Regulation (EU) No 806/2014 and the resulting change in resolution financing arrangements. The main differences in the regulatory requirements before and after joining the SRM, which led to the outstanding amount, are as follows:

- two times lower target level of financial means in the SRF: 1 per cent of the amount of the covered deposits within the SRM, compared to the BRF target level prior to the amendments to the legal framework – 2 per cent of the amount of the covered deposits;
- the SRB approach applied in determining the annual contributions of small credit institutions in the form of a lump-sum, which results in determining a lump-sum for a larger number of credit institutions licensed in the Republic of Bulgaria;
- the SRB approach applied in calculating risk adjustments for credit institutions licensed in the Republic of Bulgaria, also in the context of their positioning in relation to institutions, for which the SRB calculates risk adjustments within the SRM;
- application by the SRB of specific adjustments in the initial period of accumulation of financial means in the SRF.

## IV. Organisation of the Operational Implementation of the BRF-Related Activities at the BNB and Participation in the SRB Structures

### 1. Units Assisting the BNB Governing Council in Relation to the BRF Management Function

In accordance with Article 2, paragraph 2 of the LRRCIIF, the BNB Governing Council has determined a dedicated structural unit, which assists it in exercising the resolution function, namely Resolution of Credit Institutions Directorate. Administration of the Banks Resolution Fund (ABRF) Division to the Directorate implements and coordinates all activities that concern BRF administration and management, including the use of specialised services provided by other units within BNB, mainly related to reporting and investment of BRF financial means. The division supports the processes related to decision-making by the BNB Governing Council for determining and collecting contributions to the sub-fund for branches of third-country credit institutions and their spending, where necessary, in line with the financing of resolution measures. In addition, the ABRF is responsible for implementation of the commitments related to the coordination with the SRB of activities concerning the SRF, and provision of technical assistance within the framework of determining, recalculation and raising annual and extraordinary contributions from banks, control over the fulfilment of banks' obligations to pay in the contributions to the BNB and the transfer of the contributions to the SRF.

The administrative costs arising from the resolution function, including those related to the BRF management, are financed by fees collected from the credit institutions and branches of third-country credit institutions established in the Republic of Bulgaria. The terms and procedures for determining and collecting these fees are laid down in the BNB Ordinance No 40.<sup>25</sup>

### 2. Participation in the Single Resolution Board

Within the Single Resolution Mechanism, the BNB, as the resolution authority, participates in SRB structures relevant to the SRF management. The Bulgarian National Bank is represented by the Deputy Governor heading the Banking Department in the SRB's Plenary Session<sup>26</sup> and Extended Executive Session<sup>27</sup> by the Deputy Governor heading

<sup>25</sup> BNB Ordinance No 40 of 1 December 2020 on Determining the Amount of Fees to Cover Administrative Costs of the Bulgarian National Bank Arising from Supervisory and Resolution Functions (published, Darjaven Vestnik, issue 105 of 11 December 2020).

<sup>26</sup> Including permanent members of the SRB and representatives of all national resolution authorities within the SRM.

<sup>27</sup> The Extended Executive Session includes permanent SRB members and representatives of national resolution authorities in whose jurisdiction the entities subject to consideration of issues and adoption of decisions are located.

the Banking Department, with the same rights and obligations as all other members, including a voting right.

With regard to the SRB sub-structures, relevant to the SRF, the BNB participates in the Single Resolution Fund Committee. The Committee does not have a decision-making mandate but is established for organisational purposes, as a platform for exchange of information and technical assistance to the SRB management bodies in taking decisions on the contributions and investments of the SRF financial means.

## V. Events Occurred after the Date of the Financial Statements

According to the Law on the Introduction of the Euro in the Republic of Bulgaria, as of 1 January 2026, the euro becomes official currency and legal tender in the Republic of Bulgaria. The official exchange rate is fixed at 1.95583 leva per 1 euro.

The introduction of the euro as the official currency in the Republic of Bulgaria is a change in the Fund's functional currency that will be reflected prospectively and does not constitute an event after the reporting period that requires an adjustment in the financial statement for the year ending 31 December 2025.

In view of the fact that the above official exchange rate coincides with the fixed rate of the Bulgarian lev to the euro valid within the currency board in force until the end of 2025<sup>28</sup>, the BRF does not expect the conversion of the opening balances into euro as of 1 January 2026 and the process of change in the functional currency to affect its financial position.

At the beginning of 2026, the SRB carried out a regular verification of compliance with the SRF target level requirement, and found out that the available financial means in the SRF continue to be at least 1 per cent of the amount of covered deposits of all credit institutions authorised in the Member States participating in the Single Resolution Mechanism. In this regard, on 13 February 2026, the SRB published a press release on compliance with the target level of the SRF as of 31 December 2025, and the intention not to collect regular annual contributions to the SRF in 2026.<sup>29</sup> It is also stated that in the absence of any change in circumstances, the next verification of the target level of the SRF will take place in early 2027.

On 28 February 2026, the US and Israel carried out coordinated military strikes on the territory of Iran, which lead to a sharp escalation of hostilities in the Middle East. In the coming days, Iran retaliated with missiles and drones against Israel and a number of Gulf countries.

The hostilities caused a disruption of fuel supplies through the Strait of Hormuz, causing significant fluctuations in international markets, including rising oil and gas prices.

Although no direct adverse effects on the Fund's operations have been identified at the date of preparation of this individual financial report, management continues to closely monitor developments, including the potential impact of possible extended military actions on the economic environment, higher fuel prices, inflation and possible secondary effects as a result of disrupted trade links.

In addition to the events disclosed above, there are no other events that occurred after 31 December 2025 that require additional disclosure and/or adjustments to the information in the BRF annual financial statements for 2025.

<sup>28</sup> Introduced on 1 July 1997 by the Law on the Bulgarian National Bank (published; *Darjaven Vestnik*, issue 46 of 10 June 1997).

<sup>29</sup> See *For the third year, the SRB will not impose Single Resolution Fund levies*, SRB, press release, Friday, 13 February 2026.

## VI. Projected Future Developments

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At the date of preparation of this report, there are no expectations of significant cash outflows<sup>30</sup> in 2026 from the sub-funds under Article 134, paragraph 1, items 1 and 2 of the LRRCIF.

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<sup>30</sup> According to information from the SRB within the 2026 procedure, the individual annual contribution to the SRF of a credit institution licensed in the Republic of Bulgaria, which submitted corrective data for 2023, has been recalculated. This resulted in a insignificant positive difference in terms of the contribution of the credit institution, and the amount corresponding to this difference is to be transferred to the SRF until 30 June 2026.

## VII. Financial Statements as of 31 December 2025

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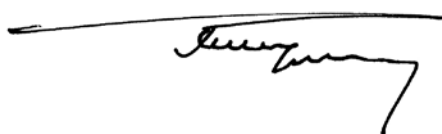
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|-----------------------------------------------------------------------------------------------|----|
| Statement of Responsibilities of the Governing Council<br>of the Bulgarian National Bank..... | 31 |
| Independent Auditor's Report to the Governing Council<br>of the Bulgarian National Bank.....  | 32 |
| Statement of Operations for the Year<br>Ended 31 December 2025 .....                          | 36 |
| Statement of Financial Position<br>as of 31 December 2025 .....                               | 37 |
| Statement of Cash Flows for the Year<br>Ended 31 December 2025 .....                          | 38 |
| Statement of Changes in Net Assets for the Year<br>Ended 31 December 2025 .....               | 39 |
| Notes to the Annual Financial Statements.....                                                 | 40 |

## Statement of Responsibilities of the Governing Council of the Bulgarian National Bank

The Governing Council of the Bulgarian National Bank is responsible for preparing and approving financial statements to present the Banks Resolution Fund's financial position and performance for the period.

The financial statements of the Banks Resolution Fund approved by the BNB Governing Council are prepared in accordance with the IFRS accounting standards adopted by the European Union.

The Governing Council of the BNB is responsible for maintaining proper accounting records to disclose with reasonable accuracy at any time the financial position of the Fund. It has overall responsibility for the financial means of the Fund.



**Dimitar Radev**  
**Governor**  
**of the Bulgarian National Bank**



Ernst & Young Audit OOD  
Polygraphia Office Center  
47A, Tsarigradsko Shose Blvd., floor 4  
1124 Sofia, Bulgaria

Tel: +359 2 81 77 100  
Fax: +359 2 81 77 111  
ey.com

## Independent auditor's report To the Management Board Of Bulgarian National Bank

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the accompanying financial statements of Banks Resolution Fund (the Fund), which comprise the statement of financial position as at 31 December 2025, the statement for results from activities, statement of changes in net assets and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 31 December 2025, and of its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as adopted by the European Union (EU).

#### Basis for Opinion

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

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

A member firm of Ernst & Young Global Limited

Ernst & Young Audit OOD  
with seat and address of management in Sofia  
Polygraphia Office Center  
47A, Tsarigradsko Shose Blvd., floor 4  
UIC: 130972874, VAT # BG130972874  
BGN IBAN: BG68 UNCR 7000 1529 6686 31  
BIC: UNCRBGSF with Unicredit Bulbank AD



### Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the management report, prepared by management in accordance with Chapter Seven of the Accountancy Act, but does not include the financial statements and our auditor's report thereon.

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

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

We have nothing to report in this regard.

### Responsibilities of Management for the Financial Statements

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

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

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

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



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

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

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

## Report on Other Legal and Regulatory Requirements

### Additional Matters to be Reported under the Accountancy Act

In addition to our responsibilities and reporting in accordance with ISAs, described above in the Information Other than the Financial Statements and Auditor's Report Thereon section, in relation to the management report, we have also performed the procedures added to those required under ISAs in accordance with the Guidelines on New and Expanded Auditor's Reports and Auditor's Communication of the professional organisation of certified public accountants and registered auditors in Bulgaria, i.e. the Institute of Certified Public Accountants (ICPA). These procedures refer to testing the existence, form and content of this other information to assist us in forming an opinion about whether the other information includes the disclosures and reporting provided for in Chapter Seven of the Accountancy Act applicable in Bulgaria.



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

Based on the procedures performed, our opinion is that:

- a) The information included in the management report referring to the financial year for which the financial statements have been prepared is consistent with those financial statements.
- b) The management report has been prepared in accordance with the requirements of Chapter Seven of the Accountancy Act.

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

Nikolay Garnev  
Legal Representative and  
Registered Auditor in charge of the audit

Sonia Zarkova  
Proxy of the General Manager  
Nikolay Garnev and  
Registered Auditor in charge of the  
audit

Sofia, Bulgaria  
22 April 2026

## Statement of Operations for the Year Ended 31 December 2025

(BGN'000)

|                                                                                                                                 | Notes | 31 December 2025 | 31 December 2024 |
|---------------------------------------------------------------------------------------------------------------------------------|-------|------------------|------------------|
| Annual contributions, including:                                                                                                | 5     | 130              | 106              |
| <i>in the sub-fund under Article 134, paragraph 1, item 1 of the LRRCIIF</i>                                                    |       | 130              | 106              |
| <i>in the sub-fund under Article 134, paragraph 1, item 2 of the LRRCIIF</i>                                                    |       | -                | -                |
| Recovered funds from the Single Resolution Fund in favour of the sub-fund under Article 134, paragraph 1, item 2 of the LRRCIIF | 6     | 33               | 97               |
| Interest income on accounts, including                                                                                          | 7     | 8,486            | 14,845           |
| <i>in the sub-fund under Article 134, paragraph 1, item 1 of the LRRCIIF</i>                                                    |       | 20               | 31               |
| <i>in the sub-fund under Article 134, paragraph 1, item 2 of the LRRCIIF</i>                                                    |       | 8,466            | 14,814           |
| Net interest income                                                                                                             |       | 8,486            | 14,845           |
| <b>Result for the year</b>                                                                                                      |       | <b>8,649</b>     | <b>15,048</b>    |
| <b>Other comprehensive income</b>                                                                                               |       | <b>-</b>         | <b>-</b>         |
| <b>Total comprehensive income for the year</b>                                                                                  |       | <b>8,649</b>     | <b>15,048</b>    |

The accompanying notes on pages 40 to 54 form an integral part of the Financial Statements.

## Statement of Financial Position as of 31 December 2025

(BGN'000)

|                                                                              | Notes | 31 December 2025 | 31 December 2024 |
|------------------------------------------------------------------------------|-------|------------------|------------------|
| <b>ASSETS</b>                                                                |       |                  |                  |
| Cash at bank and cash equivalents, including:                                | 8     | 487,671          | 479,022          |
| <i>in the sub-fund under Article 134, paragraph 1, item 1 of the LRRCIIF</i> |       | 1,184            | 1,033            |
| <i>in the sub-fund under Article 134, paragraph 1, item 2 of the LRRCIIF</i> |       | 486,487          | 477,989          |
| <b>TOTAL ASSETS</b>                                                          |       | <b>487,671</b>   | <b>479,022</b>   |
| <b>LIABILITIES</b>                                                           |       | <b>-</b>         | <b>-</b>         |
| <b>NET ASSETS</b>                                                            |       | <b>487,671</b>   | <b>479,022</b>   |

The accompanying notes on pages 40 to 54 form an integral part of the Financial Statements.

## Statement of Cash Flows for the Year Ended 31 December 2025

(BGN'000)

|                                                                                                                                 | Notes    | 2025           | 2024           |
|---------------------------------------------------------------------------------------------------------------------------------|----------|----------------|----------------|
| <b>Cash flows from operating activities</b>                                                                                     |          |                |                |
| Cash receipts from banks as annual contributions                                                                                |          | 130            | 106            |
| <i>in the sub-fund under Article 134, paragraph 1, item 1 of the LRRCIIF</i>                                                    |          | 130            | 106            |
| <i>in the sub-fund under Article 134, paragraph 1, item 2 of the LRRCIIF</i>                                                    |          | -              | -              |
| Recovered funds from the Single Resolution Fund in favour of the sub-fund under Article 134, paragraph 1, item 2 of the LRRCIIF |          | 33             | 97             |
| <b>Net cash flows from operating activities</b>                                                                                 |          | <b>163</b>     | <b>203</b>     |
| <b>Cash flows from investing activities</b>                                                                                     |          |                |                |
| Payments related to cash                                                                                                        |          | -              | -              |
| <i>in the sub-fund under Article 134, paragraph 1, item 1 of the LRRCIIF</i>                                                    |          | -              | -              |
| <i>in the sub-fund under Article 134, paragraph 1, item 2 of the LRRCIIF</i>                                                    |          | -              | -              |
| Proceeds related to cash                                                                                                        |          | 8,486          | 14,845         |
| <i>in the sub-fund under Article 134, paragraph 1, item 1 of the LRRCIIF</i>                                                    |          | 20             | 31             |
| <i>in the sub-fund under Article 134, paragraph 1, item 2 of the LRRCIIF</i>                                                    |          | 8,466          | 14,814         |
| <b>Net cash flows from investing activities</b>                                                                                 |          | <b>8,486</b>   | <b>14,845</b>  |
| <b>Increase in cash during the year</b>                                                                                         |          | <b>8,649</b>   | <b>15,048</b>  |
| <b>Cash and cash equivalents at the beginning of period</b>                                                                     |          | <b>479,022</b> | <b>463,974</b> |
| <i>in the sub-fund under Article 134, paragraph 1, item 1 of the LRRCIIF</i>                                                    |          | 1,033          | 896            |
| <i>in the sub-fund under Article 134, paragraph 1, item 2 of the LRRCIIF</i>                                                    |          | 477,989        | 463,078        |
| <b>Cash and cash equivalents at the end of period</b>                                                                           | <b>8</b> | <b>487,671</b> | <b>479,022</b> |
| <i>in the sub-fund under Article 134, paragraph 1, item 1 of the LRRCIIF</i>                                                    |          | 1,184          | 1,033          |
| <i>in the sub-fund under Article 134, paragraph 1, item 2 of the LRRCIIF</i>                                                    |          | 486,487        | 477,989        |

The accompanying notes on pages 40 to 54 form an integral part of the Financial Statements.

## Statement of Changes in Net Assets for the Year Ended 31 December 2025

(BGN'000)

|                                | Notes | Net assets |
|--------------------------------|-------|------------|
| Balance as at 1 January 2024   | 8     | 463,974    |
| Result for the year            |       | 15,048     |
| Total comprehensive result     |       | 15,048     |
| Balance as at 31 December 2024 | 8     | 479,022    |
| Balance as at 1 January 2025   | 8     | 479,022    |
| Result for the year            |       | 8,649      |
| Total comprehensive result     |       | 8,649      |
| Balance as at 31 December 2025 | 8     | 487,671    |

The accompanying notes on pages 40 to 54 form an integral part of the Financial Statements.

## NOTES to the Annual Financial Statements

### 1. General Information

The Banks Resolution Fund (the BRF, the Fund) was established under the Law on the Recovery and Resolution of Credit Institutions and Investment Firms<sup>1</sup> (LRRCIIF).

The address of the BRF head office is: 1, Knyaz Alexander I Square, Sofia 1000, Bulgaria.

The activities of the Banks Resolution Fund are governed by the LRRCIIF and the Law on the Bulgarian National Bank (LBNB).

With effect from 27 July 2020, the management of the BRF is performed by the BNB, and decisions related to the BRF management are taken by the BNB Governing Council. The BRF is not an autonomous legal entity.

The composition of the BNB Governing Council as of 31 December 2025 and as of 31 December 2024 is as follows:

- Dimitar Radev – Governor of the BNB;
- Andrey Gurov – Deputy Governor, head of the Issue Department and member of the Governing Council of the BNB<sup>2</sup>;
- Petar Chobanov – Deputy Governor, head of the Banking Department and member of the Governing Council of the BNB;
- Radoslav Milenkov – Deputy Governor, head of the Banking Supervision Department and member of the Governing Council of the BNB;
- Prof. Nikolay Nenovsky, D.Sc. – member of the Governing Council of the BNB;
- Iliya Lingorski – member of the Governing Council of the BNB;
- Lyubomir Karimansky – member of the Governing Council of the BNB.

The BRF is designed as a special-purpose fund. Its financial means are raised through contributions from the banking system and are intended solely to provide financing for resolution actions and to limit, to the maximum extent possible, the use of public funds.

According to Article 134, paragraph 1 of the LRRCIIF the Fund consists of two sub-funds having different purposes and scope:

- a sub-fund established to finance the application of the resolution tools and powers in relation to branches of third-country credit institutions (a sub-fund of branches of third-country credit institutions);
- a sub-fund established to raise contributions under Articles 69 – 71 of Regulation (EU) No 806/2014 and their transfer to the SRF (a sub-fund of contributions to the SRF).

The financial means of the BRF are reported on accounts with the BNB and invested in accordance with the LBNB. With effect from 27 July 2020, investment decisions are

<sup>1</sup> Published in the Darjaven Vestnik, issue 62 of 14 August 2015.

<sup>2</sup> Since 16 July 2024, Andrey Gurov has not exercised his powers as Deputy Governor, head of Issue Department, in connection with the procedure under Article 14, paragraph 2 of the Law on the BNB. Andrey Gurov' case is subject to judicial control and depending on the forthcoming judgement – to parliamentary control.

taken by the BNB Governing Council, and the financial means in the individual sub-funds are invested separately, with no mixture being allowed.

## **2. Applicable Standards**

The financial statements of the Fund have been prepared in accordance with the International Financial Reporting Standards adopted in the European Union (IFRS accounting standards adopted in the EU).

## **3. Accounting policies**

### **3.1. Basis of Preparation**

The financial statements are presented in thousands of Bulgarian leva (BGN thousand), which are the Fund's functional currency.

The financial statements of the BRF are prepared:

- in accordance with the historical cost principle;
- in compliance with the going concern principle, implying that the Fund will continue to exist in the foreseeable future.

### **3.2 Summarised Information on Accounting Policies Applied**

In preparing its financial statements, the BRF applies the accounting policies disclosed below.

#### **a) Income**

The main sources of income from the BRF's activity are:

1. annual and extraordinary contributions from the banks and branches of third-country credit institutions;
2. returns on the investment of the BRF financial means;
3. reimbursement of amounts received by the BRF used for resolution purposes under the terms provided in the application of appropriate resolution tools and related income and compensation;
4. income from borrowings contracts and other forms of support and the provision of loans under the procedure specified in Articles 141 and 142 of the LRRCIIF;
5. other sources.

Income is recognised in the statement of operations on the date of occurrence of the event.

The Fund reports the income from contributions as 'other operating income'. In case of failure to pay an annual contribution within the period prescribed by law, the BNB charges interest for the period of delay on the amount due at the statutory rate. Accrued and repaid interest is presented as 'other net income' in the statement of operations.

Where the available financial means accumulated in the BRF are not sufficient to cover the costs associated with the financing of the resolution, extraordinary contributions are raised from the banks, which have to be paid within a period set up by a resolution of the BNB Governing Council.

As of 1 October 2020, the BNB may determine extraordinary contributions only for the branches of third-country credit institutions. In 2025 and 2024, no extraordinary contributions were raised.

Interest income and expenses are recognised in the statement of operations using the effective interest rate method, with all commissions (received or paid) or discounts that are components of the effective interest rate being included in its calculation.

The effective interest rate is determined on the initial recognition of a financial instrument and does not change thereafter.

#### **b) Expenses**

The main expenses on the BRF activity are related to:

1. investment of the financial means of the Fund in accordance with the Law on the BNB and the Internal Rules for Management of the Banks Resolution Fund Financial Means;
2. application of resolution tools in accordance with Article 137 of the LRRCIIF;
3. transfer of financial means to the Single Resolution Fund from the sub-fund under Article 134, paragraph 1, item 2 of the LRRCIIF in accordance with Article 8 of the Agreement on the Transfer and Mutualisation of Contributions to the Single Resolution Fund. Following the transfer of the resources, the remaining resources raised in the sub-fund under Article 134, paragraph 1, item 2 are deducted from the obligations of institutions for future contributions to the Single Resolution Fund upon a decision of the BNB Governing Council until their exhaustion;
4. other expenses.

Expenses are recognised when incurred on an accrual basis.

#### **c) Investment Income**

Investment income includes interest income and income from sale and revaluation of financial instruments carried at fair value in profit or loss.

Financial means of the Banks Resolution Fund may be invested in accordance with the LBNB.

#### **d) Financial instruments**

The classification of financial assets follows the approach introduced by IFRS 9 which is based on the combination of the cash flow characteristics of the asset and the business model for managing them. All recognised financial assets within the IFRS 9 scope must be subsequently carried at amortised cost or at fair value in profit or loss or in other comprehensive income, depending on the business model and the characteristics of their cash flows.

#### ***Classification***

The BRF classifies its financial instruments depending on the nature and purpose of the financial assets and liabilities at the date of their acquisition and determines the classification at the date of their initial recognition in the statement of financial position. The Fund uses the following business models:

- financial assets held to collect contractual cash flows;
- financial assets held to collect contractual cash flows and for sale.

The cash flows under the models applied by the Fund are solely payments of principal and interest.

When classifying financial assets, the Fund uses the following categories:

1. *financial assets measured at amortised value through profit or loss*: including cash and cash equivalents; contributions under Article 137, paragraph 1, item 5 and receivables under Article 57, paragraph 6 of the LRRCIIF;
2. *financial assets measured at fair value through profit or loss*: in case of a purchase and acquisition of assets or ordinary shares under Article 137, paragraph 1, items 2 and 3 of the LRRCIIF;
3. *financial assets measured at fair value through other comprehensive income*: in case of a purchase and acquisition of assets or ordinary shares under Article 137, paragraph 1, items 2 and 3 of the LRRCIIF.

Financial liabilities arise as a result of obligations assumed by the BRF for contributions according to funding plans in resolution of credit institutions, under loan agreements and other agreements, under which the Fund is obliged to pay amounts and transfer funds. Following the initial recognition, the Fund classifies its financial liabilities in the category '*financial liabilities measured at amortised value*'.

As of 31 December 2025 and as of 31 December 2024, financial instruments of the BRF are cash on accounts with the BNB. Cash is qualified as financial assets measured at amortised value, amounting to BGN 487,671 thousand as of 31 December 2025 (BGN 479,022 thousand as of 31 December 2024), including:

- BGN 1184 thousand (BGN 1033 thousand as of 31 December 2024) to the sub-fund for branches of third-country credit institutions;
- BGN 486,487 thousand (BGN 477,989 thousand as of 31 December 2024) of the sub-fund for contributions to the SRF.

As of 31 December 2025 and 31 December 2024, the Fund had no obligations/commitments leading to incurrence.

#### ***Recognition and Subsequent Measurement***

Financial instruments are recognised in the statement of financial position on 'the date of settlement' when BRF becomes a party to a financial instrument-related contract. Initially, financial instruments are recognised at the acquisition price, which is the fair price paid/received at acquisition. Transaction costs are included in the acquisition cost of financial assets.

Following the initial recognition, financial assets are measured at fair or amortised cost depending on their business model for managing them and their initial classification:

1. *financial assets measured at amortised cost* – assets carried at amortised value are recognised in the statement of financial position, with current interest in-

come/expenses being recognised in the statement of operations using the effective interest rate method;

2. *financial assets measured at fair value through other comprehensive income* – the revaluation at fair value is recognised as another component of BRF's net assets in the statement of operations and included in the 'comprehensive result' item disclosed in the statement of changes in net assets for the respective period. In case of a sale and/or write-off of debt investments, the accumulated effects are recognised currently in the statement of operations as 'investment income';
3. *financial assets measured at fair value through profit or loss* – current assets are revalued on an ongoing basis and the revaluation effect is recognised in operating result.

Financial liabilities which arise as a result of BRF's assumed obligations for contributions in accordance with the funding plans in resolution of credit institutions are measured at amortised cost under the effective interest rate method.

### ***Impairment***

Debt instruments which are not carried at fair value through profit or loss are reviewed as of the date of each financial statements to determine whether there is evidence of impairment. Impairment is recognised where a significant and/or permanent decrease in the fair value of a certain asset exists compared to its initially recognised value.

The Fund uses judgements based on historical experience of losses on assets with an inherent credit risk and on objective circumstances of impairment in calculating future cash flows.

### ***Derecognition***

Financial assets or a part of them are derecognised from the statement of financial position, when the Fund:

- realises economic gains from contractual rights; or
- loses control over the right to realise economic gains from the contract; or
- the time period of this right has expired; or
- waives that right.

Financial liabilities are derecognised from the BRF statement of financial position, when:

- the obligation is repaid; or
- the obligation is cancelled; or
- the time period to perform the obligation has expired.

### ***Fair Value Measurement***

The fair values of financial instruments measured at amortised cost in profit/loss are disclosed in note 8.

Fair value is the price that would be received to sell an asset or paid to transfer a liability between market participants as at the measurement date, and the principal or best market must be available. The measurement of the fair value of an asset or liability is based on

assumptions that market participants would make in pricing the asset or liability on the assumption that they act in their best economic interest.

All assets and liabilities that are measured at fair value or that require disclosure at fair value in the financial statements are grouped into categories according to the fair value hierarchy, as described below, based on the lowest level of inputs used that have a significant influence in measuring the fair value as a whole:

- level 1 – quoted (unadjusted) prices in active markets for identical assets or liabilities are used;
- level 2 – valuation methods are applied where the lowest level of inputs used relevant to the measurement at fair value are directly or indirectly observable;
- level 3 – valuation methods are used “where the lowest level of inputs used, significant to the fair value measurement, are unobservable”.

The Fund’s management reviews the categorisation of assets and liabilities that are regularly measured at fair value at the relevant level of the fair value hierarchy (based on the lowest level of inputs used that have a significant impact in measuring the fair value as a whole) as of the end of the reporting period and determines the need to make transfers from one level to another.

For the purposes of fair value disclosures and classes of assets and liabilities used by the Fund, depending on their nature, characteristics and risk at the relevant level of the fair value hierarchy described above, see note 9.

#### **e) Cash and Cash Equivalents**

In the statement of financial position, cash and cash equivalents are presented at amortised cost calculated on an effective interest basis, *i.e.* including accrued interest.

For the purpose of the statement of cash flows, cash and cash equivalents consist of current accounts and accounts with agreed maturities of up to three months.

#### **f) Property, Plant, Equipment and Intangible Assets**

The Banks Resolution Fund uses property, plant, equipment and intangible assets presented in the consolidated financial statements of the Bulgarian National Bank.

#### **g) Taxation**

The BRF is not an autonomous legal entity and, therefore, tax obligations arising from its activities are obligations of the legal entity that manages it. As of 27 July 2020, the date on which the BRF management is performed by the BNB, taxation of BRF activities complies with the Law on Bulgarian National Bank.

### **3.3 Amendments to Accounting Policies and Disclosures**

#### **Standards/amendments that have entered into force and have been adopted by the European Union**

The adopted accounting policies are consistent with those applied in the previous financial year. The BRF adopted the following IFRS accounting standards and amendments to IFRS accounting standards effective from 1 January 2025, which are not applicable to the Fund:

***Amendments to IAS 21: The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability***

The amendments require an entity to apply a consistent approach to assessing whether a currency is exchanged into another currency. If a currency could not be exchangeable into another currency, an entity should estimate the spot exchange rate at the measurement date. The amendments note that an entity may use an observable exchange rate without adjustment or any other estimation technique. The amendments adopted on 12 November 2024 and published in the Official Journal of the EU on 13 November 2024 are not applicable to the BRF.

**4. Standards issued but not yet effective and not early adopted**

As of the date of approval of these financial statements, new standards, amendments and clarifications to existing standards were published, but not yet effective or adopted by the EU for the financial year starting on 1 January 2025, and not applied by the Fund from an earlier date. The management expects all standards and amendments to be adopted in the BRF's accounting policy during the first period starting after the date of their entry into force. Information about these standards and amendments is presented below.

**4.1 Standards/amendments not yet effective but adopted by the European Union*****Amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures – Classification and Measurement of Financial Instruments (Amendments)***

The amendments are effective for annual reporting periods beginning on or after 1 January 2026. They clarify that a financial liability is derecognised on the 'settlement date', when the liability is extinguished, cancelled, expired or otherwise qualifies for derecognition. They introduce a choice of an accounting policy for derecognising financial liabilities settled through electronic payment systems before the settlement date, if certain conditions are met. In addition, the amendments clarify how to assess the contractual cash flow characteristics of financial assets with environmental, social and governance (ESG)-linked features and other similar contingent features. The amendments also clarify the treatment of assets with non-recourse features and contractually linked instruments and introduce additional disclosures under IFRS 7 concerning financial assets and liabilities of a contingent nature (including those with ESG-linked features) and equity instruments classified at fair value through other comprehensive income. These amendments were adopted by the EU on 27 May 2025 and published in the Official Journal of the EU on 28 May 2025. Their application is not expected to have a significant impact on the financial statements of the Fund.

***Amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures – Nature-dependent Electricity Contracts (Amendments)***

The amendments include clarifying the application of the 'own-use' requirements permitting hedge accounting if the contracts covered by the amendments are used as hedging tools and adding new disclosure requirements to enable investors to understand the effect of these contracts on a company's financial performance and cash flows. The clarifications on the 'own-use' requirements have to be applied retrospectively, and guidance permitting hedge accounting has to be applied prospectively to new hedge relationships defined on or after the date of initial application. The amendments effective for annual

reporting periods beginning on or after 1 January 2026, have been endorsed by the EU on 30 June 2025 and published in the Official Journal of the EU on 1 July 2025. The application of the amendments is not expected to have a significant effect on the financial statements of the Fund.

### ***Annual Improvements to IFRS Accounting Standards – Volume 11***

IASB's annual improvement process considers clarifications and amendments to IFRSs that are not urgent but necessary. In July 2024, the IASB published the Annual Improvements to IFRS Accounting Standards – Volume 11. The purpose of these improvements is to provide clarifications, simplifications, corrections, or changes to the following standards in order to enhance consistency:

- IFRS 1 Initial Application of IFRS – amendments relating to hedge accounting upon initial application;
- IFRS 7 Financial Instruments: Disclosures – gain or loss on derecognition; application guidance; disclosure of deferred difference between fair value and transaction price; credit risk disclosures;
- IFRS 9 Financial Instruments – derecognition of lease liabilities; transaction price;
- IFRS 10 Consolidated Financial Statements – determination of a de facto agent;
- IAS 7 Statement of Cash Flows – Cost method.

The amendments, effective as of 1 January 2026, were adopted by the EU on 9 July 2025, and published in the Official Journal of the EU on 10 July 2025. The Annual Improvements to IFRS Accounting Standards – Volume 11 are not expected to have material effect on the financial position or performance of the Fund.

### ***IFRS 18 Presentation and Disclosure in Financial Statements***

IFRS 18 introduces new requirements for presentation in the statement of profit or loss; specifically, the entity must classify all income and expenses in the statement of profit or loss in one of the following five categories: operating, investment, financing, income taxes, discontinued operations. These categories are supplemented by requirements for providing totals and subtotals of 'operating profit or loss', 'profit or loss before financing and income taxes', and 'profit or loss'. The standard also requires disclosure of management-defined performance indicators and includes new requirements for aggregation and disaggregation of financial information on the basis of identified 'roles' of primary financial statements and explanatory notes. In addition, there are subsequent amendments to other accounting standards. IFRS 18 will become effective for annual reporting periods beginning on or after 1 January 2027, with earlier application permitted. Retrospective application is required both in annual and interim financial statements. The standard was endorsed by the EU on 13 February 2026 and published in the Official Journal of the EU on 16 February 2026. In the subsequent reporting periods, the management will analyse the requirements of the standard and assess its effect on the financial position and performance of the Fund.

## 4.2 Standards/amendments not yet effective and not adopted by the European Union

### *IFRS 19 Subsidiaries without Public Accountability: Disclosures*

IFRS 19 permits subsidiaries without public accountability to apply reduced disclosure requirements if their parent (final or interim) prepares consolidated financial statements available for public use in accordance with IFRS accounting standards. At the same time, these subsidiaries continue to apply the recognition, measurement and presentation requirements in other IFRS accounting standards. Unless otherwise specified, eligible entities that choose to apply IFRS 19 are not required to apply the disclosure requirements in other IFRS accounting standards. IFRS 19 will become effective for annual reporting periods beginning on or after 1 January 2027, with earlier application permitted. The standard has not been yet endorsed by the EU. In the subsequent reporting periods, the management will analyse the requirements of the standard and assess its effect on the performance of the Fund.

### *Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. In December 2015 the IASB postponed the effective date of these amendments indefinitely, pending the outcome of its research project on the equity method of accounting. The amendments have not yet been endorsed by the EU. The Fund's management will analyse and assess the impact of the amendments on its financial position or performance.

### *Amendments to IAS 21: The Effects of Changes in Foreign Exchange Rates: Restatement to a Hyperinflationary Presentation Currency (issued on 13 November 2025)*

The amendments apply to annual periods beginning on or after 01 January 2027, with earlier application permitted. The amendments require a restatement from a non-hyperinflationary functional currency to a hyperinflationary presentation currency at the closing rate. If an entity's functional currency is the currency of a non-hyperinflationary economy, but its presentation currency is the currency of a hyperinflationary economy, its performance and financial position shall be restated in the presentation currency by restating all amounts (i.e., assets, liabilities, capital positions, income, and expenses) and all comparative figures at the closing rate on the date of the most recent statement of financial position. An entity whose functional currency and presentation currency are the currency of a hyperinflationary economy shall restate the comparative amounts of a foreign operation whose functional currency is the currency of a non-hyperinflationary economy, by applying the general price index to the comparative figures of the foreign operation. The amendments also introduce certain additional disclosure requirements. The amendments have not yet been endorsed by the EU.

## 5. Annual Contributions

In line with Article 136, paragraph 1, item 1 of the LRRCIIF and Article 3 of Ordinance No 41 of the BNB<sup>3</sup>, on 3 April 2025, the BNB Governing Council set the individual annual contributions of branches of third-country credit institutions for 2025 at the total amount of BGN 130 thousand (BGN 106 thousand for 2024). Annual contributions were paid up to the sub-fund for branches of third-country credit institutions within the statutory term.

On 10 February 2025, the Single Resolution Board (SRB) published a press release<sup>4</sup> stating that the requirement for the target level of the SRF continued to be met as of 31 December 2024, as a result of which, in the absence of any change in circumstances, there are no intentions to collect regular annual contributions to the SRF in 2025. Therefore, in the context of the procedure for determining the individual annual contributions to the SRF in 2025, the SRB only followed its procedure for the recalculation of the individual annual *ex-ante* contributions of the institutions that submitted corrective data in respect of previous procedures for determining contributions to the SRF (those for the years from 2016 to 2023).

In 2025, as in 2024, no extraordinary contributions from the respective contribution debtors were determined and raised.

## 6. Recovered Funds from the Single Resolution Fund

In April 2025, following a notification by the SRB of a decision on calculating adjustments to individual *ex-ante* annual contributions, including of one credit institution licensed in the Republic of Bulgaria, which submitted corrective data for 2023, the BNB Governing Council decided to adjust the amount of financial means in the sub-fund for contributions to the SRF, deducted from the liabilities of this credit institution for 2023 *ex-ante* contributions and for reimbursement of the funds in the sub-fund for contributions to the SRF. The recovered funds were received on 24 April 2025 into the account of the sub-fund under Article 134, paragraph 1, item 2 of the LRRCIIF.

In 2025, funds of BGN 33 thousand were recovered to the account of the sub-fund under Article 134, paragraph 1, item 2 of the LRRCIIF.

In 2024, the recovered funds from the SRF to the sub-fund under Article 134, paragraph 1, item 2 of the LRRCIIF amounted to BGN 97 thousand.

## 7. Income/Expenses

In 2025, the financial means of the BRF sub-funds were held on current accounts with the BNB, as a result of which the reported income for 2025 was formed by accrued interest on the funds held on these accounts.

In 2025, the Fund earns interest income on its current account funds amounting to BGN 8486 thousand (BGN 14,845 thousand for 2024), including BGN 20 thousand (BGN 31 thousand for 2024) on the sub-fund for branches of third-country credit institutions and BGN 8466 thousand (BGN 14,814 thousand for 2024) on the sub-fund for contributions to the SRF. The realised profitability is formed in applying reference interest rates, as defined in the General Terms and Conditions of the Bulgarian National Bank on Servicing Accounts of Banks, Budget Organisations and Other Customers.

<sup>3</sup> BNB Ordinance No 41 of 25 February 2021 on Determining the Amount of the Individual Annual Contributions of Branches of Third-country Credit Institutions to the Banks Resolution Fund.

<sup>4</sup> See *No additional SRF bank levies needed for 2025; Fund continues to meet target level, SRB, press release, Monday, 10 February 2025.*

Costs related to the BRF management are part of the BNB administrative costs arising from the resolution function, that are financed by fees collected from credit institutions and branches of third-country credit institutions established in the Republic of Bulgaria. The terms and procedures for determining and collecting these fees are laid down in the BNB Ordinance No 40. The total amount of administrative costs arising from the resolution function is disclosed in the annual financial statements of the BNB for the relevant financial year.

Over the reporting period, the Fund has no other sources of income.

At the reporting date the BRF has no outstanding obligations related to interest or other payments.

## 8. Cash and Cash Equivalents

(BGN'000)

|                                                                              | 31 December 2025 | 31 December 2024 |
|------------------------------------------------------------------------------|------------------|------------------|
| Cash and cash equivalents in levs, including:                                | 487,671          | 479,022          |
| <i>in the sub-fund under Article 134, paragraph 1, item 1 of the LRRCIIF</i> | 1,184            | 1,033            |
| <i>in the sub-fund under Article 134, paragraph 1, item 2 of the LRRCIIF</i> | 486,487          | 477,989          |
|                                                                              | <u>487,671</u>   | <u>479,022</u>   |

As of 31 December 2025 and as of 31 December 2024, the financial means of both sub-funds are held in separate earmarked current lev accounts with the BNB, serviced under the General Terms and Conditions of the Bulgarian National Bank on Servicing Accounts of Banks, Budget Organisations and Other Customers.

As of 31 December 2025 and as of 31 December 2024, the Fund has no outstanding obligations.

## 9. Financial Risk Management

After 27 July 2020 the Bank Resolution Fund's financial means are invested in compliance with the Law on the Bulgarian National Bank and the Internal Rules for Management of the Financial Means of the Banks Resolution Fund adopted by the BNB Governing Council.

The BNB Governing Council takes decisions regarding the investment of the financial means of the BRF in consistent compliance with the principles of security, liquidity and profitability.

The financial means in the individual sub-funds of the BRF are invested separately, with no mixture being allowed.

The structure of BRF's financial assets and liabilities as at 31 December 2025 and as at 31 December 2024 by category is as follows:

(BGN'000)

|                                                                              | 31 December 2025 | 31 December 2024 |
|------------------------------------------------------------------------------|------------------|------------------|
| <b>Financial assets</b>                                                      |                  |                  |
| <b>The category of financial assets measured at amortised cost</b>           |                  |                  |
| Cash and cash equivalents, including:                                        | 487,671          | 479,022          |
| <i>in the sub-fund under Article 134, paragraph 1, item 1 of the LRRCIIF</i> | 1,184            | 1,033            |
| <i>in the sub-fund under Article 134, paragraph 1, item 2 of the LRRCIIF</i> | 486,487          | 477,989          |
|                                                                              | <u>487,671</u>   | <u>479,022</u>   |

The analysis of financial instruments, measured at fair value at the end of the reporting period, classified by levels within the fair value hierarchy where a fair value measurement is categorised, is as follows:

(BGN'000)

|                                                                              | Level 1 | Level 2        | Level 3 | Total          |
|------------------------------------------------------------------------------|---------|----------------|---------|----------------|
| <b>31 December 2025</b>                                                      |         |                |         |                |
| <b>Financial assets</b>                                                      |         |                |         |                |
| <b>The category of financial assets measured at amortised cost</b>           |         |                |         |                |
| Cash and cash equivalents, including:                                        | -       | 487,671        | -       | 487,671        |
| <i>in the sub-fund under Article 134, paragraph 1, item 1 of the LRRCIIF</i> | -       | 1,184          | -       | 1,184          |
| <i>in the sub-fund under Article 134, paragraph 1, item 2 of the LRRCIIF</i> | -       | 486,487        | -       | 486,487        |
|                                                                              | -       | <u>487,671</u> | -       | <u>487,671</u> |
| <b>31 December 2024</b>                                                      |         |                |         |                |
| <b>Financial assets</b>                                                      |         |                |         |                |
| <b>The category of financial assets measured at amortised cost</b>           |         |                |         |                |
| Cash and cash equivalents, including:                                        | -       | 479,022        | -       | 479,022        |
| <i>in the sub-fund under Article 134, paragraph 1, item 1 of the LRRCIIF</i> | -       | 1,033          | -       | 1,033          |
| <i>in the sub-fund under Article 134, paragraph 1, item 2 of the LRRCIIF</i> | -       | 477,989        | -       | 477,989        |
|                                                                              | -       | <u>479,022</u> | -       | <u>479,022</u> |

In 2025 and 2024, there were no transfers from level 2 to other levels of the fair value hierarchy.

As of 31 December 2025 and as of 31 December 2024 the Banks Resolution Fund has no financial liabilities.

### **Market risk**

#### **1. Currency risk**

Currency risk exists where there is a mismatch between the currency structure of assets and that of liabilities.

With the introduction of the currency board arrangement in Bulgaria and the fixing of the Bulgarian currency to the euro, the financial statements, prepared in Bulgarian leva, are affected by movements in the exchange rate of the leva against the currencies other than the euro.

The Banks Resolution Fund's financial means were not exposed to currency risks as of 31 December 2025 and as of 31 December 2024, as the financial instruments possessed by it are in Bulgarian leva.

#### **2. Price risk**

As of 31 December 2025 and as of 31 December 2024, the Banks Resolution Fund has no financial instruments exposed to price risk.

#### **3. Interest rate risk**

Interest risk relates to the risk of interest rate fluctuations, which may impact the future cash flows of assets (investments) and interest-bearing liabilities.

The structure of the financial instruments depending on the nature of agreed cash flows is presented in the table below.

(BGN'000)

|                                                                              | Floating rate instruments | Fixed rate | Interest-free | Total          |
|------------------------------------------------------------------------------|---------------------------|------------|---------------|----------------|
| <b>31 December 2025</b>                                                      |                           |            |               |                |
| <b>Financial assets</b>                                                      |                           |            |               |                |
| Cash and cash equivalents, including:                                        | 487,671                   | -          | -             | 487,671        |
| <i>in the sub-fund under Article 134, paragraph 1, item 1 of the LRRCIIF</i> | 1,184                     | -          | -             | 1,184          |
| <i>in the sub-fund under Article 134, paragraph 1, item 2 of the LRRCIIF</i> | 486,487                   | -          | -             | 486,487        |
|                                                                              | <u>487,671</u>            | <u>-</u>   | <u>-</u>      | <u>487,671</u> |
| <b>31 December 2024</b>                                                      |                           |            |               |                |
| <b>Financial assets</b>                                                      |                           |            |               |                |
| Cash and cash equivalents, including:                                        | 479,022                   | -          | -             | 479,022        |
| <i>in the sub-fund under Article 134, paragraph 1, item 1 of the LRRCIIF</i> | 1,033                     | -          | -             | 1,033          |
| <i>in the sub-fund under Article 134, paragraph 1, item 2 of the LRRCIIF</i> | 477,989                   | -          | -             | 477,989        |
|                                                                              | <u>479,022</u>            | <u>-</u>   | <u>-</u>      | <u>479,022</u> |

**Credit and liquidity risk**

**Credit risk** is mostly the risk for the BRF of being unable to collect its receivables within an appropriate time frame. When determining how much the credit risk is increased compared to the initial recognition of the asset, the BNB Governing Council uses all reasonable and supportable information that is available.

Loss given default is a judgement for damages that the Fund would suffer in the event of default. It is based on the difference between the contractual cash flows and the cash flows that the Fund is expected to receive.

The maximum credit exposure is the carrying amount of cash and cash equivalents as of 31.12.2025.

**Liquidity risk** primarily manifests in two aspects: the first risk is the Fund being unable to meet its obligations when due and the second comprises the risk of being unable to sell an asset on international markets at a fair value within an appropriate time frame in compliance with the respective market conventions.

As of 31 December 2025 and as of 31 December 2024, the Banks Resolution Fund's cash is available on its accounts with the Bulgarian National Bank.

The Fund's financial instruments, analysed by residual term to maturity from the date of the statement of financial position to the date of maturity, are as follows:

(BGN'000)

|                                                                              | Up to 1 month  | From 1 to 3 months | From 3 months to 1 year | From 1 to 5 years | Over 5 years | Total          |
|------------------------------------------------------------------------------|----------------|--------------------|-------------------------|-------------------|--------------|----------------|
| <b>31 December 2025</b>                                                      |                |                    |                         |                   |              |                |
| <b>Financial assets</b>                                                      |                |                    |                         |                   |              |                |
| Cash and cash equivalents, including:                                        | 487,671        | -                  | -                       | -                 | -            | 487,671        |
| <i>in the sub-fund under Article 134, paragraph 1, item 1 of the LRRCIIF</i> | 1,184          | -                  | -                       | -                 | -            | 1,184          |
| <i>in the sub-fund under Article 134, paragraph 1, item 2 of the LRRCIIF</i> | 486,487        | -                  | -                       | -                 | -            | 486,487        |
|                                                                              | <b>487,671</b> | <b>-</b>           | <b>-</b>                | <b>-</b>          | <b>-</b>     | <b>487,671</b> |
| <b>31 December 2024</b>                                                      |                |                    |                         |                   |              |                |
| <b>Financial assets</b>                                                      |                |                    |                         |                   |              |                |
| Cash and cash equivalents, including:                                        | 479,022        | -                  | -                       | -                 | -            | 479,022        |
| <i>in the sub-fund under Article 134, paragraph 1, item 1 of the LRRCIIF</i> | 1,033          | -                  | -                       | -                 | -            | 1,033          |
| <i>in the sub-fund under Article 134, paragraph 1, item 2 of the LRRCIIF</i> | 477,989        | -                  | -                       | -                 | -            | 477,989        |
|                                                                              | <b>479,022</b> | <b>-</b>           | <b>-</b>                | <b>-</b>          | <b>-</b>     | <b>479,022</b> |

### 10. Events Occurred after the Reporting Date

According to the Law on the Introduction of the Euro in the Republic of Bulgaria<sup>5</sup>, as of 1 January 2026, the euro becomes official currency and legal tender in the Republic of Bulgaria. The official exchange rate is fixed at 1.95583 leva per 1 euro.

The introduction of the euro as the official currency in the Republic of Bulgaria is a change in the Fund's functional currency that will be reflected prospectively and does not constitute an event after the reporting period that requires an adjustment in the financial statement for the year ending 31 December 2025.

In view of the fact that this official exchange rate coincides with the fixing rate of the Bulgarian lev to the euro within the currency board in force until the end of 2025, the BRF<sup>6</sup> does not expect the conversion of the opening balances into euro as of 1 January 2026 and the process of change in the functioning of the currency to affect its financial position.

At the beginning of 2026, the SRB carried out a regular verification of compliance with the SRF target level requirement, and found out that the available financial means in the SRF continued to be at least 1 per cent of the amount of covered deposits of all credit institutions authorised in the Member States participating in the Single Resolution Mechanism. In this regard, on 13 February 2026, the SRB published a press release on compliance with the target level of the SRF as of 31 December 2025, and the intention not to collect regular annual contributions to the SRF in 2026.<sup>7</sup> It is also stated that in the absence of any change in circumstances, the next verification of the target level of the SRF will take place in early 2027.

On 28 February 2026, the US and Israel carried out coordinated military strikes on the territory of Iran, which lead to a sharp escalation of hostilities in the Middle East. In the days that followed, Iran retaliated with missiles and drones against Israel and a number of countries in the Persian Gulf.

The hostilities caused a disruption in fuel supplies through the Strait of Hormuz, causing significant volatility in international markets, including a rise in oil and gas prices.

Although, as of the date of the preparation of the present individual financial statements, no direct adverse effects on the Fund's operations have been identified, management continues to closely monitor developments, including the potential impact of any prolonged military actions on the economic environment, higher fuel prices, inflation and possible secondary effects as a result of disrupted trade links.

In addition to the events disclosed above, there are no other events occurring after 31 December that require additional adjustments and/or disclosures to the Fund's financial statements for the year ending 31 December 2025.

<sup>5</sup> Published in the Darjaven Vestnik, issue 70 of 20 August 2024.

<sup>6</sup> Introduced on 1 July 1997 by the Law on the Bulgarian National Bank (published; Darjaven Vestnik, issue 46 of 10 June 1997)

<sup>7</sup> See *For the third year, the SRB will not impose Single Resolution Fund levies*, SRB, press release, Friday, 13 February 2026.

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THE SCULPTURAL COMPOSITION BY KIRIL SHIVAROV DEPICTING HERMES AND DEMETER ON THE SOUTHERN FAÇADE OF THE BULGARIAN NATIONAL BANK BUILDING IS USED IN COVER DESIGN