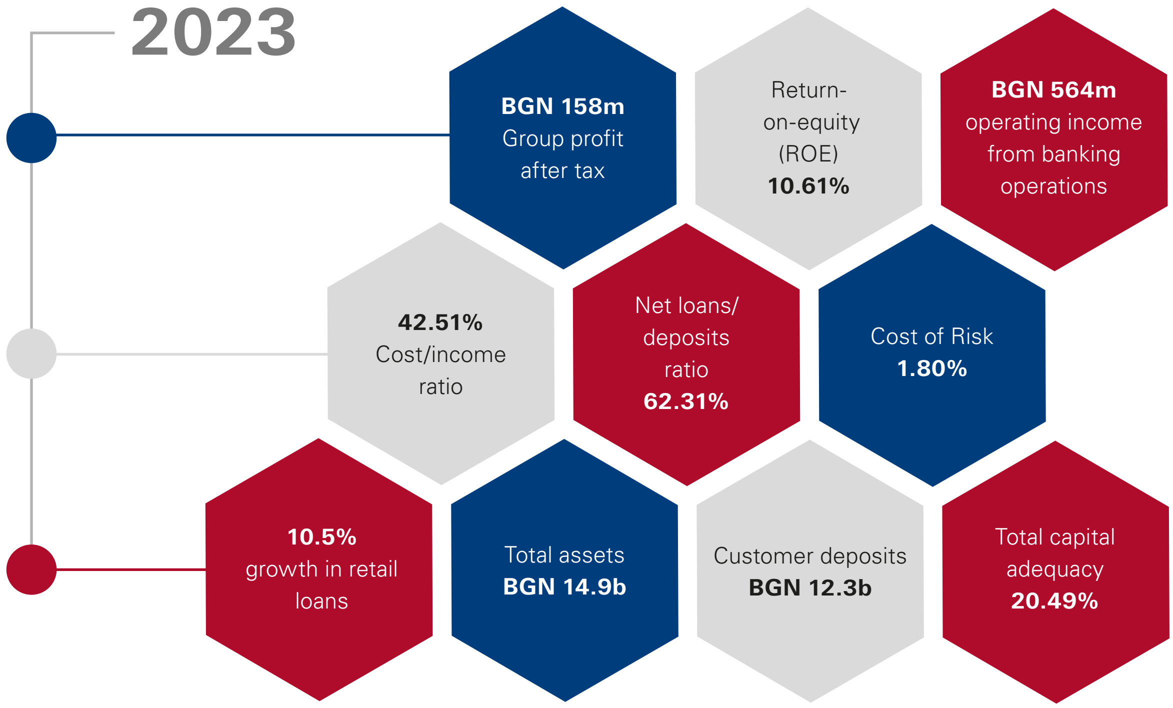
Fibank

My bank

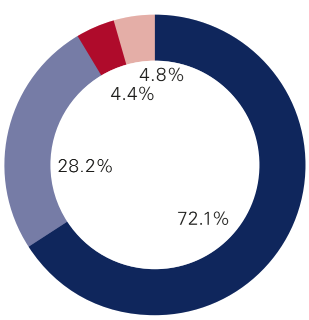
Annual report 2023

The present report is prepared on the grounds of and in compliance with the requirements of the Accounting Act, the Law on Public Offering of Securities, Ordinance №2 of the Financial Supervision Commission for initial and subsequent disclosure of information in public offering and admittance for trade on a regulated market of securities, Regulation (EU) No 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms, Regulation (EU) 2020/852 of the European Parliament and of the Council on the establishment of a framework to facilitate sustainable investment, and its supplementing acts, as well as the National Corporate Governance Code, approved by the Financial Supervision Commission.

Selected indicators



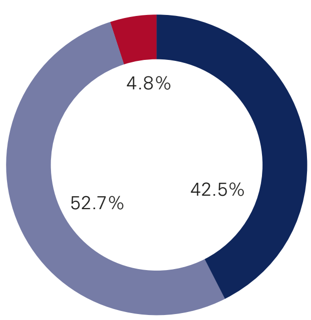
Operating income by type of income



2023

- Net interest income
- Fee and commision
- Net trading income
- Others

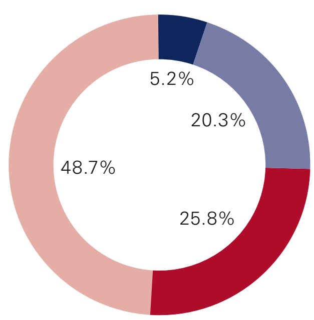
Loans to individuals



2023

- Consumer loans
- Mortgage loans
- Credit cards

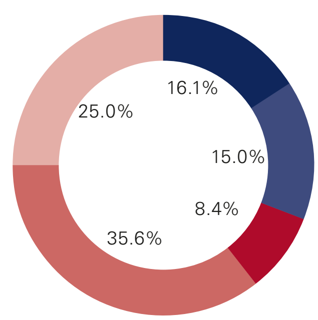
Loans to corporates



2023

- Micro enterprises
- Small enterprises
- Medium-sized enterprises
- Large enterprises

Portfolio by sectors



2023

- Industry
- Trade
- Services
- Individuals
- Others

Mission and development priorities

First Investment Bank AD aspires to continue to be one of the best banks in Bulgaria, recognized as a rapidly growing, innovative, customer-oriented bank, offering outstanding products and services to its customers, ensuring excellent careers for its employees, and contributing to the community. The Bank shall continue to develop high-technological solutions providing its customers with opportunities for banking from any place around the world at any time.

For more information see section „Development priorities“.

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Message
from the Managing board

Dear Shareholders, Customers and Colleagues,

In 2023, First Investment Bank AD (Fibank, the Bank) celebrated its thirtieth anniversary. These have been 30 years of creation, development, prevailing, leading the way, being innovative, responsible and successful. Starting off small and tailored to servicing corporate customers, today Fibank is a universal commercial bank and a significant player in the Bulgarian financial system. Its contribution to the development of modern banking in the country is undeniable. Back in 1997, Fibank was the first Bulgarian institution to offer debit cards for international use, and in 2007 it was among the leaders in introducing chip cards. In 2001 we launched the first virtual bank branch in Bulgaria and six years later -we introduced the first mobile banking portal which today has developed into the integrated My Fibank platform and mobile application. In 2010, we paved the way for PayPass contactless payments in the country and were among the pioneers in issuing debit cards for children and teenagers. In 2013, once again a first in Bulgaria, we saw the potential of the single European passport and offered practical banking products directly in markets within European Union countries. Over the years, we have consistently developed our business model in line with the most advanced technologies and banking concepts, focusing on sustainability and efficiency. Always guided by the needs of our customers, we have been driven by the desire to provide them with state-of-the-art banking services, as well as with the ability to bank from anywhere in the world.

This would not have been possible without the unwavering support of our shareholders who have always been by our side in both good times and bad. We are deeply grateful for their trust, for outlining directions and opportunities, and for requiring persistence and discipline that have been at the core of our success. Today, Fibank is an established brand in Bulgaria, known for its high-quality service and customer satisfaction.

Undoubtedly, credit is also due to our employees. With their high professionalism, ambition and dedication, they have contributed to making Fibank one of the most prestigious and popular banking institutions in the country, respected and preferred by customers and partners. Our employees carry the strong, unique spirit and corporate resilience that has endured over time and led the Bank towards ever better results and achievements.

In 2023, we continued to successfully implement the Bank's strategic development plans. The profit of the First Investment Bank group (after taxes) increased by 61.5% to BGN 158 million (2022: BGN 98 million), mainly as a result of higher operating income. Net interest income reached BGN 407 million, accounting for 72.1% of total income. Net fee and commission income was BGN 159 million, increasing by 9.7% YoY and forming 28.2% of the income structure (compared to 21.3% on average for the banking system). The return on equity (after taxes) stood at 10.61%, and the return on assets at 1.13%.

The assets of the First Investment Bank group grew by 10.1% to BGN 14,864 million, while on an individual basis Fibank retained its fifth place with a market share of 8.07%. This was due, not least, to the management's entrepreneurial spirit, customer service focus and flexibility, as well as to offering attractive products such as the Gold Account, Green Transport, Green Energy - Free Market, Green Energy for Households, POS Overdraft, Career Start, and others.

Lending activity remained high with the loan portfolio growing to BGN 7,675 million, placing Fibank fifth (2022: sixth) among banks in the country. In line with strategic objectives, this momentum was more pronounced in retail banking where the loans outstanding reached BGN 2,804 million, forming 34.8% of the gross portfolio. Our future plans involve creating flexible credit programs and related services, focusing on products for individual customers and small businesses.

Borrowings increased by 7.5% to BGN 12,316 million, reflecting customer confidence. In terms of deposits, Fibank retained its fifth place among banks in the country with a market share of 8.40%. As a result of our consistent cross-selling policies, bundled services, and products tailored to market conditions and customer needs, attracted funds from corporates and institutions increased by 5.1% to BGN 3,879 million with a relative share of 31.5 % of total borrowings from customers, while deposits from individuals were up by 8.7%, to BGN 8,438 million.

Our conservative risk management approach contributed to stable capital indicators, exceeding regulatory requirements: Common Equity Tier 1 capital ratio stood at 17.07%, and total capital adequacy ratio at 20.49%. Liquidity remained high, with net loan to deposit ratio at 62.31% (68.93% on average for the banking system). Strict corporate and financial discipline led to further reduction in the cost/income ratio, to 42.51% (2022: 46.53%).

In 2023, we continued to invest in infrastructure and expand our product portfolio in line with the dynamic processes of digitization and automation. Recognizing the evolving needs of customers and the increasingly important role of artificial intelligence and digital technologies in the financial sector, we directed our efforts towards enhancing and expanding online processes. These included the creation of new customer profiles, instant mobile payments, video consultations, a virtual assistant, as well as a comprehensive transformation of our banking activity reflecting the new digital reality. Optimization of distribution channels continued, setting a focus on developing online sales. In 2023, the majority of transactions were carried out through My Fibank electronic banking. The My Fibank mobile application was updated with a convenient, intuitive interface and advanced functionalities, following the latest trends in the field. Fibank's branch network, with its 134 branches and offices including one branch in Cyprus, as well as the subsidiary First Investment Bank - Albania Sh.a with its 14 branches in Albania, were also optimized in accordance with new banking methods. A process of modernizing bank branches was initiated, featuring new interior design and dedicated digital areas within the branches to facilitate electronic banking.

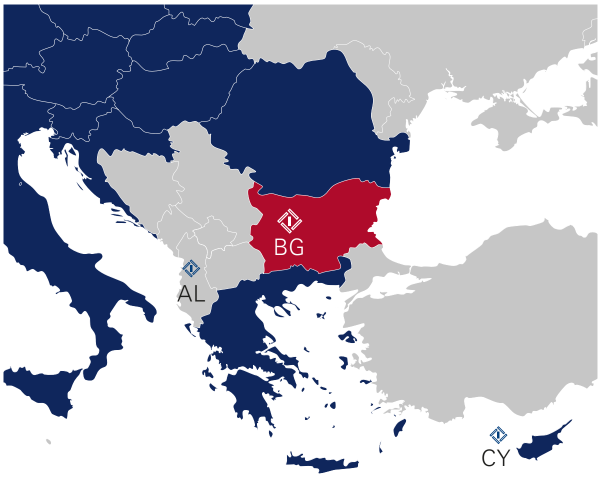
As regards factors related to climate change and sustainable development, which are of fundamental importance for the long-term development of the Bank, a comprehensive approach has been adopted to integrate them into business processes, risk management, and corporate governance. Social responsibility and support of meaningful causes have always been at the core of Fibank's institutional values. In 2023, numerous initiatives were implemented to enhance financial literacy, support children in disadvantaged situations, and promote the development of Bulgarian sports and young talents.

Our achievements do not make us complacent. The potential of Fibank continues to evolve and expand over the years, uncovering fresh opportunities. Moving forward, we will persist in our tireless efforts to achieve new successes and meet the expectations of our shareholders, customers, partners, and society as a whole.

The Management Board of First Investment Bank AD

Macroeconomic development

Republic of Bulgaria



Indicators

Population	6,45 mln. people
Area	110,994 km^2
Member of the European Union	2007
Member of NATO	2004
Memberships in the European exchange mechanism II and the Banking union	2020
Exchange rate EUR/BGN (fixed)	1.95583
Flat tax rate	10%
Fitch Ratings	BBB, Positive
S&P	BBB, Positive
Moody's	Baa1, Stable

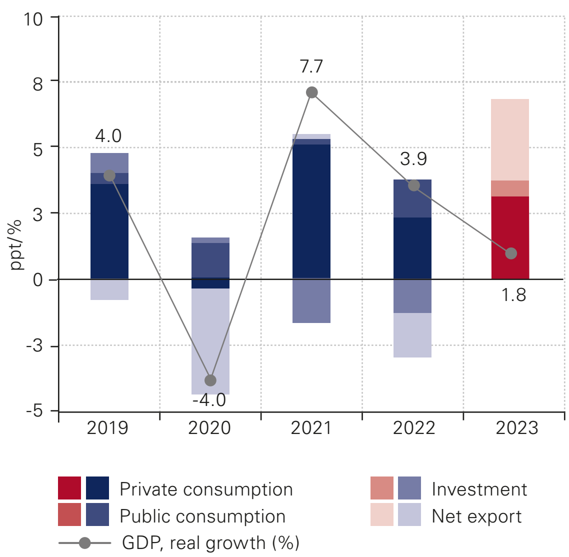
In 2023 the Bulgarian economy developed in a dynamic environment, dominated by global challenges and comprehensive risks. Most notable were problems in supply chains on an international level, inflation, the energy and food crisis which emerged from the COVID-19 pandemic, intensified by the war in Ukraine and subsequent events in the Middle East. The accumulated risks and their consequences require applying consistent and focused actions in supporting economic development, taking into consideration national specifics.

	2023	2022	2021	2020	2019
Gross domestic product (BGN million)	183,743	167,809	138,979	120,492	120,342
Gross domestic product, real growth (%)	1.8	3.9	7.7	(4.0)	4.0
Private consumption, real growth (%)	5.4	3.9	8.5	(0.6)	6.0
Public consumption, real growth (%)	(0.4)	5.5	0.4	8.3	2.0
Investments, real growth (%)	3.3	6.5	(8.3)	0.6	4.5
Net exports, real growth (%)	4.4	-3.3	0.4	(6.1)	(1.3)
Inflation, at period-end (%)	4.7	16.9	7.8	0.1	3.8
Average annual inflation (%)	9.5	15.3	3.3	1.7	3.1
Unemployment, at period-end (%)	5.6	5.4	4.8	6.7	5.9
Current account (% of GDP)	0.3	(1.4)	(1.7)	(0.0)	1.9
Trade balance (% of GDP)	(3.9)	(5.9)	(4.1)	(3.2)	(4.7)
International reserves of BNB (BGN million)	81,999	75,151	67,666	60,334	48,574
FDI in Bulgaria (% of GDP)	3.9	3.1	2.1	4.8	2.7
Gross external debt (% of GDP)	48.3	51.6	58.1	63.3	61.3
Government and government guaranteed debt (% of GDP)	22.9	22.5	23.9	24.3	19.7
Consolidated budget balance (% of GDP)	(3.1)	(0.8)	(2.7)	(2.9)	(1.0)
USD exchange rate (BGN for USD 1)	1.77	1.83	1.73	1.59	1.74

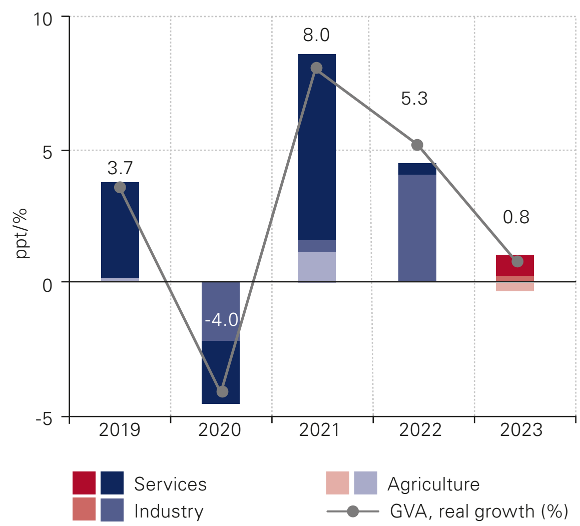
Sources: NSI, BNB, MF, Employment agency

In 2023, gross domestic product growth slowed to 1.8% for the first nine months of the year (2022: 3.9%). Private consumption was the main driver (2023: 5.4%; 2022: 3.9%) as a result of stronger domestic demand and falling inflation rates. Fixed capital investment (2023: 3.3%; 2022: 6.5%) and net exports (2023: 4.4%; 2022: -3.3) also contributed to economic growth, notwithstanding the impact of the still slow recovery of supply flows on trade and investment activity.

Components contribution to GDP



Sector contribution to gross value added

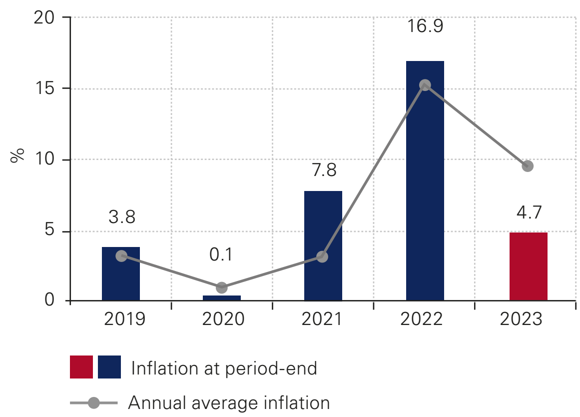


For 2023, gross value added in the economy grew by 0.8%, decelerating from 5.3% for the previous year 2022. The services sector had the most significant share in value added (2023: 1.0%; 2022: 3.9%), including trade, transport and tourism (2023: 1.9%), government and healthcare (2023: 1.1%), real estate operations (2023: 0.9%) and financial and insurance activities (2023: 0.9%). The industrial sector also rose by 0.9% overall for the period (2022: 12.1%), in particular mining and manufacturing (2023: 0.9%) and construction (2023: 0.7%). A decline was reported in the agricultural sector (2023: -3.9%; 2022: -4.4%), influenced by lower volumes of production in the plant growing industry and especially in technical crops, due to droughts and associated lower yields during the year.

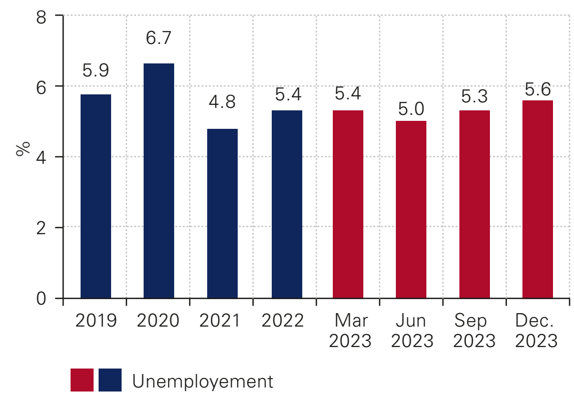
In 2023, the labor market remained stable, with the unemployment rate standing at 5.6% at the end of the year (2022: 5.4%). More pronounced positive trends were observed in the summer months, due to higher seasonal employment. The total number of employed persons increased to 2,288,000 people in December 2023, compared to 2,279,000 for the same month a year earlier. As of the end of December 2023, 64% of the total workforce was employed in the services sector, 30% in industry and 6% in agriculture.

Inflation in the country slowed, with average annual values for 2023 amounting to 9.5% (2022: 15.3%), and year-end inflation standing at 4.7% (2022: 16.9%). The influence was wide-spread across sectors, mainly driven by food (2023: 5.7%) and energy products (2023: 0.5%), in an environment of similar decrease in the prices of basic raw materials in international markets. Services and non-food goods in the consumer basket also registered a slowdown, at 3.1% and 4.9% respectively. Harmonized inflation, as a measure of price stability in the Eurozone, was 5.0% at the end of 2023 (2022: 14.3%) and 8.6% on average over the period (2022: 13.0%).

Inflation

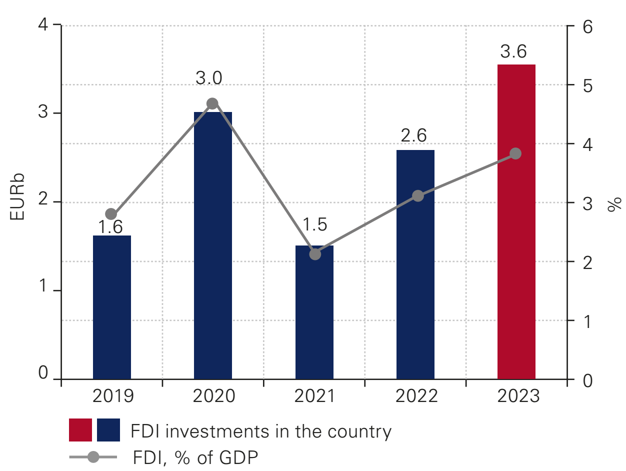


Unemployement rate

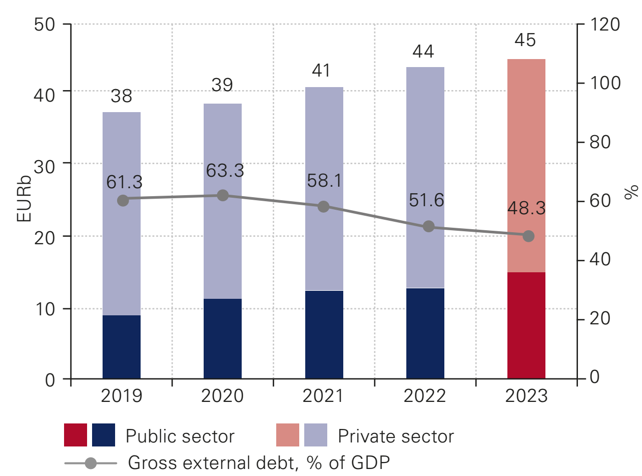


In 2023, direct investments in the country increased to EUR 3,619 million or 3.9% of GDP (2022: EUR 2,631 million or 3.1% of GDP). Such dynamics were mainly due to higher reinvested earnings, reflecting the share of foreign investors in the financial result of companies, rather than to proceeds from debt instruments (financial, bond and trade loans) and equity investments. By country, most investments were attracted from Switzerland (EUR 821 million), followed by Austria (EUR 377 million) and Belgium (EUR 336 million). The higher decline in imports (-10.1% for 2023 YoY to EUR 46,962 million) compared to exports (-8.1% to EUR 43,334 million) led to a decrease in the trade balance deficit to EUR -3,628 million or -3.9% of GDP at the end of 2023. This, combined with the growth in transport services and tourism, caused a decrease in the current account deficit to EUR -251 million or 0.3% of GDP (2022: EUR -1200 million or -1.4% of GDP).

FDI investments in the country



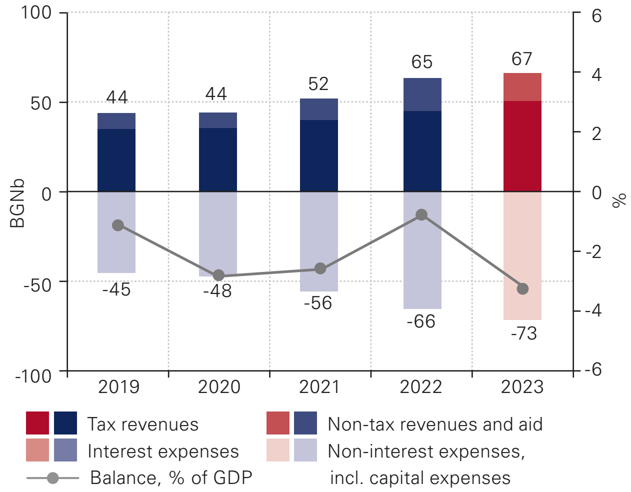
Gross external debt



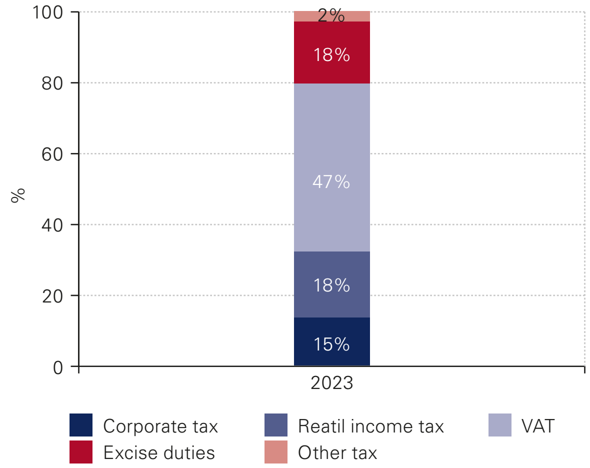
Gross external debt decreased to 48.3% of GDP as of end-2023 (2022: 51.6%), with a decrease reported in the private sector (2023: 32.8% of GDP). Public sector debt, despite the reported increase (2023: 15.5% of GDP), remained among the lowest in the European Union. Total government and government-guaranteed debt, including debt issued on the domestic market, amounted to 22.9% of GDP at the end of 2023 (2022: 22.5%).

In 2023, the consolidated budget reached a deficit of BGN 5,619 million or 3.1% of GDP by the end of the year (2022: BGN 1,324 million or 0.8% of GDP), reflecting the higher growth of costs relative to revenues in the national budget and a deficit on EU funds. Expenditures under the consolidated fiscal program increased by 9.9% to BGN 72,677 million (2022: BGN 66,112 million), as a result of an increase in capital and non-interest expenses, which included higher investment expenses on EU fund accounts, as well as higher costs of municipal budgets under the municipal project investment program.

Consolidated budget



Structure of tax revenues



Tax revenues increased by 11.8% YoY to BGN 52,324 million as of December 2023, an increase being reported in all main sources, including personal income tax (by 16.4% to BGN 6,190 million), corporate tax (by 8.9% to BGN 5,001 million), VAT revenues (by 5.8% to BGN 16,226 million) and excise duties (by 7.7% to BGN 6,148 million). Revenues from social security contributions also increased, amounting to BGN 15,627 million, of which BGN 11,311 million were social security contributions and BGN 4,317 million health contributions.

During the year, the credit ratings of Bulgaria were affirmed by Fitch Ratings (BBB, positive outlook), Standard & Poor's (BBB, positive outlook) and Moody's Investors Service (Baa1, stable outlook). Since 2020, the Bulgarian lev has officially been part of the European Exchange Rate Mechanism (ERM) II in accordance with the Currency Board system operating in the country. During the period, preparatory actions related to the National Plan for the introduction of the euro in the Republic of Bulgaria continued, including integration into the European payment infrastructures. *For more information, see section „Banking system".*

Banking system

In 2023, the banking system in Bulgaria reported good financial indicators and profitability achieved in a dynamic macro environment. The efforts of the banking sector were aimed at sustainable development and stable capital position. Since 2020, Bulgaria has been part of the Banking Union through its participation in the Single Supervisory Mechanism (SSM) and the Single Restructuring Mechanism (SRM).

in % / change in p.p.	2023	2022	2021	23/22	22/21
CET 1 ratio	20.07	19.98	21.66	0.24	(1.68)
Tier 1 capital ratio	20.51	20.48	22.04	0.20	(1.56)
Capital adequacy ratio	21.65	20.88	22.62	0.96	(1.74)
Leverage ratio	9.88[1]	9.41	10.52	0.47	(1.11)
Liquidity coverage ratio (LCR)	246.7	235.0	274.1	6.9	(39.1)
Loans/deposits[2]	71.21	68.21	69.38	3.0	(1.17)
Return-on-equity (ROE)	18.64[1]	12.01	8.53	6.63	3.48
Return-on-assets (ROA)	2.18[1]	1.34	1.05	0.84	0.29
Non-performing loans and advances[3]	2.76	3.55	4.60	(0.79)	(1.05)

Source: Bulgarian National Bank

The total capital ratio (TCR) for the system amounted to 21.65% at the end of 2023. (2022: 20.88%), and the CET1 ratio to 20.07% (2022: 19.98%), both indicators being significantly above the regulatory requirements. From January 1, 2023, adjustments related to the transitional treatment according to Regulation (EU) 2017/2395 for mitigating the impact of the introduction of IFRS 9 no longer apply to these indicators. The leverage ratio, comparing Tier 1 capital to the total on- and off-balance sheet exposures of banks, was 9.88% as of September 2023, compared to 9.41% as of end-2022. It is used as an additional supervisory tool, measuring the capital held by banks which is not sensitive or risk-weighted.

Due to the continuing high growth rates in lending and the cyclical risks in real estate market, the BNB kept the level of countercyclical capital buffer at 2.0% during the year, effective until the first quarter of 2025. During the period, the BNB announced its annual review of the buffer for Other Systemically Important Institutions (O-SIIs), identifying as such six banks for which individual levels were set in the range of 0.50% to 1% for 2024. In 2023 the systemic risk buffer remained unchanged, at 3% of banks' risk exposures in Bulgaria.

Liquidity in the system remained high, reflecting consistent conservative risk management and the increased deposit base. The Liquidity Coverage Ratio (LCR), correlating the liquidity buffers maintained by banks against net outflows over a period of 30 calendar days, stood at 246.7% (2022: 235.0%), which is well above the minimum requirement of 100%. The ratio of liquidity buffer to balance sheet assets for the system increased to 30.8%. Liquidity was also affected by the two increases in mandatory minimum reserves undertaken by the BNB: from 5% to 10% for borrowings from non-residents, effective from June 1, 2023, and from 10% to 12% for borrowings by residents and non-residents, effective July 1, 2023.

1 Data as of 30 September 2023..

2 Gross loans and advances (without central banks and credit institutions)/deposits (without credit institutions)

3 Non-performing loans and advances/gross loan and advances. (For comparability, a broad definition of loans and advances has been used, including cash balances with central banks and other demand deposits).

BGN million/ change in %	2023	2022	2021	23/22	22/21
Net interest income	4,846	3,227	2,757	50.2	17.0
Net fee and commission income	1,474	1,430	1,241	3.1	15.2
Administrative expenses	2,200	1,972	1,784	11.6	10.5
Impairment	411	586	594	(29.9)	(1.3)
Net profit	3,417	2,079	1,416	64.4	46.8

Source: Bulgarian National Bank

In 2023, the net profit of the banking system increased to BGN 3,417 million, compared to BGN 2,079 million for 2022, mainly due to net interest income generated in an environment of increased lending and preserved interest spread. Another driver was the continuing downward trend of impairment costs, amounting to BGN 411 million for the period (2022: BGN 586 million).

Net interest income for 2023 increased by 50.2% to BGN 4,846 million (2022: BGN 3,227 million), and net fee and commission income reached BGN 1,474 million (2022: BGN 1,430 million), providing a solid contribution to profit comprising 21.3% of the system's total operating income. The achieved financial results accounted for return on assets (ROA) of 2.18% for the nine months of 2023 (2022: 1.34%) and a return on equity (ROE) of 18.64% for the same period (2022: 12 .01%)..

BGN million / change in %	2023	2022	2021	23/22	22/21
Assets	172,075	155,406	135,410	10.7	14.8
Loans to non-financial corporations	48,460	44,908	40,286	7.9	11.5
Loans to individuals, including:	39,473	33,945	29,468	16.3	15.2
Mortgage loans	22,028	18,365	15,815	19.9	16.1
Consumer loans	18,040	16,138	14,304	11.8	12.8
Deposits from non-financial corporations	46,303	43,169	34,374	7.3	25.6
Deposits from individuals	82,614	74,282	68,107	11.2	9.1

Source: Bulgarian National Bank

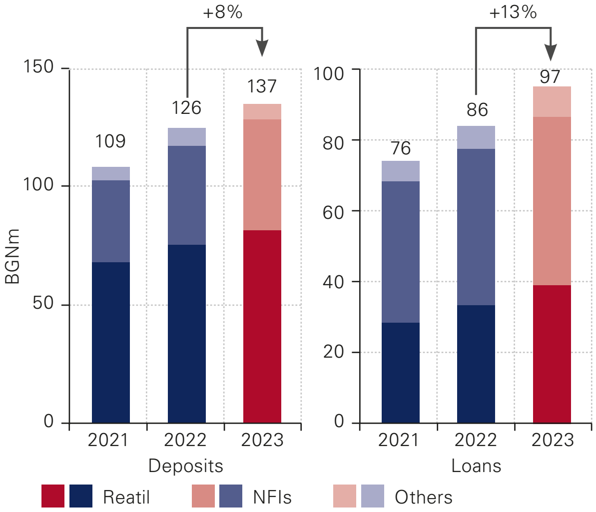
Total balance sheet assets increased by 10.7% YoY to BGN 172,075 million by the end of 2023 (2022: BGN 155,406 million) with loans and advances holding a predominant share in the balance sheet structure at 60.0% of total assets (2022: 59.6%) followed by cash and balances with central banks at 21.1% of assets (2022: 20.9%) and investments in securities at 15.6% (2022: 15.7%), which mainly included government debt securities.

Lending activity in 2023 remained high, with more pronounced dynamics in households compared to non-financial corporations. Residential mortgage loans increased by 19.9% to BGN 22,028 million (2022: BGN 18,365 million) and consumer loans by 11.8% to BGN 18,040 million (2022: BGN 16,138 million) at the end of 2023. Loans to non-financial corporations retained their major share at 49.8% of total customer loans, reaching BGN 48,460 million (2022: BGN 44,908 million).

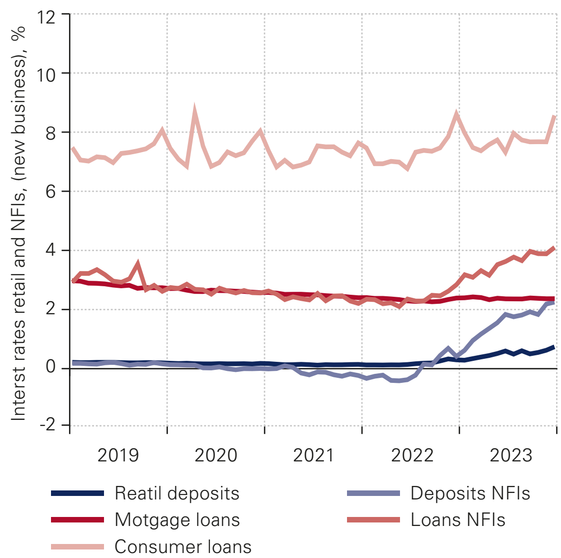
The share of non-performing loans and advances continues to decline, down to 2.76% of gross loans and advances as of December 2023 (2022: 3.55%). Loans to non-financial corporations accounted for the largest share in the structure of non-performing loans (65.0%), followed by loans to households (31.6%) and other financial corporations (2.1%).

In 2023, borrowed funds in the banking system (excluding credit institutions) increased by 8.4% to BGN 136,768 million as of December 2023 (2022: BGN 126,197 million), reflecting confidence in the system. An increase was reported mainly in deposits of households (by 11.2% to BGN 82,614 million), which retained their dominant share at 60.4% of all borrowings, and to a lesser extent in deposits of non-financial corporations (by 7.3% to BGN 46,303 million). The currency structure of deposits remained unchanged, the share of BGN deposits standing at 65.9%, deposits in EUR at 27.6% and those in other currencies at 6.5% as of December 2023.

Loans and deposits



Interest rates on loans nd deposits



During the year, the trend of increasing interest rates in the country strengthened but remained less pronounced compared to other EU and Eurozone countries. This was mainly due to high levels of liquidity in the system and to binding reference interest rates on loans applied by banks (mainly in the retail banking segment) to average cost of deposits. Interest rates on deposits (new business4) of households and non-financial corporations increased on average for 2023 (volume-weighted) to 0.48% and 1.88%, respectively (2022: 0.11% and -0.13%). An increase was also reported in average interest rates on loans for the period (new business5): in consumer loans up to 8.63% (2022: 8.16%), in mortgage loans up to 2.58% (2022: 2, 54%), and in loans to non-financial corporations up to 4.00% (2022: 2.60%).

In 2023, a number of projects were implemented in the field of payments which will help integrate the payment systems in the country with those of the Eurozone. In March 2023, the BNB and the banking community in Bulgaria, together with the Bulgarian ancillary systems for client payments in euro and for securities settlement, successfully migrated to the Eurosystem's new T2 payment system. It comprises a Real-Time Gross Settlement (RTGS) component and a central liquidity management tool and replaces the previous TARGET2 system. The Central Depository also joined the Eurosystem's securities settlement platform T2S, enabling pan-European delivery-versus-payment settlement of securities and cash in central bank money.

During the year, a migration project for budget payments in line with the new SEPA standards was also successfully implemented.

By the end of 2023, the instant transfers in BGN under the Blink scheme of BORICA AD, which are executed within 10 seconds, increased their share in payments across the country. Its additional P2P functionality for transfers by mobile number continues to gain popularity among participating payment service providers and their customers.

New technologies and digitization of activity gave impetus to the development of payment and financial markets. The regulatory framework at the national and European level also contributed to this. A new Regulation (EU) 2023/1114 on markets in crypto-assets (MiCA) was added to the existing Digital Operational Resilience Act (DORA) - Regulation (EU) 2022/2554 and Regulation (EU) 2022/858 on a pilot regime for market infrastructures based on distributed ledger technology. It introduced uniform requirements for public offering and admission to trading on crypto-asset trading platforms, as well as disclosure and transparency requirements for crypto-asset service providers. In 2023, a new Regulation (EU) 2023/1113 on information accompanying transfers of funds and certain crypto-assets (TFR) was also adopted, expanding the scope of such information.

During the period, amendments were made to the Payment Services and Payment Systems Act concerning basic payment accounts (BPA), envisaging a special regime of servicing, provided that the funds received on the accounts come from labor remunerations and social payments.

4 Term deposits in BGN up to 1 year
5 Loans by original maturity in BGN

In the field of corporate governance, a new Whistleblower Protection Act was adopted. It regulates the terms, procedure and measures for protection of whistleblowers on violations of the law, established in a working context, as well as the terms and conditions for submitting and considering whistleblowing reports.

Regulations in the field of recovery and resolution were supplemented by new EBA Guidelines on the overall recovery capacity in recovery planning (EBA/GL/2023/06), Guidelines for institutions and resolution authorities on improving resolvability (EBA/GL/2023/05), Guidelines to resolution authorities on the publication of their approach to implementing the bail-in tool (EBA/GL/2023/01), and Guidelines on transferability to complement the resolvability assessment for transfer strategies (EBA/GL/2022/11).

With regard to combatting money laundering and terrorist financing, new EBA Guidelines were adopted on policies and controls for the effective management of ML/TF risks when providing access to financial services (EBA/GL/2023 /04), Guidelines on customer due diligence and the factors credit and financial institutions should consider when assessing the money laundering and terrorist financing risk associated with individual business relationships and occasional transactions (EBA/GL/2023/03), as well as Guidelines on the use of remote customer onboarding solutions (EBA/GL/2022/15).

At the end of 2023, 23 credit institutions operated in the country, of which 6 were branches of foreign banks. The consolidation processes in the system continued, following global trends towards optimization in the structure and efficiency of banking institutions. The share held by significant banking institutions (according to ECB criteria) in the country amounted to 68.3% of bank assets as of September 2023, those of the less significant registered 28.8%, while those of the branches of foreign banks were at 2.8%.

Banks operated in an environment of strong competition, advanced development of technologies, process transformation and customer behavior. Competition also increased from online banking, fintech companies and e-commerce as a whole. This requires expanding opportunities for cross sales and fast digital solutions in response to customers' expectations, as well as proactiveness and personalization of services.

In 2024, the main challenges faced by banks will continue to include the processes of digitization of banking services and the related measures and actions for the active management of ICT risks and cyber security, the upcoming implementation of the EU banking package known as CRD6 and CRR3 concerning capital and prudential requirements, the integration of ESG factors and the transition to a sustainable economy, as well as the promotion of financial literacy through advising and assisting customers.


Success makes us
more confident and determined

Fibank profile

Corporate status

First Investment Bank is a joint-stock company registered with Sofia City Court pursuant to a ruling dated 8 October 1993. Since 28 February 2008 the Bank has been registered in the Commercial Register of the Registry Agency.

First Investment Bank is a public company registered in the Commercial Register of Sofia City Court by a decision dated 4 June 2007 and in the register of public companies and other issuers held by the Financial Supervision Commission by a decision dated 13 June 2007.

The Bank owns a universal banking license for domestic and international operations. First Investment Bank is a licensed primary dealer in government securities and it is a registered investment intermediary.

Head office and business address of First Investment Bank AD – Sofia 1784, 111P, Tsarigradsko Shose Blvd.

Memberships

- Association of Banks in Bulgaria
- Bulgarian Stock Exchange AD
- Central Depository AD
- BORICA AD
- MasterCard International
- VISA Inc.
- S.W.I.F.T.
- Factors Chain International

Market position[6]

- Fifth in assets
- Fifth in deposits
  – Fifth in deposits from individuals
- Fifth in lending
  – Fifth in corporate lending
  – Fifth in consumer loans
  – Fifth in mortgage loans
- Among the leading banks in the card business. Among the leading banks in payment services, including international payments and trade transactions

Market share[7]

- 8.07% of bank assets in Bulgaria
- 8.40% of deposits in the country
  – 9.41% of deposits from individuals
- 8.23% of loans in the country
  – 9.62% of corporate lending
  – 7.57% of consumer lending
  – 5.88% of mortgage lending

6 Market positions are determined based on unconsolidated data from the BNB.
7 Market shares are determined based on unconsolidated data from the BNB.

Correspondent relations

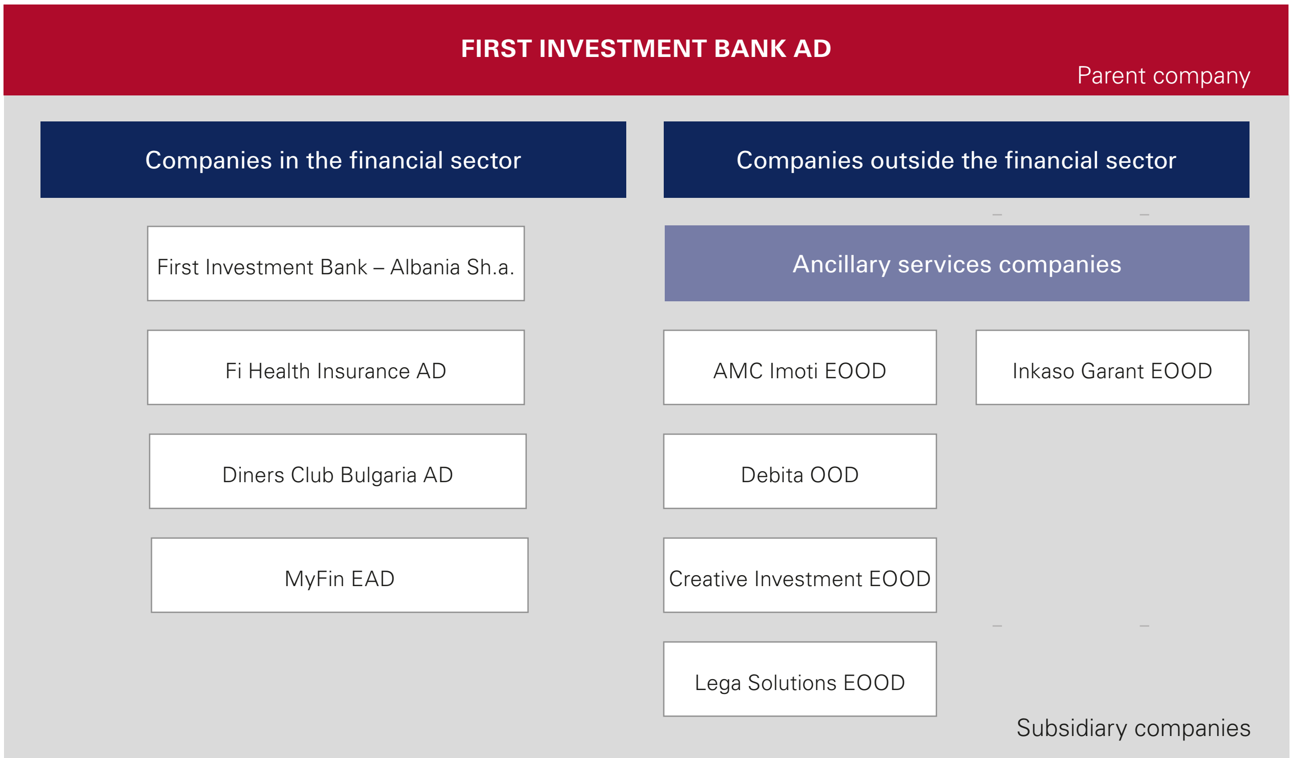
Fibank has a wide network built up of correspondent banks, through which it performs international payments and trade financing operations in almost all parts of the world. The Bank executes international transfers in foreign currency, and issues cheques and performs different documentary operations. Fibank is a respected, reliable and fair partner, which has built over the years a good reputation among international financial institutions and gained valuable experience and know-how from its numerous business partners, investors, customers and counterparties.

Branch network

- As at 31 December 2023 the Group of First Investment Bank had 119 branches and offices, covering the territory of Bulgaria, a foreign branch in Cyprus and 14 branches of the subsidiary bank First Investment Bank – Albania Sh.a. in Albania.
- Fibank maintains diversification of the distribution channels, which are constantly enhanced in accordance with technological development and customer needs.

For further information regarding the branch network, see section "Distribution channels", as well as section "Business review of subsidiary companies".

Subsidiaries



As at 31 December 2023, First Investment Bank AD had nine subsidiary companies: First Investment Bank - Albania Sh.a. (100%), Fi Health Insurance AD (59.10%), MyFin EAD (100%), Diners Club Bulgaria AD (96.51%), Debita OOD (70%), AMC Imoti EAD (100%), Creative Investment EOOD (100%), Lega Solutions EOOD (100%) and Inkaso Garant EOOD (100%).

As of 31.12.2023, the following companies were included in the consolidated financial statements of the Group of First Investment Bank: First Investment Bank - Albania Sh.a., Fi Health Insurance AD and AMC Imoti EAD. The remaining subsidiaries were not included in the consolidated financial statements, as they were considered immaterial to the financial position, financial results and cash flows of the Group for the year ended 31.12.2023. The assessment for consolidation of subsidiaries is reconsidered at each reporting date.

For further information regarding subsidiary companies, see section "Business review of subsidiary companies", as well as Note 36 "Subsidiaries" of the Consolidated Financial Statements for the year ended 31 December 2023.

Awards 2023 г.

- First Investment Bank was awarded in the Bank of the Year and Employer branding categories at the Company of the Year ceremony, which promotes successful management models and effective business practices among the Bulgarian public.
- Fibank received the Mystery Customer Bank award for best customer service in Bulgaria in the prestigious Bank of the Year competition, organized by the Bank of the Year Association.

First Investment Bank: dates and facts

1993	First Investment Bank was established on 8 October 1993 in Sofia. Fibank was granted a full banking license for carrying out operations in Bulgaria and abroad.
1994-95	The Bank developed and specialized in servicing corporate clients.
1996	Fibank was the first in Bulgaria to offer services enabling banking from home or from the office. Fibank was the first bank to receive a 5-year loan from the European Bank for Reconstruction and Development for financing small and medium-sized enterprises in Bulgaria.
1997	The Bank started issuing Cirrus/Maestro debit cards, Eurocard/Mastercard credit cards and the American Express card. Fibank was the first Bulgarian bank to offer debit cards with international access. Thompson Bankwatch awarded Fibank its first credit rating. The Bank opened its first branch abroad, in Cyprus.
1998	Fibank obtained its first syndicated loan from foreign banks. The Bank negotiated financing for the import of investment goods from a number of EU countries, guaranteed by export insurance agencies.
1999	The Bank negotiated a syndicated loan organized by EBRD to the total amount of EUR 12.5 million. First Investment Bank received a medium-term loan for EUR 6.6 million from a German government organization for financing of Bulgarian companies. A foreign banking branch in Tirana, Albania was opened servicing Albanian companies and individuals.
2000	First Investment Bank started developing its business in the field of retail banking. Deposits from private individuals grew 2.3-fold.
2001	Fibank launched the first virtual bank branch in Bulgaria, allowing customers to bank via the Internet. The Bank was awarded the prize "Bank of the Year" by 'Pari' ('Money') daily. Maya Georgieva (Executive Director of First Investment Bank), received the prize "Banker of the Year" from 'Banker' Weekly.
2002-04	Fibank was named twice "Bank of the Client" in the annual rating of 'Pari' daily. Products and services to individuals became the focus of the Bank's activities. Loans to individuals increased over five times during the year. The Bank expanded its infrastructure. The branch network expanded by 27 new branches and offices, the ATM network more than doubled.
2005	Fibank acquired 80% of the capital of Diners Club Bulgaria AD. The Bank issued Eurobonds to the amount of EUR 200 million on the Luxembourg Stock Exchange. Fibank was also the first Bulgarian bank to issue perpetual subordinated bonds. Matthew Mateev (Deputy Chief Executive Director of First Investment Bank) was awarded the prize "Banker of the Year" by 'Banker' weekly.
2006	Fibank was named "Bank of the Client" for the third time in the annual rating of 'Pari' daily. €185 million syndicated loan, organised by Bayerische Landesbank with 33 international banks participation. The Bank's share capital was increased from BGN 20 million to BGN 100 million by transforming retained profits into new shares.
2007	First Investment Bank realized the biggest banking initial public offering of shares in Bulgaria and became a public company. „Fibank Mobile" – the first banking mobile portal created by the Bank with useful financial information for its customers, started functioning. Fibank is among the first banks in Bulgaria to implement chip technology by issuing cards. First Investment Bank – Albania Sh.a. was issued a full banking license in Albania.

2008	Fibank implemented a new centralized and integrated core banking information system FlexCube. Fibank received a syndicated loan in the amount of EUR 65 million from 11 leading international banks. Fibank became the first bank in Bulgaria to launch its own corporate blog. Fibank received the OSCARDS award for innovation in the card business.
2009	Fibank started offering the sale and redemption of investment diamonds. A new Internet service "My Fibank" was offered, providing e-statements on bank accounts and credit cards.
2010	Fibank welcomed its one millionth client. First Investment Bank signed an agreement with IFC for cooperation in the field of trade finance. Fibank was the first Bank in Bulgaria to offer contactless payments using the PayPass technology. Fibank acquired a controlling interest in FI Health AD health insurance fund.
2011	First Investment Bank was recognized as the Best Bank in Bulgaria in 2011 by the financial magazine Euromoney. New Executive Directors of the Bank appointed – Dimitar Kostov, Vassil Christov, Svetoslav Moldovansky. Maya Georgieva (Executive Director of First Investment Bank) received the Banker of the Year 2011 award from "Banker" Weekly for market sustainability achieved and customer confidence earned
2012	Fibank was "Bank of the Year" from "Bank of the Year" Association, with the best complex performance. The Bank signed an agreement with the EIF for the financing of SME under the JEREMIE initiative. Vassil Christov, Executive Director of First Investment Bank won the prestigious award "Banker of the Year" of the "Banker" Weekly.
2013	First Investment Bank AD signed an agreement with the Hungarian MKB Bank Zrt. for the acquisition of 100% of the shares of MKB Unionbank EAD. Fibank finalized the issuance of new EUR 100 million hybrid debt. Online sale of products of investment gold and other precious metals was started.
2014	The merger of Union Bank EAD into First Investment Bank AD was carried out, including integration of operational systems, procedures, infrastructure, human resources, products and services Fibank overcame the pressure on the banking system thanks to its sound liquidity, high professionalism, as well as to the liquidity support received pursuant to EC Decision C(2014) 4554/29.06.2014. Fibank was awarded as the best bank in the field of retail banking by the international portal Global Banking & Finance Review.
2015	A joint project with the IFC for upgrading Fibank's risk management and corporate governance systems was realized in line with the principles of the Basel Committee and the recognized international standards. A new independent member of the Supervisory Board was elected: Mr. Jyrki Koskelo, an accomplished professional having extensive experience with the IFC. A new organizational structure of the Bank was adopted, further developing the control functions. Fibank was named the strongest brand among banks in Bulgaria by the global organization Superbrands.
2016	An innovative platform was launched for electronic payments using NFC-enabled mobile devices and digital bank cards. The Bank repaid the liquidity support received pursuant to EC Decision C(2014) 8959/25.11.2014. Fibank successfully passed the asset quality review and the stress test conducted in the country. New contactless debit cards for children and teenagers were developed.
2017	Fibank created its integrated e-banking platform My Fibank, as a single customer omnichannel. The Bank became direct participant in the STEP2 SCT (SEPA Credit Transfer) system. Fibank updated its core banking information system by migrating to Oracle Flexcube12. Fibank developed its online consumer credit services at www.credit.fibank.bg.

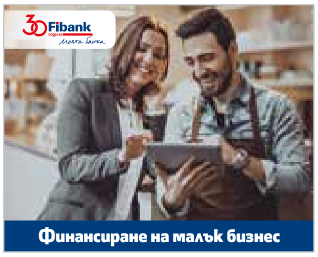
2018	First Investment Bank celebrated the 25th anniversary of its founding. A new Smart Lady program was launched in support of women entrepreneurs, mainly targeting micro, small and medium-sized enterprises. A software Fibank Token was developed as a means of signature and authentication in the electronic banking system of the Bank. An innovative new-generation Evolve credit card was developed, combining three brands (Fibank, Diners Club and Mastercard) into one payment instrument.
2019	Card services were further developed, with an emphasis on digital cards and payments using smart devices. A centralized back office was initiated in the Bank's system, its main purpose being to optimize the efficiency in servicing the Bank's customers. Fibank passed the asset quality review and stress test conducted by the ECB during the year. Initiatives were undertaken aimed at enhancing financial literacy, including among children and teens.
2020	First Investment Bank successfully increased its capital by BGN 195,424 thousand. New shareholders of the Bank became the Bulgarian Development Bank AD with 18.35% and Valea Foundation with 7.87%. Fibank was the first bank in Bulgaria, which allowed rescheduling of payments to borrowers experiencing difficulties in connection with the state of emergency and the COVID-19 pandemic. New executive directors were elected – Nikola Bakalov and Ralitsa Bogoeva, as well as new Chief Financial Director – Ianko Karakolev. Fibank supported the founding of a startup company in the field of payment services: MyFin EAD, licensed as an electronic money company with a share capital of BGN 1 million. First Investment Bank signed agreements with the Bulgarian Development Bank and Fund of Funds for overcoming the consequences from the COVID-19 pandemic.
2021	First Investment Bank offered the innovative Gold Account product designed for keeping, purchase and sale of dematerialized gold (XAU). A new video consultation service was launched for customers interested in retail credit products, available at www.fibank.bg and through My Fibank electronic banking. A new Business Process Management (BPM) system for retail lending was implemented. MyCard was launched: a new virtual credit card with pre-approved limit, issued entirely online through the My Fibank mobile application. Debit Mastercard Platinum was launched: a new debit card for the premium segment offering a number of benefits, including a virtual assistant app (AskPLEEZ!) and concierge services.
2022	First Investment Bank launched an innovative service for instant payments (up to 10 seconds) in BGN under the Blink scheme. Electronic signing of documents by e-Sign pad was introduced at the Bank's offices. A new Debit Instant Card was offered: a virtual debit card issued through the My Fibank mobile app, intended for making online payments by smartphone. The use of the BPM credit process management system was extended to business customers. A new Sustainable Future mortgage loan was developed according to responsible banking policies, for financing real estate with high energy efficiency (class A+, A or B).

Highlights 2023

January

- A number of initiatives and campaigns were launched related to the 30th anniversary of the First Investment Bank.
- Fibank customers were the first in Bulgaria to make instant Blink P2P payments in BGN through the My Fibank mobile application.
- The new Sofia Tech Park office of Fibank welcomed its first customers.

February



- The exclusive metal World Elite Mastercard credit card was offered, with additional features such as concierge services, EGO Club membership, personal banker assistance, VIP access to airport lounges, and high-coverage travel insurance.
- Accent was placed on investment and working capital loans to small businesses, with longer repayment periods and relaxed collateral terms.

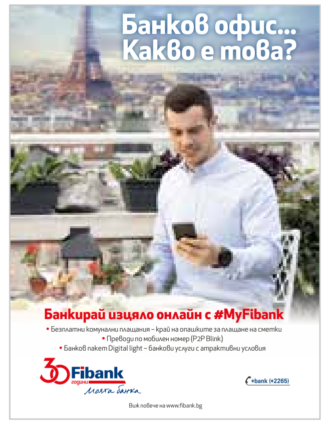
March

- Fibank successfully migrated to the new T2 (TARGET2) real-time gross settlement (RTGS) system of Eurosystem for processing large-value payments.
- Fibank's Smart Lady program in support of women entrepreneurs marked its fifth anniversary by organizing the Business Lady Excellence international conference, attended by business leaders from across Europe

- The fully online issuance of virtual credit cards was launched through the My Fibank mobile application.
- The Bank offered financing to Bulgarian enterprises under the EU competitiveness and innovation programs, for development of rural areas and under the National Recovery and Resilience Plan.
- Fibank participated in the European Money Week 2023 initiative for early financial literacy in a number of schools in the country.

April

- Become a Fibank Customer – a new service for remote customer onboarding through the My Fibank mobile app, using ID card and video identification (eID).
- Fibank signed a portfolio insurance agreement with the Bulgarian Export Insurance Agency, providing coverage against financial losses on loans granted to micro, small and medium-sized enterprises.
- EGO Portfolio – a private banking service featuring a personal investment advisor for structuring and management of portfolios and investment advice.
- The Green Transport, Green Energy - Free Market, and Green Energy - Own Use products for business customers, intended for purchase of electric vehicles or construction of photovoltaic systems, were presented at the Business Financing 2023+ forum.



May

- A new Fibank High Tech Pro corporate program was launched, aimed at training, professional guidance and career development for young talents in the field of information technology and cyber security.
- Software token – a new functionality of My Fibank Cyprus electronic banking, providing safer and easier access for customers of the Cyprus branch.
- Health and Body Modeling Fi Pro – a new sports initiative for Fibank employees, aimed at a healthy lifestyle and good physical shape, relaxation and harmonious balance in the working environment.
-

June

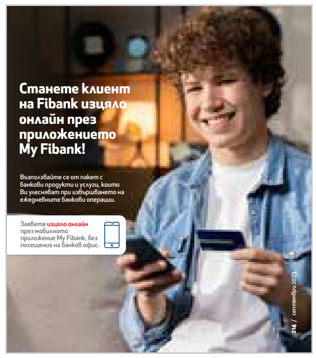
- A Regular Annual General Meeting of the shareholders of First Investment Bank was held, at which a decision was taken that the net profit for 2022 would be capitalized.
- Fibank experts presented opportunities for career development at the banking institution at the Career and Life - Why in Bulgaria forum, held by Bulgaria Wants You in Sofia Tech Park.
- The subsidiary bank First Investment Bank – Albania Sh.a. developed its activity in the card business, by starting building up its own network of POS terminals.

July

- Fibank actively offered its POS Overdraft product to small businesses: a revolving credit facility based on the volume of realized POS transactions.
- For yet another year, Fibank organized the Best Bulgarian Company of the Year competition. It aims to raise public awareness of good business examples in the country and promote successful business models.
- The innovative product Gold account for keeping, purchase and sale of dematerialized gold (XAU), offered by Fibank was introduced to the digital portfolio of the subsidiary Myfin EAD.

August

- A campaign was launched to offer the Digital Me program, the Digital Light package and the Career Start consumer loan to students in the country.
- Fibank upgraded its IT infrastructure in terms of cyber security, introducing new software solutions and minimizing vulnerabilities in line with the best practices in the field.
- A 10-year Sustainable Development Strategy and a Green Finance Framework were developed, setting the standards for ecological and environmentally friendly lending according to the principles of the International Capital Market Association (ICMA).
- Fibank became the institution accepting applications for issuance of European Health Insurance Cards in Bulgaria, through its branch network in the country.



September

- Visa Platinum Business Debit – a new high-class card product for business customers, designed to manage company funds, with additional features such as cash back, travel insurance when traveling abroad, and access to business airport lounges with the Lounge Key program.
- A campaign was launched for the issuance of new Debit Mastercard PayPass Kids/Teen debit cards without fees for issuance, maintenance, POS payments, or ATM withdrawals.

October

- Green Energy for Households – a new retail credit product intended for financing installations for energy production from renewable sources (e.g. photovoltaic systems or solar hot water systems).
- Fibank successfully adapted its payment systems and customer documentation to the new budget payment requirements implementing the SEPA standards.
- The Bank brought its activities in line with the provisions of the new Whistleblower Protection Act.

November

- Green Transport for Households – a new retail credit product intended for financing the purchase of electric vehicles. Loans cover up to 100% of the vehicle cost, plus up to BGN 10 thousand for additional costs related to the purchase.
- Reference information on personal loans in My Fibank e-banking was expanded, aiming at greater detail and convenience for users.

December

- A new silver coin commemorating the Year of the Dragon 2024 was offered by Fibank in collaboration with the New Zealand Mint.
- The Bank developed exclusive debit and credit cards with designs dedicated to the 2024 Olympic and Paralympic Games in Paris.
- The Children of Fibank – a Christmas party was organized for employees of the Bank and their children as part of the Sofia Christmas Fest.
- Fibank presented its 2024 charity calendar dedicated to sustainable development and focusing on water resources and their conservation.


We stay balanced in dynamic times

Financial review

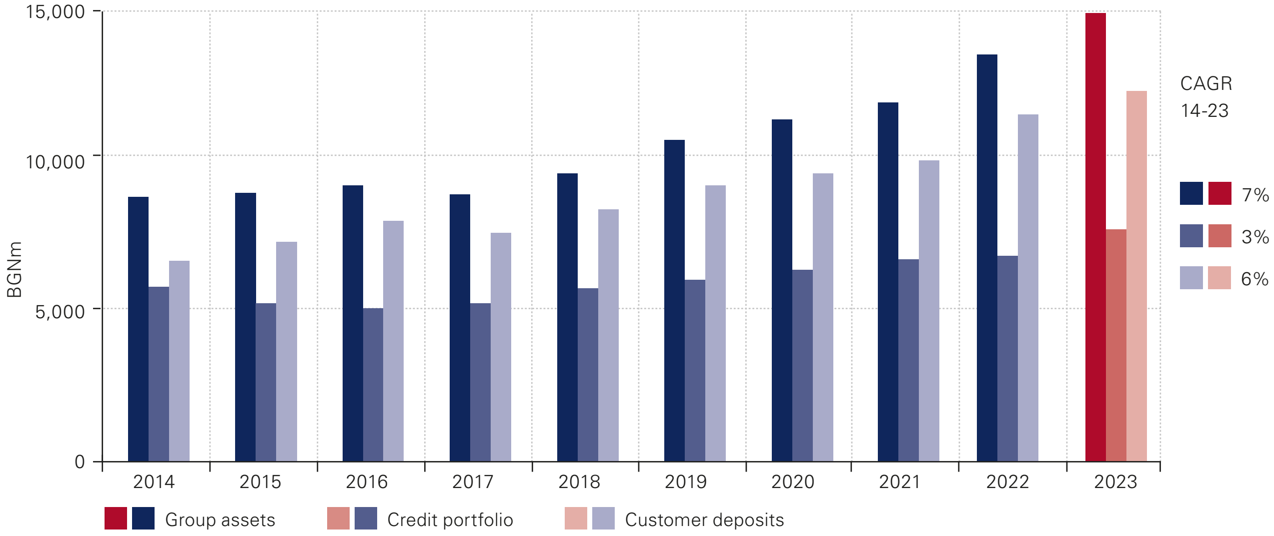
Key indicators

	2023	2022	2021	2020	2019
Financial indicators (BGN thousand)					
Net interest income	406,761	296,209	282,465	249,678	246,714
Net fee and commission income	159,061	144,962	123,505	99,192	106,774
Net trading income	25,045	20,473	15,742	12,531	15,378
Total income from banking operations	563,886	475,950	434,970	373,709	443,484
Administrative expenses	(238,282)	(217,852)	(192,083)	(193,807)	(220,448)
Impairment	(144,479)	(140,230)	(125,663)	(98,707)	(119,730)
Group profit after tax	158,285	97,990	111,408	45,517	137,922
Earnings per share (in BGN)	1.06	0.65	0.74	0.36	1.25
Balance-sheet indicators (BGN thousand)					
Assets	14,864,233	13,498,982	11,897,221	11,335,420	10,660,175
Loans and advances to customers	7,674,705	6,823,003	6,653,944	6,312,887	6,017,137
Investments in securities	2,883,067	2,819,193	1,673,781	1,292,641	993,022
Due to other customers	12,316,348	11,454,906	9,973,631	9,542,276	9,104,021
Other borrowed funds	447,314	123,846	120,002	103,649	109,348
Subordinated term debt	19,410	19,410	9,622	9,623	3,949
Hybrid debt	257,871	256,861	320,733	267,579	267,615
Total Group equity	1,573,382	1,399,622	1,319,842	1,216,420	978,917
Key ratios (in %)					
Capital adequacy ratio	20.49	21.01	20.84	21.28	18.34
Tier 1 capital ratio	20.29	20.78	20.72	21.15	18.28
CET 1 ratio	17.07	17.41	17.33	17.72	14.65
Leverage ratio	10.81	11.54	12.75	13.45	11.84
Liquid assets/deposits from customers	40.14	37.72	29.46	30.90	28.61
Liquidity coverage ratio (LCR)	298.13	239.89	256.37	257.17	221.64
Net stable financing ratio (NSFR)	151.86	146.91	139.81	134.47	132.74
Net loans/deposits ratio	62.31	59.56	66.72	66.16	66.09
Return-on-equity (after tax)	10.61	7.29	8.85	4.22	15.12
Return-on-assets (after tax)	1.13	0.78	0.96	0.42	1.38
Cost of risk	1.80	1.94	1.75	1.44	1.83
Net interest income/total income from banking operations	72.14	62.24	64.94	66.81	55.63
Cost/income ratio	42.51	46.53	43.40	56.34	44.58
Resources (in numbers)					
Branches and offices	134	140	141	149	158
Staff	2,953	2,990	2,867	2,910	2,825

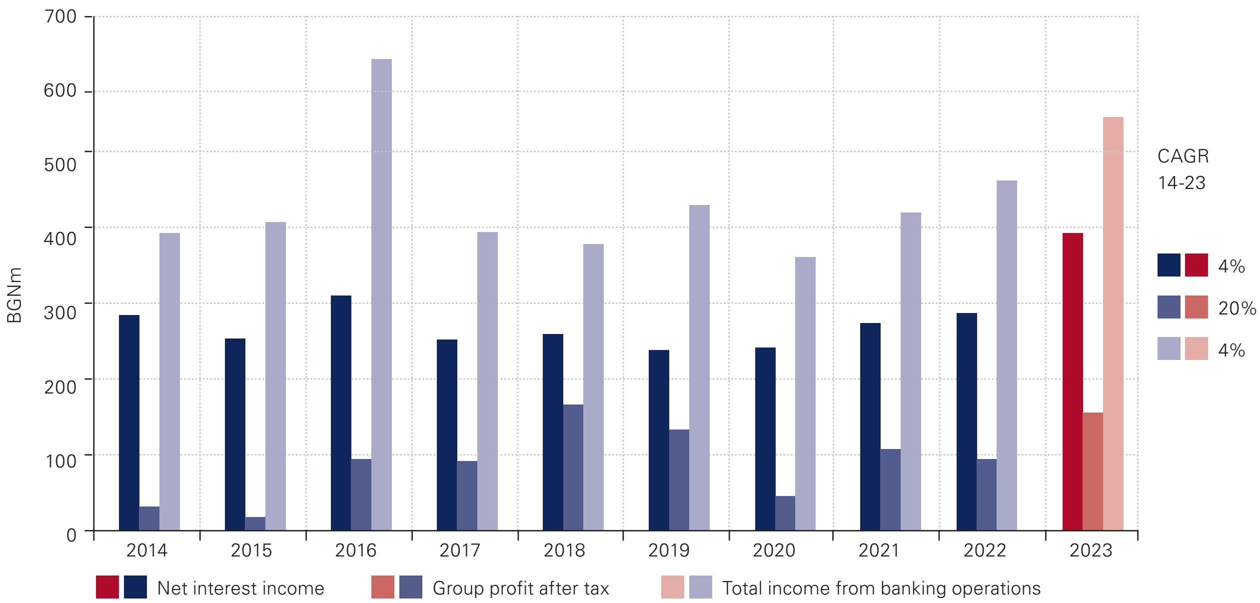
In June 2023, Fitch Ratings fully affirmed the credit ratings of First Investment Bank as follows: long-term rating "B" with a stable outlook, short-term rating "B", viability rating "b", government support rating "ns" (no support).

30 years Fibank

Balance-sheet indicators



Financial Indicators



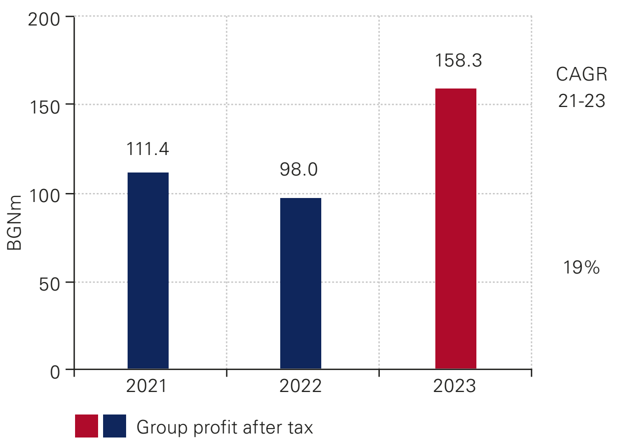
In 2023, First Investment Bank celebrated its 30th anniversary.During these 30 years, Fibank:

- Actively participated in the formation and development of the banking market in Bulgaria, contributing with innovative products and viable solutions;
- Maintained a high quality of customer service by constantly improving processes, offering a variety of services, advising and supporting customers;
- Built a flexible business model and recognizable brand – among the best in the sector.
- Actively managed the risks inherent in its activity by enhancing the protection mechanisms and maintaining solid capital and liquidity positions;
- Applied the principles of responsible banking, aiming to achieve sustainable development and establish Fibank as a preferred employer and a socially responsible institution.

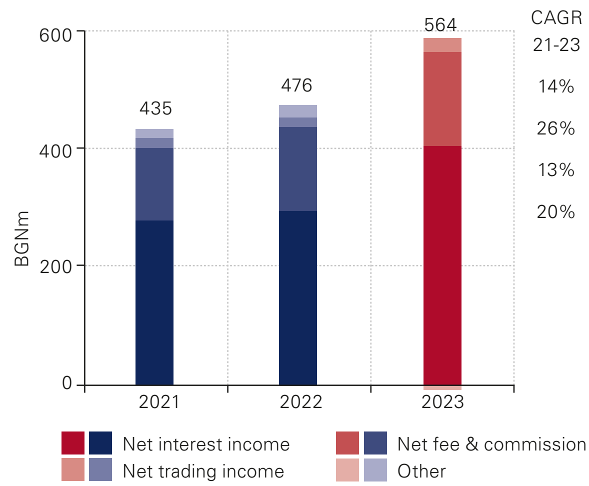
Financial results

In 2023, First Investment Bank reported very good financial results as the Group profit after tax increased by 61.5% to BGN 158,285 thousand (2022: BGN 97,990 thousand), and the profit before impairment to BGN 322,241 thousand compared to BGN 250,259 thousand a year earlier. The results were influenced by the higher operating income and the policies to reduce non-performing exposures and repossessed assets. Total income from banking operations increased to BGN 563,886 thousand (2022: BGN 475,950 thousand) with an increase in all main sources of income, incl. mainly in net interest income. The return on equity (after tax) was 10.61% and the return on assets (after tax) was 1.13%.

Group profit after tax



Total income from banking operations

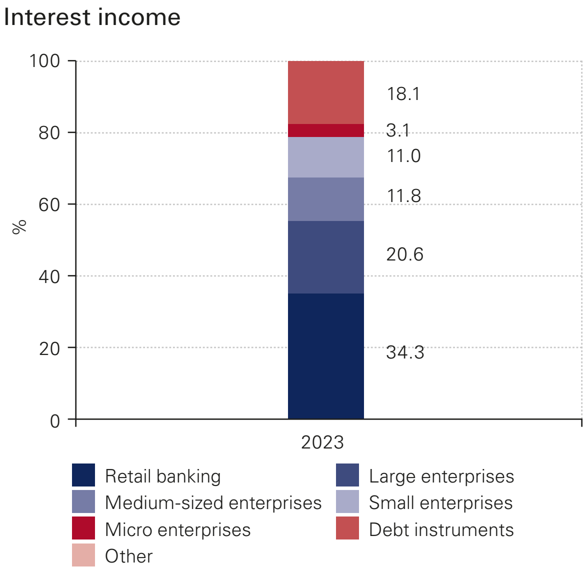


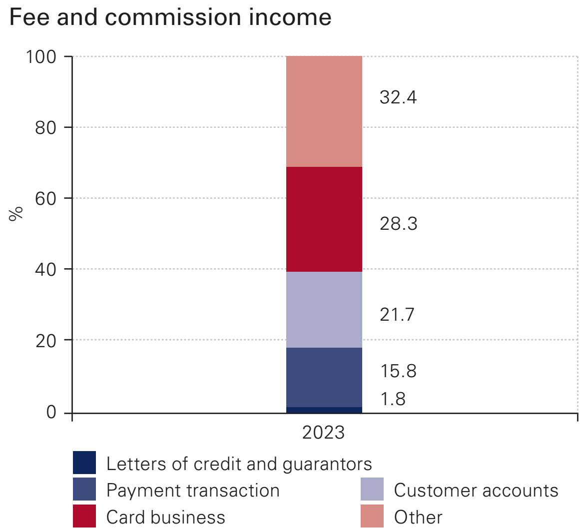
In 2023, net interest income increased by 37.3% to BGN 406,761 thousand (2022: BGN 296,209 thousand), increasing its share as the main source of income for the Group accounting for 72.1% of total operating income (2022: 62.2%). Fibank's operations abroad formed 12.6% of the Group's net interest income (2022: 7.8%), reflecting the development of the activity of the subsidiary Bank in Albania. *For further information regarding First Investment Bank – Albania Sh.a., see section "Business review of the subsidiary companies".*

For the reporting period, interest income increased to BGN 452,554 thousand (2022: BGN 342,537 thousand), as a result of an increase in the main business segments, including of retail banking (2023: BGN 155,013 thousand; 2022: BGN 138,396 thousand) and enterprises[8], incl. large enterprises (2023: BGN 93,158 thousand; 2022: BGN 77,063 thousand), medium-sized enterprisies (2023: BGN 53,526 thousand; 2022: BGN 42,038 thousand), small enterprises (2023: BGN 49,572 thousand; 2022: BGN 40,313 thousand) and micro-enterprises (2023: BGN 14,207 thousand; 2022: BGN 9,835 thousand). An increase was also recorded in investments in the debt instruments (2023: BGN 81,716 thousand; 2022: BGN 31,767 thousand), used as an additional source of interest income.

In interest expenses the trend from the previous years was preserved, as a decrease continued to be reported in the expenses on customer deposits, which reached BGN 9,633 thousand, compared to BGN 6,254 thousand a year earlier. A decrease was recorded in the interest expenses on hybrid debt (2023: BGN 25,753 thousand; 2022: BGN 33,488 thousand) as a result of the measures undertaken by the Bank for its optimisation. An increase was recorded in the interest expenses on other attracted funds (2023: BGN 7,326 thousand; 2022: BGN 556 thousand), related to increasing obligations on loan contracts, offered to meeting MREL requirements. The net interest margin of the Group amounted to 3.83% for the period.

8 According to business segments of the Bank, incl. criteria for annual turnover, as well as: microenterprises – up to BGN 3.9 million; small enterprises – up to BGN 19.5 million; medium-sized enterprises – up to BGN 97.5 million.





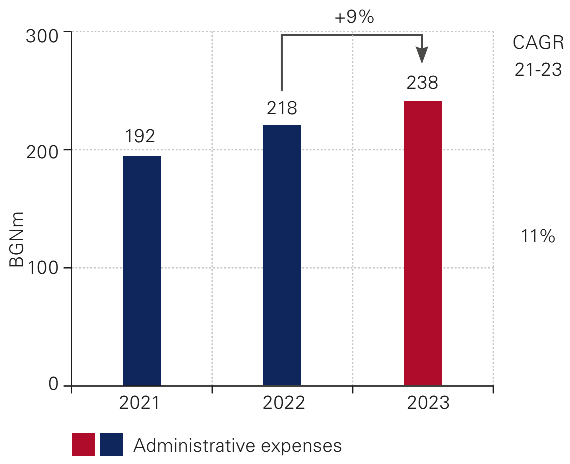
Net fee and commission income for 2023 increased by 9.7% to BGN 159,061 thousand (2022: BGN 144,962 thousand), forming 28.2% (21.3% average for the banking system) of total income from banking operations (2022: 30.5%), providing a solid contribution to the operating profit of the Group. Fibank's operations abroad formed 11.5% of net fee and commission income (2022: 13.6%). An increase was recorded in all major sources of income, incl. payment operations (2023: BGN 32,103 thousand; 2022: BGN 29,437 thousand), card services (2023: BGN 57,454 thousand; 2022: BGN 48,436 thousand), letters of credit and guarantees (2023: BGN 3,687 thousand; 2022: BGN 3,671 thousand), as well as other services (2023: BGN 65,773 thousand; 2022: BGN 45,705 thousand), at the expense of customer accounts which decrased (2023: BGN 44,066 thousand; 2022: BGN 52,901 thousand). The Bank aims at developing banking services, with focus on the field of cross-selling and maintaining long-term relations with clients.

For 2023, net trading income reached BGN 25,045 thousand (2022: BGN 20,473 thousand), the increase mainly due to higher income from foreign currency transactions, which amounted to BGN 23,917 thousand, compared to BGN 20,974 thousand a year earlier. Net income was reported for debt and equity instrument transactions, totaling BGN 1,128 thousand for the period, compared to net expenses of BGN 501 thousand for the previous year. The relative share of net trading income remained insignificant at 4.4% of total income from banking operations (2022: 4.3%).

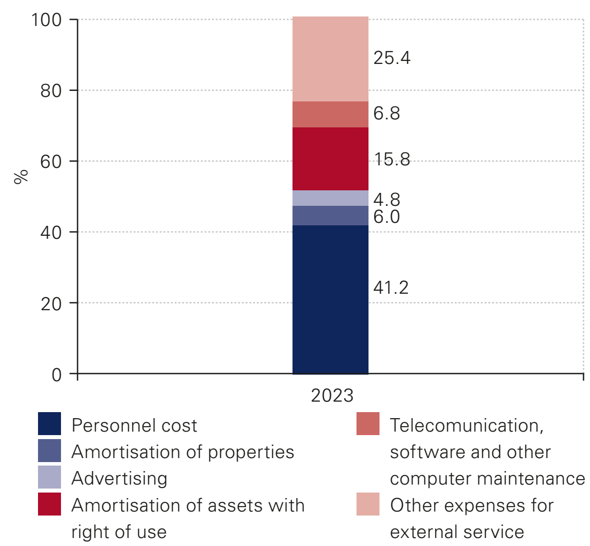
The other net operating expenses amounted to BGN 26,981 thousand, compared to net revenues of BGN 14,306 thousand a year earlier, influenced mainly due to higher operating expenses related to debt instruments at BGN 44,491 thousand.

For the period, administrative expenses increased to BGN 238,282 thousand compared to BGN 217,852 thousand a year earlier, influenced mainly by the inflationary processes in the country and the related increase in personnel costs (2023: 98,247 thousand; 2022: BGN 81,517 thousand). An increase was also recorded in the costs for advertising (2023: BGN 11,411 thousand; 2022: BGN 9,006 thousand), related to organised marketing campaigns, as well as those related to telecommunications, software and other computer maintainance (2023: BGN 16,128 thousand; 2022: BGN 14,465 thousand), which are in line with the development of information technologies. The costs for depreciation of property, plant and equipment remained at levels close to the previous year (2023: BGN 14,297 thousand; 2022: BGN 12,959 thousand), as well as in the costs of external services (2023: BGN 60,488 thousand; 2022: BGN 58,700 thousand), while a decrease was registered in the costs of depreciation of right-of-use assets (2023: BGN 37,711 thousand; 2022: BGN 41,205 thousand). For the period, the cost/income ratio amounted to 42.51% on an consolidated basis (2022: 46.53%), which is within the target value of below 50%, set as a quantitative indicator in the development strategy.

Administrative expenses



Structure of administrative expenses



During the year additional write-downs were made on loans, securities and off-balance sheet commitments amounting to BGN 246,875 thousand, while BGN 102,396 thousand impairment losses were reversed. As a result, net impairment for 2023 amounted to BGN 144,479 thousand (2022: BGN 140,230 thousand). *For more information see the "Risk Management" section.*

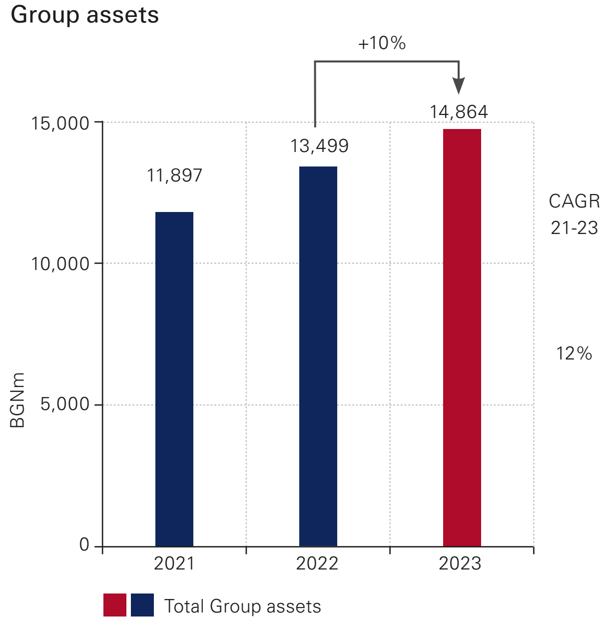
For the reporting period, the Group of First Investment Bank reported other net expenses in the amount of BGN 3,363 thousand, compared to BGN 7,739 thousand a year earlier, which included mainly contributions made by the Bank to guarantee schemes, including deposit insurance funds, and for restructuring and investor compensation (2023: BGN 25,888 thousand; 2022: BGN 26,251 thousand).

For more information, see the Consolidated Financial Statements for the year ending 31 December 2023.

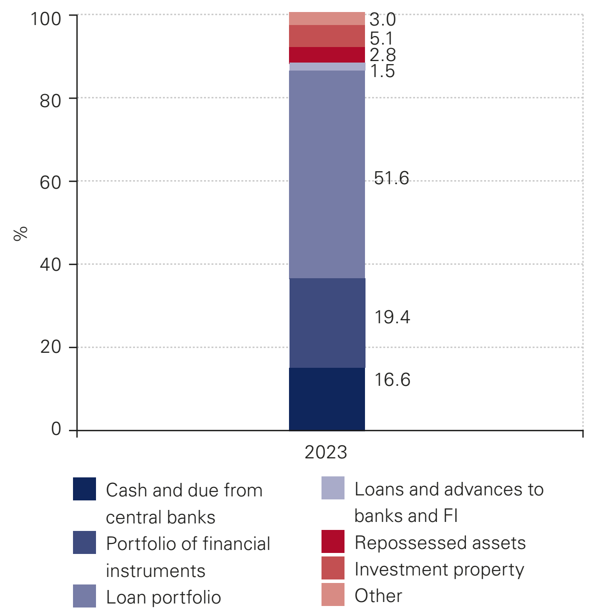
Balance sheet

In 2023, the total assets of the Group of First Investment Bank increased by 10.1% to BGN 14,864,233 thousand, compared to BGN 13,498,982 thousand a year earlier. The dynamics reflected the increase of borrowed funds, the development of the loan portfolio and the management of cash and liquid assets. Fibank maintained its leading position among banks in the country, ranking fifth in terms of assets at the end of 2023 (2022: fifth), with a market share of 8.07% on an individual basis (2022: 8.18%).

Group assets



Structure of assets



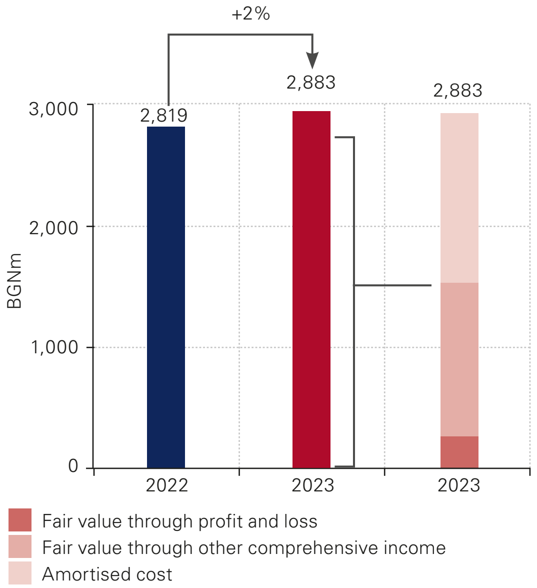
In the structure of the Group's assets, loans and advances to customers strengthened their structure-determining share with 51.6% of total assets (2022: 50.5%), followed by investments in securities at 19.4% (2022: 20.9%) and cash and receivables from central banks at 16.6% (2022: 15.1%). The repossessed assets continued to reduce their share to 2.8% (2022: 3.1%) and investment properties to 5.1% (2022: 5.6%) as part of actions aimed at reducing of non-interest-bearing assets and their effective realization. The net loans/deposits ratio amounted to 62.3% compared to 59.6% for the previous year in accordance with the conservative risk management policy.

Cash and receivables from central banks increased to BGN 2,462,073 thousand, compared to the levels of the previous year at BGN 2,042,858 thousand, mainly as a result of an increase in receivables from central banks (2023: BGN 1,925,009 thousand; 2022: BGN 1,521,699 thousand), which is influenced by the requirements increased by the BNB during the period for maintaining minimum mandatory reserves for borrowed funds from 10 to 12 percent. As of the end of 2023, cash on hand increased (2023: BGN 332,932 thousand; 2022: BGN 264,331 thousand), at the expense of current accounts in foreign banks (2023: BGN 204,132 thousand; 2022: BGN 255,537 thousand), managed as part of liquidity.

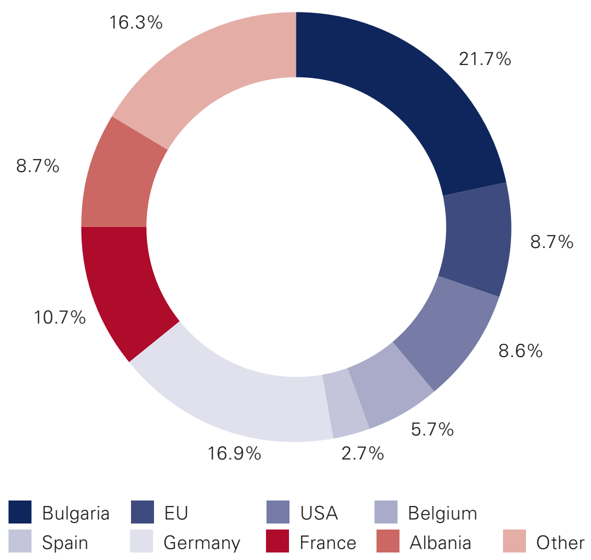
Loans and advances to banks and financial institutions remained almost unchanged (2023: BGN 227,327 thousand; 2022: BGN 221,900 thousand), mainly influenced by receivables from foreign banks, at the expense of those from local banks and financial institutions.

The securities investment portfolio remained almost unchanged at the end of the year (2023: BGN 2,883,067 thousand; 2022: BGN 2,819,193 thousand), managed according to market conditions and with a view to generating additional income while maintaining a proper balance between risk and return. The structure of the portfolio mainly included government securities of the Bulgarian government (2023: BGN 546,273 thousand; 2022: BGN 579,123 thousand) and of foreign governments (2023: BGN 1,976,374 thousand; 2022: BGN 1,792,929 thousand), which mainly contained government debt of European Union member states. Bonds and other securities issued by enterprises amounted to BGN 280,619 thousand, and those issued by banks to BGN 39,114 thousand.

Portfolio of financial instruments



Portfolio of government debt by countries



In accordance with the requirements regarding the business models and the IFRS 9 criteria for classification and valuation of financial assets in the Bank's portfolios BGN 1,194,959 thousand of the securities portfolio were measured at fair value through other comprehensive income (2022: BGN 530,160 thousand), BGN 1,440,578 thousand at amortized cost (2022: BGN 2,017,895 thousand), and BGN 247,530 thousand at fair value through profit or loss (2022: BGN 271,138 thousand).

As of December 31, 2023, Fibank's operations abroad formed 11.2% (2022: 7.6%) of the Bank's assets and 11.7% (2022: 12.4%) of the Group's liabilities in compliance with the development of the activity of the subsidiary bank in Albania and its priority focused on the retail banking segment and small and medium-sized enterprises. *For further information regarding First Investment Bank – Albania Sh.a., see section "Business review of the subsidiary companies".*

Repossessed assets decreased to BGN 414,365 thousand (2022: BGN 423,585 thousand), while investment properties were BGN 756,767 thousand (2022: BGN 750,324 thousand). During the year, such properties were acquired in the amount of BGN 147 thousand and properties sold amounting to BGN 9,532 thousand were written off. Additional costs were recognized in asset value at BGN 11,351 thousand, as well as transferred assets from property and equipment at BGN 4,477 thousand.

Other assets of the Group amounted to BGN 131,341 thousand (2022: BGN 115,937 thousand), including deferred expenses, gold and other receivables. The right-of-use assets amounted to BGN 172,967 thousand at the end of the year (2022: BGN 171,638 thousand), increasing mainly in connection with the accumulated depreciation for the period.

For more information see the Consolidated Financial Statements for the year ended December 31, 2023.

Loan portfolio

Loans

In 2023 the net loan portfolio of the Group of First Investment Bank increased by 12.5% to BGN 7,674,705 thousand (2022: BGN 6,823,003 thousand), with an increase in all main business segments. As of December 31, 2023, Fibank ranked fifth in terms of loans among banks in the country, reporting a market share of 8.23% (2022: 8.27%).

In BGN thousand / % of total	**2023**	**%**	**2022**	**%**	**2021**	**%**
Retail banking	2,804,476	34.8	2,538,006	35.1	2,283,398	32.0
Micro enterprises	272,992	3.4	232,822	3.2	201,149	2.8
Small enterprises	1,067,801	13.2	923,928	12.8	922,650	12.9
Medium-sized enterprises	1,357,490	16.8	1,250,729	17.3	1,258,780	17.6
Large enterprises	2,558,273	31.7	2,278,006	31.5	2,467,734	34.6
Gross loan portfolio	**8,061,032**	**100**	**7,223,491**	**100**	**7,133,711**	**100**
Impairment	(386,327)		(400,488)		(479,767)	
Net loan portfolio	**7,674,705**		**6,823,003**		**6,653,944**	

The structure of the portfolio remained balanced, with exposures in the retail banking segment forming 34.8% of the gross portfolio (2022: 35.1%), micro, small and medium-sized enterprises9 – respectively 3.4% (2022: 3.2%), 13.2% (2022: 12.8%) and 16.8% (2022: 17.3%) or a total of 33.4% (2022: 33.3%) structured according to the Law on Small and Medium-sized Enterprises, while the large enterprises were at 31.7% of the gross portfolio (2022: 31.5%).

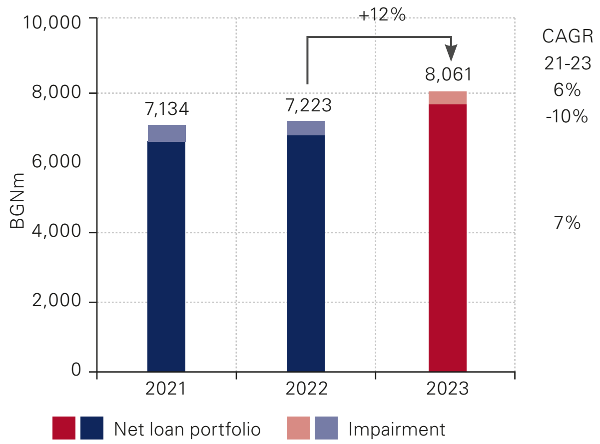
In BGN thousand / % of total	**2023**	**%**	**2022**	**%**	**2021**	**%**
Loans in BGN	4,977,387	61.7	4,241,295	58.7	4,053,534	56.8
Loans in EUR	2,652,891	32.9	2,603,986	36.1	2,689,184	37.7
Loans in other currency	430,754	5.3	378,209	5.2	390,993	5.5
Gross loan portfolio	**8,061,032**	**100**	**7,223,491**	**100**	**7,133,711**	**100**
Impairment	(386,327)		(400,488)		(479,767)	
Net loan portfolio	**7,674,705**		**6,823,003**		**6,653,944**	

In the currency structure of the loan portfolio, loans in BGN had a predominate share at BGN 4,977,387 thousand (2022: BGN 4,241,295 thousand) or 61.7% of the total portfolio (2022: 58.7%), followed by those in euro at BGN 2,652,891 thousand (2022: BGN 2,603,986 thousand) or 32.9% (2022: 36.1%) of total loans. The country has a currency board system in place which minimizes the BGN/EUR currency risk. Since 2020, Bulgaria is part of the European Exchange Rate Mechanism (ERM) II and the Single Supervisory Mechanism (SSM), which was a step towards the country's accession to the Eurozone. Loans in other currencies amounted to BGN 430,754 thousand (2022: BGN 378,209 thousand), forming 5.3% of total loans of the Group (2022: 5.2%).

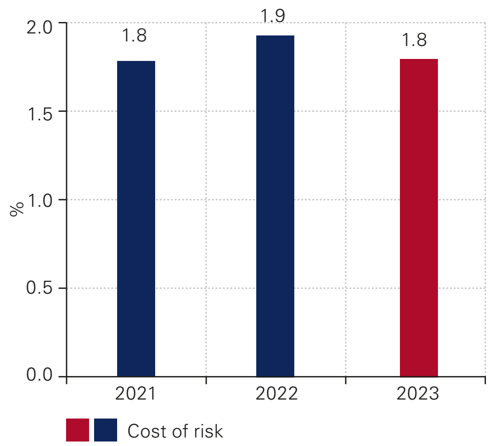
Loans granted by First Investment Bank abroad accounted for 6.7% of the Group's gross portfolio (2022: 6.2%), reflecting the increase in the loan portfolio of First Investment Bank – Albania Sh.a. to individuals and SME's. *For further information, see section "Business review of the subsidiary companies".*

9 According to business segments of the Bank, incl. criteria for annual turnover/assets, as well as: microenterprises – up to BGN 3.9 million; small enterprises – up to BGN 19.5 million; medium-sized enterprises – up to BGN 97.5 million/ BGN 84 million.

Loan portfolio and impairment



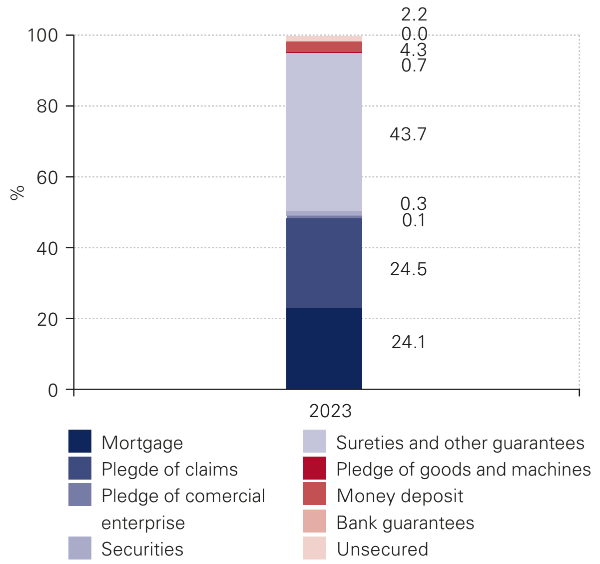
Cost of risk



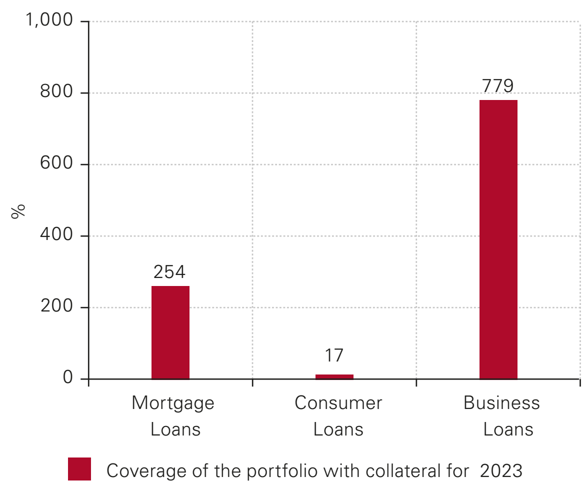
At the end of the period, impairment charges for potential losses on the loan portfolio amounted to BGN 386,327 thousand compared to BGN 400,488 thousand a year earlier. In 2023, additional impairment was recognized in the amount of BGN 246,611 thousand, impairment losses in the amount BGN 101,328 thousand were reversed, and BGN 230,430 thousand were written off as part of the successive actions to reduce non-performing exposures.

It is the policy of the Bank to require adequate collateral upon granting loans. All legally permissible types of collateral are accepted, and a discount rate is applied depending on their expected realizable value.

Loan portfolio by type of collateral



Coverage of the portfolio with collateral



As of the end of 2023, the type of collateral with the largest share in the Bank's portfolio were sureties and other guarantees at 43.7%, followed by pledges of receivables at 24.5% and mortgages at 24.1%.

For more information on credit risk, see Note 3 "Risk Management" of the Consolidated Financial Statements for the year ended December 31, 2023.

Related party transactions

In the course of its ordinary activities, the Bank also enters into transactions with related parties. These transactions are carried out under market criteria and in accordance with applicable law.

Type of related party	**Parties that control or manage the Bank**			**Enterprises under common control**		
In BGN thousand	**2023**	**2022**	**2021**	**2023**	**2022**	**2021**
Loans	1,553	2,944	3,515	71,359	78,316	70,364
Deposits and loans received	16,144	14,195	13,725	23,310	15,418	13,582
Deposits placed	-	-	-	47,693	49,050	-
Other receivables	-	-	-	420	341	18,037
Other borrowings	-	-	-	150	50	320
Off-balance sheet commitments	2,100	1,023	1,061	3,516	2,004	594
Leasing liabilities	-	-	-	2,669	2,684	1,513

Type of related party	**Parties that control or manage the Bank**			**Enterprises under common control**		
In BGN thousand	**2023**	**2022**	**2021**	**2023**	**2022**	**2021**
Interest income	31	35	24	4,193	2,870	2,085
Interest expense	7	8	8	1,512	-	1
Fee and commission income	30	27	16	771	672	861
Fee and commission expense	7	6	4	6	300	293

For more information regarding related party transactions, see Note 35 "Related party transactions" of the Consolidated Financial Statements for the year ended December 31, 2023.

Contigent liabilities

Contingent liabilities of First Investment Bank include bank guarantees, letters of credit, unused credit lines, promissory notes and others. These are provided in accordance with the general credit policy on risk assessment and collateral value. With regard to documentary transactions performed, the Bank is also guided by the unified international rules in the area, protecting the interests of parties to such transactions.

At the end of the period, the total amount of off-balance sheet commitments of the Group amounted to BGN 1,212,075 thousand compared to BGN 1,052,174 thousand a year earlier. An increase was reported in unused credit lines up to BGN 1,016,084 thousand (2022: BGN 858,510 thousand), in bank guarantees up to BGN 162,553 thousand (2022: BGN 160,332 thousand) and in letters of credit up to BGN 33,438 thousand (2022: BGN 33,332 thousand).

For more information on off-balance sheet commitments, see Note 32 „Contingent liabilities" of the Consolidated Financial Statements for the year ended December 31, 2023 .

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Attracted funds

In 2023, attracted funds from customers increased by 7.5% and reached BGN 12,316,348 thousand (2022: BGN 11,454,906 thousand), remaining the main source of funding for the Group and forming 92.7% of total liabilities (2022: 94.7%). First Investment Bank offers savings products and package programs tailored to market conditions and customer needs. As at December 31, 2023, the Bank ranked fifth by deposit size among banks in Bulgaria (2022: fifth) with a market share of 8.40% on individual basis (2022: 8.59%).

Deposits of individuals increased by 8.7% to BGN 8,437,831 thousand at the end of the period compared to BGN 7,765,553 thousand a year earlier. They retained a major share of total borrowings at 68.5% (2022: 67.8%). The currency structure of retail deposits was dominated by funds in BGN accounting for 40.8% of all borrowings (2022: 39.8%), followed by funds in euros at 21.0% (2022: 21.2%) and in other currencies at 6.7% (2022: 6.8%).

In BGN thousand / % of total	2023	%	2022	%	2021	%
Attracted funds from individuals	**8,437,831**	**68.5**	**7,765,553**	**67.8**	**7,450 167**	**74.7**
In BGN	5,031,180	40.8	4,552,829	39.8	4,352,763	43.6
In EUR	2,583,286	21.0	2,430,824	21.2	2,339,776	23.5
In other currency	823,365	6.7	781,900	6.8	757,628	7.6
Attracted funds from corporate, state-owned and public institutions	**3,878,517**	**31.5**	**3,689,353**	**32.2**	**2,523,464**	**25.3**
In BGN	2,144,846	17.4	2,014,767	17.6	1,397,918	14.0
In EUR	1,454,881	11.8	1,338,190	11.7	932,705	9.4
In other currency	278,790	2.3	336,396	2.9	192,841	1.9
Total attracted funds from customers	**12,316,348**	**100**	**1,454,906**	**100**	**9,973,631**	**100**

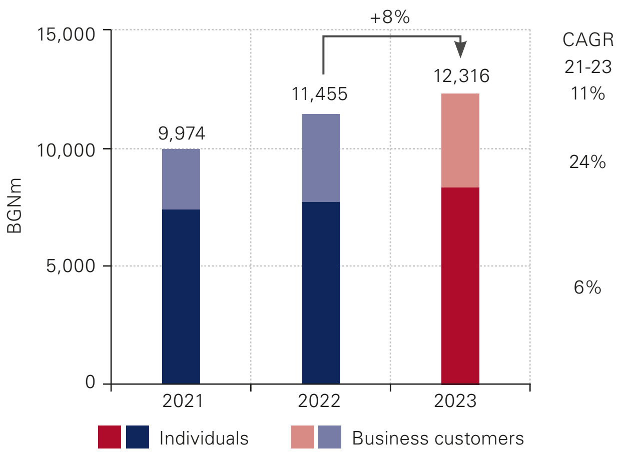
*I*n accordance with regulatory requirements, First Investment Bank allocates annual contributions to the Deposit Insurance Fund. As provided by law, the Fund guarantees amounts up to BGN 196,000 kept in a customer's accounts with the Bank.

Attracted funds from corporates and institutions increased by 5.1% to BGN 3,878,517 thousand (2022: BGN 3,689,353 thousand), which is influenced by the Bank's consistent policy of developing the transaction business and maintaining lasting customer relationships. At the end of 2023 their relative share amounts to 31.5% of the total borrowings from customers (2022: 32.2%). As regards the currency structure, funds in BGN attracted from corporates and public institutions formed 17.4% of all borrowings (2022: 17.6%), those in euros 11.8% (2022: 11.7%) , and those in other currencies 2.3% (2022: 2.9%).

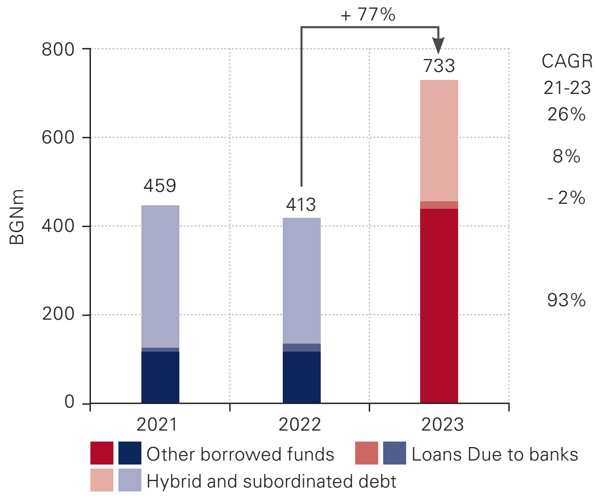
Other borrowings increased to BGN 447,314 thousand as of December 31, 2023 compared to BGN 123,846 thousand a year earlier, mainly as a result of an increase in the obligations under borrowing agreements for the fulfillment of the requirements for eligible liabilities (MREL) according to Regulation (EU) № 575/2013 and the Law on Recovery and Restructuring of Credit Institutions and Investment Intermediaries. *For more information, see the „Capital" section.*

Liabilities for received financing amount to BGN 34,574 thousand (2022: BGN 36,611 thousand), which included financing from the Fund Manager of Financial Instruments in Bulgaria (Fund of Funds) BGN 19,366 thousand (2022: BGN 20,174 thousand), from the Bulgarian Development Bank AD BGN 14,331 thousand (2022: BGN 14,931 thousand), as well as from the European Investment Fund under the JEREMIE 2 initiative BGN 877 thousand (2022: BGN 1,506 thousand). *For more information, see the „External programs and warranty schemes" section.*

Customer deposits



Other attracted funds



For 2023, liabilities due to banks in the form of current and term accounts amounted to BGN 8,387 thousand, compared to BGN 13,152 thousand a year earlier.

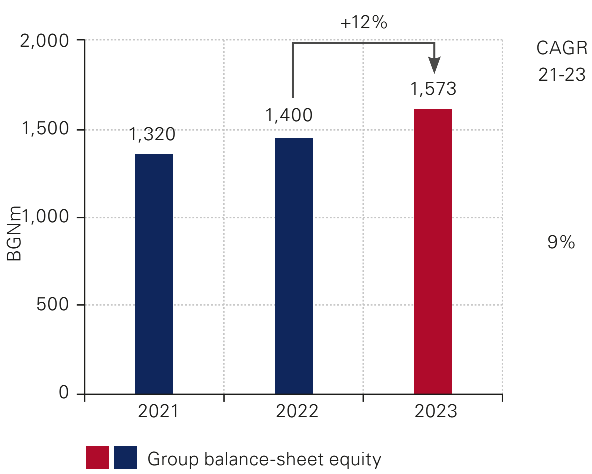
Leasing liabilities amounted to BGN 171,743 thousand at the end of the year (2022: BGN 171,217 thousand), remains almost unchanged.

For more information on borrowings, see the Consolidated Financial Statements for the year ending 31 December 2023.

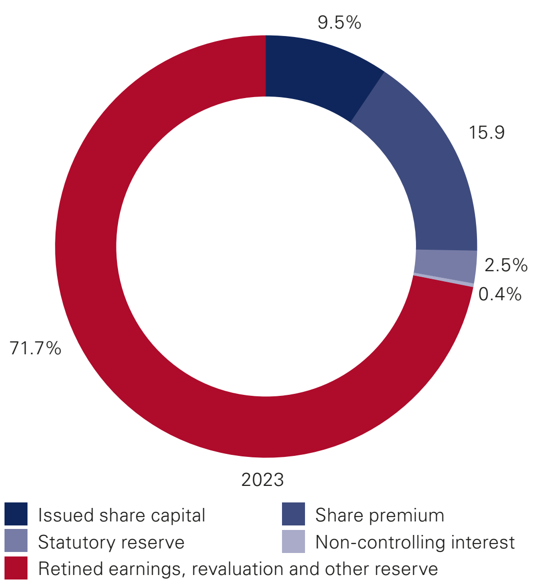
Capital

As of December 31, 2023 the share capital of First Investment Bank amounted to BGN 149,085 thousand, divided into 149,084,800 ordinary, registered, dematerialized shares with voting rights in the Total General Meeting of Shareholders and a nominal value of BGN 1 each. The share capital has been paid in full. The share premium amounted to BGN 250,017 thousand.

Group balance-sheet equity



Structure of Group equity



The balance sheet equity of the Group of First Investment Bank increased by 12.4% to BGN 1,573,382 thousand (2022: BGN 1,399,622 thousand), influenced by the increase in other reserves and retained earnings, which reached BGN 1,116,028 thousand at the end of the period (2022: BGN 962,805 thousand).

Regulatory capital

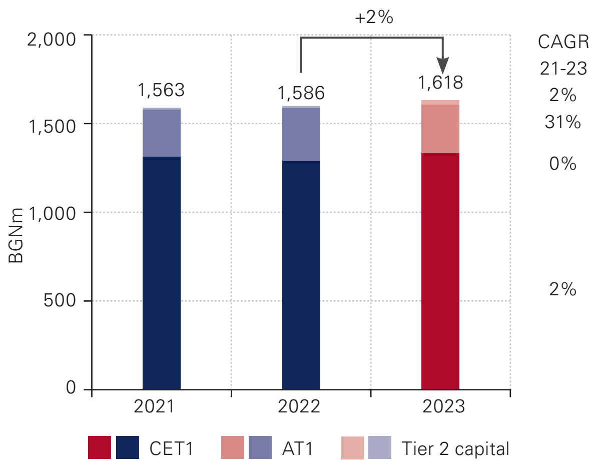
First Investment Bank maintains own funds for the purpose of capital adequacy in the form of Common Equity Tier 1 and Additional Tier 1 capital, following the requirements of Regulation (EU) No575/2013 and the EC implementing regulations, as well as Ordinance No7 of the BNB on the Organization and Management of Risks in Banks.

By the end of the reporting period the CET1 capital of the Group amounted to BGN 1,348,495 thousand, compared to BGN 1,314,754 thousand a year earlier, when corrections related to the transitional treatment according to Regulation (EU) 2017/2395 on mitigating the impact of the introduction of IFRS9 were last applied. Tier 1 capital amounted to BGN 1,602,753 thousand (2022: BGN 1,569,012 thousand), and total regulatory equity was BGN 1,618,274 thousand (2022: BGN 1,586,448 thousand).

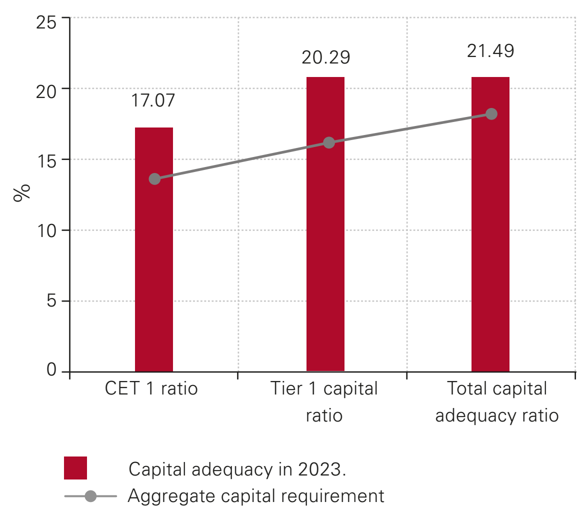
As of 31.12.2023, First Investment Bank had four hybrid instruments (bond issues) with an original principal amount of EUR 60 million (ISIN: BG2100022123), EUR 30 million (ISIN: BG2100023196), EUR 30 million (ISIN: XS2419929422) and EUR 10 million (ISIN: XS2488805461), included in the additional Tier 1 capital of the Bank. Three of the issues are admitted to trading on the regulated market of the Luxembourg Stock Exchange (LuxSE). At the end of the reporting period, the amortized cost of the hybrid debt amounted to BGN 257,871 thousand (2022: BGN 256,861 thousand).

The group (through the subsidiary bank in Albania) has issued three instruments in the form of subordinated term debt (long-term bonds) in the amount of EUR 2 million, EUR 2.9 million and EUR 5 million, meeting the requirements for inclusion in Tier 2 capital. The amortized value of the subordinated term debt amounts to BGN 19,410 thousand as of December 31, 2023 (2022: BGN 19,410 thousand). *For more information, see Note 29 „Hybrid Debt" of the Consolidated Financial Statements for the year ending 31 December 2023.*

Regulatory capital



Capital adequacy in 2023



For the purpose of reporting qualifying holdings outside the financial sector, First Investment Bank applies the definition of eligible capital, which includes tier 1 capital and tier 2 capital, which cannot exceed 1/3 of tier 1 capital. As at 31 December 2023, the eligible capital of First Investment Bank on a consolidated basis, calculated in accordance with Regulation (EU) No 575/2013 and Ordinance No7 of BNB for the organization and management of risks in banks amounted to BGN 1,618,274 thousand.

Capital requirements

At the end of 2023, the Group of First Investment Bank reported stable capital ratios as follows: Common Equity Tier 1 (CET1) ratio at 17.07%, Tier 1 capital ratio at 20.29% and Total Capital Adequacy ratio at 20.49%, exceeding the minimum regulatory capital requirements expressed by the overall capital requirement, including the additional capital requirement for risks other than the risk of excessive leverage (in the amount of 2.10% of the risk exposures) and the combined buffer requirement. *For more information, see the „Capital buffers" section.*

In BGN thousand / % of risk exposures	**2023**	**%**	**2022**	**%**	**2021**	**%**
CET 1 capital	1,348,495	17.07	1,314,754	17.41	1,299,477	17.33
Tier 1 capital	1,602,753	20.29	1,569,012	20.78	1,553,735	20.72
Own funds	1,618,274	20.49	1,586,448	21.01	1,562,783	20.84
Total risk exposures	**7,897,964**		**7,551,920**		**7,498,839**	

The reported capital ratios resulted from the application of comprehensive and targeted measures regarding the implementation of capital levers in key areas, including the successful subscription of a new public issue of shares, retention of profit, inclusion of the issued debt-capital (hybrid) instrument in the Additional Tier 1 capital, as well as maintaining high discipline in risk management.

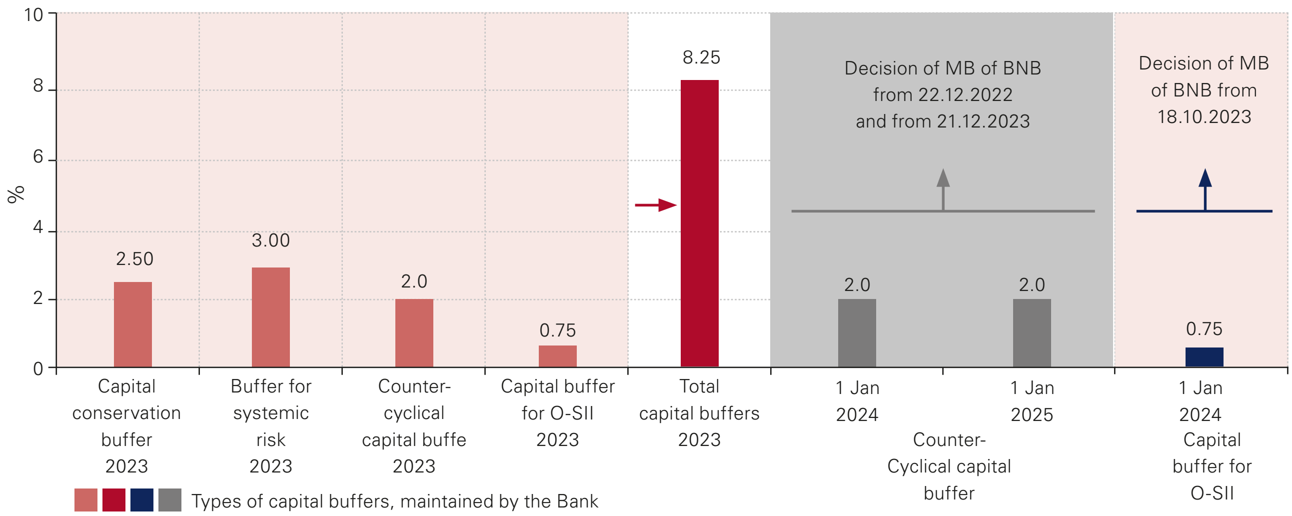
Capital buffers

In addition to the capital requirements set out in Regulation (EU) № 575/2013 and the Law on Credit Institutions, First Investment Bank maintains four capital buffers in accordance with the requirements of Ordinance №8 of the BNB on Capital Buffers, the Combined Buffer Requirement, Restrictions on Distributions and the Guidance on Additional Own Funds.

First Investment Bank maintains a capital conservation buffer, comprised of common equity tier 1 capital, equal to 2.5% of the total risk exposure of the Bank, as well as a buffer for systemic risk covered by common equity tier 1 capital with the aim of decreasing the effect of potential long-term non-cyclical system or macroprudential risks in the banking system in the country. In 2023 the level of the capital buffer for systemic risk applicable to all banks in Bulgaria remained unchanged at 3% of the total risk exposures in the country.

With the aim of protection of the banking system against potential losses arising from the accumulated cyclical systemic risk in periods of excessive credit growth, the banks in Bulgaria, incl. Fibank maintains a countercyclical capital buffer, applicable to credit risk exposures in the Republic of Bulgaria. Its level is determined by the Bulgarian National Bank each quarter, and in 2023 it gradually increased to 1.5% as of 01.01.2023 and to 2.0% as of 01.10.2023. According to decisions of the BNB (in 2023) its level will remain unchanged until the first quarter of 2025.

Capital buffers

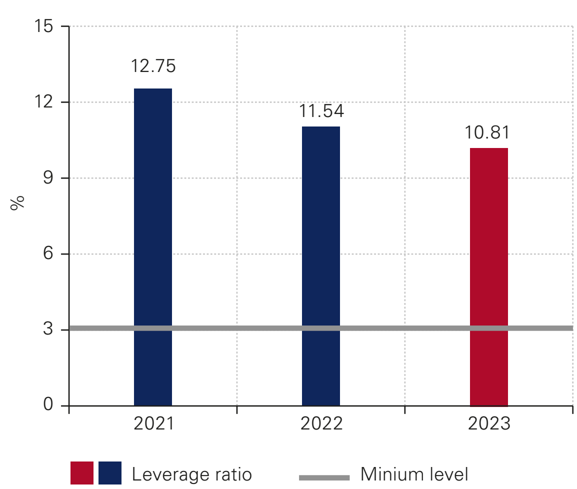


In addition, the other systematically important institutions (O-SII) in the country as determined by the BNB among which is First Investment Bank AD should maintain a buffer for O-SII with a view on their significance for the national economy and financial system. The buffer applicable for Fibank for O-SII on an individual and consolidated basis, determined as a share of the total value of risk exposures has been reduced from 1.00% to 0.75% as of 01.01.2023 and from 01.01.2024.

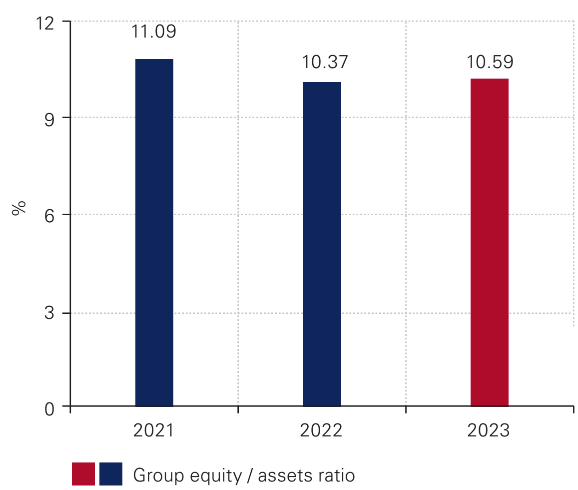
Leverage

The leverage ratio is an additional regulatory and supervisory tool, which measures the required capital maintained by banks that is not risk-sensitive or risk-weighted, thereby complementing and building on the risk-based capital ratios applicable under the existing regulatory framework. In terms of the leverage ratio, on EU level, banks should report and disclose the indicator in order to maintain the minimum required amount of 3% under Regulation (EU) № 575/2013.

Leverage ratio



Group equity / assets ratio



First Investment Bank calculates the leverage ratio by matching its Tier 1 capital to the total exposure of the Bank (assets, off-balance sheet items, and other exposures to derivatives and securities financing transactions), subject to the requirements of Delegated Regulation (EU) 2015/62 of the Commission concerning the leverage ratios and the other applicable regulations. As at 31 December 2023, the leverage ratio amounted to 10.81% on a consolidated basis compared to 11.54% for the previous period, impacted by the increase in the total exposure measure.

First Investment Bank has written rules in place to identify, manage and monitor the risk of excessive leverage resulting from potential vulnerability of the Bank related to the maintained levels of leverage. The risk of excessive leverage is currently monitored based on specific indicators, which include the leverage ratio, calculated in accordance with applicable regulatory requirements, as well as the mismatches between assets and liabilities. The Bank manages this type of risk using various scenarios, including such that take into account its possible increase due to a decrease in the Tier 1 capital resulting from potential losses. The leverage ratio is also part of the capital indicators of the system for ongoing monitoring and early warning, and is incorporated in the framework for risk management at the Bank, including in the management processes in case of potential financial risks.

Eligible liabilities

In compliance with the requirements of the Law on Recovery and Resolution of Credit Institutions and Investment Firms and Regulation (EU) No 575/2013, banks need to meet minimum requirements for own funds and eligible liabilities (MREL), as well as subordination requirements in relation to them, determined individually for each institution by the restructuring authority and calculated as a percentage of the total risk exposure amount (TREA) and the leverage ratio exposure measure (LRE).

According to a decision of the BNB, the deadline for meeting the minimum requirements for the Bank is July 1, 2025. In order to ensure gradual accumulation of own funds and eligible liabilities, intermediate target levels have been set (as of January 1, 2022, January 1, 2023 , January 1, 2024 and January 1, 2025).

In 2023, First Investment Bank continued to develop its products in fulfillment of the minimum requirements for eligible obligations (MREL), incl. the obligations under committed funds and the Perspective+ borrowing products, which are senior unsecured debt product with a fixed yield, structured in such a way as to comply with the requirements for maturity, security, subordination, loss sharing, acceleration, and others under the Law on the Recovery and Resolution of Credit Institutions and Investment Firms and Regulation (EU) No 575/2013.

For more information on capital and eligible liabilities see the Consolidated Financial Statements as at 31 December 2023.


We work towards effective risk management

Risk management

First Investment Bank has built, maintained, and developed a risk management system which ensures the identification, assessment and management of risks inherent to its activity, taking into consideration the challenges of the external environment and the regulatory requirements.

In 2023, the Bank operated in accordance with its Risk Management Strategy and Risk Appetite Framework, aiming to maintain a moderately low level of risk and further increasing the protection mechanisms against risks inherent in banking. The Bank continued to pursue its objectives for the reduction and management of non-performing exposures, incl. recovery and restructuring of loan exposures, as well as regular write-offs of fully impaired and non-collectable risk exposures in accordance with the Strategy for Reduction of Non-performing Exposures and Repossessed Assets.

Risk management strategy

The risk management strategy of First Investment Bank is an integral part of its business strategy. The main objective in managing the overall risk profile of the Bank is to achieve a balance between risk, return and capital. The risk profile is relevant to the product policy of the Bank and is determined in accordance with the economic factors in the country and the Bank's internal characteristics and requirements.

Key elements of risk strategy

The Bank determines its risk propensity and risk tolerance levels so that they correspond to its strategic objectives and stable functioning, as well as to the required level of equity capital and an effective management process.

Fibank maintains financial resources that are commensurate with the volume and type of operations performed and with its risk profile, by developing internal control systems and mechanisms for risk management in accordance with regulatory requirements and best practices. The main goals on the basis of which the risk strategy is structured, are defined, as follows:

- achieving a sustainable level of capital to ensure good risk-taking capacity, as well as capacity to cover risks in the long term;
- maintaining good asset quality while providing for an efficient decision-making process;
- achieving a balanced risk/return ratio for all business activities of the Bank through defining a risk tolerance for achieving the targeted business goals and tasks.

In 2023, as part of the annual review, the Risk Strategy was updated in accordance with the Risk Appetite Framework and the Business Plan of the Bank. With regard to the risk profile, the Strategy focused on the development of retail and SME segments, as well as on the digitization of processes, cyber security and data protection, and development and applying the principles of responsible banking, incl. reflecting ESG factors. Constant emphasis is placed on ensuring an effective control environment in relation to existing business processes, active management of credit and operational risk, maintaining an adequate level of unencumbered liquid assets, and keeping assumed market risk within current limits.

During the period, First Investment Bank AD developed a new 10-year Sustainable Development Strategy taking into account the applicable ESG factors, the risks related to the transition to a sustainable economy and the physical risks, as well as a new Climate and Environmental Risk Management Policy.

Risk appetite framework

The **Risk appetite framework** of First Investment Bank is an integrated instrument for defining and limiting the overall risk level, which the Bank is willing and able to take to achieve its strategic and business goals. For 2023, a medium-low level of risk appetite was set to be maintained.

Defining and applying a risk appetite framework is based on assessment of the **risk profile** of the Bank on the basis of the material risks identified in the risk map, as the overall risk profile is expressed into a rating aggregated from the scores assigned to each of the specific risks throughout a 5-level scale with quantitative values and risk levels.

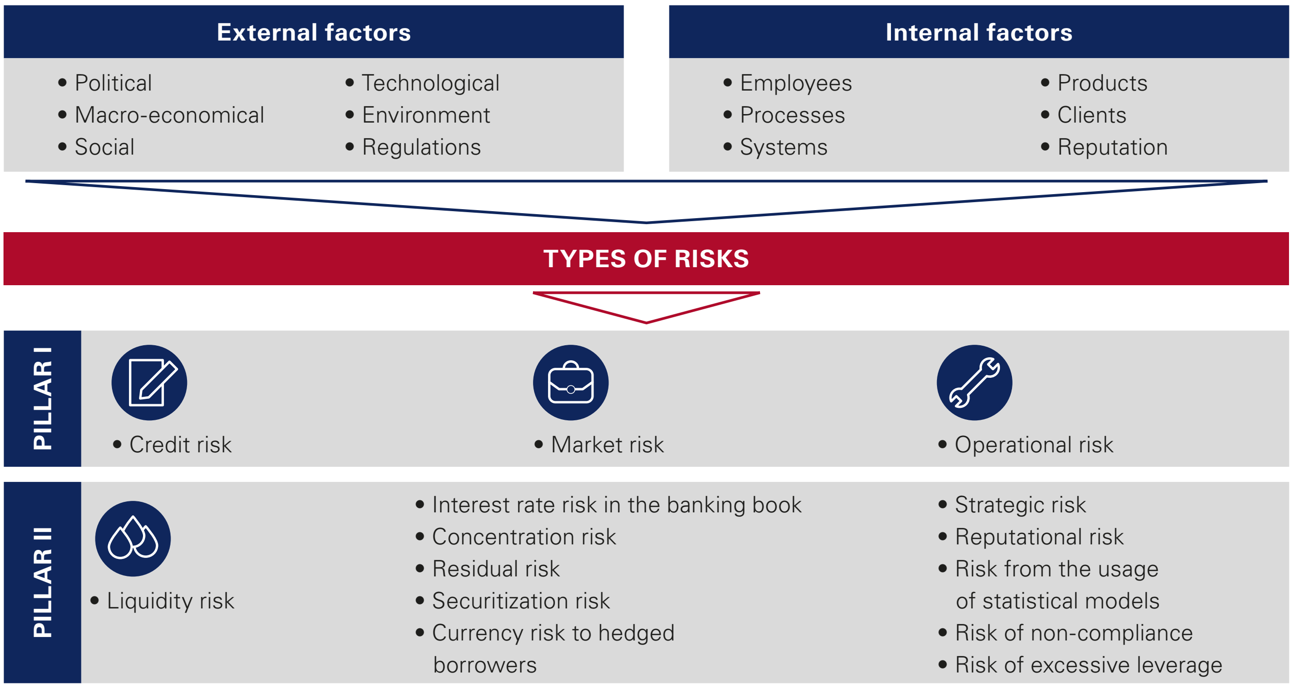
Within the risk appetite framework, the **risk capacity** of the Bank is defined, which represents the maximum level of risk the Bank can operate without breaking regulatory requirements and other limits with respect to capital and funding needs and liabilities to counterparties. The **risk tolerance** is defined as a precautionary measure while maintaining the risk appetite, which as set on a strategic level is defined as a percentage lower than 100% of the overall risk capacity of the Bank. For calculating the risk appetite the Bank uses specific **risk indicators and limits** (for example the total capital ratio, the common equity Tier 1 ratio, MREL ratio, leverage ratio, loan to deposit ratio, liuidity coverage ratio, net stable funding ratio, return on equity, non-performing exposure ratio, provisioning ratio, operating losses/regulatory capital, etc.), as well as early warning indicators in accordance with the type of risk.

The risk appetite framework is subject to review by the Managing Board and approval from the Supervisory Board once a year or more often, if needed, in accordance with the business environment dynamics. It is part of the annual process for defining the strategy and planning within the Bank.

Risk map

First Investment Bank develops a risk map, which classifies risks into different types and identifies those the Bank is exposed to or may be exposed to in its activity. It is updated once a year or more often if needed, aiming at defining all material risks and their adequate integration within the risk management framework of the Bank.

Risk profile and risk map



The types of risks are differentiated into groups (Pillar 1 and Pillar 2) as well as the methods for their measurement in accordance with the applicable regulatory framework.

Risk culture

Prudent and consistent risk culture is one of the key elements of effective risk management. In compliance with the best standards, the Fibank seeks to develop a risk culture that will further enhance visibility and prevention in terms of individual risk types, their identification, evaluation and monitoring, including by applying appropriate forms of training among the employees and senior management involved in risk management.

The Bank aims at applying the following principles for ensuring high risk culture:

- risk taking within the approved risk appetite;
- approval of every risk in accordance with the effective approval levels and the internal risk management framework;
- current/ongoing monitoring and risk management, incl. taking into consideration the ecological, social and governance (ESG) factors;
- responsibility of employees at all levels to the management and escalation of risks, while applying a conservative and future-oriented approach in their assessment;
- effective communication and constructive criticism aimed at making rational and informed decisions, as well as creating conditions for open and positive engagement throughout the organization;
- applying appropriate incentives to contribute to sound and efficient management, discouraging risk-taking in excess of the level acceptable to the Bank.

Risk management framework

The risk management framework of First Investment Bank includes automated systems, written policies, rules and procedures, mechanisms for the identification, assessment, monitoring and control of risks, and measures to reduce them. Its main underlying principles are: objectivity, dual control of any operation, centralized management, separation of duties, independence, clearly defined levels of competencies and authority, adequacy of the intrabank requirements to the nature and volume of activity, effective mechanisms for internal audit and control. The Bank meets the requirements of current legislation to credit institutions for the preparation and maintenance of current recovery plans in case of potential occurrence of financial difficulties and for the continuity of processes and activities, including with regard to recovery of all critical functions and resources.

Lines of defence

The risk management framework of First Investment Bank is structured in accordance with the principle and model of the three lines of defense which is in compliance with the Basel Committee for Banking Supervision principles for corporate governance in banks:

- First line of defence: the business units which take the risk and are responsible for managing it, including through identification, assessment, reporting in accordance with current limits, procedures and controls implemented in the Bank;
- Second line of defence: the Risk Management and Compliance functions which are independent of the first line of defence. The Risk Management function monitors, assesses and reports risks, while the Compliance function monitors and controls the maintaining of internal regulations in compliance with the applicable regulatory provisions and standards;
- Third line of defence: Internal Audit which is independent of the first and the second lines of defence. It provides an independent review of the quality and effectiveness of risk management, business processes and banking activity, as well as of the business planning and internal policies and procedures.

The Bank's policies on internal governance with respect to the internal control framework and the independent risk management, compliance and audit functions are in accordance with the applicable requirements in this sphere, including Ordinance No 10 of the BNB on the Organisation, Governance and Internal Control of Banks, Ordinance No 7 of the BNB on Organisation and Risk Management of Banks, the EBA Guidelines on internal governance pursuant to Directive 2013/36/EU (EBA/GL/2021/05) and the EBA Guidelines on policies and procedures in relation to compliance management and the role and responsibilities of the AML/CFT Compliance Officer under Article 8 and Chapter VI of Directive (EU) 2015/849 (EBA/GL/2022/05).

Structure and internal organisation

First Investment Bank has a developed risk management and control function, organized in line with recognized international practices and standards, under the management of a Chief Risk Officer (a member of the Managing Board) with appropriate experience and qualifications and directly reporting to the Risk Committee of the Supervisory Board.

The Chief Risk Officer organizes the overall risk management framework of the Bank, manages the process of its implementation, coordinates the activities of the risk committees of the Bank, and controls the credit process in its entirety, including the process of collection of problem loans. He ensures the effective monitoring, measuring, controlling and reporting of all types of risk to which the Bank is exposed.

First Investment Bank has also developed a compliance function, whose main objective is to identify, assess, monitor and report the risk of non-compliance. The function ensures the compliance of activities with regulatory requirements and recognized standards, and supports the Managing Board and senior staff in the management and control of this risk. The function is organized under the management of the Chief Compliance Officer and subordination to the Chief Executive Officer, with direct reporting to the Risk Committee and/or the Supervisory Board. The Chief Executive Officer (member of the Managing Board of the Bank) ensures the organization for applying the compliance function within the Bank, as well as its integration in the established risk management framework across the Bank, by all business units and at all levels. In 2023, a new Chief Compliance Officer was appointed. The CCO leads and coordinates the Compliance function at individual and group level, reporting to the MB, the SB and the Risk Committee on non-compliance risks and their overall assessment.

First Investment Bank maintains an information system allowing for the measurement and control of risks through the use of internal rating models for assessment of the quality of the borrower, assigning of credit rating to exposure, and obtaining quantitative assessment of risk. The information system ensures maintenance of a database and subsequent processing of data for the purposes of risk management, including for preparation of the regular reports necessary for monitoring the risk profile of the Bank.

Collective risk management bodies

The overall process of risk management is carried out under the guidance of the Managing Board of First Investment Bank. The Supervisory Board exercises control over the activities of the Managing Board on risk management, liquidity and capital adequacy, directly and/or through the Risk Committee which functions as an auxiliary body to the Supervisory Board in accordance with existing internal bank rules and procedures.

The Risk Committee advises the Supervisory Board and the Managing Board in relation to the overall current and future strategy on ensuring compliance of the risk policy and risk limits, risk-taking propensity and control on its execution by the senior management. During the year there were no changes in the composition of the Risk Committee. As at 31 December 2023, it consisted of three members of the Supervisory Board of First Investment Bank AD. The Chairman of the Risk Committee is Mr. Jyrki Koskelo, independent member of the Supervisory Board.

For supporting the activity of the Managing Board in managing the various types of risks, the following **collective management bodies** operate at the Head Office of First Investment Bank: a Credit Council, an Asset, liability and Liquidity management Council (ALCO), a Restructuring Committee and an Operational Risk Committee, which carry out their activities on the basis of written structure, scope of activities and functions.

The **Credit Council** supports the management of the credit risk undertaken by the Bank by issuing opinions on loan transactions in accordance with the authority level assigned thereto, including with regards to proposals from the operational/business units in the Head Office, as well as from the branches of the Bank in the country and abroad. During the year there were no changes in the composition of the Credit Council. The Chairman of the Credit Council is the Chief Risk Officer (CRO), while the other members include the Chief Corporate Banking Officer (CCBO), the Director and Member of the Managing Board regarding Small Enterprises Banking, as well as the Director of the Credit Risk Management, Monitoring and Provisioning department.

The **Asset, liability and Liquidity management Council (ALCO**) is a specialized collective body which advises the Managing Board on matters relating to implementing the policy for asset and liability management, and maintaining adequate liquidity in the Bank. It carries out systematic analysis of the interest-rate structure of assets and liabilities, of the maturity ladder and of liquidity indicators, with a view to possible early warning and taking actions for their optimization. During the year there were no changes in the composition of ALCO. The Chairperson of ALCO is the Chief Executive Officer (CEO), and other members include the Chief Financial Officer (CFO), and the directors of the Treasury, Risk Analysis and Control, Retail Banking and Large Enterprises Banking departments.

The **Restructuring Committee** is a specialized internal bank body responsible for the monitoring, evaluation, classification, impairment and provisioning of risk exposures and commitments. It also gives motivated written proposals to the Managing Board, and decides on restructuring of exposures according to the current authority levels in the Bank. During the year there were no changes in the composition of the Restructuring Committee. The Chairman of the Restructuring Committee is the Chief Executive Officer (CEO), while the other members include: the Chief Risk Officer (CRO) and the directors of the Impaired assets, the Intensive Loan Management; and a representative from the Legal department.

The **Operational Risk Committee** is an advisory body to the MB, designed to help the adequate management of operational risk by monitoring and analyzing operating events. The Committee proposes measures to minimize operational risks, as well as prevention measures. During the year there were no changes in the composition of the Operational Risk Committee The Chairman of the Operational Risk Committee is the director of Risk Analysis and Control department and the other members are the directors of the following departments: Card Payments; Compliance – Regulations and Standards; Accounting, Information Technology and Branch Network.

Apart from the collective management bodies, the risk function in First Investment Bank is executed by the Risk Analysis and Control department, the Credit Risk Management, Monitoring and Provisioning department and the specialized unit for Strategic Risk Management (Risk Management Directorate), as well as the Compliance function – by departments Compliance – Regulations and Standards and Compliance – Anti-Money Laundering and Financing of Terrorism (Compliance Directorate), which are independent (separate from the business of the Bank) structural units in the organizational structure of the Bank.

The Risk Analysis and Control department performs functions for the identification, measurement and management of the various types of risks inherent in the Bank's activity. The department monitors the determined levels of risk appetite and risk tolerance, is responsible for the implementation of new requirements relating to risk assessment and capital adequacy, and assists other departments in carrying out their functions related to risk management and control.

The Credit Risk Management, Monitoring and Provisioning department performs the functions of management and monitoring of credit risk, and exercises secondary control over risk exposures according to the current authority levels on loan transactions. The department manages the process of categorization of credit exposures, including the assessment of potential losses.

The specialized unit for Strategic Risk Management aims at identifying and assessing the strategic risk, including the main risks in the Bank's strategic projects, as well as analyzing the realistics of the assumptions embedded in the strategies of the Bank with respect to changes in the external environment and the markets it operates in.

The Compliance – Regulations and Standards department carries out the activities of identifying, assessing and managing the risk of non-compliance, ensures adequate and legitimate internal regulatory framework in the structure of the Bank, and monitors for compliance of the Bank's products and services with existing regulations. It also manages and analyses customer satisfaction in the Bank in relation to customer complaints. As part of it a Compliance – investment services and activities unit functions, which executes ongoing control over the execution of the regulatory requirements with respect to the Bank's activity as an investment intermediary and on the market abuse with financial instruments, as well as a Data protection officer, who has a leading role in ensuring the lawful processing of personal data in the Bank's structure – *for further information see section „Personal Data Protection".*

The Compliance – Anti-Money Laundering and Terorism Financing Department performs the Bank's activities related to prevention of money laundering and terrorist financing as a specialized service under Article 106 of the Measures Against Money Laundering Act (MAMLA). It also ensures regulatory compliance of this activity according to the EBA Guidelines on policies and procedures in relation to compliance management and the role and responsibilities of the AML/CFT Compliance Officer under Article 8 and Chapter VI of Directive (EU) 2015/849 (EBA/GL/2022/05) and BNB Ordinance 10 on the Organization, Management and Internal control in Banks, as well as exercising control over the application of fraud prevention requirements.

System of limits

First Investment Bank applies a system of internal limits for different types of risks, in line with the regulatory requirements and the Bank's risk management strategy, including limits by client/counterparty, type of instrument and portfolio, sector, market, etc. The limits applied are monitored on a regular basis and are subject to periodic review and update in line with the risk appetite, market conditions and current regulatory framework.

For more information on the internal limits for different types of risk, see the subsections on credit risk, market risk, liquidity risk, operational risk, as well as the Consolidated Financial Statements for the year ended 31 December 2023.

Recovery plan

In pursuance of the Law on Recovery and Resolution of Credit Institutions and Investment Firms, banks in the country are required to prepare and maintain recovery plans in case of potential occurrence of financial difficulties.

In 2023, First Investment Bank updated its Recovery Plan, including the recovery indicators, calibrating their levels according to the regulatory requirements and the applicable capital buffers. The recovery measures were updated applying a more conservative approach, and new measures were added meeting the MREL requirement. Increased risk parameters were used in the assumptions when preparing different stress scenarios, taking into account the challenges of the external environment and the macroeconomic conditions.

The Recovery plan includes the detailed process of escalation and decision-making, as well as the units and bodies within the Bank responsible for its updating and implementation. It includes quantitative and qualitative early warning and recovery indicators, based on a wide range of capital & MREL, liquidity, profitability, asset quality, market-based and macroeconomic indicators, upon the occurrence of which a phased process is initiated, involving analysis and identification of the best way to overcome the crisis situation, as well as taking decisions to trigger the appropriate actions according to the procedures for reporting and escalation.

For the purposes of the plan, the key business lines and the critical functions of the Bank have been identified that are necessary for its smooth operation. According to the applicable requirements and in order to determine the range of hypothetical events, different stress scenarios of idiosyncratic, systemic and combined shock have been defined, against which effective recovery measures have been identified and the effect they might have on financial and operating continuity.

In connection with the implementation of the plan, an effective process of communication and disclosure has been structured in First Investment Bank, including internal communication (to internal bank bodies and employees) and external communication (to supervisors, shareholders and investors, customers and counterparties, and other stakeholders), as well as measures for the management of potential negative market reactions.

Restructuring planning process

Pursuant to the Law on the Recovery and Resolution of Credit Institutions and Investment Firms, banks in the country are obliged to assist the resolution authority with a view to operational preparedness for carrying out potential restructuring of the institution should such a situation arise.

In this regard, in 2023 First Investment Bank finalised the development of an internal Bail-in Playbook to document the operational process related to a potential bail-in event, including the operational steps related to write-off mechanisms and conversion of instruments and liabilities, as well as the internal and external aspects for applying and operationalizing the bail-in process.

Credit risk

Credit risk is the risk arising from the debtor's inability to meet the requirements of a contract with the bank or inability to act in accordance with the agreed terms. The different types of credit risk include concentration risk, residual risk, dilution risk, counterparty risk, and settlement risk. Credit risk is the major source of risk to the banking business and its effective assessment and management are crucial for the long-term success of credit institutions.

First Investment Bank manages credit risk by applying internal limits on exposures, on customers/counterparties, types of instruments, industry sectors, markets, by written rules and procedures, by internal rating and scoring models, as well as by procedural requirements in the originating and managing of loan exposures (administration).

The internal bank regulations regarding credit risk are structured in accordance with the business model and organization of the activity, as well as in compliance with the regulatory requirements and recognized banking practices and standards, which include internal rules for lending and managing problem exposures, rules for classification, impairment and the provisioning of exposures, approval levels in the origination of loan exposures, as well as the methodology for conducting of credit analysis and internal credit ratings (scoring models) regarding the creditworthiness of customers. Internal rules and procedures are updated regularly with the aim of identifying, analyzing and minimizing potential and existing risks. The applied limits on credit risk exposures are monitored on an ongoing basis and in compliance with the market conditions and regulatory framework.

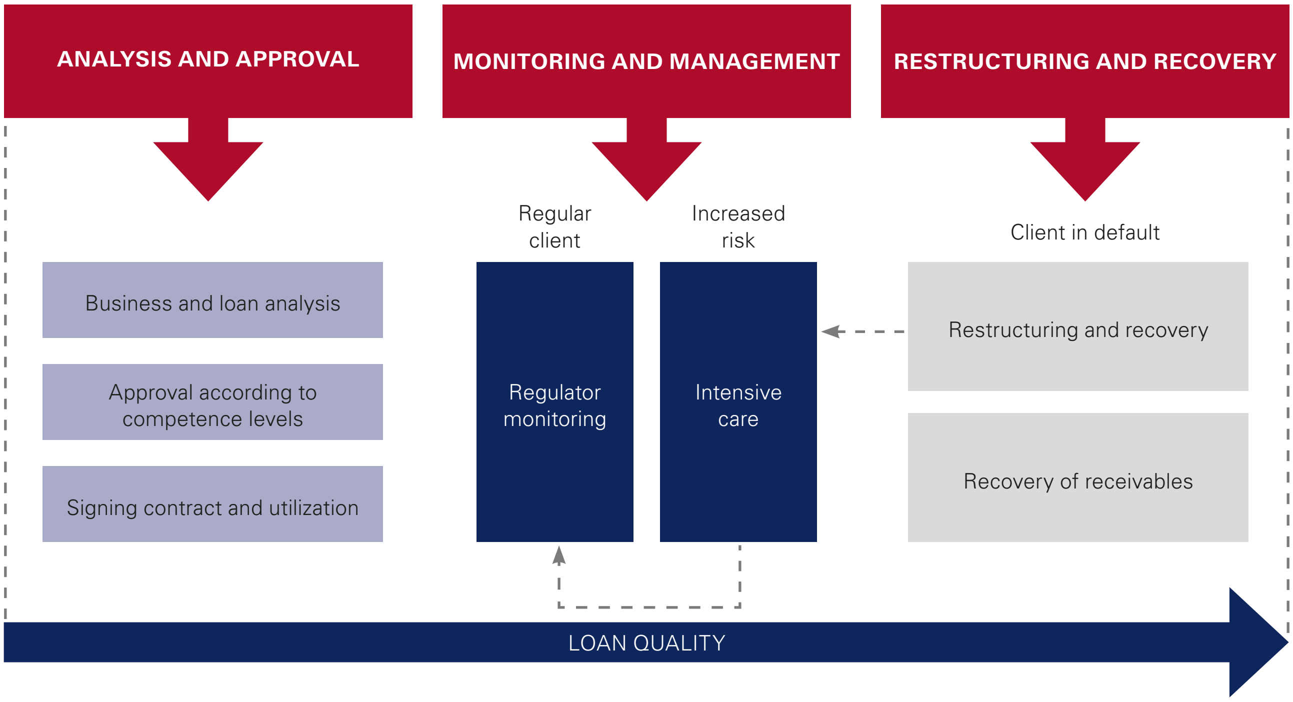
Loan process

The credit process at First Investment Bank is automated through the Business Process Management (BPM) system, developed on the IBM Business Automation Workflow platform. It is integrated in the core information system of the Bank and includes control mechanisms and levels of authority in the review and approval of credit transactions. Approved transactions are administered centrally, at the Credit Administration Department, applying the „four eyes" principle.

The Bank has an integrated and advanced Business Process Management (BPM) system for processing retail and business loans. The system covers the activities of accepting loan applications, preparing opinions, approval and disbursement of new loans, as well as renegotiating existing ones. The applicable limits and authority levels for approval/renegotiating of individual types of credit exposures are integrated in the system. Automating the credit process aims to increase the quality of customer service, as well as to reduce the time for processing credit applications.

In 2023, changes were made to the lending rules and to the levels of authority for approval of credit transactions. The aim was to optimize the internal decision-making processes, bringing them in line with structural units and automated credit processing systems in the Bank, as well as to refine the requirements for off-balance sheet commitments. During the year, changes were also made to the internal rules for real estate lending to individuals in line with the Law on consumer real estate loans. Those included updating the internal processes for working with credit intermediaries, as well as the methodology for assessing the creditworthiness of individuals.

Loan-life cycle



With respect to business units involved in lending, the activity is structured in accordance with the customer segmentation applied by the Bank. It corresponds to the European requirements for defining micro, small and medium-sized enterprises, which were transposed by the Law on Small and Medium-sized Enterprises.

Credit products are priced so that income generated by them covers the cost of funds, the assumed risk/expected loss, the administrative costs, as well as the return on equity allocated to the respective product, incl. the minimum requirement for own funds and eligible liabilities (MREL).

First Investment Bank maintains systems for the ongoing administering and monitoring of different portfolios and exposures to credit risk, including aiming at recognizing and managing exposures in default and performing adequate value adjustments for credit risk. Considering the impact of the economic cycle, Fibank manages exposures in default with a view to their timely diagnosis and taking measures consistent with the repayment capacity of the clients and the Bank's policy on risk-taking. The monitoring system of the Bank as well as the internal procedures for monitoring of credit exposures are subject to regular review and update, as well as the procedures for review of individually significant loan exposures, incl. early warning signals and indicators for probability of delay/overdue and indicating the probability of non-payment.

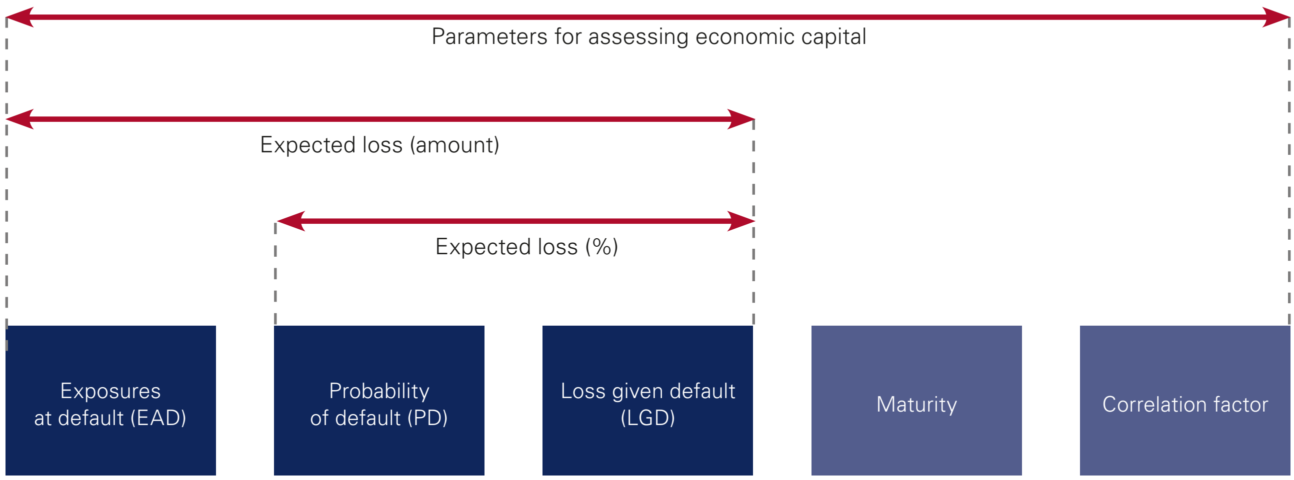
In the Bank a department functions for Intensive loan management, which manages the exposures of customers transferred from the business units with increased credit risk compared to the initial disbursement of the loan, as well as from the impaired assets unit, when there are indicators for recovery of the exposure and objective possibility for future regular servicing. The processes are organized in accordance with the Rules for transfer of credit exposues and the different phases of the life-cycle of the loan, which were specified during the period aiming to optimize the processes for retail and business clients.

Models for credit risk measurement

First Investment Bank applies internal credit risk models to assess the probability of default (PD), loss given default (LGD), and exposure at default (EAD) which allows the calculation of risk-adjusted returns. All credit risk exposures are controlled on an ongoing basis.

The framework, defined in accordance with the Basel standards, sets minimum regulatory capital requirements to cover financial risks. In addition to regulatory capital, First Investment Bank also calculates economic capital which is included in the internal measurement and management of risk. Economic capital is maintained for the purpose of protection and covering of unexpected losses arising from market conditions or events.

Risk parameters for assessing expected and unexpected losses



For further information regarding economic capital see subsection „Internal Capital Adequacy Analysis".

The Bank uses internal models for credit assessment of business and retail customers. Assessment models are based on quantitative and qualitative parameters, weights of individual parameters being defined on the basis of historical experience. Business clients are assigned a credit rating, while individuals are based on scoring. An additional assessment for business clients is made based on a behavioral scoring model. The credit risk assessment derived from the rating models is further examined by a credit specialist/risk manager.

The Bank has project finance evaluation models (including for real estate, industrial projects and financing of individual fixed assets), applying quantitative analysis (based on estimated cash flows) and qualitative evaluation of the project and investor management, market environment and credit structuring, as well as a separate evaluation of the assets being funded.

All risk assessment models are adopted by the Managing Board, proposed for their review after prior approval from the Chief Risk Officer.

There is a structured process within the Bank for assessment and validation of the risk management models to ensure their reliability, accuracy and effective implementation. It envisages the preparation of regular validation reports in the Bank: brief/monitoring quarterly reports and extended annual validation reports, covering both quantitative analysis (statistical, econometric and other quantitative approaches) and analysis of the qualitative (non-statistical) characteristics, in compliance with the current regulatory requirements and good banking practices in the area, aiming at timely reporting of the results to the competent bodies within the Bank.

Credit risk mitigation methods

Credit risk is managed also by acceptance of guarantees and collateral of types and in amounts according to the current regulations and the Bank's internal rules and requirements. First Investment Bank requires collateral for credit risk exposures, including for contingent liabilities which bear credit risk. For reduction of the credit risk the Bank applies established techniques, procedures and rules, ensuring effective credit protection, including through the monitoring and control of residual risk. Secured protection is ensured by assets which are liquid enough and have relatively unchanging value in time. The Bank applies internal written rules regulating eligible collaterals by type and amount, in compliance with the regulatory requirements for their recognition, as well as the legal requirements for supporting documentation. For reduction of credit risk, First Investment Bank applies the financial collateral simple method under the requirements of Regulation (EU) No 575/2013.

First Investment Bank currently monitors the relative regulations, as well as the acknowledged standards and good practices in this area, aiming constantly at further development and enhancement of the rules and processes existing in the Bank with respect to the acceptance, evaluation and management of collaterals, including with regards to the methods for evaluation. In the processes of managing collaterals requirements for appraisers' rotation are applied after certain number of successive valuations of the same asset, in accordance with Guidelines on loan origination and monitoring (EBA/GL/2020/06). In 2023, the rules for the acceptance, assessment and management of collateral were updated with regard to assessment approaches and standards applied, as well to the collateral monitoring process.

Problem exposures, repossessed assets and strategy for their reduction

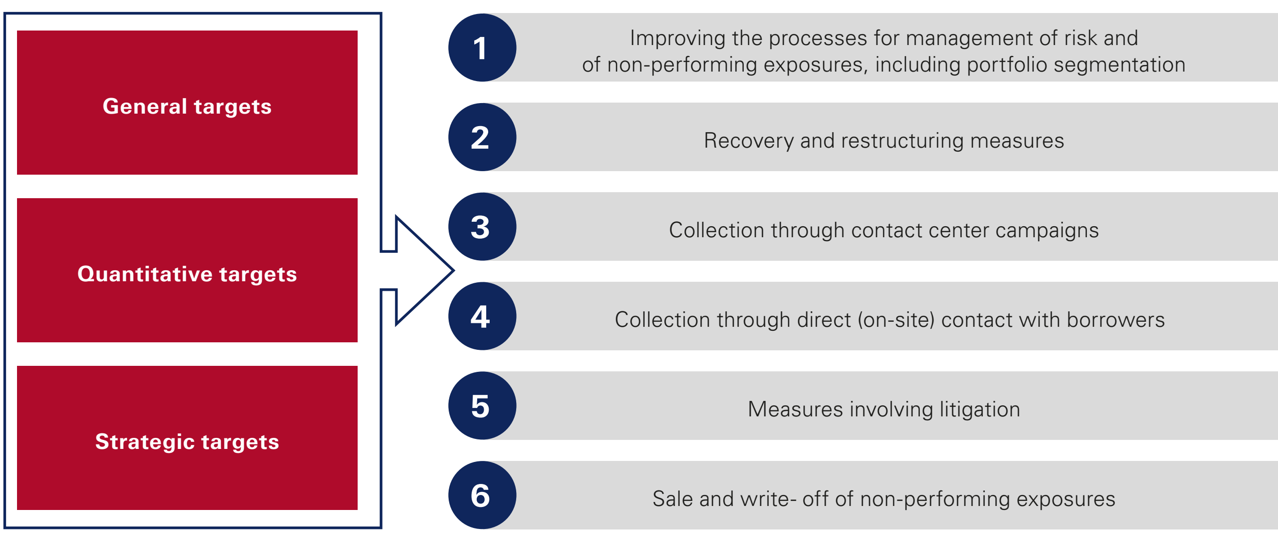
First Investment Bank has internal rules and written procedures for managing problem credit exposures, which include all main actions related to the management of problem loans, including analysis and assessment of risk exposures, restructuring and recovering, enforced collection, sale and writing off of problem exposures. Fibank uses a specialized system for the integrated management of problem assets, which includes all stages for monitoring and recovery of receivables.

The Bank has structured processes and internal organization regarding the management and sale of repossessed assets, as well as for debt-to-asset/debt-to-equity conversion. There is an Asset Management and Sale Committee acting as an auxiliary body to the Management Board. It performs functions related to the management, administration and sale of acquired assets in accordance with the levels of authority operating in the Bank.

Among the strategic priorities of the Bank regarding its risk profile is reducing the portfolio of nonperforming exposures and repossessed assets, as in this regard a Strategy for reduction of nonperforming exposures and repossessed assets for 3-year period is in place, as well as an operating plan for its implementation, in which measures adequate to the business model and risk profile were identified aligned with the EBA Guidelines on management of nonperforming and forborn exposures (EBA/GL/2018/06). In 2023, the Bank's strategy was updated as part of the annual planning and budgeting process, including target levels for key indicators. The main goals and priorities set in it included:

- Regular write-off of fully impaired and uncollectible credit exposures and sale of portfolios of non-performing exposures, in such volume and time horizon as the market dynamics allow and the prices offer;
- Achieving stable recovery, covering the entire life cycle of credit exposures and perfecting the practices and processes in order to achieve higher recovery rates;
- Improving the ways and methods for restructuring, aimed at increasing collections from non-performing exposures;
- Reduction of the risk profile of the loan portfolio and applying a conservative approach in collateral valuation;
- Reduction of the relative weight of the portfolio of foreclosed assets in the Bank's balance sheet in order to free up cash resources and reduce risk.

Measures/options reduce non-performing exposure



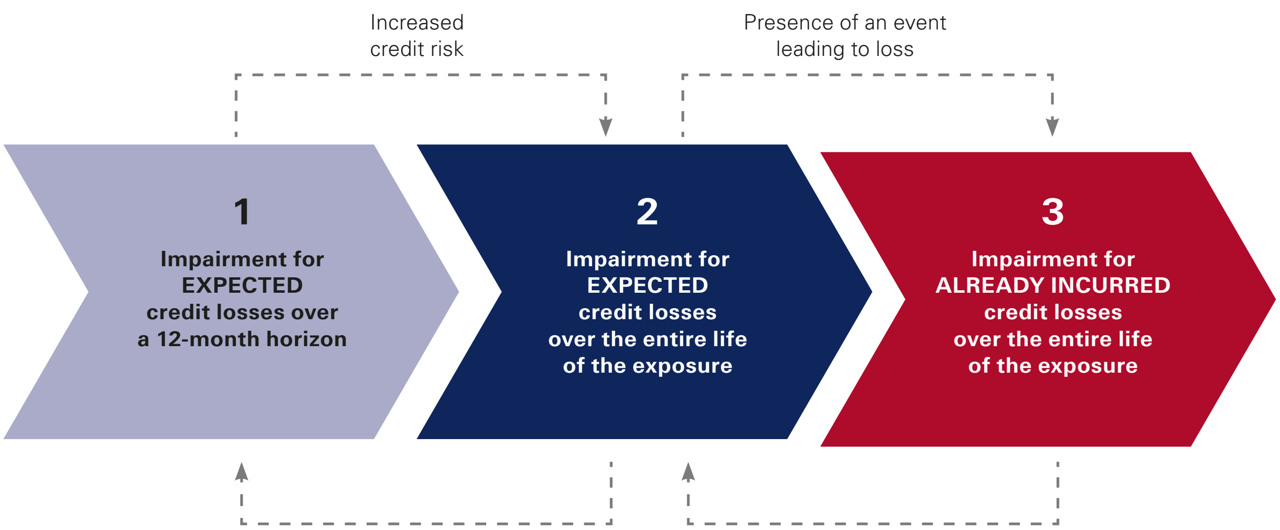
During the year, as a result of the consistent actions and measures for improving collection, write-offs and reduction of problem exposures, non-performing exposures of the Group decreased net by 19.0% or by BGN 237,512 thousand y/o/y. As at 31 December 2023, the nonperforming loan (NPL) ratio calculated in accordance with the requirements of the European Banking Authority decreased by 3.8 percentage points to 9.7% of gross loans and advances under the FinREP financial reporting framework (2022: 13.5%), and the nonperforming exposure (NPE) ratio decreased by 2.8 percentage points to 7.6% of gross loans and advances and debt instruments other than held for trading (2022: 10.4%).

Classification, impairment and provisioning of exposures

First Investment Bank applies a consistent exposure classification process, structured in accordance with the requirements of Regulation (EU) No. 575/2013 and its implementing regulations, Ordinance No. 7 of the BNB on the organization and management of risks in banks, as well as the EBA Guidelines on the application of the definition of default under Article 178 of Regulation (EU) No 575/2013 (EBA/GL/2016/07), the EBA Guidelines on PD estimation, LGD estimation and treatment of defaulted assets (EBA/GL/2017/16) and the EBA Guidelines on credit risk management practices and accounting for expected credit losses (EBA/GL/2017/06). Internal processes cover the definition of default, including indications of default and unlikeliness to pay, materiality thresholds for past due credit obligations, implementation of forbearance measures and reclassification, as well as units and internal banking bodies responsible for the process, taking into account the BNB Instructions on the treatment of regulated real estate and on the scope of insurance coverage for the purposes of applying and determining the risk weights.

With respect to impairment and provisioning of risk exposures, the Bank applies written rules, which are structured based on the principles of individual and portfolio evaluation of risk exposures, depending on the classification and amount of exposure. For exposures reported as non-performing specific impairment is determined, calculated on the basis of individual cash flows for individually significant exposures, or on portfolio basis for the others. Regarding exposures reported as performing, the Bank applies impairment on a portfolio basis (taking into account potential losses), grouping exposures with similar credit risk characteristics. According to IFRS9 an allowance for impairment loss is calculated equal to the expected credit losses over the life of the instrument, if the credit risk of the financial instrument has increased significantly since the original recognition. Otherwise, an allowance for impairment losses is calculated equal to the expected credit losses over a 12-month horizon.

Impairment of risk exposures



The Bank has written parameters for defining the increased credit risk, which includes days past due, as well as other indicators i.e. presence of forborne measures, deterioration in the rating/scoring of the client and others, as well as defining the parameters for meeting the cash flow test for solely payments of principal and interest (SPPI test), including defining new or changed credit products.

At the beginning of 2023, the Bank finalized the review of its internal rules for classification, provisioning and impairment, aiming to further enhance of internal processes.

For more information on credit risk, see note 3 "Risk Management" from the Consolidated Financial Statements for the year ended 31 December 2023.

Market risk

Market risk is the risk of losses due to changes in the price of financial instruments resulting from general risk factors inherent in the markets and not related to the specific characteristics of individual instruments, such as changes in interest rates, exchange rates and/or specific risk factors relating to the issuer.

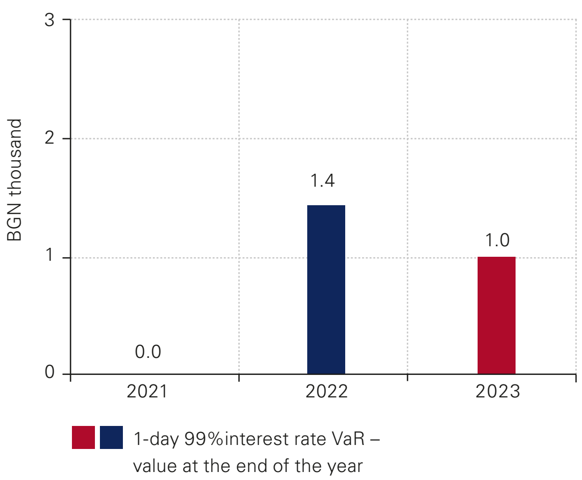
The management of market risk is based on applying internal limits and written rules and procedures with respect to the processes and control environment. For the purpose of assessing and minimizing market risk the Bank applies internal models for assessment, which are based on the "Value at Risk" (VaR) concept, and in addition other duration analyses, calculation of stressed VaR, stress tests and scenarios are used.

The limits applied by the Bank for debt and capital instruments are structured with the aim of minimizing the risk and applying a wide and risk-based framework of limits, which are directly connected with the risk profile of the investments, as well as with the dynamics of the risk profile in time. The Bank applies a uniform framework regarding its limits on investments in debt securities to governments and financial institutions in accordance with the development of market conditions and opportunities to generate returns and returns. In 2023, the rules for managing market risks were updated, mainly with respect to overview of the positions and assessment of the inherent risks, incl. towards ecological, social and governance (ESG) risk factors.

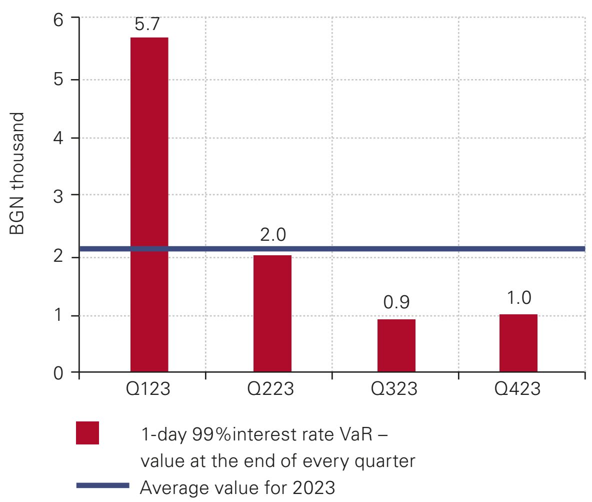
Position risk

Position risk is the risk of changes in the prices of debt and equity instruments as a result of circumstances related to the issuer and / or changes in market conditions. Position risk includes general and specific position / price risk.
It is the policy of the Bank to maintain an insignificant trading portfolio in accordance with the criteria of Regulation (EU) № 575/2013. Therefore, it does not calculate capital requirements for interest rate and pricing risk in this portfolio.

Interest rate VaR for the trading book of debt instruments



Interest rate VaR for the trading book of debt instruments during 2023



For quantifying measurement of the interest rate and position risk in the trading portfolio, the Bank applies VaR analysis with a 1-day horizon and 99% confidence level, which means that there is 1% probability for the trading portfolio to depreciate within a 1-day interval more than its calculated VaR. The model is calculated and monitored on a daily basis by estimating the maximum loss that could occur over a specified horizon under normal market conditions, due to adverse changes in the market rates, if the positions remained unchanged for the specified time interval.

In compliance with the European Banking Authority guidelines, the Bank measures stressed value at risk (sVaR) of the debt securities portfolio, where model inputs are calibrated so as to reflect an extended period of significant stress in the international financial markets.

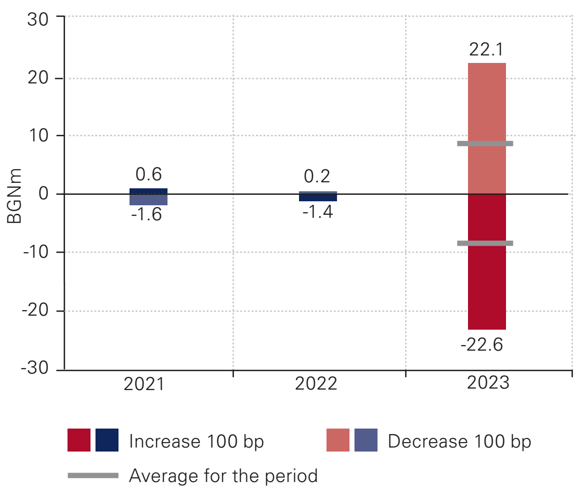
Interest rate risk in the banking book

Interest rate risk in the banking book os the risk from negative effect on the economic value of the capital and the net interest income of the Bank due to change in the market interest rate levels.

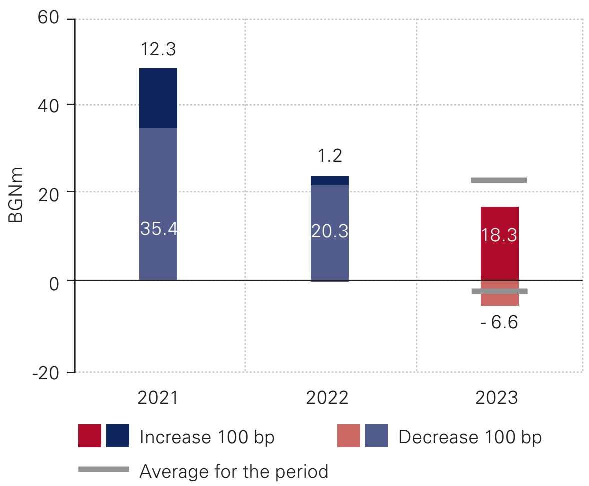
First Investment Bank manages this type of risk through written rules, limits and procedures aimed at reducing the interest sensitivity gap of assets and liabilities in accordance with the requirements of the EBA Guidelines issued on the basis of Article 84 (6) of Directive 2013/36/EU specifying criteria for the identification, evaluation, management and mitigation of the risks arising from potential changes in interest rates and of the assessment and monitoring of credit spread risk, of institutions' non-trading book activities (EBA/GL/2022/ 14) and the requirements of Ordinance No. 7 of the BNB on the Organization and Risk Management of Banks.

Interest rate risk in the banking book is measured using models that assess the impact of interest rate scenarios on the economic value of the Bank and on net interest income. The interest rate risk assessment framework in the banking book (IRRBB) takes into account various sources of the IRRBB, incl. the risk of mismatch, underlying and option risk, and the risk of change in the credit spreads of financial instruments (CSRBB). The set of stress scenarios applied by the Bank includes those related to non-parallel changes in the interest rate curve, as well as taking into account a number of behavioral features in cash flows, in the context of different stress scenarios.

Effect on the interest income
from interest rate shock +100/-100 bp



Effect on equity from interest
rate shock +100/-100 bp



As at 31 December 2023 the interest rate risk on the economic value of the Group (IRRBB) following a standardized shock of +100/-100 bp was BGN +18.3/-6.6 million, while on the net interest income one year forward it was BGN +22.1/-22.6 million

Currency risk

Currency risk is the risk of loss resulting from an adverse change in exchange rates. Fibank's exposure to currency risk arising from positions in the banking and trading book is limited by the application of regulatory-required and internal limits.

The Bank actively manages the amount of its overall open foreign exchange exposure, and seeks to maintain negligible levels of currency mismatches in its entire activity. In addition, First Investment Bank calculates and applies limits, based on an internal VaR model, regarding the maximum loss that could be incurred within 1 day at a confidence level of 99.0%.

The Bank is also exposed to currency risk as a result of proprietary trading transactions. The volume of such transactions is very limited and controlled through limits on open foreign currency positions, and stop-loss limits on open positions.

Counterparty risk and settlement risk

Counterparty risk (counterparty credit risk) is the risk that a counterparty in a particular transaction will default before the final settlement of the cash flows of the transaction. It arises mainly from transactions in derivative instruments, repo transactions, securities and commodities lending/borrowing transactions, margin lending transactions and extended settlement transactions. The Bank manages and controls this type of risk by applying limits and minimum credit quality requirements to counterparties /issuers.

Settlement risk for the Bank is the risk of outstanding transactions in securities, commodities or currency. It arises both in transactions with settlement services on the principle of „delivery versus payment" (delivery versus payment - DvP) and in trade without DvP („free deliveries"). For DvP transactions, the Bank assesses the risk that the price difference between the agreed settlement price for the respective instrument and its current market value will lead to a loss for the Bank. For those related to „free deliveries", the risk is controlled by applying internal credit quality limits to counterparties / issuers.

For further information regarding market risk see note 3 "Risk management" of the Consolidated Financial Statements as at 31 December 2023.

Liquidity risk

Liquidity risk originates from the funding of the banking business and in positions management. It includes the risk of failure to meet a payment when due, or failure to sell certain assets at a fair price and in the short term to meet an obligation.

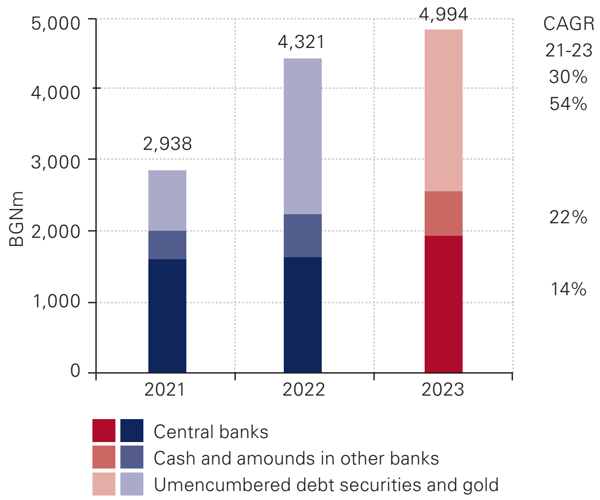
First Investment Bank manages liquidity risk through an internal system for monitoring and daily liquidity management, maintenance of a sufficient amount of cash consistent with the currency structure of assets and liabilities and maturity ladder, regular gap analysis of inflows and outflows, maintaining a low risk portfolio of assets to meet current liabilities, and operations on the interbank market.

In order to maintain a medium-low risk profile, Fibank has established an adequate framework for liquidity risk management. The Bank's policy on liquidity management is designed so as to ensure meeting all obligations even under stress originating from the external environment or from the specifics of banking activity, as well as to maintain an adequate level and structure of liquid buffers and apply appropriate mechanisms for the distribution of costs, profits and risks related to liquidity. The Bank applies a combination of methods, financial models and instruments for assessment and management of liquidity, including the requirements for reporting and monitoring of the liquidity coverage ratio (LCR) and net stable funding ratio (NSFR) in compliance with Regulation (EU) No 575/2013 and the applicable delegated regulations of the European Commission. In order to reduce the liquidity risk, preventive measures have been taken aimed to extend the maturity of borrowings from customers, to encourage long-term relationships with clients and to increase customer satisfaction. In order to adequately manage liquidity risk, the Bank monitors cash flows on a daily basis, and also maintains a maturity ladder, which is part of the additional liquidity monitoring indicators and a tool for detailed monitoring of cash inflows and outflows by maturity interval.

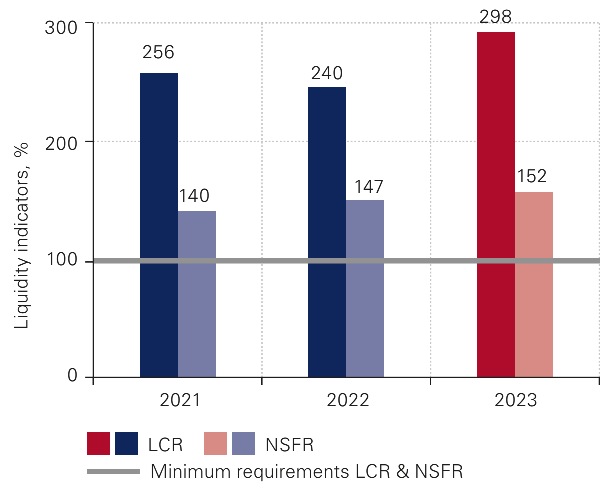
During the year, in implementation of the changes in Ordinance No. 21 of the BNB, actions were taken to reflect the increased mandatory minimum reserves that banks maintain at the Bulgarian National Bank at the systemic, operational and reporting levels. The internal processes for managing asset encumbrance risks were also updated.

As regards asset/liability and liquidity management policies, First Investment Bank applies the business model requirements and the criteria for classification and valuation of financial assets in the Bank's portfolios in accordance with IFRS 9. Based on the purpose for managing the financial assets, the business models applied by the Bank include: 1) a business model whose purpose is the assets to be held to collect contractual cash flows (hold to collect); 2) a business model whose purpose is both to collect contractual cash flows as well as sale of financial assets (hold to collect and sell); 3) another business model when the purpose is different from the previous two business models, and which includes assets held for trading.

Group liquid assets



LCR and NSFR



During the reporting year Fibank maintained an adequate volume of liquid assets, as at 31 December 2023 the ratio of liquid assets covering the attracted funds due to other customers amounted to 40.14% (2022: 37.72%), which was significantly above the BNB recommended level of 20%. According to the regulatory requirements the Bank should maintain a buffer of liquid assets to ensure liquidity coverage of net liquidity outflows over a 30-calendar day stress period with a minimum amount of 100%. At the end of the reporting period, the liquidity coverage ratio (LCR) amounted to 298.13% on a consolidated basis (2022: 239.89%).

First Investment Bank also calculates a net stable funding ratio (NSFR), which is an instrument introduced to ensure that long-term liabilities are adequately covered by stable financing tools both under normal circumstances and in stress conditions. At year-end, the net stable funding ratio amounted to 151.86% on a consolidated basis (2022: 146.91%) and was above the reference value of 100% in accordance with Regulation (EU) No 575/2013.

Internal liquidity adequacy assessment process

First Investment Bank prepares a regular report on the internal liquidity adequacy assessment process (ILAAP), aimed at performing a comprehensive internal assessment of the liquidity management and funding framework of the Bank in the context of its strategy and risk appetite in terms of liquidity.

In 2023, as part of its annual review process, the ILAAP report was updated, including with regards to the results of stress scenarios and stress tests used, the quantitative information on funding plans and sources of funding, as well as the capacity for generating liquidity and the survival periods. Internal liquidity indicators were structured in compliance with the requirements for consistency with Recovery Plan levels, the latter being part of the monitoring and early warning system incorporated in the Bank's risk management framework. The information was expanded regarding the maintained liquidity buffers and the so-called management buffer, as well as the required documentation package including the governing body's opinion on adequacy of liquidity positions and management of liquidity risks. The ILAAP methodology was refined taking into account the deposit outflow assumptions under different types of stress scenarios. It describes the approaches to preparing and updating the ILAAP report, including with regard to the key components under the EBA Guidelines on ICAAP and ILAAP information collected for SREP purposes.

With respect to the internal processes and organization on ILAAP the CFO has general responsibility for controlling the process for updating, for making proposals for amendments on the document, as well as ensuring control before presenting for approval from the competent bodies within the Bank. The assessment takes into consideration the systems and processes existing in the Bank for management of risks related to liquidity and funding, including information on the daily management of liquidity risk and on the allocation of costs and benefits related to liquidity, which are determined based on a methodology for internal transfer prices (ITP) introduced in the Bank. The ILAAP also takes into account the funding strategy of the Bank, including the funding plans within a three-year horizon, as well as the strategy on maintaining liquidity buffers and monitoring of encumbered assets. The quantitative measurements of the readiness of the Bank to deal with a sudden and significant outflow of borrowings (liquidity crisis) are established through stress tests and scenario analyses. For the purposes of ILAAP, First Investment Bank applies a combination of three stress scenarios: of idiosyncratic, market and combined shock, with a horizon of one week and one month, which take into account the stability of the deposit base and the sensitivity of the customers.

To ensure adequate capacity of the Bank to meet all its obligations and commitments, even in the context of a liquidity crisis, First Investment Bank has developed an action plan in case of contingency with respect to liquidity which is an integral part of the overall system for liquidity management. In 2023, the plan was updated, including with regard to shock scenarios applied, as well as to ensuring consistency with the liquidity indicators laid down in the Recovery Plan.

For further information regarding liquidity risk see note 3 "Risk management" of the Consolidated Financial Statements as at 31 December 2023.

Operational risk

Operational risk is the risk of loss resulting from inadequate or failed processes, people or systems, or from external events. In order to mitigate the risks arising from operational events, First Investment Bank applies written policies, rules and procedures that are based on the requirements laid down in Bulgarian and EU legislation and good banking practices. In 2023 the rules were enhanced with respect to the procedures for incident reporting. With respect to capital requirements for operational risk, the Bank applies the standardized approach as per requirements of Regulation (EU) 575/2013, incl. methodology for allocation of the indicators as per group activities.

First Investment Bank maintains a system for registration, tracking and control of operational incidents and near-misses that complies with the effective regulatory requirements. Operational risk management at Fibank is based on the principles of not assuming unsound risk, strict compliance with the authority levels and applicable laws, and active management of operational risk. The Bank applies reliable methods for avoiding, transferring, and limiting the impact of operational risks, including through separation of functions and responsibilities, double control, approval levels, internal control, insurance contracts, and information security.

With the aim of developing and enhancing its processes for operational risk management key risk indicators are defined within the Bank, which are applied both at Bank level, and specifically for each business unit and process in the Bank. They are used for the purpose of effective signaling of changes that may be relevant to the active management of operational risk, as well as for implementing better monitoring and control of the risk tolerance and of the thresholds and limits on individual types of risk.

The Risk Analysis and Control department defines and categorizes operational events across event types and business lines inherent in banking, as well as the obligations and responsibilities of the Bank's employees in connection with their registration and reporting. The Operational Risk Committee regularly reviews and analyzes operating events and suggests to the Managing Board measures for prompt correction of their causes, as well as for strengthening the controls in the management of processes, activities, products and services at all levels of the Bank's system.

In order to assess the exposure and reduce operational risk, as well as to enhance and improve the control procedures, First Investment Bank conducts regular Risk Control Self-Assessment (RCSA) in the form of questionnaires and analyzing of processes. According to good banking practices the self-assessment is an important tool for additional evaluation of the Bank's exposure to operational risk, as well as a tool contributing to the analysis of the effectiveness of existing controls for its mitigation.

Information security

Information security and cyber security play an increasingly important role in banking, given the growing digitization of services and automation of processes. It is as integral part of the Bank's priorities aiming at protection of ICT assets ensuring continuity of service and key banking processes.

The Bank's information security policy sets out principles and rules for protecting the confidentiality, integrity and availability of data and information of Fibank and its customers, and of related services. The Bank applies internal rules covering the organizational and managerial framework and employee responsibilities for ensuring the security of data, systems and relevant infrastructure. Measures have been put in place to guarantee proper logical and physical security, information asset management, access control and risk management.

An “Information security” department functions within the Bank under the supervision of the Chief Risk Officer, which coordinates the activities related to information security, defines the requirements towards controls and security of data, as well as organizing the execution of the Management Board’s decisions in this respect.

Personal data protection

As part of its internal organization as a data controller, the Bank further structured and developed the principles and grounds for processing personal data, including with regard to their transparency, legitimacy, rights of data subjects, as well as technical and organizational measures to protect such data.

In compliance with the requirements of the General Data Protection Regulation (GDPR), the Bank has a Data Protection Officer (DPO) – e-mail: dpo@fibank.bg. The DPO has a leading role in ensuring the lawful processing of personal data in the Bank’s structure, conducts awareness-raising training and contributes to building a data protection culture. The DPO is a contact person with the Commission for the Protection of Personal Data and on issues related to the exercise of the rights of the data subjects. The Data Protection Officer coordinates and organizes balancing tests and impact assessments, as well as regular monitoring of data processing registers under the GDPR.

As a personal data administrator, First Investment Bank provides privacy notices to customers. Information regarding the processing of personal data is provided depending on the services used (e.g. payment services, bank cards, loans, investment services and activities, etc.). Where necessary, the Bank enters into agreements with counterparties involving exchange of personal data in compliance with current regulations and GDPR requirements.

In order to secure and protect personal data, the Bank carries out daily monitoring of personal data exchanged with external recipients through a specialized Data Loss Prevention (DLP) system which it constantly develops and improves.

Business continuity management

In order to ensure the effective management of business continuity, First Investment Bank maintains contingency and business continuity plans, as well as plans for the recovery of all its critical functions and resources, which are regularly tested. Business continuity management ensures sustainability at all organizational levels within the Bank, as well as the opportunity for effective actions and reactions in crisis situations. The organization of processes ensured within the Bank aims at protecting the interests of all stakeholders, its reputation, brand and the value-adding activities.

Building an appropriate corporate culture with regard to business continuity management is an important part of the overall risk culture of the Bank. To further integrate information and apply a centralized approach, the internal rules on business continuity were structured into a single document with main content and separate action plans for specific incidents and crisis situations. The organization thus established aims to ensure rapid and effective action for addressing potential crisis situations, as well as the timely elimination of any negative consequences.

In 2023, as part of the annual review, an update of the Business Continuity Plan was carried out, including in connection with the methodology for impact assessment in process disruption or loss of resources in line with the set priorities and maximum admissible time for recovery, as well as with regards to the procedures for incident reporting.

Outsourcing

First Investment Bank has an Outsourcing Policy in place consistent with the requirements for outsourcing activities as defined by the Law on Credit Institutions and the EBA Guidelines on outsourcing arrangements (EBA/GL/2019/02). It regulates the main phases of outsourcing, including definition of business requirements for outsourcing arrangements; identification of critical and important functions; identification, assessment and management of outsourcing risks; selection and due diligence procedures for external providers; monitoring and management of outsourcing agreements; keeping of documentation and registers; as well as business continuity planning.

The Bank maintains centralized and systematized information on outsourcing arrangements, and conducts regular reporting to competent internal Bank bodies on risks associated with outsourcing.

Risk exposures

As at 31 December 2023 First Investment Bank applied the standardized approach for the calculation of risk exposures for credit risk, in accordance with Regulation (EU) No 575/2013. Due to the limited volume of financial instruments in the trading book (bonds and other securities) capital requirements are calculated in accordance with the requirements of Regulation (EU) No 575/2013 as applied to the banking portfolio. With respect to capital requirements for operational risk, the Bank applies the standardized approach as per requirements of Regulation (EU) 575/2013, incl. methodology for allocation of the indicators as per group activities.

In BGN thousand/ % of total	2023	%	2022	%	2021	%
For credit risk	7,273,076	92.1	6,978,820	92.4	6,941,701	92.6
For market risk	4,413	0.1	4,350	0.1	4,713	0.1
For operational risk	620,475	7.9	568,750	7.5	552,425	7.4
Total risk exposures	**7,897,964**	**100**	**7,551,920**	**100**	**7,498,839**	**100**

In 2023 the structure of risk-weighted assets comprised predominantly of those to credit risk at 92.1% of total exposures (2022: 92.4%), following by those for operational risk at 7.9% (2022: 7.5%) and to market risk at 0.1% (2022: 0.1%) The Bank continued to maintain a conservative approach in risk assessment and risk management.

Apart from Supervisory purposes, Fibank also calculates the economic capital that will ensure its solvency and business continuity in adverse market conditions. For that purpose, an internal capital adequacy analysis (ICAAP) is carried out.

Internal capital adequacy analysis

First Investment Bank AD performs regular internal capital adequacy analysis (ICAAP) in the context of its business strategy, risk profile and risk appetite. The assessment of the required economic capital of the Bank reflects the risk profile of its activity, as well as its risk appetite, as the main indicators of the quantitative evaluation methods used take into account unfavorable external environment scenarios.

In 2022, the ICAAP report was updated in accordance with Fibank's Risk Strategy and business development goals, as well as in line with the operational environment and external conditions. The quantitative information and the integrated stress test results assessing the Bank's resilience under the baseline macroeconomic scenario and the adverse scenario (negative shock) were updated. The information was expanded regarding the maintained capital buffers and the so-called management buffer, as well as the required documentation package including the governing body's opinion on adequacy of capital positions and capital planning. The ICAAP methodology was refined taking into account integrated stress test assumptions, as well as scenario changes regarding liquidity risk and interest rate risk in the banking portfolio.

When preparing the ICAAP report, a business model assessment is made, as well as internal control framework, incl. independent risk, compliance and internal audit functions being taken into consideration. The internal system for assessing the required internal capital is based on VaR forecasting models for credit and market risk, stress tests for credit, market, liquidity, reputational, and interest rate risk in the banking book, using the standardised approach and stress tests regarding operational risk, the Earnings-at-Risk approach for strategic risk, and on analytical tools and techniques that allow more detailed assessment of capital adequacy in accordance with the risk profile of the Bank and the current operating environment. For aggregating the various types of risks the Bank uses a correlation matrix, which takes into account the connection between the separate risk categories, aiming at a more realistic and more enhanced approach for measuring the risk the Bank is exposed to, at the same time as sufficiently conservative estimates.

For calculation of capital adequacy regarding the exposure to **credit risk**, First Investment Bank uses internal valuation models, except in particular cases, e.g. in exposure classes with negligible impact on the risk profile. For exposure classes of substantial importance, which constitute the main credit activity of Fibank, economic capital is determined based on a single-factor portfolio credit-VaR model which determines the probable distribution of losses that may be incurred within a one-year horizon, at confidence interval corresponding to the risk appetite of the Bank. To quantify the risk of occurrence of extraordinary, unlikely but possible events, stress scenarios are applied. The stress scenario results are compared with the capital requirements for credit risk, calculated according to the portfolio VaR model.

As part of the overall assessment of the exposure to credit risk, for the purposes of ICAAP, First Investment Bank assesses the concentration risk which is due to the uneven distribution of credit exposures by client, or by a group of related persons, as well as by economic sectors, from the perspective of its financial stability and ability to carry out its core business. For the quantitative evaluation of the needed economic capital for this risk, the Bank matches the results of the portfolio VaR model between the real and a hypothetical portfolio, in which the amount of exposures is one and the same at all customers at equally all other conditions. For calculating the concentration risk as per economic sectors, a Herfindahl-Hirschman Index (HHI) is used.

The Bank's exposure to **market risk** is limited and involves the assessment of capital adequacy in relation to position risk, foreign exchange risk, and commodity risk. For calculation of the economic capital for market risk, internal value-at-risk (VaR) models are used, with a time horizon of 1 year and a confidence level corresponding to the risk appetite of the Bank, as well as stress tests for position risk of the equity portfolio.

For the purposes of the internal analysis of capital adequacy, Fibank manages the **interest rate risk in its banking book (IRRBB)** by managing the structure of investments, controlling the costs and terms of financial liabilities, as well as controlling the interest rate structure of the loan portfolio and the other interest-bearing assets. Two aspects are measured for the interest rate in the banking book – the effect of interest rates on the net interest income at a one-year horizon, and the effect on the economic value of the Bank. For calculating the sufficiency of the economic capital with respect to interest rate risk in the banking book the largest decrease in the economic value of the Bank or the net interest income is defined resulting in a shift of the yield curves in the following scenarios: Parallel shock – parallel increase/decrease of interest rate levels; Short rates shock – increase/decrease in the interest rate levels in the short part of the curve; Steepener – the short part of the yield curve registers decrease, while the long part an increase; Flattener – the short part of the yield curve registers increase, while the long part a decrease. In addition to the non-risk interest rate component, the stress scenarios for change in the credit spread (CSRBB) are also reported.

For the purposes of ICAAP, First Investment Bank calculates the required economic capital for **operational risk** on the basis of the results from the applied stress tests and the annual self-assessment exercise on risk and controls which units in the Bank go through, and on identifying potential scenarios for rare but plausible operational events. The stress tests used by the Bank are for extraordinary but probable events, including different scenarios based on their financial impact and probability of occurrence. The economic capital for operational risk, incl. legal risk, is calculated as the overall financial effect in a one-year horizon based on all analyzed stress scenarios.

To assess **liquidity risk,** the Bank differentiates the analysis in two directions regarding the risk of insolvency and the risk of providing liquidity. The risk of insolvency is managed and covered by maintaining an appropriate buffer of unencumbered, highly liquid assets, while the risk of providing liquidity is covered and mitigated by economic capital. The Bank calculates economic capital for liquidity risk by assessing the amount of loss that would be incurred as a result of a liquidity crisis, (idiosyncratic, market and combined shock), taking into account the cost of repo transactions or liquidating assets to meet the cash outflow, as well as the expected increase in interest expense on borrowings.

For the purpose of ICAAP, the Bank also assesses **other risks,** including strategic risk and reputational risk. For the quantification of strategic risk, the Earnings-at-Risk approach is used, measuring the historical deviations between the budgeted and generated net profit of the Bank. The capital for strategic risk is determined by applying a percentage of deviation corresponding to the accepted confidence level to the budgeted net profit for the next year.

Reputational risk reflects the risk that the Bank's reputation may differ negatively from the expected standard in terms of its expertise, integrity and reliability. Reputational risk may materialize mainly in loss of business, increased cost of funding, or liquidity crisis the effects of which are measured in the assessment of strategic risk and liquidity risk.

Distribution channels

First Investment Bank maintains diversification of the channels for distribution of the products and services offered, including a well-developed branch network, a wide network of ATM and POS terminals, e-banking, mobile banking, direct sales, contact center, corporate website and a corporate blog. All channels are constantly improved in line with the current trends in banking, market conditions, technological development and customer needs.

Branch network

First Investment Bank strives to maintain an adequate balance between a well-developed network of physical locations and the provision of modern remote banking techniques, including in the context of digital transformation in the banking sector.

In 2023 the Bank continued to optimize its branch network, taking into account the external environment and market conditions, the workload of individual locations and the volumes of activity, as well as the processes related to activity digitalization. During the year, five offices in the city of Sofia were closed and one new office was opened – Sofia Tech Park. As at 31 December 2023 the branch network of First Investment Bank comprised a total of 134 branches and offices on a consolidated basis (2022: 140), located in over 60 cities in Bulgaria: 38 locations in the city of Sofia (2022: 42), 81 branches and offices in the rest of the country (2022: 83), one foreign branch in Nicosia, Cyprus, as well as subsidiary bank in Albania, which operated with a Head office and 14 branches in the country as a whole. *For further information regarding the branch network of First Investment Bank – Albania Sh.a., see section "Business review of subsidiary companies".*

The branch network both in Sofia and in other places in the country is structured according to a unified organizational model with a view to efficient allocation of budgetary targets, focusing on attracting new customers and cross-selling. There are 27 branches in the country, while in the capital 5 functional branches have been established: Central, East, West, North and South, to each of which offices are allocated based on territorial location and business indicators.

As part of the branch digitization project, aimed at introducing a new model of customer servicing, developing digitalization in everyday operations, an electronic signing of documents via e-Sign pad in the branch network is provided for. When registering for the service, a sample of the customer's signature (electronic specimen) is taken and used for comparison in subsequent signing. The use of e-signing in basic banking transactions speeds up payment processing, improves customer service and contributes to the Bank's consistent efforts to reduce CO_2 emissions by digitizing banking services.

30 years of Fibank – on the occasion of the anniversary of First Investment Bank, numerous events were held throughout the year in the Bank's branches, commemorating long-standing customer relationships and significant projects carried out for the improvement of the public and business environment.

The Bank has a centralized back office, which contributes to better customer service . It performs activities related to routing, distribution, processing and archiving of documents signed by customers, as well as to the generation of new documents, carried out through a specially developed back-office platform connected to the core banking information system.

Fibank branches and offices in the country offer the full range of banking products and services to both individuals and business customers. In an effort to better satisfy customer demand, part of the branch network operates with extended working hours, while some offices are also open on weekends.

The branch of First Investment Bank in Nicosia, the Republic of Cyprus, has been operating since 1997, initially mainly in the area of corporate lending. Over the years, it has systematically and consistently expanded the range of products and services. At present, the branch offers standard credit and savings products, payment services and e-banking, with a focus on SME customers and retail banking.

For more information on branch network see „List of branches".

Contact center – *bank (*2265), 0800 11 011

Fibank's Contact Center functions as an effective channel for communication and targeted selling of products and services. It also contributes to the attraction of new and retention of current customers through the provision of services in accordance with the Bank's established standards and business objectives.

In 2023 through the contact center, 12 outgoing campaigns of different nature and topics were conducted, including information campaigns, those related to the direct offer of card products and services, as well as for researching the attitudes of users. According to these, nearly 65,000 outgoing calls were recorded with a high degree of addressees reached, as well as an increase in the success rate of direct sales during the conducted commercial campaigns

For the reporting period, the Contact Center received over 79 thousand incoming calls, emails and chat conversations in relation to various inquiries and requests by existing or potential customers, including on general banking information, card services, contact and reference information, product requests, etc. During the year, a project was launched to automate incoming telephone calls. Interactive voice menus and customer self-service options were introduced, as well as automatic call distribution and callbacks to minimize waiting times.

Through the Contact Center, customers may also apply for debit card overdrafts or apply for consumer loans. They may receive up-to-date and timely information on products and services, the Tariff and interest rates of the Bank, the location of branches and their working hours, as well as adequate and professional assistance by employees in case of questions or problems. Customers may communicate remotely with the Bank by phone, email or online chat in real time through the corporate website of the Bank.

Corporate website – www.fibank.bg

The corporate website of First Investment Bank is maintained and developed with the aim of transforming it into an active channel for product communication and cross-selling. In response to remote banking needs, www.fibank.bg operates a video consultation service regarding credit products, as well as opportunities to communicate (chat) directly with an expert from the Bank. Through it, customers can submit online applications for credit cards, overdrafts and consumer loans.

The corporate website has a number of features including visualization elements in line with current digital trends and features for intuitive design and personalized content. They provide an easy way to compare products and services offered by the Bank, allowing customers to quickly select the ones that best meet their needs.

During the year, in fulfillment of the annual review requirements, the Bank's accessibility statement was updated ensuring compliance with the standards for providing accessible content (including under harmonized standard EN 301 549 V2.1.2 (2018-08) on Accessibility requirements for ICT products and services). The Bank is committed to maintaining a high level of accessibility of published materials and usability of their content, enabling their use by people with disabilities (e.g. with impaired eyesight or hearing).

Corporate blog

The corporate blog of First Investment Bank was created in 2008, which makes it the first corporate and banking blog in Bulgaria. For its 15 years, the corporate blog continued to be one of the most used by customers and useful online communication channels, along with the Bank's social networks. It contains an important part of the key news, initiatives, as well as financial analyzes and studies related to the market of banking products and services in the country. Thanks to the AskFibank platform, part of the corporate blog, the Bank's customers can ask their questions and get an expert opinion.

First Investment Bank continued to maintain active online communication in real time with clients, in addition to its blog, and through the leading social networks - Facebook, Instagram, LinkedIn, Twitter, YouTube. In 2023, all these channels highlighted the terms of the Bank's products and services with regards to its 30th anniversary.

In 2024, the corporate blog and social networks will continue to maintain a constant and positive relationship with the Bank's customers, providing them with timely, accurate and useful information about Fibank's products and services.

Sales

First Investment Bank uses direct sales as an additional opportunity for the distribution of products and services, including for comprehensive bank servicing of institutional and corporate clients This approach helps to build long-term relationships with key customers, as well as to obtain direct feedback on the Bank's products and services.

The Corporate Sales and Public Procurement Department in the system of First Investment Bank has considerable experience in preparing the Bank's participation in public procurement, as well as in servicing corporate and institutional clients, budget spending units, state and municipal enterprises

Digital banking

My Fibank electronic banking

First Investment Bank has an integrated e-banking platform „My Fibank", developed as a single channel for customer service and constantly evolving by upgrading and adding new functionalities. The platform is integrated with the core banking IT environment, providing a high level of system security, optimization and greater workflow efficiency, as well as increased productivity.

Through My Fibank electronic banking, customers use both active and passive banking according to their needs and depending on their access rights to the system. As part of the active banking, customers can open and close current, deposit and other accounts, carry out payments in national and foreign currency (including mass payments), make utility payments, apply for and enter into agreements for credit products (including credit cards), request the issuance of debit cards, as well as buy or sell foreign currency. Passive banking allows customers to check transactions and balances on bank accounts and/or payment cards. It also provides information on locations of branches and ATMs, as well as exchange rates, news and current promotions.

„My Fibank" ensures the execution of instant transfers Blink in BGN to other payment service providers, which is accessible for this type of transfers. Instant Blink payments are executed by the Bank 24/7/365. They are money transfers with instant or near-instant processing, whereby the recipient's account is credited with the transferred amount within seconds of acceptance of the payment order by the Bank. In this way, the Bank provides its customers with a highly innovative and fast solution for making online transfers.

During the year, a new option for payment and/or verification of compensatory fees was added to the possibility of purchasing electronic vignettes and route cards by using the customer's account or card through electronic banking „My Fibank" or the mobile application.

In accordance with current EU regulations and trends in the development of digital banking, First Investment Bank has provided Third Party Providers (TPPs) with access to customer accounts kept at the Bank and available online, for payment initiation and account information services: so-called „Open Banking". In addition, with the aim of expanding and integrating customer service, First Investment Bank offers its customers payment initiation and account information services through My Fibank mobile banking. For more information on „Open Banking" see section „Payment services".

In 2023, the integrated My Fibank electronic banking platform established itself as a channel generating the predominant share (over 90%) of the Bank's outgoing transfers. A growth of 18% in transactions and 8% in the number of customers using the platform was reported. There was also an increase in the average number of transactions per customer, both in transfers and in utility payments.

My Fibank mobile application

The Bank's mobile application is part of My Fibank electronic banking, providing remote access to the integrated platform by using a mobile device. The application is available for installation by customers from the app marketplaces for the respective operating systems (e.g. AppStore, Google Play, Huawei AppGallery).

With the mobile application, customers may use active or passive banking subject to limits set by the Bank or by the customer. In addition, the innovative Digital Payments service developed by Fibank allows customers to use digital bank cards through the mobile application and thus make digital payments with their NFC enabled mobile devices at POS terminals supporting contactless payments.

In 2023, Fibank further developed the services provided through its mobile application. Instant Blink P2P transfers were introduced where a mobile phone number is used as a secondary account identifier instead of an IBAN. When ordering Blink P2P transfers from a mobile device registered with My Fibank, recipients can be selected from the contact list or their number can be entered manually. The new functionality makes online money transfers fast and simple, in line with modern trends.

In 2023, as part of introducing digitalization in its daily operations, the Bank launched the Remote Onboarding service for retail customers. It allows individuals to remotely enter into an agreement for a package including use of My Fibank with active banking rights, to open bank accounts, apply for debit cards, or switch from passive to active banking in the My Fibank mobile application. The registration and verification process is performed remotely, through the use of a third-party authentication service provider.

During the year, issuance of virtual credit cards was made available to all individual users of the mobile application without the need for prior approval..

In 2024, the Bank will continue its efforts to provide first-class service while focusing on digital methods and solutions, providing self-service options and developing sustainable banking.

High results are underpinned
by tireless effort, determination and ambition

Corporate governance statement

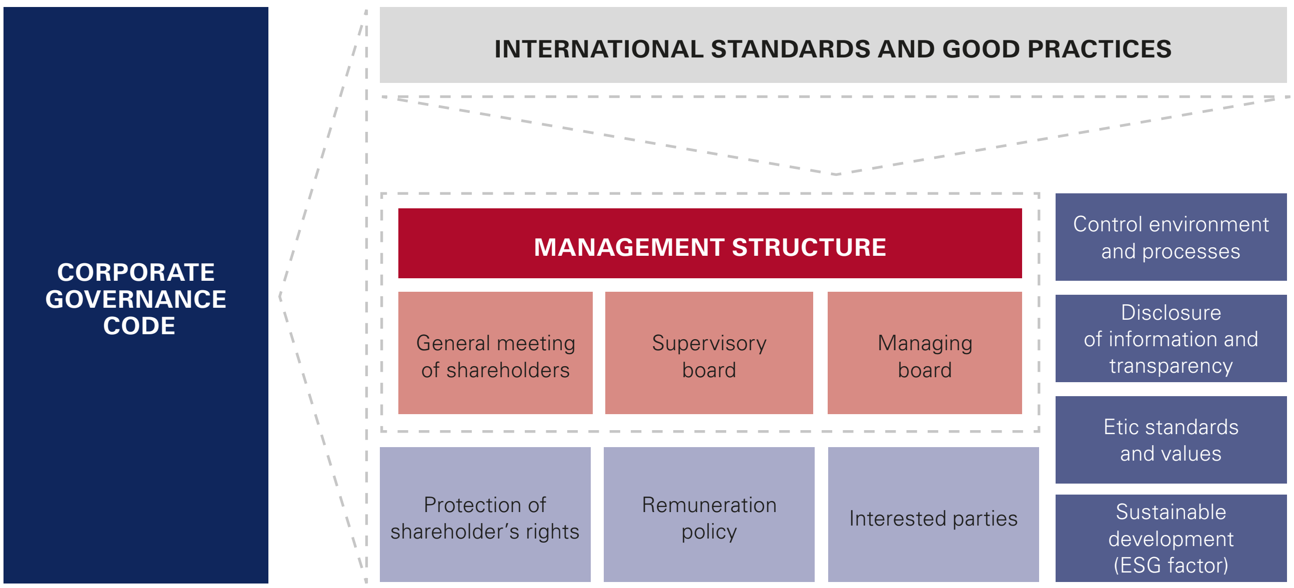
pursuant to Art. 100m of the Public Offering of Securities Act and Art. 40 of the Accountancy Act

As a public company and public interest entity, First Investment Bank discloses information about its corporate governance practices, as this section of the Annual Report represents a Corporate Governance Statement pursuant to Art. 100m of the Public Offering of Securities Act and Art. 40 of the Accountancy Act.

Corporate governance framework

For First Investment Bank AD good corporate governance is a key element for ensuring long-term and sustainable development, and a successful business model. The corporate policy of the Bank is based on professional and transparent governance in accordance with internationally recognized standards and principles of good corporate governance, taking into account changes in the regulatory and economic environment as well as the financial markets in the country and abroad.

Key elements in the corporate governance framework



The corporate governance of First Investment Bank is a system of policies, rules, procedures and practices by which the Bank is managed and controlled, with clearly defined functions, rights and responsibilities at all levels: General Meeting of Shareholders, Supervisory Board and committees to it, Managing Board and committees and councils to it, Internal Audit, and structures at the headquarters, branches and offices. First Investment Bank has a two-tier governance system consisting of a Supervisory Board and Managing Board.

First Investment Bank applies written policies for corporate governance on a group level, which defines the main principles on internal governance and control over the subsidiaries, as well as the procedures and mechanisms facilitating the consistent and integrated development of the companies in line with group strategy and in compliance with regulatory and supervisory bodies' requirements.

In 2023, the Bank improved its policies in the field of corporate governance, including with regard to submitting and considering whistleblowing reports and in relation to the Compliance function.

Corporate governance code

First Investment Bank AD functions in accordance with the Corporate Governance Code adopted by the Managing Board and approved by the Supervisory Board. It outlines and structures the main components, functions and responsibilities constituting the system of corporate governance of First Investment Bank. In addition to the requirements of applicable law in the Republic of Bulgaria, the Code is structured by applying the principles of the Basel Committee on Banking supervision, the guidelines of the European Banking Authority (EBA), as well as the applicable standards of the Organization for Economic Cooperation and Development (OECD) in this field, and the recommendations of the National Corporate Governance Code, approved by the Financial Supervision Commission.

The Code sets out the basic principles and requirements for maintaining and improving the organization and methods of governance at the Bank, aimed at:

- honest and responsible governance based on adding value;
- effective practices of management oversight and control;
- executive management and senior staff acting in the best interest of the Bank and towards increasing the value of shareholders' equity;
- timely information disclosure and transparency;
- effective system of risk management and control based on the principle of three lines of defense..

In compliance with the requirements of the applicable legislation, First Investment Bank annually discloses information on the corporate governance practices and meeting the requirements set in the Corporate Governance Code of First Investment Bank applying the "comply or explain" principle. Along with its annual report and financial statements, the Bank discloses to the public also a corporate governance assessment scorecard in compliance with the National Corporate Governance Code.

In addition to the Corporate Governance Code, First Investment Bank applies a Disclosure Policy. Both documents are publicly available at the corporate website of the Bank in the Section About us/ Corporate Governance/Corporate Governance Code (https://www.fibank.bg/bg/za-nas/korporativno-upravlenie/kodeks-na-korporativno upravlenie).

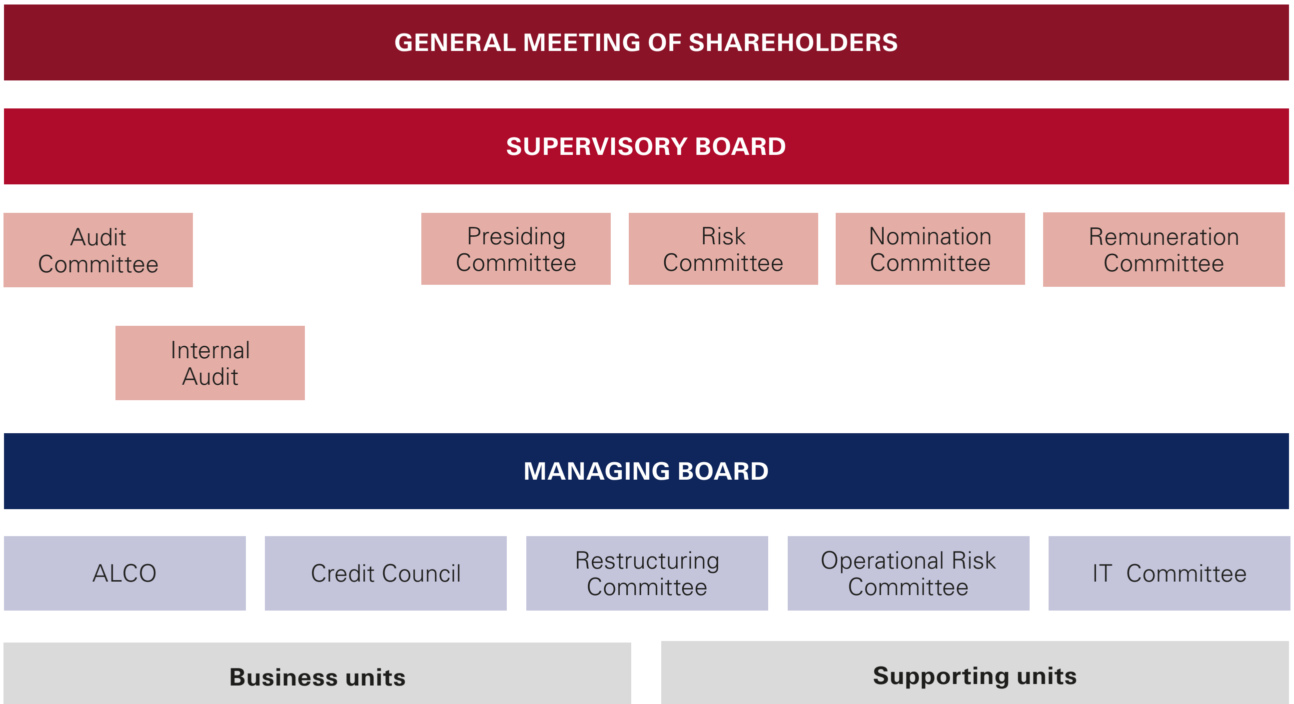
In 2023, the requirements specified in these were met, including the requirements for disclosure of regulated information and information under the financial calendar of the Bank for 2023.

Code of conduct and whistleblowing policy

For the purpose of establishing the professional and ethical standards required and applicable to the Bank as a business company, work environment and a credit institution, Fibank has a Code of Conduct that determines the basic principles, ethical norms and corporate values which underlie the policies and business plans, rules, procedures and daily operational activities of the Bank.

The Bank, led by the understanding that following a lawful and ethical conduct in relations between managerial staff, employees, customers and partners of the Bank is an important aspect underlying its overall activity, has in place a whistleblowing policy. The Policy aims to systematize the means and procedures for sharing of information where there are suspicions of unlawful actions, or problems related to the work process, thereby ensuring their transparent and fair consideration and resolution. In 2023, the Bank updated the policies in compliance with the provisions of the new Whistleblower Protection Act on violations of law, established in a working context.

Corporate structure



Supervisory board

Structure and competences

In 2023 there were no changes in the composition of the Supervisory Board of First Investment Bank. As at 31.12.2023 the Supervisory Board consisted of five members, as follows:

Name	Position	Term of office
Evgeni Krastev Lukanov	Chairman of the Supervisory Board	24.01.2027
Maya Lubenova Georgieva	Deputy Chair of the Supervisory Board	24.01.2027
Radka Vesselinova Mineva	Member of the Supervisory Board	24.01.2027
Jordan Velichkov Skortchev	Member of the Supervisory Board	24.01.2027
Jyrki Ilmari Koskelo	Member of the Supervisory Board	27.07.2025

The business address of all Supervisory Board members is 111P, Tsarigradsko shose Blvd, 1784 Sofia.

Each member of the Supervisory Board has professional experience, knowledge, qualifications and abilities, in compliance with the fit and proper requirements, contributing for the collective suitability in accordance with the activities carried out by the Bank, the main risks and long-term goals.

In 2023 there was no changes in the number of shares of First Investment Bank held by members of the Supervisory Board. As at 31 December 2023 the members of the Supervisory Board held a total of 367,652 shares of First Investment Bank, as follows: Mr. Evgeni Lukanov (337,139 shares), Ms. Maya Georgieva (11,388 shares), Mr. Jordan Skortchev (19,125 shares). None of them owned more than 1% of the issued share capital.

Diversity policy and independence

First Investment Bank complies its activity and maintains policies and practices for ensuring diversity in the composition of its governing bodies, including various aspects such as work experience, educational qualifications, gender.

The Bank seeks to maintain a target level of 30% of the members of the Supervisory Board to be from the underrepresented gender (rounding down to an integer if necessary). As of 31 December 2023, the Bank fulfilled the set target level as two (40%) of the Supervisory Board members were women. The reported levels exceeded the average levels in EU related to management board in its supervisory function (28%) according to the latest reported data in research for diversity practices of the European Banking Authority (EBA Report on the benchmarking of diversity practices and the gender pay gap at the level of the Management body at European Union level under Directive 2013/36/EU (2021 data), EBA/REP/2023/07, published at https://eba.europa.eu/regulation-and-policy/internal-governance).

For further information regarding the professional experience and competences of the Supervisory Board members see section „Other information“.

The composition of the Supervisory Board is structured so as to ensure conscientious, professional and independent fulfillment of the obligations of its members. First investment bank complies with the requirements applicable for significant banks and public companies, for 1/3 of the members of the Supervisory Board to be independent.

Functions and responsibilities

The Supervisory Board of First Investment Bank supervises and, where necessary, advises the Managing Board and monitors the overall activities of the Bank. It adopts and oversees the implementation of the strategic objectives, the corporate governance framework, and the corporate culture of the Bank. When exercising supervision over the Managing Board, the Supervisory Board takes into account the achievement of objectives, the strategy and risks in the activity of the Bank, as well as the structure and operation of the internal systems for risk management and control.

The Supervisory Board ensures supervision of the risk management framework, including risk appetite, internal governance and the control system of all types of risks, i.e. ESG risks, by requiring a high risk culture among employees. It carries out its activity effectively exchanging information with the Managing Board subject to specifics, and by implementation of high ethical standards and the corporate values of business conduct sets the tone for high corporate culture and business ethics for sustainable development: „Tone of the Top”.

The meetings of the Supervisory Board are determined in advance, in accordance with an annual work plan. In 2023, the Supervisory Board held 13 meetings to consider issues within its competence. Emphasis was placed on exercising ongoing supervision in the implementation of the Risk Strategy, the Risk Appetite Framework and the Strategy for Reduction of Non-performing Exposures and Acquired Assets, where the Risk Committee provided active support, as well as on raising MREL eligible liabilities. Matters concerning the current state of the branch network and branch operations were also discussed. Regular reviews were carried out of financial results and reporting and of the internal control framework, where the Audit Committee provided assistance. Supervisory Board members were constantly informed on the developments in the Bank’s activity and of its compliance with new regulatory requirements.

The activity of the Supervisory Board is supported organizationally by a Secretary. In addition to organizing the meetings of the Supervisory Board and the minutes, the secretary has the responsibility to follow the application of the procedures, as well as to ensure the information to be provided and exchanged between the members of the Supervisory Board, members of the committees and the Managing Board.

Assessment of the activity

Once a year, the Supervisory Board performs an assessment of the effectiveness of its own activities as a collective body and individually, assessment of the governance practices and procedures, suitability, as well as of the functioning of the Managing Board and the committees to the Supervisory Board. Such assessment for 2023 was accomplished at the end of the fourth quarter of the year.

Committees

The Supervisory Board is supported in its activity by a Presiding Committee, a Risk Committee, a Remuneration Committee, and a Nomination Committee which function according to written competencies, rights and responsibilities in compliance with the applicable regulatory requirements.

The **Presiding Committee** is responsible for overseeing the activities of the Managing Board on important strategic decisions, including the issue of new shares, bonds, hybrid instruments, the adoption of programs and budgets relating to the activity of the Bank, the line responsibilities of the members of the Managing Board, as well as the function for overview and control over the activity of the subsidiary companies of the Bank. In 2023, there were no changes in the composition of the Presiding Committee. Chair of the Presiding Committee is Ms. Maya Georgieva.

In 2023, the Presiding Committee held 7 meetings to consider issues within its competence, including the allocation of responsibilities among members of the Management Board in relation to the appointment of a new Chief Compliance Officer, as well as making recommendations and coordination of the budget of the Bank and monitoring of the activity of the subsidiaries.

The **Risk Committee** advises the Supervisory Board and the Managing Board in relation to the overall current and future strategy on ensuring compliance of the risk policy and risk limits, risk-taking propensity and control of its execution by senior management. In 2023, there were no changes in the composition of the Risk Committee. Chairman of the Committee is Mr. Jyrki Koskelo.

The Risk Committee held 7 meetings during the reporting period, discussing issues of its competence. It reviewed updated plans and current risk reports, including the Recovery Plan, for the purpose of coordination and subsequent application. During the year, the Committee reviewed and made recommendations on the Risk Management Strategy, Risk Appetite Framework and Strategy for the Reduction of Non-performing Exposures and Repossessed Assets, as was regularly informing and monitoring their implementation, as well as the effectiveness of the internal risk management and control systems, i.e. the compliance function.

The **Remuneration Committee** assists the Supervisory Board in the implementation of the Remuneration policy of the Bank and its subsequent amendments, as well as in any other matters concerning remuneration, in accordance with the regulatory requirements and best practices in the area. In 2023, there were no changes in the composition of the Remuneration Committee. Chair of the Remuneration Committee is Mr. Evgeni Lukanov.

In 2023, the Remuneration Committee held 5 meetings discussing issues of its competence related to the Remuneration Policy, incl. with respect to newly appointed key function holders. It also reviewed proposals in connection with the regular assessment process and updating the categories of identified staff.

The **Nomination Committee** assists the Supervisory Board in assessing the individual and collective suitability of members of the Supervisory Board and Managing Board, as well as assessing the suitability of the key function holders in compliance with applicable regulations and the Policy of First Investment Bank for nomination and assessment of the suitability of members of the managing and supervisory bodies and persons holding other positions. In 2023, there were no changes in the composition of the Nomination Committee. Chair of the Nomination Committee is Mr. Jordan Skortchev.

During the year the Nomination Committee held 6 meetings considering issues within its competence, including on the selection and suitability of key function holders, as well as periodic follow-up assessments of the individual and collective suitability of members of the Supervisory Board, the Management Board and key position holders. Topics were reviewed also on group level with regards to the composition of the managing bodies of the subsidiary companies.

As a company of public interest and according with the Law on the Independent Financial Audit (LIFA), the Bank has a functioning **Audit Committee** which is responsible for supervising the financial reporting and the independent financial audit, as well as for the effectiveness of the systems for internal control and risk management in the Bank. The Committee also makes a recommendation in the selection and remuneration of the registered auditors to perform the independent financial audit of the Bank and monitors their independence in accordance with the applicable European and national regulations, as well as with the Code of Ethics for Professional Accountants. The activity of the Audit Committee is structured based on written defined competencies, rights and responsibilities, included in its rules of procedure (stature under the meaning of Art. 107 of LIFA) in compliance with the requirements of the Law on the Independent Financial Audit and Regulation 537/2014 of the European Parliament and of the Council on specific requirements regarding statutory audit of public-interest entities.

First investment Bank fulfills the requirement that the majority of the members, incl. the chairman of the Audit Committee be external and independent from the Bank. In 2023, there were no changes in the composition of the Audit Committee. Chair of the Audit Committee is Mr. Dimitar Dimitrov, who possesses financial competencies as well as the knowledge, professional experience and qualifications in the field of accounting and financial audit necessary for the effective performance of his duties. During the year the present independent member Ms Rositsa Asova was re-elected by the General Meeting of Shareholders for a new 3-year term.

During the year, the Audit Committee held 9 meetings, addressing various matters of its competence, including recommendations on the selection of statutory auditors, as well as ongoing monitoring of financial reporting and independent financial audit, monitoring the effectiveness of the internal audit function and control systems, including through regular meetings held with the Chief Financial Officer, the Chief Compliance Officer, the Director of Internal Audit, as well as with representatives of the statutory auditors of the Bank.

Managing board

In 2023 no changes were made to the composition of the Managing Board of First Investment Bank. In April 2023 the mandates of the current members Ms. Ralitsa Bogoeva and Mr. Ianko Karakolev, as well as in April 2024 (after the reporting period) that of Mr. Svetozar Popov, were prolonged for a new 5-year term as members of the Managing Board of the Bank.

Structure and competences

At the end of 2023 the Managing Board of First Investment Bank AD consisted of six members elected by the Supervisory Board on the recommendation of the Nomination Committee, in accordance with the requirements of applicable law, the Statute of the Bank, and the Policy of First Investment Bank for nomination and assessment of the suitability of members of the managing and supervisory bodies and persons holding other positions.

Name	Position	Term of Office
Nikola Hristov Bakalov	Chief Executive Officer (CEO), Chairman of the Managing Board	16.01.2025
Svetozar Alexandrov Popov	Chief Risk Officer (CRO), Member of the Managing Board and Executive Director	21.04.2029
Ralitsa Ivanova Bogoeva	Chief Retail Banking Officer (CRBO), Member of the Managing Board and Executive Director	28.04.2028
Chavdar Georgiev Zlatev	Chief Corporate Banking Officer (CCBO), Member of the Managing Board and Executive Director	25.01.2027
Ianko Angelov Karakolev	Chief Financial Officer (CFO) and Member of the Managing Board	21.05.2028
Nadia Vasileva Koshinska	Member of the Managing Board and Director of Small Enterprises Banking Department	30.06.2025

The business address of all Managing Board members is 111P, Tsarigradsko Shose Blvd, 1784 Sofia.

The Management Board members are elected for a period of up to 5 years and can be re-elected for further mandates without limitation.

The members of the Managing Board are established professionals with high reputation and proven leadership qualities and capacity to translate their knowledge, skills and experience into well-argumented solutions that can be applied to the practices in the Bank, aiming to achieve the objectives and the development strategy and stable management of the institution.

As at 31 December 2023 the members of the Managing Board held a total of 33,649 shares of First Investment Bank, as follows: Mr. Nikola Bakalov (374 shares), Mr. Svetozar Popov (5856 shares), Mr. Chavdar Zlatev (27,173 shares), Mr. Ianko Karakolev (12 shares), Ms. Nadia Koshinska (234 shares). None of them owned more than 1% of the issued share capital.

Diversity policy

In accordance with the policies and practices for maintaining and ensuring diversity in the composition of the management bodies, the Bank seeks to maintain a target level of 30% of the members of the Managing Board to be from the underrepresented gender, if necessary rounding down to an integer. As of 31 December 2023, the Bank fulfilled the set target level as two (33%) of the Managing Board members were women. The reported levels exceeded the average levels in EU related to management board in its management function (18%) according to reported data in research for diversity practices of the European Banking Authority (EBA Report on the benchmarking of diversity practices and the gender pay gap at the level of the Management body at European Union level under Directive 2013/36/EU (2021 data), EBA/REP/2023/07, published at https://eba.europa.eu/regulation-and-policy/internal-governance). *For further information regarding the professional experience and competences of the Supervisory Board members see section „Other information".*

The composition of the Managing Board is structured so as to ensure effective management of operations, subject to the generally accepted principles of managerial and professional competence and clear separation of duties and responsibilities. The Bank is represented together with each two of the executive members of the Board (executive directors).

Functions and responsibilities

The Managing Board of First Investment Bank is the body which manages the Bank independently and responsibly, in accordance with the established mission, objectives and strategies. The Managing Board operates under rules of procedure approved by the Supervisory Board. Its main functions are to manage and represent the Bank by resolving all matters affecting the Bank within its scope of activities, except those of the exclusive competence of the General Meeting of Shareholders or the Supervisory Board according to the law and the Statute of the Bank. The Managing Board organizes the implementation of decisions of the General Meeting of Shareholders and the Supervisory Board, and performs any other functions assigned to it by those bodies or the law. According to the statutes and internal regulations, certain decisions of the Managing Board are subject to approval by the Supervisory Board, while others require coordination with a committee to the SB.

In accordance with the principles of good corporate governance, an open dialogue is maintained between the Supervisory Board and the Managing Board of First Investment Bank. Besides the regular reports on implementation of objectives and activities, joint meetings are also conducted. The Managing Board immediately notifies the Chairman of the Supervisory Board or his deputy of any circumstances that are of material importance to the Bank and provides timely information regarding implementation of the business strategy, risk appetite, achievement of objectives, risk limits or rules relating to regulatory compliance, the system of internal control, or the compliance of the Bank's activity with the regulatory requirements and the external environment.

The Managing Board of First Investment Bank holds meetings every week. The meeting agenda is prepared in advance. For the meetings of the Managing Board minutes are prepared which are signed by all members that were present at the meeting.

The activity of the Managing Board is supported organizationally by a Secretary, who is employed on a full-time basis and possesses the necessary qualifications and skills to ensure that the governing bodies follow internal rules and external regulations, as well as facilitating communication between them.

Committees and councils to the managing board

The activity of the Managing Board is supported by collective bodies, including the Credit Council, Assets, Liabilities and Liquidity management Council (ALCO), Restructuring Committee, and the Operational Risk Committee, which function according to written structure, scope of activities and functions – *for more information see section „Risk Management"*.

Other internal collective bodies also operate in the Bank, e.g. an IT Committee, which as an auxiliary body to the MB, is responsible for monitoring the implementation of the Bank's IT strategic program, and to manage and control the IT project portfolio, the targeted use of resources and the approved budget in this area – *for more information see section „Information technology"*.

In line with the long-term priorities aimed at reducing non-interest-bearing assets and ensuring their effective realization, a Commission for the management and sale of assets functions within the Bank. Its role is to assist the Management Board in relation to the management, administration and sale of acquired assets, in accordance with the Levels of authority established in the Bank. The Commission is chaired by a member of the Management Board, while the other members include the directors of the Impaired Assets, Asset Management and Administrative departments, as well as the Head of the Asset Valuation division to the Finance department.

As an auxiliary body in the Bank a Commission on cash operations also functions, chaired by the Chief Retail Banking Officer, while the rest of the members include directors of the following departments: Vault, Accounting, Branch Network, Analysis and Control of Risk and the Security department. .

General meeting of shareholders

The General Meeting of Shareholders of First Investment Bank is the most senior management body, allowing shareholders to decide on fundamental issues concerning the existence and activities of the Bank. In particular, the General Meeting of Shareholders decides on amendments and supplements to the Statute of the Bank, on increasing or reducing the capital, as well as on transformation or dissolution of the Bank. The General Meeting of Shareholders has powers to appoint or dismiss members of the Supervisory Board, the Audit Committee and the Head of the Internal Audit of the Bank, decide on the distribution of profit, on the issuance of bonds, as well as on any other matters under the Statute of the Bank and the applicable law.

In June 2023, an Annual General Meeting of Shareholders was held, which represented 82.45% of the share capital and voting rights, at which a decision was taken that the entire net profit of the Bank for 2022 shall be capitalized and set in other reserves with general purpose.

The General Meeting of Shareholders elected registered auditors for performing independent financial audit of the Bank for 2023 – Mazars OOD and Ecovis Audit Bulgaria OOD. The companies were elected after prior approval of the Bulgarian National Bank and recommendation from the Audit Committee of the Bank based on criteria for coordination of the selection, approved by the BNB together with the Commission for Public Oversight of Statutory Auditors.

With a view to greater efficiency and facilitating the implementation of certain decisions, the General Meeting of Shareholders with its previous decisions of 19.06.2019, 23.06.2021 and 16.06.2022 authorized the Management Board, with the prior approval of the Supervisory Board, to adopt resolutions for: issuance of mortgage bonds under the Law on mortgage bonds with a general nominal amount of BGN 400,000,000 with maturity up to 10 years from date of issuance and other conditions, defined by the Managing Board (within a period of 5 years as from 23.07.2019); for the issuance of debt instruments, including subordinated term debt and debt/equity (hybrid) instruments, up to the aggregate amount of BGN 2 billion or its equivalence in another currency (within a period of 5 years as from 11.08.2021) and for increase, through issuance of new shares, of the Bank’s capital until it reaches an aggregate nominal amount of BGN 210,000,000 (within a period of 5 years as from 02.08.2022)..

Control environment and processes

The Bank has established and constantly improves a reliable and comprehensive internal control framework which includes control functions with the necessary powers and rights of access, enabling independent performance of duties by the structural and auxiliary units exercising monitoring and control.

The risk management processes, procedures and requirements are structured according to the „three lines of defense” principle, which include the business units, risk management and compliance functions, as well as internal audit. The control functions are independent of the operational business units which they monitor and control, and are also organizationally independent of one another as they perform different functions. *For more information on risk management and compliance functions see section „Risk Management”.*

The internal control framework is in compliance with the applicable requirements in this sphere, including Ordinance No 10 of the BNB on the Organisation, Governance and Internal Control of Banks and EBA Guidelines on internal governance under Directive 2013/36/EU (EBA/GL/2021/05). During the period, the Compliance policy, as well as the Compliance charter were updated with respect to reflecting structural changes related to the adoption of the position of Chief Compliance Officer.

In relation to measures against money laundering and terrorist financing, the internal regulations were updated in order to comply with EBA Guidelines on policies and procedures in relation to compliance management and the role and responsibilities of the AML/CFT Compliance Officer under Article 8 and Chapter VI of Directive (EU) 2015/849 (EBA/GL/2022/05); EBA Guidelines on policies and controls for the effective management of ML/TF risks when providing access to financial services (EBA/GL/2023/04) and EBA Guidelines on customer due diligence and the factors credit and financial institutions should consider when assessing the money laundering and terrorist financing risk associated with individual business relationships and occasional transactions (EBA/GL/2023/03).

First Investment Bank applies written policies and rules regarding the disclosure of conflicts of interest, in accordance with the adopted Policy for managing of conflict of interest, which consolidates the requirements in the applicable internal banking documents and further develops the necessary organization for timely identification, management, avoidance and minimizing present and potential conflicts of interest.

Internal audit

The internal audit function established in First Investment Bank has broad powers, independence, resource availability and access to the competent management and supervisory bodies. It contributes to the effective management of the Bank, giving reasonable assurance that legal regulations, rules and procedures are adhered to, and appropriate and timely corrective actions are taken, thereby helping to reduce the risk of losses and to achieve the business objectives of the Bank.

The internal audit carries out periodic inspections to ensure the achievement of goals and objectives, the economical and efficient use of resources, adequate control of various risks, protection of assets, reliability and integrity of financial and management information, and compliance of activity with current legislation and the existing policies, plans, internal rules and procedures.

In 2023 the General Meeting of Shareholders of First Investment Bank approved the 2022 annual report of the Internal Audit which informs shareholders of the main results of the control activities of internal auditors, the measures taken, and their implementation. After the reporting date, at an extraordinary General Meeting of Shareholders held on 15 January 2024, a new Head of Internal Audit was elected in compliance with the regulatory requirements to effectively perform his duties.

Registered auditors

The annual financial statements of First Investment Bank are subject to independent financial audit jointly by two audit companies, which are registered auditors pursuant to the Law on Independent Financial Audit and in compliance with the applicable legislation. In order to ensure transparency and to disclose the results of the Bank to all stakeholders, the audited financial statements are published in Bulgarian and English on its corporate website at www.fibank.bg.

The registered auditors are elected by the General Meeting of Shareholders on a proposal by the Supervisory Board and following a recommendation by the Audit Committee of the Bank. The registered auditors are audit companies independent from the Bank, and their selection is also agreed in advance with the Bulgarian National Bank based on criteria for coordination of the selection, approved by the BNB together with the Commission for Public Oversight of Statutory Auditors.

The registered auditors selected to perform independent financial audit of the annual financial statements of the Bank for 2023 are:

- Mazars OOD, UIC: 204638408, entered in the register of registered auditors – auditing companies, maintained by the Commission for Public Oversight of Statutory Auditors under registration № 169; and
- Ecovis Audit Bulgaria OOD, UIC: 131039504, entered in the register of registered auditors – auditing companies, maintained by the Commission for Public Oversight of Statutory Auditors under registration № 114.

In its capacity of a company of public interest in accordance with the Law on the Independent Financial Audit, an Audit Committee functions within the Bank. *For further information on its functions and responsibilities see section „Supervisory Board".*

Protection of shareholders' rights

The corporate governance of First Investment Bank protects the rights of shareholders, depositors and other customers of the Bank, treating all shareholders of the Bank equally, including minority and foreign shareholders. The governing bodies of First Investment Bank provide shareholders and investors with regular and timely disclosure of information about major corporate events related to the operation and condition of the Bank, ensuring informed exercising of shareholders' rights, and informed investment decision-making by investors.

Convening of GMS and information

The convening of the General Meeting of Shareholders is made by written notice to shareholders in accordance with the Statute of the Bank in order to encourage their participation in the General Meeting, and in such a way as not to impede the voting or make it unnecessarily expensive. The Bank provides shareholders with timely and adequate information for decision-making, taking into account the scope of competence of the General Meeting. The invitation, together with the written materials related to the agenda of the General Meeting, are announced in the Commercial Register to the Registry Agency, submitted to the Financial Supervision Commission, and made available to the public through www.x3news.com at least 30 days before holding the General Meeting. They are also published on the website of the Bank in Bulgarian and English from the time of the announcement until the conclusion of the General Meeting. Upon request, the materials are provided to each shareholder free of charge. As part of the invitation written rules for voting with proxy are included, also requirements related to documents prepared in a foreign language, in addition information on receiving and accepting notifications, warrants of attorney and other documents through electronic means of communication are also laid down.

In cases where the Bank employees are also its shareholders, the same requirements regarding voting rights that are currently applicable to the other shareholders are applied.

Main transfer rights and restrictions

All shares issued by First Investment Bank AD are ordinary, dematerialized, registered, and each share entitles its holder to one vote at the General Meeting of shareholders, and to a dividend and liquidation share in proportion with its nominal value. The Bank may not issue shares with different nominal values.

The Bank's shares are freely transferable, subject to the requirements of applicable law. Under the regulatory framework, natural or legal persons, or persons acting in concert, may not, without prior approval of the BNB, acquire directly or indirectly shares or voting rights in the Bank if, as a result of such acquisition, their holding becomes qualifying, or if such holding reaches or exceeds the thresholds of 20, 33 or 50 percent of the shares or voting rights, or when the Bank becomes a subsidiary.

No restriction on the rights of individual shareholders holding shares of the same class is allowed, and there are no shareholders of First Investment Bank with special voting rights. The Bank has no knowledge of agreements between shareholders that could lead to restrictions on the transfer of shares, or voting rights.

First Investment Bank maintains a special section on the rights of shareholders on its corporate website at (https://www.fibank.bg/bg/investitori/korporativno-upravlenie/prava-na-akcionerite).

Minority shareholders and institutional investors

In accordance with good corporate governance practices, the Bank develops initiatives to engage minority shareholders and institutional investors.

In an effort to maintain an open line of communication with shareholders and investors, First Investment Bank maintains an Investors Club, by registering in which all stakeholders can receive e-mail notifications of any investor information disclosed by the Bank to the public.

Information disclosure

Transparency and timely disclosure of information is a key principle in corporate governance. First Investment Bank maintains a system of disclosure in accordance with current regulations, which is aimed at providing timely, accurate and understandable information about significant events, allows for objective and informed decisions, ensures equal access to information and prevents abuse of insider information.

First Investment Bank has a Disclosure policy adopted by the Managing Board and approved by the Supervisory Board that outlines the framework for provision of information to stakeholders, shareholders and investors in accordance with modern practices of good corporate governance and provides an opportunity for making objective and informed decisions and assessments. In disclosing information, the Bank is guided by the principles of accuracy, accessibility, equality, timeliness, integrity and regularity.

In its capacity as a public company and issuer, Fibank discloses to the public (through www.x3news.com) periodic information, including annual financial reports audited jointly by two registered auditors, as well as interim financial and activity reports. The scope of periodic information disclosed by First Investment Bank exceeds the requirements of national legislation, as the Bank has decided to publicly disclose quarterly financial activity reports in compliance with Art. 100n1, par.7 of LPOS and Art.15, par.2 of Ordinance №2 of the FSC, which have more detailed content than that of its half-year reports, instead of the more concise public notifications for financial condition for the first, third and fourth quarter.

First Investment Bank prepares its Annual Report in Bulgarian and English. It contains detailed information on the development and competitive position of the Bank and its financial results, implementation of objectives and review of business by type of activity, as well as information on the management structure, the corporate governance framework (Corporate Governance Statement pursuant to the Public Offering of Securities Act and the Accountancy Act), risk management, non-financial information, incl. related to sustainable development (Non-financial statement within the meaning of the Accountancy Act) and remuneration policy and its implementation (Report on the implementation of the remuneration policy under the meaning of the Public Offering of Securities Act). With respect to the report the registered auditors shall gave their opinion whether it corresponds to the financial statements and is prepared in compliance with the applicable regulatory requirements.

The Bank applies also the regulatory technical standards on the specification of a single electronic reporting format as set out in Delegated Regulation (EU) 2019/815, according to which annual financial reports and activity reports are disclosed in XHTML format, while specific parts of the consolidated financial statements are marked by using the in-line XBRL format, which is a machine readable format.

As a large institution within the meaning of Regulation (EU) No. 575/2013, registered on the stock exchange, the Bank discloses information in accordance with regulatory requirements on a quarterly, semi-annual and annual basis, applying the uniform disclosure formats under Commission Implementing Regulation (EU) 2021/637 laying down implementing technical standards with regard to public disclosures by institutions of the information referred to in Titles II and III of Part Eight of Regulation (EU) No 575/2013.

The Bank also immediately discloses ad hoc information on important events related to its activity. Information is also published on the website of Fibank: www.fibank.bg, Investors section.

First Investment Bank maintains a corporate website, including an English-language version, with established content and scope of the information disclosed therein. It provides information about the products and services of the Bank, as well as essential trading and corporate information about the Bank, including on shareholder structure, management and supervisory bodies and their committees, financial reporting and activity reports, sustainable development and environmental, social and governance (ESG) factors, as well as the other information required under the regulatory requirements and the National Corporate Governance Code. A special, easily accessible Investors section is maintained on the website, featuring detailed and updated corporate governance information, stock information, financial information, news for investors, general meetings of shareholders, etc.

In addition, Fibank publishes information on the Bank in the form of presentations and interviews with senior management, press releases, journals (e.g. Fibank News), discloses detailed information on the products and services of the Bank, the applicable terms and conditions and the Tariff and any amendments thereto, as well as non-financial information on events and initiatives conducted as part of its sustainability policy.

Investor relations director

With a view to establishing an effective relationship between First Investment Bank and its shareholders and persons that have interest in investing in financial instruments issued by the Bank, an Investor Relation Director is appointed within First Investment Bank – Mrs. Vassilka Momchilova Stamatova.

The Investor Relations Director of First Investment Bank has the necessary qualifications and professional experience for performing her obligations and responsibilities. The director is responsible for the timely disclosure of all needed reports, notifications and information the Bank is required to disclose to the Financial Supervision Commission, the Bulgarian Stock Exchange, the Central Depositary and the public, as well as to keep a register of all sent materials.

In execution of the applicable regulatory requirements, in June 2023 the Investor Relations director of the Bank reported her activity during 2022 at the Annual General Shareholders' Meeting and her report was adopted by the shareholders unanimously.

The business address of the Investor Relations Director is 111P, Tsarigradsko Shose Blvd., 1784 Sofia, tel. +359 2 / 81 71 430, email: vasilka.stamatova@fibank.bg / ir@fibank.bg.

First Investment Bank has a mobile investor relations application providing quick access to financial information, the financial calendar of the Bank, as well as other data and news of interest to investors.

Stakeholders

First Investment Bank applies a policy of providing information to stakeholders about its activity. Those include persons who are not shareholders but are interested in the economic development of the company, such as creditors, bondholders, customers, employees, the general public, and others.

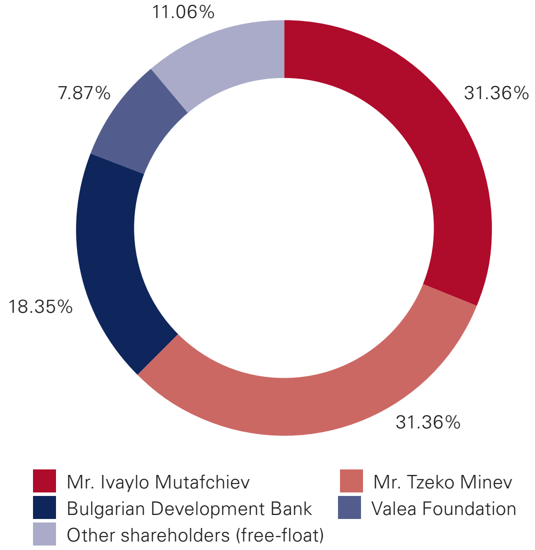
Periodically, in accordance with legal requirements and best practices, First Investment Bank discloses information of a non-financial nature, including on sustainable development taking into consideration ecological, social and government (ESG) factors. The Bank supports ecological initiatives, aimed at reducing the carbon footprint, as well as socially significant projects, provides sponsorship and develops donation programs directed primarily towards disadvantaged people, talented children, supporting Bulgarian sport, culture and education. *For more information, see section „Sustainable development".*

First Investment Bank has maintained and developed a corporate blog which functions as a channel of communication aimed at open dialogue in accessible language with customers, partners and other stakeholders.

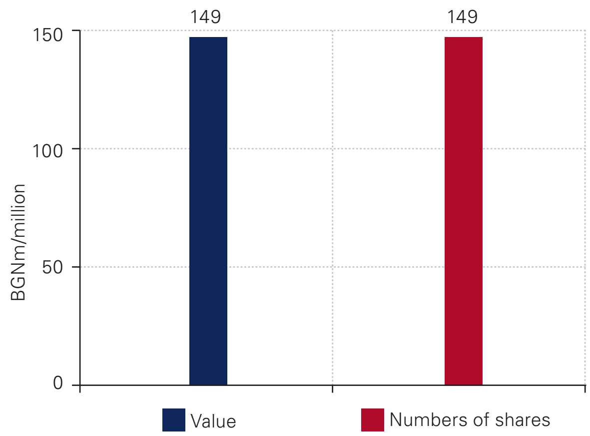
Shareholders' structure

As at 31 December 2023 the shareholder structure of First Investment Bank included the following shareholders: Mr. Tzeko Minev (31.36%), Mr. Ivailo Mutafchiev (31.36%), Bulgarian Development Bank AD (18.35%) and Valea Foundation (7.87%).

Shareholders' structure at end-2023



Issued share capital at end-2023



The remaining 11.06% of the Bank's issued share capital (BGN 16.5 million) was owned by other shareholders, holding shares subject to free trade on the Bulgarian Stock Exchange (free-float). At the end of the year the total number of shareholders was nearly 2,000 which include both individuals and legal entities, including institutional investors.

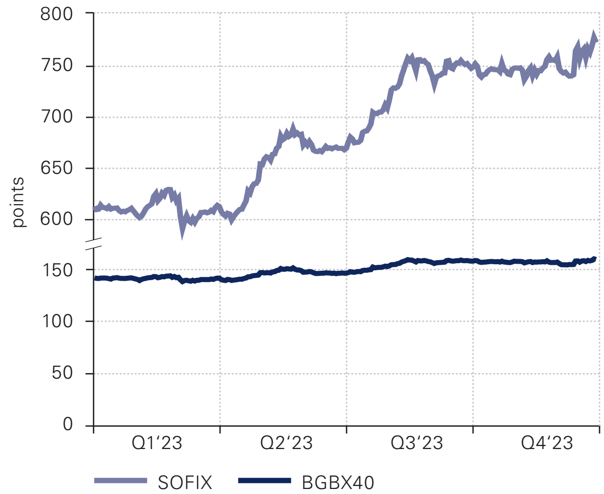
During the reporting period First Investment Bank did not acquire or transfer own shares, and at the end of the reporting period the Bank did not have own shares.

Share price and market capitalisation

In 2023, the share price of the Bank fluctuated in the range between BGN 1.95 to BGN 3.10. The last price of the shares of First Investment Bank for the reporting period was BGN 2,92 (2022: BGN 1,99) and the market capitalization of the Bank, calculated on this basis, amounted to BGN 435,328 thousand. (2022: BGN 296,679 thousand). A total of 1,585 transactions were concluded with the shares of the Bank on the regulated market BSE, amounting to a turnover of BGN 2,402 thousand, compared to 2,915 transactions and BGN 4,615 thousand turnover a year earlier.

Price of the Bank's shares for 2023

Main stock-exchange indices on Bulgarian stock exchange



As at 31 December 2023, the shares of the Bank were traded on the Main Market BSE, Premium Equities Segment of the Bulgarian Stock Exchange and were included in two stock exchange indices – SOFIX and BGBX40, which bring together the largest, most traded and most liquid companies on the stock exchange in Bulgaria.

Report on the implementation of the remuneration policy

within the meaning of Art. 100n of the Public Offering of Securities Act

In its capacity as a credit institution and a public company, First Investment Bank discloses information regarding the remuneration policy and its implementation.

Remuneration policy

In its capacity as a credit institution and a public company, First Investment Bank discloses information regarding the remuneration policy and its implementation, and this section of this activity report represent Report on the implementation of the Remuneration Policy within the meaning of Art. 100n of the Public Offering of Securities Act.

Main principles and objectives

The remuneration principles of First Investment Bank are structured in such a way as to contribute to sound corporate governance and risk management. The Bank implements a Remuneration Policy in accordance with the regulatory requirements, which is consistent with the business and risk strategy, goals, values and long-term interests of the Bank, promoting reliable and effective risk management and does not stimulate risk-taking beyond the level acceptable to the Bank.

The main goal of the Policy is to attract and retain highly qualified staff, motivate them to achieve high results at a moderate level of risk and in accordance with the long-term interests of the Bank and its shareholders. It is based on the principles of avoiding conflicts of interest and equal treatment of all employees, gender neutrality, documentation, objectivity, and reliable risk management.

Enforcement and control authorities

The Managing Board of the Bank is responsible for the organization of the implementation and application of the Remuneration Policy in First Investment Bank AD.

The Supervisory Board shall approve the Remuneration Policy on the proposal of the Managing Board and after coordination with the **Remuneration Committee**, which as a body functioning within the Supervisory Board, supports its activities in this area. *For more information on the Remuneration Committee, see the section „Supervisory Board”.*

The Remuneration Policy is a subject to regular review and updated as necessary.

Identified staff

The Remuneration Policy determines the categories of staff, incl. the identified staff, whose professional activities have a significant impact on the risk profile of the Bank, incl. members of the Supervisory Board and senior management staff, including members of the Managing and executive directors; employees with managerial responsibility for independent control functions and those whose activities involve risk-taking.

For 2023 the number of identified staff of First Investment Bank on a consolidated basis amounts to 45 employees, which include members of the Supervisory Board and the Managing Board, as well as other persons, whose activities are related to risk-taking, incl. in the field of lending and the main business lines, as well as those related to independent control and other corporate functions. They are identified in accordance with the internal methodology for evaluation and determination of the categories of employees by the identified staff, developed according to the qualitative and quantitative criteria of Commission Delegated Regulation (EU) 2021/923 of 25 March 2021 supplementing Directive 2013/36/EU of the European Parliament and of the Council with regard to regulatory technical standards setting out the criteria to define managerial responsibility, control functions, material business units and a significant impact on a material business unit's risk profile, and setting out criteria for identifying staff members or categories of staff whose professional activities have an impact on the institution's risk profile.

Fixed remuneration

Individual permanent remuneration of identified staff is determined and developed by defining remuneration levels for the specific position. A starting level is determined at which employees are generally appointed, taking into account their expertise and relevant and proven managerial experience, as well as a remuneration level after successfully passing the probationary period, defined as a percentage increase over the starting level.

Permanent remuneration of employees within the category of identified staff is subject to annual review, which is carried out as part of the process of planning and budgeting staff numbers and staff expenses for the next year. The review of permanent remuneration and change decisions are based on assessment of employees' performance using a number of elements. They include performance against specific pre-defined key indicators/targets reflecting the specific contribution of the position and consistent with the targets and key priorities of the unit; indicators measuring the personal productivity and efficiency of employees; current priorities of the Bank by individual business line; general trends in the development of the labor market and/or data on current remuneration levels for similar positions; approved levels for the specific position and levels and individual remuneration of employees at similarly graduated positions; and staff costs budgeted for the period.

Ratio between fixed and variable remuneration

The Remuneration Policy establishes the basic principles in determining remuneration - fixed and variable, and the aim is to provide an opportunity for an optimal ratio between fixed and variable remuneration in accordance with the applicable provisions.

The amount of the variable remuneration may not exceed the amount of the permanent remuneration, except in the cases when by a decision of the General Meeting of Shareholders of the Bank a higher amount is determined, but not more than twice the amount of the permanent remuneration.

Criteria for evaluation and implementation of the activity

The variable remuneration shall be based on the results of the activity and the achieved goals, taking into account the level and time horizon of the assumed risks, the price of the capital and the necessary liquidity. The assessment shall be based on an appropriate combination of financial (quantitative) and non-financial (qualitative) criteria, including a combination of the assessments of the employee's performance, the structural unit in which the employee works and the Bank as a whole.

The quantitative criteria shall include indicators such as budget execution, achievement of target levels of earning, capital adequacy and effectiveness, as well as other risk-adjusted indicators (e.g. economic/ internal capital), through which ex ante risk adjustment.

The quality criteria shall include achieving strategic goals, adherence to the Bank's policies and strategy for risk management, customer satisfaction, compliance with internal rules, ethical norms and corporate values, initiative, motivation, leadership, teamwork, cooperation with the other structural units, etc.

Specific requirements for deferration, payment in instruments and retention of variable remuneration

In accordance with the current legislation and the Remuneration policy at least 50% of the variable remuneration of the employees from identified staff, shall comprise of shares and other instruments related to shares or equivalent non-cash instruments, as well as instruments within the meaning of Art. 52 or Art. 63 of Regulation (EU) № 575/2013 or other instruments which can be fully converted into Common Equity Tier 1 instruments or written down, as far as such instruments adequately reflect the credit quality of the Bank as a going concern and are appropriate to be used for the purpose of the variable remuneration in line with Delegated Regulation (EU) № 527/2014.

The requirements regarding the instruments to determine an appropriate retention period are included in order to comply with the incentives with the long-term interests of the Bank.

The remuneration policy shall provide a mechanism for a deferred payment of at least 40% of the variable remuneration of the identified staff for a period of at least four to five years, depending on the economic cycle, the nature of the activity and the associated risks, as well as by the position of the respective employee. The deferral mechanism shall involve proportionate allocation of the deferred variable remuneration or its gradual increase over the period of deferral.

Pursuant to Ordinance No. 4 of the BNB, the specific requirements for deferral, retention or payment in instruments with regard to variable remuneration do not apply to banks that are not large institutions within the meaning of Article 4(1)(146) of Regulation (EU) No 575/2013 and whose value of assets on an individual basis in accordance with Regulation (EU) No 575/2013 has been less than or equal to the BGN equivalent of EUR 5 billion on average for the last four years preceding the current year, or to employees whose annual variable remuneration does not exceed the BGN equivalent of EUR 50,000 and does not represent more than a third of their total annual remuneration.

Leave benefits

According to the concluded contracts for management and control in case of unilateral termination by the Bank, without notice, the members of the Managing Board are entitled to compensation in the amount of up to 6 monthly remunerations under the contract, and the branch managers to 2 months. According to the concluded agreements between the Bank and the members of the Supervisory Board, upon termination of the contract the members of the Supervisory Board are due compensation up to 12 monthly remunerations, and in special cases the compensation is up to 24 monthly remunerations. The employment contracts of the Bank's employees comply with the applicable provisions of the Labor Code and do not contain clauses that differ from the provisions of the law and usual practice.

In 2023, no severance pay was paid to the identified staff.

Summary of quantitative information

In 2023, the remuneration paid to senior management amounted to BGN 11,288 thousand (2022: BGN 12,068 thousand). During the year, no variable remuneration was paid to the identified staff under the meaning of Ordinance No4 of the BNB for the requirements towards remunerations in banks.

In June 2023, the General Meeting of Shareholders amended its decision of 19.06.2019, which had determined a total amount of remuneration for members of the Supervisory Board and Management Board of the Bank of up to BGN 14,000 thousand per year, and determined a new total amount of up to BGN 16,000 thousand per year.

For more information on Related party transactions and remuneration paid, see Note 35 "Related Party Transactions" of the Consolidated Financial Statements for the year ended 31 December 2023.

Integration of sustainability risks

Pursuant to Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (Regulation (EU) 2019/2088), First Investment Bank, as an investment firm managing individual customer portfolios and providing investment advice, falls under the scope of harmonized requirements for transparency of remuneration policies in relation to the integration of sustainability risks in the process of taking investment decisions when providing services to customers.

In this regard, the Bank publishes the required information on its corporate website in Section Personal Banking/ Savings and Investments/ Investment Services and Activities (https://www.fibank.bg/bg/chastni-lica/spestjavanija-i-investicii/investicionni-uslugi-i-dejnosti). Remunerations received by employees of the Bank for providing portfolio management services and investment advice are not directly tied to investment performance. In addition, permissible risk exposures are predetermined, thus avoiding the possibility of additional risks being taken at the expense of sustainability, such risks having already been indirectly taken into account.


Diligence and perseverance
always reap rewards

Non-financial declaration

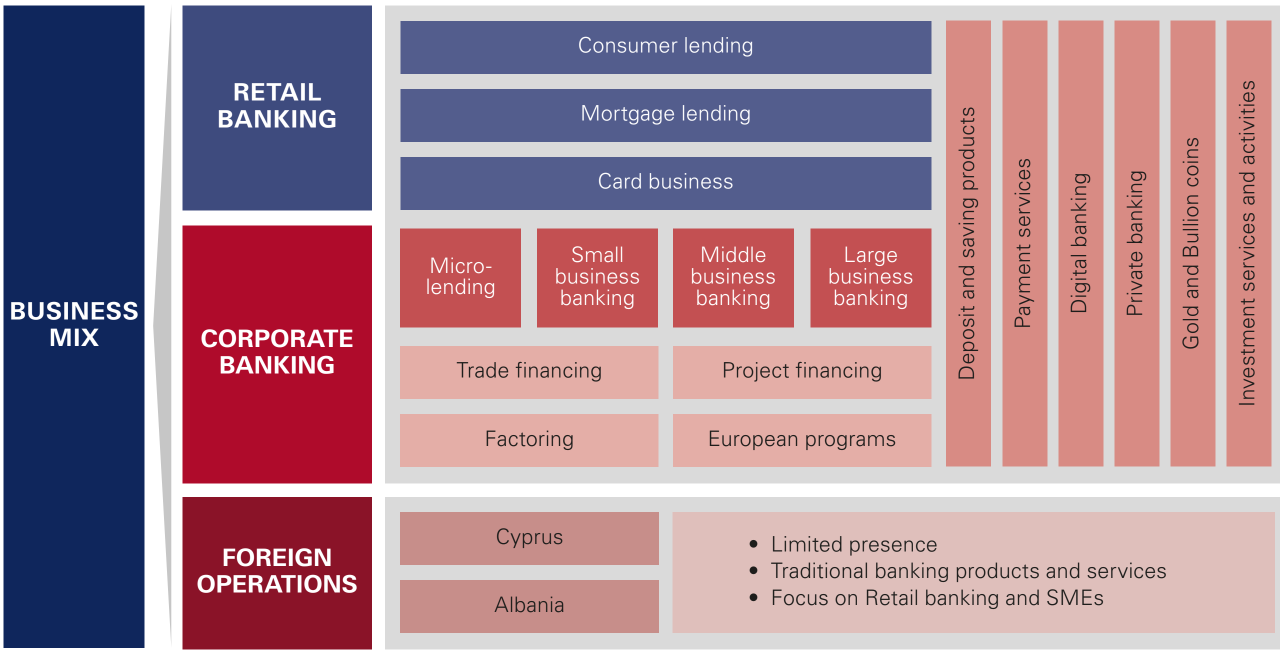
within the meaning of Art. 51 of the Accountancy Act

In accordance with legal regulations and good practices, First Investment Bank discloses in its Annual Reports non-financial information that represents a Non-financial statement within the meaning of Art. 51 of the Accountancy Act.

Business model

First Investment Bank offers a universal business mix of products and services to individuals, as well as to business clients, incl. strategic focus on development in the spheres of retail, small and medium-sized enterprises.

Universal business mix of products and services



BUSINESS PRINCIPLES	COMPETITIVE ADVANTAGES
• We believe that trust is the basis of long-term relations. • We strive not only for the best practices and results, but we have the goodwill and discipline to achieve them. • We appreciate and respect our business partners. • We strive for development and proactive solutions. • We are engaged in social issues and we make our contribution to their solution. • We bear responsibility for our decisions and actions.	• First-class customer service. • Well-recognised brand. • Deep knowledge of the market. • Wide branch network. • Innovative digital services. • Solid market positions. • Flexibility in decision-taking. • High professional standards.

Fibank successfully adapts the business model and business development to the challenges of the external environment, including the processes of digitalization and automatization, as well as sustainable development trends. Contributing to this are its customer- and goals execution-oriented strategy, conservative risk policy, experienced management, as well as high corporate governance standards applied in practice. *For further information regarding the structure of the Group, see section section „Fibank profile“.*

The strategic priorities of the Bank place emphasis on responsible banking and on the development of a sustainable business model that supports the green transition, focuses on digitization and innovation, maintains high quality customer service and ensures stability and profitability for shareholders:

Development priorities

- Responsible banking for sustainable future
- Universal Bulgarian bank, leading in key segments
- High quality customer service
- Focus on digitization and innovation
- Stable and sustainable business model
- Return for shareholders and cost optimisation

For more information see section „Development priorities“.

Sustainable development

The implementation of factors related to climate change and sustainable development (ecological, social and governance - ESG) in all processes of First Investment Bank is fundamental to its long-term development. It is extremely important also for an adequate response to market expectations, support of clients and the community as a whole. With respect to their introduction a comprehensive approach was adopted through integration into the business operations, risk management framework, corporate governance, credit process, decision-making, assessment of borrowers' creditworthiness and investment activity.

Integration of sustainable development in the activity of the Bank

Environmental factors		Social factors		Governance factors	
Business strategy and strategic development goals	Risk strategy and Risk Appetite Framework	Credit process and decision making	Investment services and activities	Commitment of management staff on ESG factors	Disclosure and reporting
Sustainable product development management	Management and monitoring of ESG risks	Assessment of customer credit worthiness	Valuation of collateral for credit transactions	Developing a culture of sustainability among employees	Remuneration policy

Governance structure and ESG strategy

A specialized structure has been established in the Bank to ensure the integration of environmental, social and governance factors in the overall activity, as well as to provide advice and support with regard to strategic planning, risk framework and internal management. The team of the Sustainability Department is responsible for identifying and informing the employees of the Bank on the updates and trends in sustainable finance and sustainable banking, organizing trainings and managing the process of ESG reporting.

In 2023, in fulfillment of the roadmap for implementation of sustainability requirements and addressing ESG risks, framework documents and policies were developed, including:

- A 10-year Sustainable Development Strategy taking into account applicable ESG factors, risks associated with the transition to a sustainable economy and physical risks;
- A Green Finance Framework setting the standards for green and environmentally friendly lending according to the ICMA (International Capital Market Association) principles;
- A Climate and Environmental Risk Management Policy of First Investment Bank AD.

According to its priorities and framework documents, First Investment Bank focuses on six of the Sustainable Development Goals of the United Nations[10], which have been identified as most relevant to the Bank's business activity and its degree of influence on ESG risks:

Un sustainable development goals

RESPONSIBLE BANKING FOR A SUSTAINABLE FUTURE	5 GENDER EQUALITY	**Gender equality**	Enforcing diversity, gender equality and gender neutral remuneration policies.
	8 DECENT WORK AND ECONOMIC GROWTH	**Decent work and economic growth**	Contributing to the development of the banking market and economic activity in the country, with a focus on retail and SME banking.
	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	**Industry, innovation and infrastructure**	Investing in sustainable sectors and eco-innovations, supporting the green transition and creating opportunities for a sustainable future.
	11 SUSTAINABLE CITIES AND COMMUNITIES	**Sustainable cities and communities**	Lending to the real estate sector with responsibility for the creation of sustainable settlements.
	13 CLIMATE ACTION	**Climate action**	Financing smart innovation and sustainable investment to reduce indirect climate and environmental impacts.
	16 PEACE, JUSTICE AND STRONG INSTITUTIONS	**Peace, justice and strong institutions**	Compliance and measures against money laundering and terrorist financing, prevention of illicit financial flows and any forms of corruption and bribery.

10 The Sustainable Development Goals are 17 global goals set by the UN General Assembly in 2015 for implementation by 2030, aimed at combating poverty, inequality, climate change and environmental degradation, and at achieving prosperity, peace and justice.

As a large institution within the meaning of Regulation (EU) No. 575/2013, registered on the stock exchange, in 2023 the Bank began to disclose quantitative and qualitative information about environmental, social and governance risks, structured according to the uniform disclosure formats under Commission Implementing Regulation (EU) 2021/637 laying down implementing technical standards with regard to public disclosures by institutions of the information referred to in Titles II and III of Part Eight of Regulation (EU) No 575/2013. The disclosure also includes the applicable standardized templates on disclosures of economically sustainable activities pursuant to Delegated Regulation (EU) 2021/2178.

A special ESG rating has been developed in the Bank for business customers based mainly on taxonomy requirements and applicable standards for assessment of environmental and social risks. A process has also been started for integrating ESG factors in risk assessment of partners and suppliers, as part of a broader process for managing sustainability in the value added chain.

Environmental issues

The Bank's updated business strategy for the period 2023-2025 sets out target volumes for exposures in the main business segments, meeting the „green" lending requirements of Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 (the Taxonomy Regulation), including requirements for climate change mitigation and climate change adaptation. Emphasis is placed on lending programs enabling decarbonization in sectors carrying risks to the transition to a circular economy, as well as on programs to reduce the carbon footprint of the Bank's own activity.

Measures and actions were planned for management of greenhouse gas emissions in the Bank's activities as follows:

Reduction of direct emissions from fuel combustion (Scope 1)	• Switching to renewable energy sources for the buildings where activity takes place. • Improving the energy efficiency of buildings and using energy-efficient lighting and heating. • Gradual renewal of the car fleet with electric or hybrid vehicles.
Reduction of indirect emissions from purchased or acquired energy like electricity or heating (Scope 2)	• Investment in green energy and purchase of energy from renewable sources. • Participation in energy management initiatives and cooperation with suppliers to reduce the overall footprint.
Reduction of indirect value chain emissions (Scope 3)	• Further integrating ESG factors in lending, investment and risk management processes at all levels. • Stimulating customers and partners to adopt and implement sustainable practices. • Reduction of water consumption for own use. • Maintaining accountability in relation to emissions reduction commitments.

The integration of ESG factors is intended to improve the understanding of businesses considered for financing, promote low-risk behavior and increase awareness of their degree of preparedness for the challenges of climate change, as well as to determine individual support approaches during the transition period.

The Business Process Management (BPM) system for processing credit transactions is adapted in line with the requirements of the Taxonomy Regulation and the disclosure requirements, including with respect to sectoral affiliation and Classification of Economic Activities (CEA-2008/NACE Rev.2), to inclusion of information on potential physical and transition risk related to climate change, to exposures excluded under Delegated Regulation (EU) 2020/1818 as having high carbon intensity, as well as to the energy efficiency of collateral.

As of 31.12.2023 the exposures towards taxonomy eligible and non-eligible economic activities, calculated on a consolidated basis in line with the requirements of Delegated Regulation (EU) 2021/2178 on the disclosures with respect to ecologically sustainable economic activities (Delegated Regulation (EU) 2021/2178) were, as follows:

Exposures	% of total assets			% of covered assets[11]		
	2023	2022	2021	2023	2022	2021
Taxonomy eligible economic activities	14%	9%	9%	20%	13%	12%
Taxonomy non-eligible economic activities	45%	50%	56%	65%	71%	72%
Total financial and non-financial corporations	**59%**	**59%**	**65%**	**85%**	**84%**	**84%**

At the end of 2023, the Bank's securities investment portfolio of bonds backed by "green" projects or by loans for mitigation of greenhouse gas emissions increased to BGN 58,104 thousand (2022: BGN 49,207 thousand).

In addition, in compliance with applicable regulations, First Investment Bank discloses information on its exposures to financial and non-financial corporations, which are/are not obliged to publish non-financial declaration, as well as the exposures to central governments, central banks and supranational issuers, derivatives and other as a share of the total assets of the Bank, as follows:

Exposures as of 31.12.	% of total assets		
	2023	2022	2021
Financial and non-financial corporations, which are obliged to publish non-financial declaration/information	3%	4%	4%
Financial and non-financial corporations, which are not obliged to publish non-financial declaration/information	60%	58%	61%
Total financial and non-financial corporations	**63%**	**63%**	**65%**
Central governments, central banks and supranational issuers	32%	31%	22%
Derivatives	0%	0%	0%
Other	12%	12%	13%
Total assets	**100%**	**100%**	**100%**

In line with the policies undertaken to reduce the carbon footprint and invest in sustainable development, in 2023 two new credit products were launched:

- Green Energy for Households – a new retail credit product intended for financing installations for energy production from renewable sources (e.g. photovoltaic systems or solar hot water systems);
- Green Transport for Households – a new retail credit product intended for financing the purchase of electric vehicles. Loans cover up to 100% of the vehicle cost, plus up to BGN 10 thousand for additional costs related to the purchase.

The Bank continued to offer developed loan products to business clients: the Green Transport loan intended for purchase of new electric and hybrid vehicles; the Green Energy - Free Market loan for companies wishing to invest in the construction of photovoltaic systems for production of electricity for free market sale; and the Green Energy - Own Use loan for construction of photovoltaic systems generating electricity for own consumption or for sale.

- As at 31.12.2023, the portfolio of these lending products amounted to BGN 69,014 thousand.

First Investment Bank's initiative for replacing issued plastic debit and credit cards with new ones made from a recyclable material continued. Thus cards can be fully recycled upon their expiration. In addition to the eco-friendly material they are made of, cards also have a completely new design inspired by the idea of supporting scientific efforts to preserve Bulgarian varieties of fruit and vegetables.

- In 2023, nearly 100,000 cards were replaced under the initiative.

As part of the initiatives to reduce carbon emissions from our own operations, resources were allocated for gradual replacement of fluorescent lighting in the branch network with LED lighting, as well as for modernization of air conditioning systems. The Bank's central office operates in a modern building, certified Excellent under the BREEAM sustainability standard. The building is equipped with a new generation microclimate management system providing individual settings for rooms and offices which helps reduce carbon (CO2) emissions in the atmosphere.

11 Covered assets – total assets excluding exposures to central governments, central banks and supranational issuers, and derivatives.

- The Bank's electricity consumption decreased by 3% on average for the period 2021-23, water consumption for everyday needs by 2%, while paper consumption by 7%, driven by the implemented initiatives for sustainability and digitization of the activity.

By prioritizing the development of digital services, First Investment Bank confirms its long-term commitment and responsibility towards reducing the carbon footprint and the negative impact on the environment. In 2023, the predominant share of transfers (over 90%) were executed through the Bank's digital channels and innovative online payment solutions were offered. Become a Fibank Customer was developed: a remote customer onboarding service through the My Fibank mobile app, using a third-party authentication service provider.

For further information on the ecological initiatives of the subsidiary companies within the Group of First Investment Bank, see section „Business review of subsidiary companies".

Social issues

First Investment Bank continued to strengthen its image as a socially responsible institution by implementing various projects in the fields of corporate donation, education, culture and sports as part of its corporate social responsibility program.

Fibank is actively involved in the financial education of children and youths, and in 2023 it again set an emphasis on such initiatives. In March 2023 the Bank participated in the Children's Financial Literacy Week, during which training events were held for over 5,000 students in the age groups of 7-11 and 12-18 in schools around the country. During trainings, children were introduced to concepts such as POS payments, withdrawing and depositing money at ATMs, PIN codes, debit and credit, family and personal budget, shopping on the Internet, digitizing cards, smartphone payments, etc. that are useful and practical in modern everyday life.

In the spring of 2023 Fibank, together with the University of National and World Economy and the National Academy of Arts, organized open-door events. For 3 weeks, the Bank's employees introduced students on site to various innovations in the area of digital banking, as well as to products and service packages structured to support and facilitate young people.

During the reporting period, Fibank took part in the Webit conference – one of the most important technological events held in Bulgaria, dedicated to digital industries and entrepreneurship, as well to the development of skills among young people consistent with the new digital era. The Bank also participated in the Career and Life - Why in Bulgaria forum, held by Bulgaria Wants You, which took place in dozens of cities in the country and abroad, mainly addressing talented young people who wish to return and work in their homeland.

In 2023, Fibank's Smart Lady program celebrated its fifth anniversary. It supports women entrepreneurs, mainly targeting micro enterprises run or owned by women, as well as businesses whose products and/or services are aimed at women. During the year, the Women's Business Arena was held, supported by the Sustainable Lady Fund of First Investment Bank. Promising projects of female entrepreneurs were awarded, and financial grants of BGN 5,000 were given to business ideas that received the highest rating from the jury. The Bank also supported the Female Entrepreneur Day event, organized by the Association of Women Entrepreneurs in Bulgaria.

Development of Bulgarian sports and support for young talents are among the important causes underlying the social responsibility program of First Investment Bank. In October 2023, Fibank supported the Sofia Marathon organized with the aim of promoting sports in urban conditions. Awards were provided for the mass 5 km Fibank Run event, as well as entertaining games and prizes for children and families at the specially built fan zone.

Fibank provided support to the Federation for children deprived of parental care, assisting their adaptation through sports. Organized athletic events and competitions during the period attracted over 1,000 children aged between 13-18 years from 70 social institutions across the country, and winners in six different disciplines were announced.

The Bank continued to champion initiatives in its capacity as general sponsor of the Bulgarian Olympic Committee (BOC) and sponsor of the Bulgarian Athletics Federation (BAF), the Bulgarian Rhythmic Gymnastics Federation (BRGF) and others. In 2023, the achievements of young talents were awarded in the Rhythmic Gymnastics World Cup and the International Rhythmic Gymnastics Tournament held in March and April 2023.

For yet another year, Fibank presented its charity calendar. The 2024 calendar was prepared in support of the Bulgarian Rhythmic Gymnastics Federation and features the idea of sustainability, focusing on the theme of water and its conservation, as well as on its meaning to people as an irreplaceable natural resource. The aim is to combat climate change by educating the general public about the importance of water supplies and their protection for the benefit of all.

As an institution dedicated to supporting the country's culture, during the reporting period Fibank contributed to initiatives in the fields of music, theater and the fine arts, including projects of the Musical Theater in Sofia, the Varna Summer 2023 festival, the International Jazz Festival in Bansko, as well as a documentary about the violinist Vasko Vassilev.

Fibank continued its support for the social program of the Union of Bulgarian Actors and the fund specially created by UBA through annual donations and social initiatives, as well as granting scholarships to talented disadvantaged students in the field of theater. In March 2023, at the IKAR National Performing Arts Awards organized by UBA, the Bank's CEO awarded deserving actors.

In 2023, the total value of funds donated by Fibank for various social initiatives and sponsorships exceeded BGN 300 thousand.

For further information on the social initiatives of the subsidiary companies within the Group of First Investment Bank, see section „Business review of subsidiary companies".

Governance issues

For First Investment Bank AD good corporate governance is a key element for ensuring long-term and sustainable development, and a successful business model. The corporate policy of the Bank is based on professional and transparent governance in accordance with internationally recognized standards and principles of good corporate governance, taking into account changes in the regulatory and economic environment as well as the financial markets in the country and abroad. *For more information see sections „Corporate Governance Declaration" and „Business review of subsidiary companies".*

Disclosures regarding customer portfolio management and provision of investment advice

Pursuant to Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (Regulation (EU) 2019/2088 – SFDR), First Investment Bank, as an investment firm managing individual customer portfolios and providing investment advice, falls under the scope of harmonized requirements for public disclosure of information regarding the integration of sustainability risks in its investment decision-making.

The Bank publishes the required information on its corporate website in Section Personal Banking/ Savings and Investments/ Investment Services and Activities: https://www.fibank.bg/bg/chastni-lica/spestjavanija-i-investicii/investicionni-uslugi-i-dejnosti. Information includes the Bank's policy for integrating sustainability risks, the consideration of adverse sustainability impacts, the sustainable investment objectives, and the environmental and social incentives in investment decision-making. The information is subject to periodic review and compliance assessment, taking into account the nature and scope of the activity, as well as the type of financial products offered by the Bank.

Ethical issues

Code of ethics

In order to establish the professional and ethical standards required and applicable to the Bank as a business entity, place of work and credit institution, First Investment Bank has a Code of Ethics which defines the basic principles, ethical norms and corporate values on which the policies and business plans, rules, procedures and daily operations are built.

The activity of the Bank is based on the following principles:

- Knowledge and observance of current legislation, moral norms and customs, respect for human rights;
- Loyalty and commitment to the mission and values of the Bank;
- Responsible attitude towards work obligations, good faith, transparency and impartiality;
- Correctness, high ethics, care and respect in customer relations;
- Observance of office hierarchy, proper execution of management orders, mutual respect and tolerance in relations with peers and subordinates, teamwork;
- Avoidance of personal or political biases in the performance of official duties.

Responsibility and compliance

First Investment Bank operates in accordance with the current national and European regulations and other regulatory requirements, according to the established standards of practice and in accordance with the internal regulations. The Bank takes all necessary measures to ensure that in the performance of their duties the members of the management and supervisory bodies of the Bank and all employees act in accordance with the applicable regulatory requirements and the adopted moral and ethical standards of behavior so as to minimize risks associated with the activities of the institution.

In accordance with the effective legislation the banks in the Republic of Bulgaria implement measures to prevent the use of the financial system for the purposes of money laundering and terrorist financing. The measures applied by First Investment Bank aimed at ensuring reliable prevention in accordance with the regulatory requirements in cooperation with other organizations and government bodies. In addition, the principle „Know your client" is a condition for offering appropriate service tailored to the individual needs of each client, as well as contributing to managing risks from illegality operations.

First Investment Bank applies written rules and policies to identify, assess, manage and mitigate current and potential conflicts of interest. The organization of working process in the Bank is meant to minimize the possibility of situations relating to conflicts of interest, as in line with the Code of Conduct of Fibank the employees are obliged to put the interests of the Bank and its clients above their own interests, while keeping confidentiality of information and protection of personal data. Measures and actions are also structured for preventing fraud and corrupt practices.

Whistleblowing

The Bank, led by the understanding that following lawful and ethical conduct in relations between managerial staff, employees, customers and partners of the Bank is an important aspect underlying its overall activity, has in place a whistleblowing policy.

The Policy aims to systematize the means and procedures for internal sharing of information where there are suspicions of unlawful actions, or problems related to the work process, thereby ensuring their transparent and fair consideration and resolution, while securing needed care and protection of the rights of the persons submitting the signals. In 2023, the Bank updated the policy in compliance with the provisions of the new Whistleblower Protection Act.

The creation of conditions for reporting in an environment of trust and respect, as well as for carrying out consistent and impartial actions to verify the received reports, is a key element in preserving the Bank's high corporate spirit and reputation.

Application at group level

According to its group-level Corporate Governance Policy, First Investment Bank, as a parent company, sets out the basic principles, ethical norms and corporate values, as well as the guidelines for compliance with applicable regulatory requirements and recognized standards for companies within the Group, with a view to establishing a common framework for business ethics and conduct that helps maintain the high reputation of subsidiaries and of the Group as a whole.

Subsidiaries should comply with the Code of Ethics of Fibank and adhere to the guidelines and principles set forth in its Corporate Governance Code, as well as in the Conflict of Interest Policy, the Whistleblowing Policy and the Compliance Policy, always taking into account the applicable local regulations and activity specifics.

In accordance with legal regulations and good practices, First Investment Bank discloses in its Annual Reports non-financial information that represents a Non-financial statement within the meaning of Art. 51 of the Accountancy Act, including with regard to sustainable development and the related ecological, social and government issues, the human capital and the diversity policies in place, description of business development and products, corporate governance practices and ethical issues, as well as information on business model, products and development priorities – *for more information see also sections „Mission and development priorities“, „Fibank profile“, „Highlights 2022“, „Distribituion channels“, „Information technology“, „Human capital“, „Corporate governance“, „Business review“, „Business review of subsidiary companies“, „Development priorities“.*

Human capital

In 2023, human capital management activities at Fibank were carried out with a view to achieving operational efficiency of the main internal processes for people management and providing quick and adequate response to the ongoing business needs the Bank, while keeping in mind the specifics of the dynamically changing labor market. Projects, initiatives and programs aimed at maintaining and developing a productive and positive work environment were launched, aimed at supporting the development of work performance, motivating teams and employees to achieve high results, and further confirming Fibank's reputation as a preferred employer.

In 2023, the implementation of a new **labor performance management** module in the personnel management information system continued. The module was successfully integrated and during the year it was tested in real conditions, with the participation of a significant part of employees and attesting managers in the Bank.

Activities were carried out within the framework of the long-term strategic **Employer Branding** project of the Bank. Those included active communication and advertising media campaigns, as well as participation in forums with the aim of positive positioning for different audiences in Bulgaria and abroad.

During the year, the new **Fibank High Tech Pro** corporate program was launched. It is designed to provide training, professional guidance and career development for young talents in the fields of information technology and cyber security. Those include college and university students with IT/technological orientation, specializing in application software development, communication infrastructure, system administration, information security, IT audit and digital banking. The program combines training, work in the Fibank team, as well as motivational incentives for the selected participants and for experts from the Bank's IT units who serve as their personal mentors.

A start was given to the new **Health and Body Modeling Fi Pro** corporate program – a sports initiative for support to Fibank employees in the development of a healthy lifestyle and good physical shape, ensuring harmonious balance at the workplace and quality relaxation, as well as developing an even more positive work environment.

In 2023, the implementation of the **Solidarity Fund** continued – a corporate mutual aid and support program for Fibank employees. The Fund is formed by voluntary contributions of employees, which the Bank matches by its own contribution at the end of each month. The program provides assistance to participating members and to their families, thus ensuring maximum efficiency and financial support to the widest possible range of people.

The corporate **Referral Program** to attract well prepared and highly motivated staff to the Bank was successfully conducted. The results of the program so far have proven that the Bank's employees have excellent judgment in recommending some of the most suitable job candidates. New recruits have shown expertise, reliability and motivation to work for the Fibank cause, contribute to team development and achieve the high goals and standards of the Bank.

In 2023, nearly 75% of Fibank's employees enrolled in various forms of training in one or more areas. The more significant training projects and initiatives, having a long-term impact on motivation and performance, included:

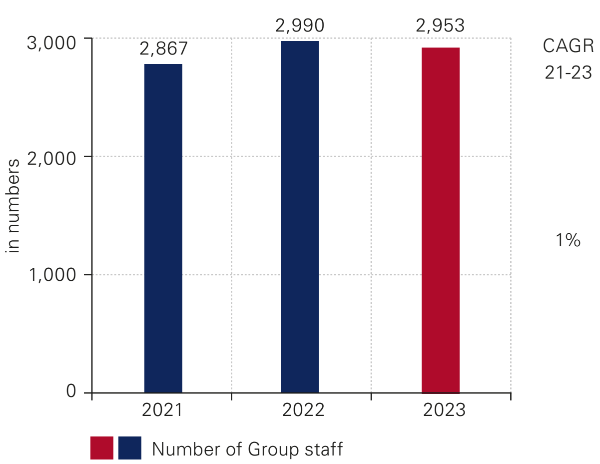
- **Training in skills for effective communication, sales and conducting commercial negotiations.** A practically oriented training project for managers and specialists, mainly engaged in business banking in the large corporate and SME segments. The training places an emphasis on development of attitudes and skills for successful and proactive customer-oriented communication, effective offering and sales, and conducting commercial negotiations.
- **Digital banking training.** Intended for all front office employees and managers at Fibank branches and aimed at upgrading their knowledge and skills in relation to digital banking platforms such as My Fibank and the mobile application. The training discusses current topics and issues related to high quality customer service and successful offering of Fibank digital banking products.

- **Training in investment and debt products.** Aimed at developing the skills of front office employees and managers at Fibank branches to offer and sell well tailored product solutions to Fibank customers, in line with current trends and challenges in the banking sector.
- Training for updating and developing knowledge in the field of **mortgage lending**. Intended for loan officers, branch and office managers and designed to ensure successful offering of Fibank's mortgage products for individuals, as well as to improve customer service in connection with loan transactions.
- **Microlending - credit products and credit process.** Training for employees at the Bank's branches engaged in microlending. Designed to expand their potential for attracting new customers by implementing new products and programs, as well as to increase sales and improve credit process efficiency by upgrading skills for analysis and use of the internal IT systems.
- **Introductory trainings for new employees** have proven their importance and continue to be held. They cover all the main areas and topics necessary for introduction to the work specifics and the Bank's operations, including corporate governance, ethical requirements and code of conduct, internal control functions (risk management, compliance and internal audit), measures against money laundering and terrorist financing, systems, business activities, etc.
- The successful practice continued of conducting **multiple electronic distance learning courses**. During the year, over 1,850 employees received distance training in various areas including information security, operational risk, outsourcing policy, financial instruments and investment intermediation, prevention of money laundering and terrorist financing, and introductory training for new employees.
- The Bank continued to invest in the professional development of its staff by financing the participation of 10 employees in **the master's program in Banking Management and Investment Activity** carried out jointly with the Higher School of Insurance and Finance (HSIF), with a focus on building partnerships and integrating business with education.

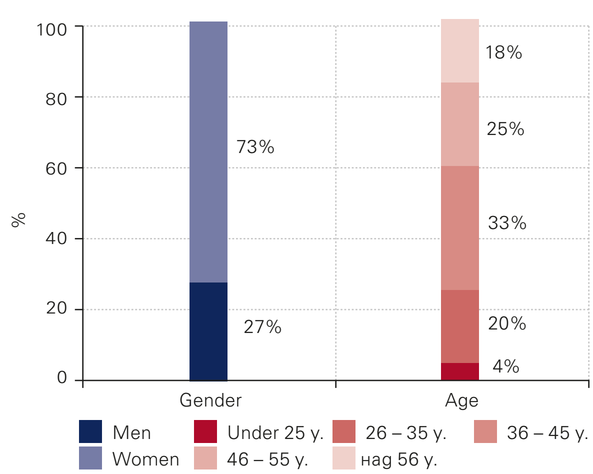
Банков мениджмънт
и инвестиционна дейност

As at 31.12.2023, the number of staff of First Investment Bank on a consolidated basis amounted to 2,953 employees compared to 2,990 a year earlier. At the end of the year, 24% of the Bank's employees were under the age of 35, and 57% were under the age of 45.

Number of staff of the Group



Structure of staff



The majority (73%) of the Bank's employees were women. The share of women with managerial functions (department directors, branch managers, unit leaders) amounted to 50%.

Policy for nomination and suitability assessment

In 2023, the Policy for nomination and assessment of the suitability of members of the managing and supervisory bodies and persons holding other positions was updated, mainly with respect to changes in the key function holders. The internal framework in this sphere is in line with the requirements and good practices, incl. the Law on Credit Institutions, Ordinance No 20 of the

BNB on Issuance of Approvals to Members of the Management Board (Board of Directors) and Supervisory Board of a Credit Institution and Performance Requirements for Their Duties and the joint EBA and ESMA Guidelines on the assessment of the suitability of members of the management body and key function holders (EBA/GL/2021/06).

The Policy sets out the basic requirements, principles, guidelines and criteria for selection and assessing the individual and collective suitability of members of the bodies of First Investment Bank who have management and supervisory functions, as well as with regards to the key function holders within the Bank. The Policy structures and identifies the essential fit and proper requirements and criteria (incl. with respect to needed knowledge, skills and experience; reputation, honesty and integrity; independence and allocation of enough time for performing of duties; as well as the practices for encouraging diversity, succession planning and training), so that they to a maximum extent meet the high standards applied by the Bank with a view to making an adequate contribution to the realization of its objectives and strategy.

The Bank applies a policy for encouraging diversity with respect to Supervisory Board and Managing Board in order to maintain a diverse group of board members and to provide diverse views and experience to facilitate independent opinions/decisions and sound governance, which includes various aspects such as work experience, educational qualifications, gender, age, geographical diversity. With respect to the composition of the bodies, the Bank seeks to maintain a target level of 30% of the members of the Supervisory Board and of the Managing Board to be from the underrepresented gender, as if necessary rounding off (down) to an integer. As of 31 December 2023, the Bank fulfilled the set target in the policy. *For further information regarding diversity, see sections Supervisory Board and Managing Board.*.

Information technology

Developing information technology and maintaining a modern infrastructure, information and technology environment is among First Investment Bank's strategic priorities. Over the years, the Bank has systematically and consistently invested in technologies in line with the latest trends in banking, enabling it to offer innovative products and multifunctional solutions to customers. In 2023, Fibank strengthened its position among the most technological and innovative institutions in the Bulgarian banking market.

Following high-tech trends, during the year the Bank worked on a program to build a new and modern data center. Purchasing an up-to-date Oracle Exadata computing platform enabled renewal and upgrading of banking systems, which in turn optimized speed and guaranteed quality in data processing. The implementation of an Acronis backup solution ensured the backup and recovery of data in the main and backup center, minimizing the risk of data loss.

During the period, the Bank took part in a joint pilot project of BORICA AD to upgrade instant payments in BGN, successfully launching the Mobile Lookup service which enables the execution of P2P Blink instant credit transfers.

In March 2023, Fibank successfully integrated in its systems the new Eurosystem Single Market Infrastructure Gateway platform of the European Central Bank (ECB), which ensured continuous processing and settlement of payments in euros.

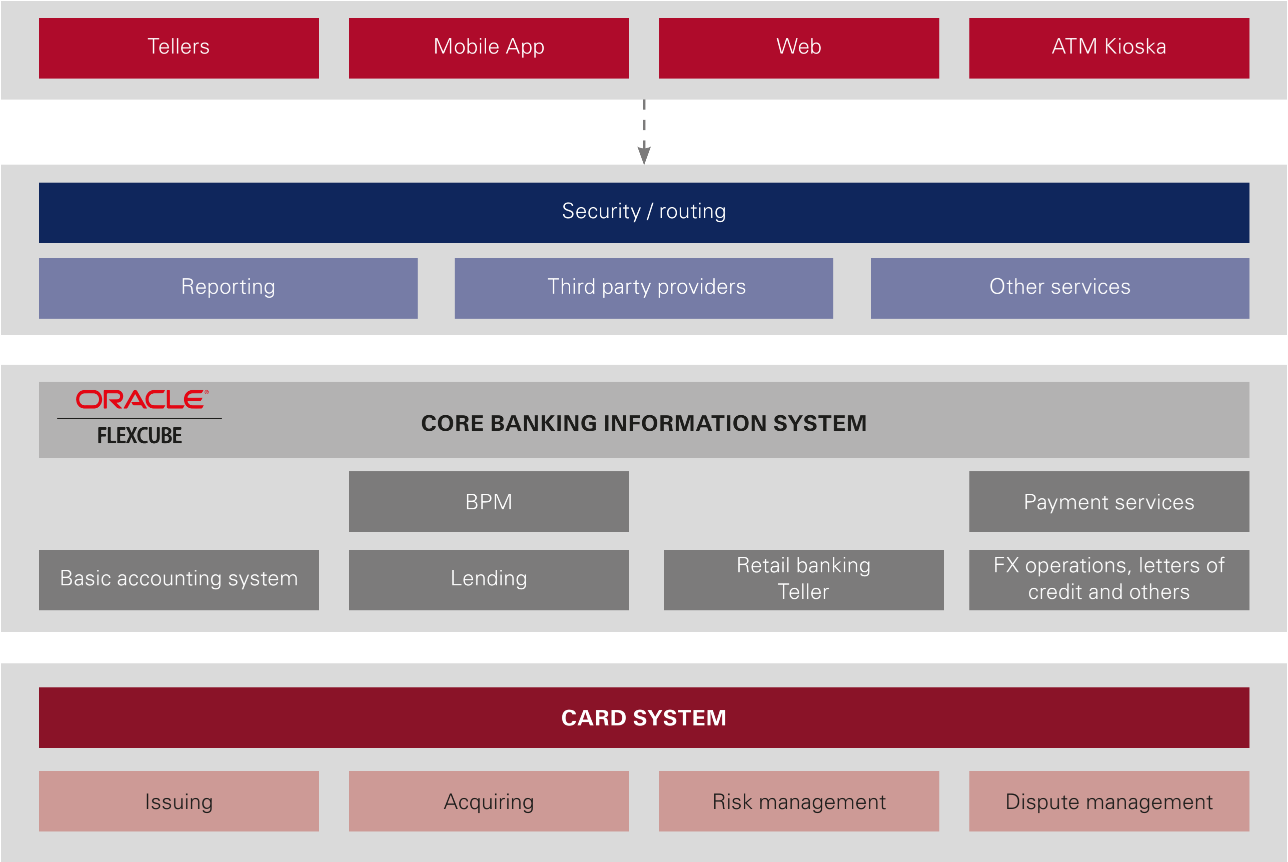
The Bank successfully adapted its payment systems to the new ISO 20022 messaging standard for budget payments.

In 2023, a number of additional functionalities were implemented at the system level, including an entirely new process for entering requests to unblock accounts in the front office system, a new process for entering and approving business trips in the Business Process Management system, as well as an additional module to optimize the labor performance evaluation process in the HR management system.

Taking into account the growing cyber security risks, the Information Technology and Information Security departments worked together to improve and upgrade the Bank's IT infrastructure with a number of software solutions and minimize vulnerabilities following the best practices in the field.

The core banking information system Oracle Flexcube version 12 features universal modules for retail banking, corporate and investment banking, and an integrated BPM module used for processing and approval of loan applications, acceptance and registration of currency transfers and authorization of other payment transactions. The system is built in compliance with all risk control principles, including the four eyes principle applied in day-to-day operations. Through its centralized and integrated IT infrastructure, the Bank aims to provide first-class service and high level of security in the execution of banking transactions, as well as to maintain reliable databases, networks and systems ensuring continuity of services and key processes.

Systems map



Taking into consideration the importance attached by the Bank to information technology, the activity is managed by the Chief Information Technology and Operations Officer. In addition, there is an IT committee functioning as an auxiliary body to the Management Board. It monitors the IT strategic program implementation, the IT project portfolio, the targeted use of resources and the spending of the approved budget. The committee is chaired by the Chief Executive Officer, the remaining members including the Chief Retail Banking Officer, the Chief Information Technology and Operations Officer, as well as the directors of the Information Technology, Information Security, Digital Banking, Small Enterprises Banking, and Finance departments.


We infuse inspiration and dedication
into everything we create

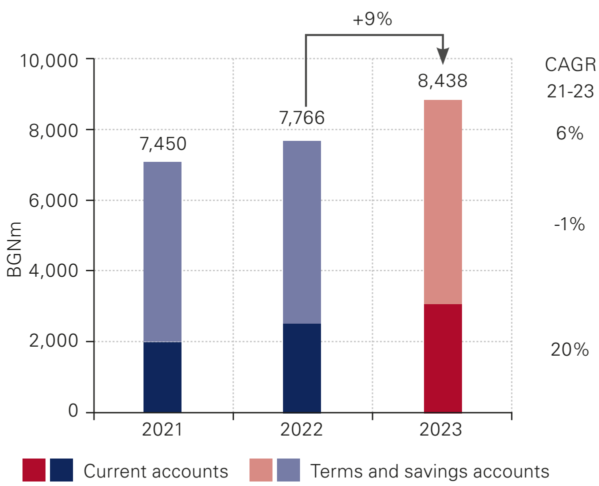
Business review

Retail banking

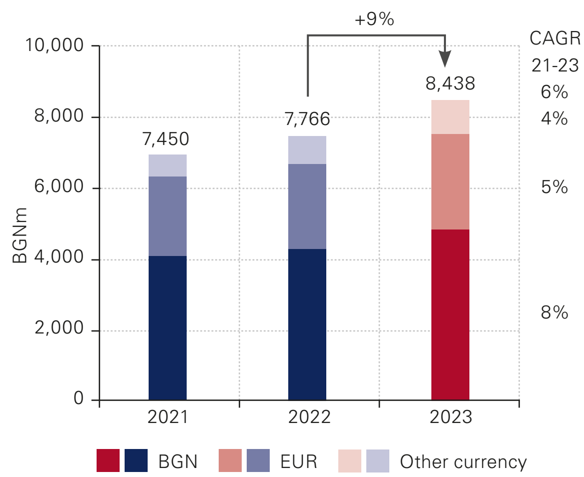
Deposits

In 2023, attracted funds from individuals increased and reached BGN 8,437,831 thousand compared to BGN 7,765,553 thousand a year earlier, mainly driven by the 17.4% increase in current accounts which reached BGN 3,590,881 thousand (2022: BGN 3,057,581 thousand). Such results were determined by the consistent policy of the Bank for establishing long-term customer relationships, while developing cross-selling and transaction business. At the end of the 2023 they increased their shares and formed 42.6% of the of attracted funds from individuals of the Group (2022: 39.4%).

Deposits from individuals



Deposits from individuals by currency



Fibank offers a wide range of current accounts, including the IQ current account, as well as accounts tailored to the specific needs of certain customer groups such as condominiums, notaries, insurance brokers and agents, private enforcement agents, etc. The Bank offers banking packets and programs, incl. My Choice, My Choice Online, Digital Me, Digital Me+. Among the saving accounts is also the Gold Account , an innovative product for the purchase, sale and keeping of dematerialized gold (XAU).

The Bank's policy is aimed at building a stable deposit base by offering a variety of flexible deposit products, while maintaining high standards of customer service. Fibank maintained the interest rates on its savings products in line with the market conditions and the competitive environment, as well as the high liquidity levels.

By the end of the 2023, term deposits and savings accounts were in the amount of BGN 4,846,950 thousand (2022: BGN 4,707,972 thousand), with borrowings from individuals of the Group retaining a major share at 57.4% (2022: 60.6%) with a view to diversifying its sources of funds.

In terms of attracted funds from individuals First Investment Bank was placed fifth among banks in the country as at the end of December 2023 (2022: fifth). As at the same date the market share of the Bank amounted to 9.41% on an individual basis (2022: 9.77%).

As an alternative to deposit products, the conditions of the Perspective+ term product were optimized during the year. This is a senior unsecured debt product with a fixed yield, intended for individuals and business customers offered in fulfillment of the minimum requirements for eligible obligations (MREL).

During the year, Fibank organized acceptance of applications for free issuance of European Health Insurance Cards throughout its branch network, which contributed to cross-selling.

From September 2023, amendments were made to the Payment Services and Payment Systems Act concerning basic payment accounts (BPA), envisaging a special regime, provided that the funds received on the accounts come from labor remunerations and social payments.

Loans

The gross loan portfolio of retail banking increased by 10.5% to BGN 2,804,476 thousand compared to BGN 2,538,006 thousand for the previous year, as a result of an increase in mortgage and consumer loans.

In BGN thousand / % of total	**2023**	**%**	**2022**	**%**	**2021**	**%**
Mortgage loans	1,477,996	52.7	1,285,749	50.7	1,105,665	48.4
Consumer loans	1,191,727	42.5	1,104,419	43.5	1,009,248	44.2
Credit cards	134,753	4.8	144,823	5.7	165,468	7.2
Other programs and secured financings	-	-	3,015	0.1	3,017	0.1
Total loans to individuals	**2,804,476**	**100**	**2,538,006**	**100**	**2,283,398**	**100**

Mortgage loans

As at the end of December 2023, mortgage loans increased by 15.0% to BGN 1,477,996 thousand compared to BGN 1,285,749 thousand a year earlier, increasing their share to 52.7% of the retail loan portoflio (2022: 50.7%). As at 31 December 2023, the market share of the Bank in this segment was 5.88% (2022: 6.23%). Fibank was placed fifth among banks in the country on an individual basis (2022: sixth).

During the year, promotional campaigns were organized with the aim of stimulating sales in the retail banking segment. A promotional mortgage loan is offered financing up to 90% of the market value of the property. The option for online loan application through My Fibank electronic banking was provided, as well as the Video Consultation service. The mortgage products were successfully offered for residents with income from abroad, and for financing the purchase of real estate with high energy efficiency class.

From April 2023, an additional financing option was offered for the repair and finishing works of purchased property, applicable to the Right of Choice mortgage loans.

Fibank will put efforts into additional development of its distributional channels for its credit products and will continue to develop and offer flexible credit products for individuals with the aim of attracting new clients and offering supplementary products and services.

For more information on the mortgage loan portfolio of First Investment Bank – Albania Sh.a. see section "Business review of the subsidiary companies".

Consumer loans

Consumer loans increased by 7.9% to BGN 1,191,727 thousand (2022: BGN 1,104,419 thousand), contributors being the competitive terms offered by the Bank, the easy loan application procedures, incl. via the digital channels and the development of new products and programs in line with customer needs and market necessities. They formed 42.5% of the gross retail banking portfolio (2022: 43.5%).

In order to increase the contribution to environmental protection and ecological sustainability, two new retail loans were developed during the year:

- Green Energy for Households – a new retail credit product intended for financing installations for energy production from renewable sources (e.g. photovoltaic systems or solar hot water systems).
- Green Transport for Households – a new retail credit product intended for financing the purchase of electric vehicles. Loans cover up to 100% of the vehicle cost, plus up to BGN 10 thousand for additional costs related to the purchase.

The successful offering continued, including through promotional campaigns, of the Career Start consumer loan, designed for university graduates up to the age of 30, without requirements for income or minimum work experience.

As part of the strategy for development and digitization of services, Become a Fibank Customer was developed: a remote customer onboarding service through the My Fibank mobile app, using a third-party authentication service provider.

First Investment Bank's market share in this segment amounted to 7.57% (2022: 8.02%) at the end of December 2023, and Fibank was fifth (2022: fifth) in terms of consumer loans among banks in the country on an individual basis.

For more information on the consumer loan portfolio of First Investment Bank – Albania Sh.a. see section "Business review of the subsidiary companies".

Credit cards

The utilized limits on credit cards were in the amount of BGN 134,753 thousand at the end of the period (2022: BGN 144,823 thousand). Fibank develops various and innovative card products and services, including thematic campaigns to promote and attract new customers, which were organized in implementation of the Bank's consistent and long-term policy for stimulating these non-cash payments. The relative share of loans utilized through credit cards in the total retail loan portfolio amounted to 4.8% (2022: 5.7%).

There were new card products and promotional offers started during the year, such as the new metal credit card World Elite™ Mastercard, including a new opportunity for deferral of payments with credit cards via the digital channels of the Bank.

In pursuance of its strategic plans, the Bank continued to develop its operations with a view to more effective management of the customer portfolio and targeting individual customer groups, as well as identifying additional cross-selling opportunities. *For further information see section „Card payments".*

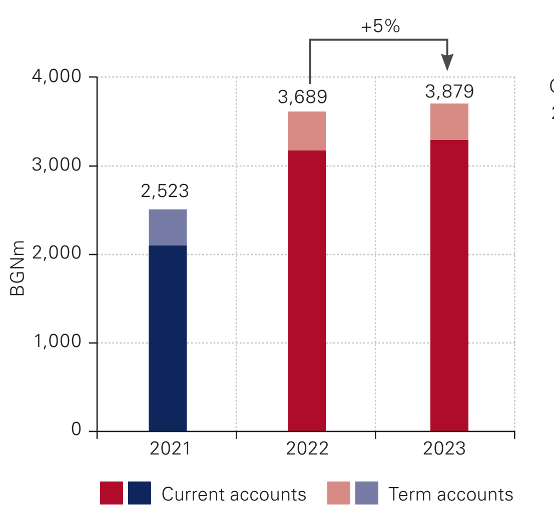
Corporate banking

Deposits

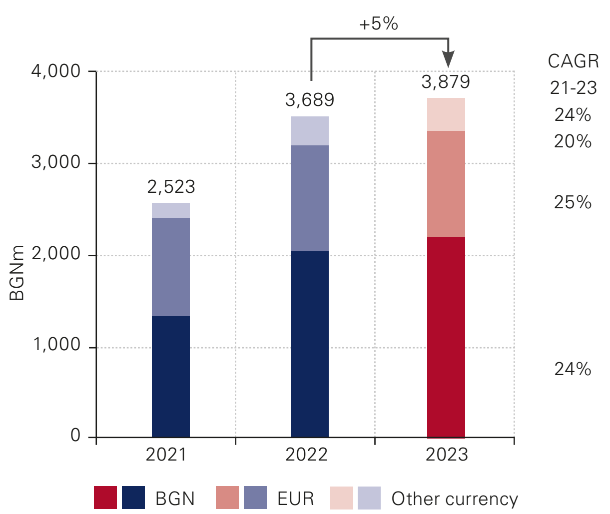
Attracted funds from corporates and institutions in 2023 increased by 5.1% to BGN 3,878,517 thousand (2022: BGN 3,689,353 thousand). The increase in volume reflected mainly in the term accounts reaching BGN 591,165 thousand at the end of 2023 (2022: BGN 397,811 thousand) and forming 15.2% of the attracted funds from business customers and public institutions (2022: 10.8%). First Investment Bank offers a variety of savings products for business customers wich adapts to market conditions and specific company requirements.

Current accounts amounted to BGN 3,287,352 thousand at the end of 2023 (2022: BGN 3,291,542 thousand) forming 84.8% of the attracted funds from business customers and institutions (2022: 89.2%). Fibank constantly develops the package programs and services, giving opportunities for optimization of costs and procedures in using different banking services.

Deposits from business customers



Deposits from business customers by currency



In 2023 in order to expand possibilities to business customers, the Bank continued to offer alternative saving products - products "Perspective+", in fulfillment of the minimum requirements for eligible liabilities (MREL).

As at 31 December 2023, funds attracted by the thirty biggest non-banking clients represented 11.19% of the total amount due to other customers (2022: 12.06%).

Loans

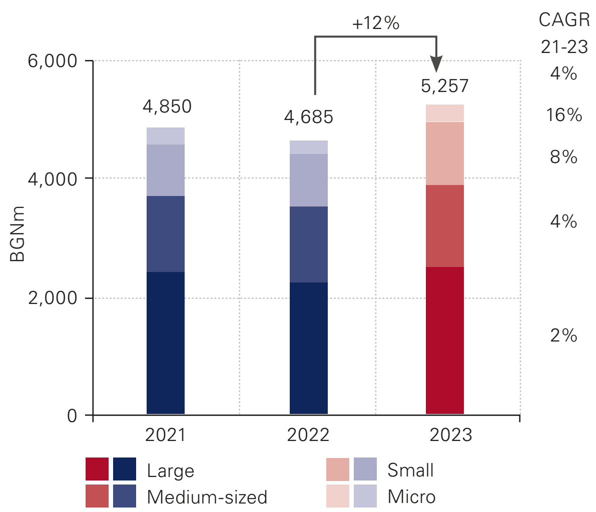
The portfolio of loans to enterprises of the Group increased by 12.2% to BGN 5,256,556 thousand at the end of 2023, compared to BGN 4,685,485 thousand a year earlier, as a result mainly of increasing the business goals and strategy.

The structure of the loans portfolio stayed balanced and the exposures to micro, small and medium-sized enterprises formed 5.2% (2022: 5.0%), 20.3% (2022: 19.7%) and 25.8% (2022: 26.7%) or all together 51.3% (2022: 51.4%), and the share of large enterprises was 48.7% (2022: 48.6%) of all business loans. The customer segmentation, applied by the Bank, corresponds to the European requirements for defining micro, small and medium-sized enterprises, which were transposed by the Law on Small and Medium-sized Enterprises. Criteria for annual sales revenue[12] and/or assets, number of staff and maximum exposure to the customer are applied.

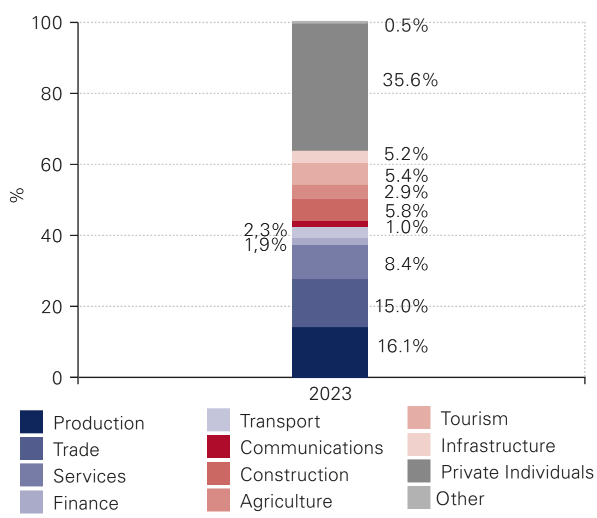
In BGN thousand / % of total	2023	%	2022	%	2021	%
Micro enterprises	272,992	5.2	232,822	5.0	201,149	4.1
Small enterprises	1,067,801	20.3	923,928	19.7	922,650	19.0
Medium-sized enterprises	1,357,490	25.8	1,250,729	26.7	1,258,780	26.0
Large enterprises	2,558,273	48.7	2,278,006	48.6	2,467,734	50.9
Total loans to enterprises	**5,256,556**	**100**	**4,685,485**	**100**	**4,850,313**	**100**

As at 31.12.2023, a leading share in the portfolio structure was taken by loans to the manufacturing sector (2023: BGN 1,297,376 thousand, 2022: BGN 1,303,846 thousand), the trade sector (2023: BGN 1,206,828 thousand, 2022: BGN 764,533 thousand,) and the services sector (2023: BGN 674,200 thousand; 2022: BGN 639,773 thousand), forming respectively 16.1%, 15.0% and 8.4% of total loans (2022: 18.1%, 10.6% and 8.9%). Such dynamics reflected the economic activity in the country, as well as the development goals and diversification of the activity.

Business loan portfolio



Portfolio breakdown by sector



12 Annual sales revenue/assets as follows: micro-enterprises up to BGN 3.9 million; small enterprises up to BGN 19.5 million; medium enterprises up to BGN 97.5 million/ BGN 84 million.

Loans in tourism increased to BGN 433,824 thousand (2022: BGN 327,575 thousand) contributed to by the development of the tourist services and recovery in the sector after the COVID-19 pandemic. An increase was registered in loans in construction (2023: BGN 468,264 thousand; 2022: BGN 438,986 thousand) and infrastructure (2023: BGN 419,674 thousand; 2022: BGN 366,712 thousand), as a result of the positive dynamics in the construction sector and started infrastructure projects.

Decrease was registered in loans in transport (2023: BGN 184,227 thousand; 2022: BGN 232,472 thousand), finance (2023: BGN 152,650 thousand; 2022: BGN 191,987 thousand) and communication (2023: BGN 79,671 thousand; 2022: BGN 109,877). Similar to previous levels registered loans in agriculture (2023: BGN 232,695 thousand; 2022: BGN 233,654 thousand).

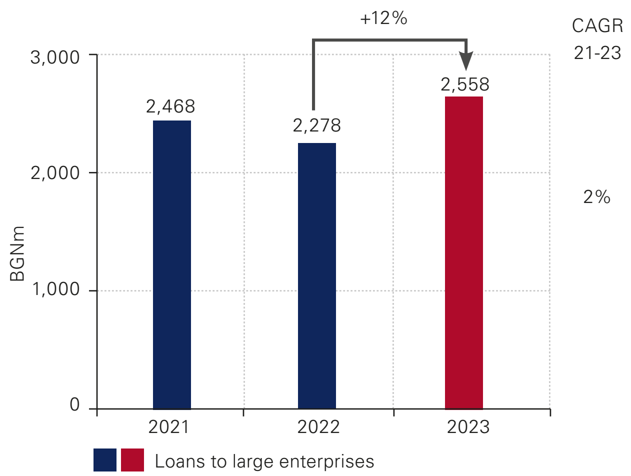
As at the end of December 2023 the market share of Fibank amounted to 9.62% of loans to enterprises in the banking system (2022: 9.24%), taking fifth place (2022: fifth) among banks in the country on an individual basis.

For processing business loans the Bank uses the advanced BPM (New Workflow) system. It covers all steps of accepting loan applications, preparing opinions, approval and disbursement of new loans, as well as renegotiation of existing loans. The applicable limits and authority levels for approval/ renegotiation of various types of credit exposures are integrated in the system.

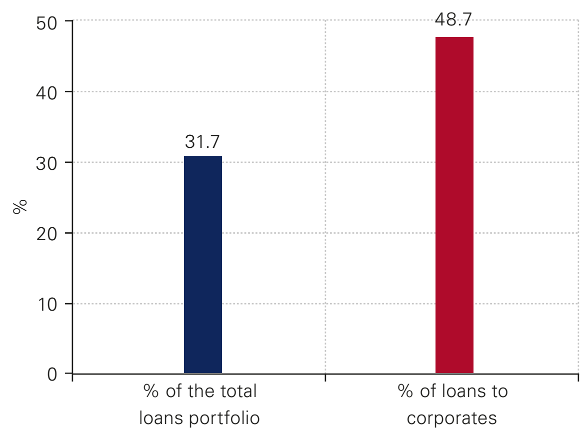
Large enterprises banking

In 2023, loans to large enterprises amounted to BGN 2,558,273 thousand compared to BGN 2,278,006 thousand a year earlier, forming 48.7% of the total loans to enterprises and 31.7% of the gross portfolio of the Group (2022: 48.6% and 31.5%).

Large enterprises banking



Share of loans to large enterprises in the gross loan portfolio in 2023



First Investment Bank provides various financing for large enterprises under the form of working capital loans, investment loans, guarantees, financing under the programs and funds of the EU, under the National Guaranteed Fund, BDB, Fund of funds, factoring services and others.

The Bank offers factoring services to existing and potential business customers, including companies delivering goods or providing services with deferred payment in the country or abroad. First Investment Bank is a member of Factors Chain International (FCI), a global network of leading commercial finance companies and can provide export factoring without recourse, as well as import factoring. The Bank maintains cooperation with leading financial institutions in factoring insurance.

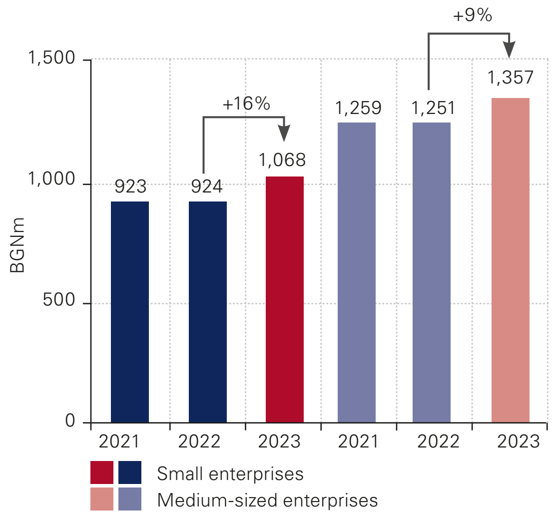
In the area of commercial finance, First Investment Bank has a framework agreement in place with the Taiwan export insurance agency Eximbank Taiwan for financing deliveries of goods from Taiwanese suppliers to customers of Fibank in Bulgaria or abroad.

The Bank maintains cooperation with the Bulgarian Export Insurance Agency (BEIA), with which it has an agreement for portfolio insurance, used as part of the techniques for mitigating credit risk. In 2023, it was expanded by signing a new agreement for financing business customers with an insurance mechanism providing coverage against financial losses on loans granted.

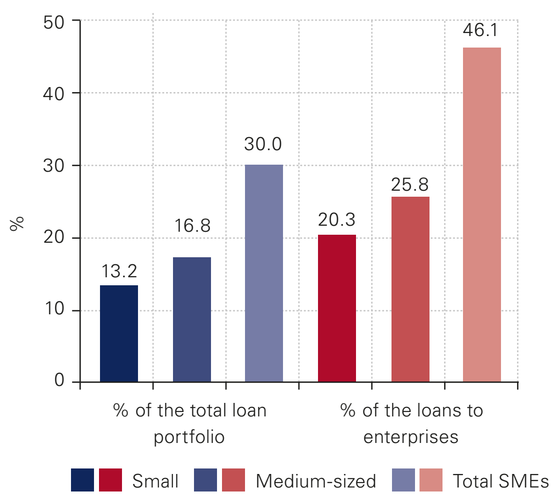
Small and medium-sized enterprises banking

In 2023, loans to small and medium enterprises[13] amounted to BGN 2,425,291 thousand (2022: BGN 2,174,657 thousand) or 46.1% of the business loans of the Group, from which to small enterprises were BGN 1,067,801 thousand (2022: BGN 923,928 thousand), and loans to medium-sized enterprises – at BGN 1,357,490 thousand (2022: BGN 1,250,729 thousand). The Bank's policy on this segment was enhanced by its developed loan products and the competitive terms offered in the products for SME clients, as well as the various solutions related to the programs and funds of the EU and the other guarantee schemes and financing.

Loans to SME enterprises



Share of loans to SMEs
in the loan portfolio in 2023



During the year, Fibank actively offered its POS Overdraft product to small businesses: a revolving credit facility based on the volume of realized POS transactions. Credit products in the field of sustainable financing were successfully offered: the Green Transport loan intended for purchase of new electric and hybrid vehicles by business customers (financing up to 90% of the vehicle price and term of up to 7 years); the Green Energy - Free Market loan for companies wishing to invest in the construction of photovoltaic systems for production of electricity for free market sale (investment loan with a long term: up to 15 years and a grace period until commissioning of the photovoltaic installation); and the Green Energy - Own Use loan for construction of photovoltaic systems generating electricity for own consumption or for sale (financing up to 100% of construction costs and term of up to 10 years). *For more information see the Sustainable Development section.*

In 2023, First Investment Bank continued granting loans under the Financing in Rural Areas instrument based on an agreement with the Fund Manager of Financial Instruments in Bulgaria under the Program for the Development of Rural Areas, financed through the European Agricultural Fund for Rural Development. The program is intended for farmers, agro-processors, as well as micro, small and medium-sized enterprises from all sectors operating in rural areas, the application deadline being 31 December 2023. Loans cover both new private investments and co-financing of projects supported by grants. The instrument offers investment loans (with term up to 10 years), as well as and working capital loans (up to 5 years) that complement the investment and are related to it. The investment loan amount is up to BGN 2 million, while the maximum amount of supplementary working capital loans is 30% of the total investment or BGN 391,166, subject to compliance with requirements and restrictions for state aid.

At the beginning of the year, Fibank offered SME lending at more favorable terms regarding loan collateral, under a portfolio guarantee agreement with the National Guarantee Fund. The agreement covers both investment and working capital loans. For SME financing, First Investment Bank maintains cooperation with other institutions, including the National Agricultural Fund and the Bulgarian Export Insurance Agency. *For more information see section „External Programs and Guarantee Schemes".*

During the period, Visa Platinum Business Debit was launched: a new high-class card product for business customers, designed to manage company funds, with additional concierge services included. In implementation of the strategy for digitalization of products and services, customers were provided the option to submit online applications for business credit cards through My Fibank electronic banking.

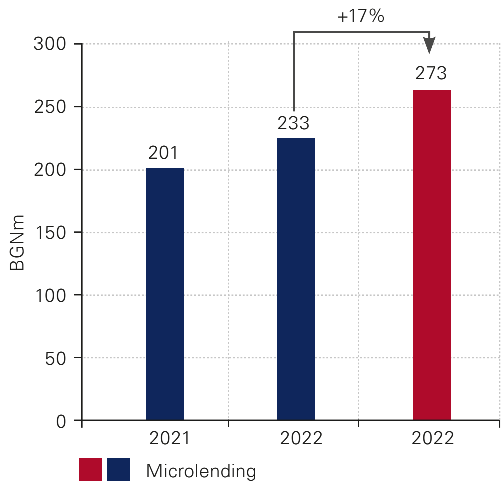
13 According to business segments of the Bank, incl. criteria for annual turnover/assets, as well as: microenterprises – up to BGN 3.9 million; small enterprises – up to BGN 19.5 million; medium-sized enterprises – up to BGN 97.5 million/BGN 84 million.

For more information on the SME loan portfolio of First Investment Bank – Albania Sh.a. see section "Business review of the subsidiary companies".

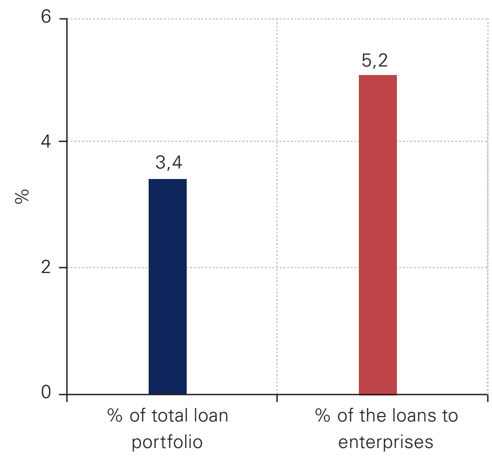
Microlending

In 2023, the microlending portfolio of the Group grew to BGN 272,992 thousand compared to BGN 232,822 thousand a year earlier. The Bank continued its targeted efforts for development in this segment.

Microlending



Share of microlendings in the loan portfolio in 2023



The Microlending Program[14] of First Investment Bank covers a wide range of retailers, manufacturers, farmers, freelancers, including start-ups and companies with less market experience. The Bank offers specialized products for micro enterprises including investment loans, working capital loans, business credit cards and overdraft facilities at competitive terms.

In 2023, Fibank's Smart Lady program celebrated its fifth anniversary. It supports women entrepreneurs, mainly targeting micro enterprises run or owned by women, as well as businesses whose products and/or services are aimed at women. Over 1,140 projects worth around BGN 130 million were financed during the period, enabling women entrepreneurs to create new or develop existing businesses in areas such as education, advertising, production, agriculture and services. As part of the program, the Sustainable Lady fund was created jointly with Mastercard in support of innovative green projects of female entrepreneurs. *For more information see the Sustainable Development section.*

During the period the Bank continued the provisioning of investment and working capital loans at more favorable terms under the Microcredit with Shared Risk program funded by the Human Resource Development Operational Program and co-financed by the European Social Fund and the Youth Employment Initiative. The instrument is in support of start-ups and businesses that develop social activities or offer services generating positive social impact.

The Bank has a policy for supporting agricultural producers, as well as tailored financing solutions towards individual sectors or business areas with high development potential, incl., IT companies, medical and dental practices.

14 According to business segments of the Bank, incl. criteria for annual turnover/assets, as well as: microenterprises – up to BGN 3.9 million; small enterprises – up to BGN 19.5 million; medium-sized enterprises – up to BGN 97.5 million/BGN 84 million.

External programs and guarantee schemes

First Investment Bank offers a wide range of products and services related to participation in external programs and guarantee schemes, including ones financed under EU operational programs.

In 2023, a new SME Financial Partners framework agreement was signed with the Bulgarian Export Insurance Agency (BEIA). SME Financial Partners is an insurance product providing financial institutions with coverage against financial losses in connection with loans granted by them. The product is aimed at supporting micro, small and medium-sized enterprises from various sectors in the country, by allowing them to take working capital loans with relaxed collateral requirements..

During the year, Fibank continued the implementation of its agreements with the Fund of Funds along three separate positions of the Financing in Rural Areas instrument, funded under the Program for the Development of Rural Areas, as well as along the program for financing start-ups and social enterprises of the Risk-Sharing Micro-Finance Facility, funded under the Human Resources Development operational program.

The Bank has existing agreements with the National Guarantee Fund under two guarantee schemes: for financing micro, small and medium-sized enterprises in Bulgaria through a risk sharing mechanism, as well as for financing agricultural producers from the Livestock and Crop Growing sectors under a program with the Ministry of Agriculture and Food.

Payment services

In 2023 First Investment Bank was a member and participant in payment systems and agent of other payment service providers, as follows:

- Bank Integrated System for Electronic Transactions (BISERA 6);
- Real-Time Gross Settlement System (RINGS);
- System for Servicing of Clients Transfers in Euro (BISERA 7-EUR);
- Wholesale payment system of the Eurosystem (T2), carrying out real-time gross settlement (RTGS);
- Pan-European system for payments in Euro (STEP2 SEPA Credit Transfer), as a direct participant through EBA Clearing;
- Bank Organisation for Payments Initiated by Cards (BORICA);
- Agent of Western Union;
- Agent of Easypay.

In accordance with digitalization trends the usage of online payments continued to grow in 2023. The shares of transfers via the digital channels (e-banking and mobile banking) increased to over 90% of all outgoing transfers of the Bank (2022: 86%; 2021: 80%; 2020: 75%; 2019: 67%).

In March 2023, the Bank successfully migrated to the new T2 real-time gross settlement (RTGS) system owned and operated by the Eurosystem. During the year, a migration project bringing budget payments in line with the new SEPA standard (ISO 20022 XML) was also successfully implemented.

At the beginning of the year, First Investment Bank offered an innovative service for instant payments Blink P2P (using a mobile phone number) in the My Fibank mobile application. *For more information, see the Digital banking section.*

Open Banking

First Investment Bank has constantly developed its "Open Banking" related services deriving from the Law on Payment Services and Payment Systems (LPSPS) and Ordinance No 3 of BNB, implementing the requirements of Directive (EU) 2015/2366 for the payment services within the internal market (PSD2).

The Bank maintains a test and production environment, providing opportunity for testing access to the special interface (API), as well as providing by the Third Party Providers (TPPs) of the Payment Initiation and Account Access Information services. Initiatives aiming at providing wider awareness for customers an actual Terms for Access and Use of First Investment Bank's API

Portal are being maintained, as well as General Terms and Conditions for securing access for Third Party Providers to accounts of customers held in Fibank.

Aiming to expand and integrate the services offered to clients, First Investment Bank provides the usage of this type of service through the Mobile Application My Fibank. This option secures quickness and convenience for clients when accessing consolidated information for their account serviced at another payment service provider or when initiating payment from such accounts.

Card payments

In 2023, First Investment Bank developed its card business in line with customer needs, modern technologies and digitization processes, as well as in compliance with the regulatory requirements, aiming to increase the security of card transactions.

During the period, issuance of virtual credit cards was developed through the My Fibank mobile application. Virtual credit cards are intended for making payments over the Internet and, when digitized, also by other remote means of communication like smartphones. Cards may be digitized by adding them to My Fibank mobile application, or to third-party applications. The Bank continues to develop the security of card digitization through all channels.

Visa Platinum Business Debit was launched: a new high-class card product for business customers, designed to manage company funds, with additional features such as cash back, travel insurance when traveling abroad, and access to business airport lounges with the Lounge Key program.

During the year, the card service hardware infrastructure was further modernized by purchasing a new machine with advanced card personalization capabilities.

Fibank continues to develop the functionalities and quality of its ATM network. Voice menus are gradually introduced, starting from major cities of the country, to assist people with impaired vision when withdrawing money. By year-end over 60 ATMs already had such menus, and in 2024 their number is expected to reach 100. The Bank's ATM network consisted of 585 devices at the end of the year (2022: 604), and the POS network of 9,436 devices (2022: 9,082). *For more information on the card business of First Investment Bank – Albania Sh.a. see section "Business review of the subsidiary companies".*

As part of its sustainable banking policies, during the period Fibank actively replaced all its plastic debit and credit cards with new ones made from a recyclable material and featuring a new design, associated with sustainable development ideas. *For more information see the Sustainable Development section.*

In 2024, Fibank will continue to develop its card payment services by implementing innovative projects in several areas:

- Upgrading the platform for servicing online merchants by introducing a self-service portal where merchants can monitor and manage their transactions.
- Applying an innovative approach to card design. A special Olympic design for Visa Debit and Visa Gold cards was introduced, inspired by the 2024 Olympic and Paralympic Games in Paris.
- Development of the ATMs and POS network. Installing 100 new ATMs, as well as modernization of the software and hardware of POS devices with new functionalities for cash register connectivity.

International payments

First Investment Bank is among the leading banks in Bulgaria in the sphere of international payments and trade financing. Fibank is a popular, reliable and fair business partner which has built a good reputation over the years among international financial institutions and has gained valuable experience and know-how from its numerous international business partners, investors, customers, and counterparties.

In 2023, the Bank reported an increase of 7% in incoming and 25% in outgoing foreign currency transfers due to the conditions of the environment and the competitive conditions offered by the Bank, as well as the high quality of customer service.

First Investment Bank has a wide network of correspondent banks, through which it carries out international payments and trade financing operations in almost all parts of the world. The Bank executes cross-border currency transfers through SWIFT, a Fibank executes transfers through the following payment systems: T2, BISERA7-EUR and STEP2 operated by EBA Clearing. Fibank operates in receiving and issuing of checks and performing various documentary transactions.

In June 2022, First Investment Bank joined the updated STEP2-T Continuous Gross Settlement (CGS) system operated by EBA Clearing which optimized the execution of SEPA credit transfers. In March 2023, the Bank successfully migrated to the new T2 real-time gross settlement (RTGS) system owned and operated by the Eurosystem. It is part of the new consolidated TARGET Services platform, which combines on a technical and functional level the TARGET2 payment system, the securities settlement platform TARGET2-Securities (T2S) and the service for instant transfers in euro TIPS.

The Bank has a framework agreement with the Taiwan export insurance agency Eximbank Taiwan for financing deliveries of goods to clients of First Investment Bank in Bulgaria or other countries where the Bank has branches or subsidiaries. Under the agreement, Fibank can provide financing under amount of every individual credit - up to 100% of the value of the contract but not exceeding USD 2 million, with a period of utilization up to 6 months after the first shipment and a repayment term of 6 months to 5 years irrespective of the type of the goods (consumer or non-consumer).

In support of its clients with international business First Investment Bank continued to cooperate in issuing internationally acknowledged guarantees and letters of credit, incl. through a wide network of partner banks and institutions. During the reporting period, the letters of credit and bank guarantees in foreign currency issued by the Bank to guarantee the performance of its customers to third parties amounted to BGN 97,004 thousand (2022: BGN 91,428 thousand), forming 8.0% of the off-balance sheet commitments of the Group (2022: 8.7%).

Gold and commemorative coins

In 2023, First Investment Bank confirmed its leading position in Bulgaria in terms of transactions and investment advice in the area of precious metals. Interest in the bars and coins offered at the Bank's offices and in the online Gold & Silver store continued to grow due to the uncertainties of the external environment and the macroeconomic conditions.

Group revenues from the sale of investment gold and other precious metal products amounted to BGN 1,568 thousand for 2023, compared to BGN 2,080 thousand a year earlier. The reported increase in the number of transactions and volume of sales mainly came from stronger investor demand and the increase in the price of gold on the international markets.

First Investment Bank offers its customers products of investment gold and other precious metals since 2001. Over the years, it has built successful cooperation with a number of leading financial institutions from around the world: the renowned Swiss refinery MKS PAMP (Produits Artistiques de Métaux Précieux), the banks UBS and Credit Suisse, the New Zealand Mint, the, the Austrian Mint, The Royal Mint, and others.

Jointly with the New Zealand Mint, a new Year of the Dragon silver coin was designed, exclusively available at Fibank offices. As part of the same collaboration, a medal dedicated to the 100th anniversary of the Bulgarian Ski Federation was created in limited circulation. During the period, gold and silver bars of the Swiss refinery PAMP were offered celebrating the Lunar New Year.

In continuation of its long-standing policy of supporting Bulgarian production, Fibank, by agreement with the BNB, successfully distributes all Bulgarian commemorative coins and coin sets issued by the National Bank. Demand increased segnificatly in 2023, with the Bank attracting a number of new collectors and investors as customers.

In carrying out transactions in gold and precious metals, First Investment Bank invariably complies with all quality criteria of the London Metal Exchange and international ethical trading standards.

For 2024, the creation of new and unique coins is planned, based on successful cooperation with a number of leading financial institutions from around the world.

Private banking

First Investment Bank has offered private banking to individuals since 2003, and to corporate customers since 2005. Private banking features servicing by a designated personal officer, who is responsible for the overall banking solutions provided to a customer.

In 2023, the EGO Portfolio private banking service was developed. Building upon previous services, it features not only a personal banker but also a personal investment consultant providing advice in connection with structuring and management of portfolios and investments in various assets. This enables customers to benefit from the financial asset trust management services offered by Fibank and to have personalized financial strategies built for them by professional portfolio managers with experience in international financial markets, with a proven approach adapted to customers' financial situation and preferences.

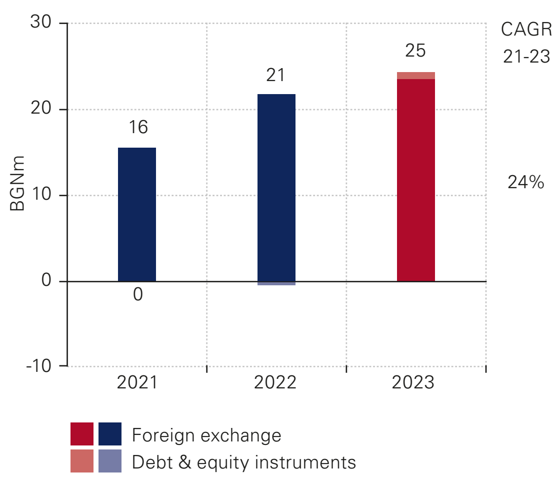
A highlight in the activity for the year was the improvement of the Premium Banking service. Aimed at a separate customer segment, it features an efficient and useful digital solution that enjoys a high level of user satisfaction. Premium Banking includes the Premium and Premium Plus packages which offer preferential terms on traditional banking products and services. In addition, customers can count on constant availability of the Premium Banking specialists who provide them with fast and competent assistance in performing all banking transactions.

For the reporting period, the number of Private Banking business customers increased by 5% YoY, while the monthly income from membership fees increased by 29%. The reported growth of customers' portfolio of investment and savings products was nearly 40%.

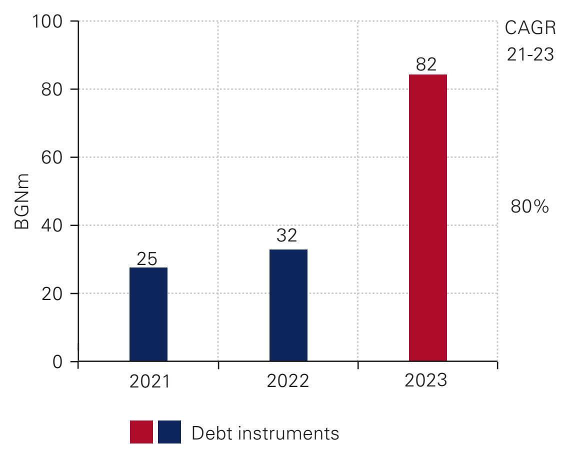
Capital markets

In 2023 net trading income of the Group amounted to BGN 25,045 thousand (2022: BGN 20,473 thousand), mainly as a result of the higher income from trade operations related to exchange rates. The interest income related to the Group's portfolio of debt instruments increased to BGN 81,716 thousand, against BGN 31,767 thousand a year earlier.

Net trading income



Interest income from debt instruments



The securities portfolio of the Group at the end of the year amounted to BGN 2,883,067 thousand, compared to BGN 2,819,193 thousand a year earlier, of which BGN 1,194,959 thousand was measured at fair value through other comprehensive income (2022: BGN 530,160 thousand), BGN 1,440,578 thousand measured at amortized cost (2022: BGN 2,017,895 thousand) and BGN 247,530 thousand measured at fair value through profit or loss (2022: BGN 271,138 thousand).

First Investment Bank applies the business model requirements and criteria for classifying financial assets in the Bank's portfolios according to IFRS 9. Depending on the purpose of financial asset management, those include: 1) a business model whose objective is to hold assets in order to collect the contractual cash flows (hold to collect); 2) a business model whose objective is to both collect contractual cash flows and sell of financial assets (hold to collect and sell); 3) another business model, where the purpose is different from the two above business models (other business model), where assets held for trading are also included.

The Bank's activity is organized in accordance with the regulatory requirements arising from the European legal framework in the field of financial markets: Regulation (EU) No 600/2014 of the European Parliament and of the Council on markets in financial instruments (MiFIR), Commission Delegated Regulation (EU) 2017/565 supplementing Directive 2014/65/EU of the European Parliament and of the Council as regards organizational requirements and operating conditions for investment firms, and Regulation (EU) No 1286/2014 of the European Parliament and of the Council on key information documents for packaged retail and insurance-based investment products (PRIIPS), as well as in compliance with the requirements of the Markets in Financial Instruments Act and its implementing regulations, the regulations in the field of measures against market abuse of financial instruments, and other applicable legislation.

In pursuance of the requirements arising from Regulation (EC) № 648/2012 of the European Parliament and of the Counsel on OTC derivatives, central counterparties and trade repositories (EMIR), the Bank has a Legal Entity Identifier (LEI) code 549300UY81ESCZJ0GR95, issued by the Global Markets Entity Identifier (GMEI) Utility.

In its capacity as an investment intermediary and a primary dealer of government securities, First Investment Bank carries out transactions with financial instruments in the country and abroad including transactions in government securities, shares, corporate and municipal bonds, compensatory instruments as well as money market instruments. The Bank also offers trust portfolio management, investment consultation, as well as depositary and custodian services to private individuals and corporates, including maintaining accounts of securities, income payments and servicing payments under transactions in financial instruments, as well as registration services. As part of the Compliance function, the Bank has a specialized unit "Compliance – Investment Services and Activities" which controls and ensures observance of the requirements related to Fibank's activity as an investment intermediary.

Orders for the subscription/redemption of units in four mutual funds (FIB Garant Mutual Fund, FIB Classic Mutual Fund, FIB Avangard Mutual Fund and FFBH Vostok Mutual Fund, managed by the Management company FFBH Asset Management AD) can be accepted in Fibank's offices which are registered with the Financial Supervision Commission. At these locations, distribution is also carried out of four mutual funds managed by Erste Asset Management (ERSTE-SPARINVEST Kapitalanlagegesellschaft M.B.H), as well as of E.I. STURDZA STRATEGIC MANAGEMENT LIMITED.

Business review of the subsidiary companies

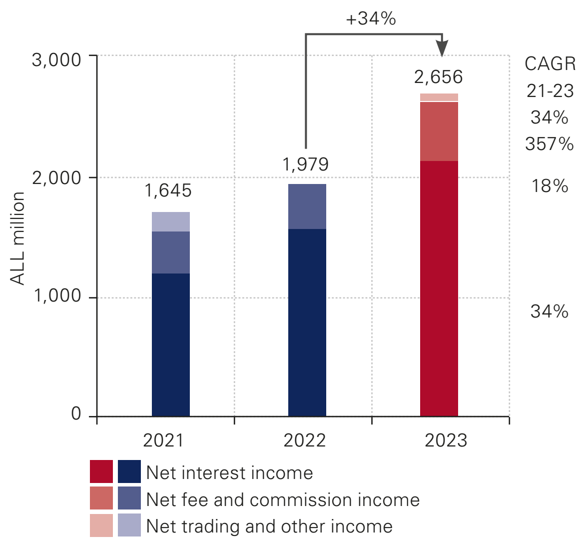
First Investment Bank – Albania Sh.a.

First Investment Bank - Albania Sh.a. (Fibank Albania) was granted a full banking license by the Bank of Albania in June 2007, and in September 2007 effectively took over the activities of the former Tirana branch of Fibank which had operated in the Albanian market since 1999, by assuming all its rights and obligations, assets and liabilities. Fibank Albania has also been licensed by the Albanian Financial Supervisory Authority for carrying out investment services and activities, including depository and custodian services. In 2021, its license was renewed in accordance with the new capital market requirements in the country (Law 62/2020 On Capital Markets).

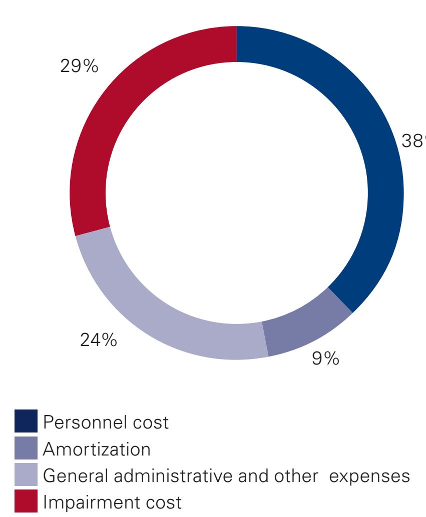
In line with its mission, First Investment Bank - Albania Sh.a. aims to be among the fastest growing banks in Albania, recognized as an innovative credit institution which offers first class service and exceptional products and services, provides excellent career opportunities to employees, and is socially responsible.

In 2023, First Investment Bank - Albania Sh.a. reported good financial results and sustainable development. The Bank maintained sound liquidity and capital positions, reporting a 17.20% capital adequacy ratio at year-end (2022: 19,94%), the minimum required level being 12% according to the applicable regulatory requirements in the country.

Income from banking operations



Operating expense

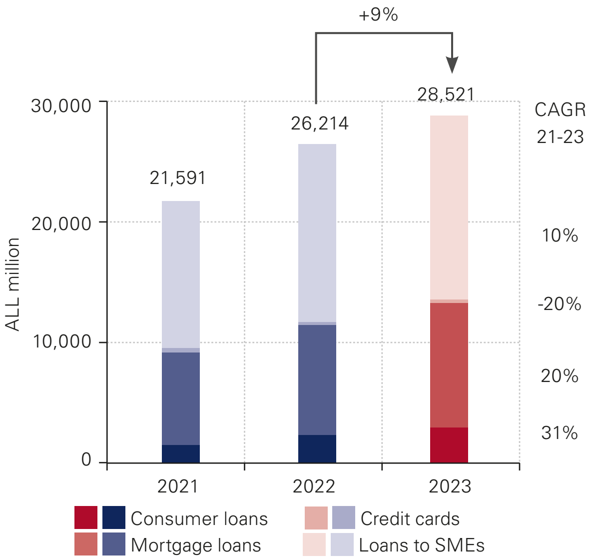


For 2023, First Investment Bank - Albania Sh.a. reported a net profit of ALL 1,059,460 thousand15 compared to ALL 879,149 thousand a year earlier, the increase being mainly due to higher operating income which increased by 34.2%, reaching ALL 2.656,431 thousand (2022: ALL 1,979,152 thousand). An increase was reported in all major sources of income, including net interest income up by 36.8% to ALL 2,096,700 thousand (78.9% of total income), net fee and commission income up by 11.8% to ALL 480,122 thousand (18.1% of total income) and net trading income up to ALL 51,176 thousand. Other net operating income amounted to ALL 28,433 thousand for the year.

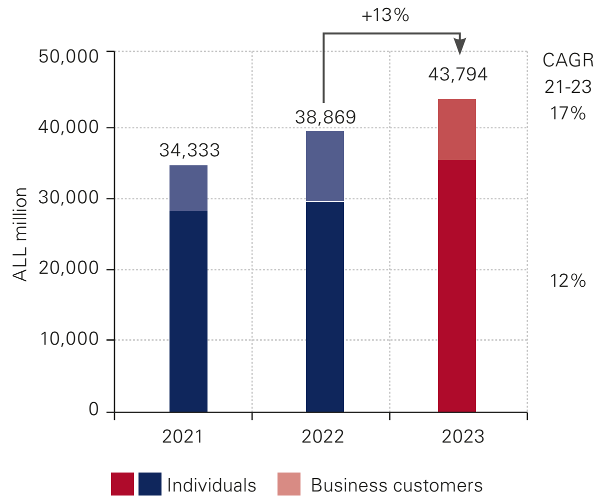
During the year, staff costs increased to ALL 538,616 thousand compared to ALL 427,963 thousand for the previous year, reflecting the increased number of employees of the bank which by the end of 2023 reached 433 people (2022: 425). General administrative costs reached ALL 245 513 thousand (2022: ALL 188,165 thousand), mainly influenced by inflation, and depreciation costs to ALL 135 058 thousand (2022: ALL 125 017 thousand). Impairment costs amounted to ALL 407,858 thousand, compared to ALL 271,840 thousand for the previous year.

15 The official exchange rate of the Albanian lek against the euro at the end of 2023 was ALL 103.88 per euro, and the average for the year was ALL 108.88 per euro.

Loan portfolio



Deposits



During the year the assets of Fibank Albania increased by 9.6% and reached ALL 54,917,439 thousand (2022: ALL 50,122,288 thousand) mainly as a result of the growth in loans and advances to customers and investments in securities. The gross loan portfolio increased by 8.8% to ALL 28,521,413 thousand (2022: ALL 26,213,730 thousand), mainly due to growth in SME loans, as well as in retail loans, and in particular mortgages.

In 2023, a new „Five Stars" mortgage loan was launched, financing up to 80% of the market value of the property, with a term of up to 30 years. During the period, online consumer loans were also offered with a maximum term of up to 5 years, applications being considered within 24 hours.

In support of women entrepreneurs, the development of the Smart Lady program continued. The program mainly targets micro-enterprises managed or owned by women, as well as businesses, including start-ups, whose products and/or services are intended for women. The program offers additional financing to existing customers in the form of investment and/or working capital loans, business packages and eased requirements regarding loan collateral.

Investments in securities amounted to ALL 15,677,878 thousand at the end of the period (2022: ALL 12,709,191 thousand), of which ALL 6,260,958 thousand measured at fair value through other comprehensive income (FVOCI) and ALL 9,416,920 thousand measured at amortized cost. These mainly included treasury bills and government bonds of the governments of Albania and other EU countries. Receivables from banks and financial institutions amounted to ALL 4,283,403 thousand as at 31 December 2023 (2022: ALL 3,730,441 thousand), including current accounts and placements with local and foreign banks and financial institutions.

Borrowings from customers increased by 12.7% to ALL 43,794,344 thousand at the end of the period (2022: ALL 38,869,160 thousand), with growth reported in both retail and business deposits as a result of the flexible and competitive savings products, promotional campaigns and banking packages offered by the bank. During the year, a focus was placed on offering savings accounts, as well as the Open Deposit: a product featuring increasing interest rate and the option to deposit or withdraw money at any time.

As at 31 December 2023, First Investment Bank - Albania Sh.a. had three subordinated term debt instruments issued (long-term bonds) amounting to EUR 2.0 million, EUR 2.9 million and EUR 5.0 million, meeting the requirements for Tier 2 capital under Regulation (EU) 575/2013. At the end of the year, the amortized value of the debt amounted to ALL 1,030,892 thousand (2022: ALL 1,133,621 thousand). The equity of First Investment Bank – Albania increased to ALL 5,860,721 thousand compared to ALL 4,796,738 thousand at the end of 2022, mainly as a result of an increase in retained earnings and a decrease in revaluation reserves.

In 2023, the bank actively developed its card business, starting to build its own POS network which by the end of the year included 80 POS terminals. The ATM network was also expanded, mainly in the southern part of the country, aimed at servicing the growing number of foreign tourists, especially in the summer season. As at 31 December 2023, the number of ATMs reached 53 (2022: 39), most of them equipped with a deposit function. Promotional campaigns were regularly organized, including for contactless debit and credit cards, with the aim of popularizing card payments and increasing the volume of card transactions.

During the period, the number of credit cards issued rose by 4.6%, with outstanding credit card balances reaching ALL 225,116 thousand at the end of the year. The bank is Visa certified and offers debit and credit cards to individual and corporate customers. It also has its own center for chip card personalization.

Fibank Albania offers an electronic and mobile banking platform featuring a user friendly and intuitive design, which it constantly upgrades in line with technological innovations and customer needs, including by adding new functionalities.

First Investment Bank - Albania Sh.a. continuously modernizes its branch network, which at the end of the year included 14 branches. It has a Head Office and 4 branches in Tirana, as well as branches in the other larger cities of Durres, Vlora, Elbasan, Fier, Shkoder, Korca, Berat, Lezhë, Saranda and Lushnjë. Through its branch network, the bank also offers investment gold and other precious metals to the Albanian market. *For further information regarding the branch network, see the "List of branch network" section.*

First Investment Bank - Albania Sh.a. makes dedicated efforts in the field of sustainable development by supporting a number of initiatives in Albania, focusing on corporate giving, ethical labor practices, environmental protection, support of education and sports, and volunteering.

In order to support young people and their successful professional realization, in 2023 the bank took part in several employment events, including the „30 Years of Free Economy - Banking Sector" forum aimed at developing practical skills among students in the country by offering internships and training programs. In the field of education, support was provided to the Bulgarian Summer School in cooperation with the Faculty of Foreign Languages in Tirana, by organizing a three-week training program for students learning the Bulgarian language.

In April 2023, First Investment Bank - Albania Sh.a. and its employees took part in the Albanian Red Cross blood donation campaign, aimed at support of children with chronic diseases in need of blood transfusion.

As part of a long-term collaboration with the Mother and Child Hospital Foundation (FSNF) to support mothers and children in need, First Investment Bank – Albania took part in an initiative aimed at increasing public engagement and awareness regarding the prevention of violence and abuse against women and children.

Another social initiative undertaken during the year was the „Give a Smile" campaign. It was aimed at alleviating the situation of children in a disadvantaged position or deprived of parental care by providing gifts, entertaining games, attention and empathy to their needs.

At the end of the year, the first stage of an environmental project was implemented to plant a tree for each family member having received a mortgage loan from the bank. As part of the initiative, a total of 200 linden trees were planted in the tourist village of Rabdishti in the municipality of Dib-r in the eastern part of Albania, with more environmental initiatives planned for 2024.

The Bank continued to support initiatives promoting sports in urban settings and a healthy lifestyle, including the Tirana Marathon, in which a number of bank employees took part.

First Investment Bank - Albania Sh.a. has a corporate governance structure consisting of a Management Board, Audit Committee and Executive Management (Directorate). The Chief Executive Officer of First Investment Bank - Albania Sh.a. is Mr. Bozhidar Todorov who has extensive experience in banking, having held senior positions at First Investment Bank AD related to management of corporate assets.

The financial statements of the bank are prepared in accordance with International Financial Reporting Standards and are audited by a registered auditor. For 2023, the registered auditor of the bank was Grant Thornton Sh.p.k.

Fi Health Insurance AD

Fi Health Insurance AD is an insurance company licensed by the Financial Supervision Commission in June 2013, when it became the first voluntary health insurance fund in the country to obtain a license for insurance of the risks of accident and illness, covering financial costs related to outpatient medical care, hospital treatment, expenses for medical goods and dental services, as well as indemnity in case of insurance events arising as a result of accident or illness. In 2018 the company's insurance license was expanded to cover another type of risk: miscellaneous financial losses.

Fi Health Insurance AD has a one-tier management system, comprising a Board of Directors and Executive management (Executive Director). Executive Director of Fi Health Insurance AD is Ms. Milena Kasapova, who has extensive professional experience in insurance. Since 2016, the company has been represented jointly by its Executive Director and a Procurator, with Ms. Tsvetomira Karapchanska, a longtime Sales Manager of the company, being appointed as Procurator.

In 2023, Fi Health Insurance further developed its business and launched successful campaigns to promote new insurance products, including additional coverage to the "Peace of Mind with Fi Health" policy in case of unemployment. This product provides insured persons with protection against risks related to their life, health, physical condition and employment

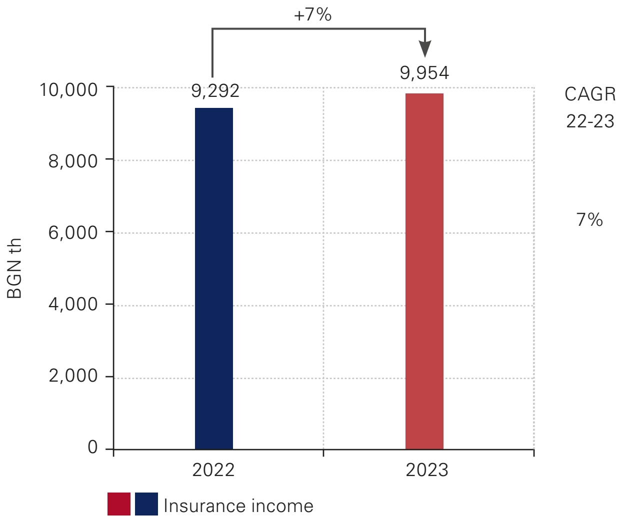
The company offers insurance coverage for both retail and business customers, primarily from the micro and SME segments. The product range includes the "Peace of Mind with Fi Health" and "Occupational Accident" insurance products, the "Fi Health Partner" insurance designed for individuals, as well as group insurance policies suitable for employees of corporate clients. To issued payment cards is offered the "Fi Health Protect" insurance and the "Fi Health Protect+", the latter combining „Fi Health Protect" offered with credit cards and „Fi Health Wallet" offered with debit cards. The company offers also an insurance product for retail customers of First Investment Bank using overdraft facilities from the bank.

Throughout the year, the company continued to focus on offering group sickness insurance to corporate clients and signed new agreements to that effect. Such insurance, taken out by the employer, guarantees comprehensive and high-quality medical care, as well as easier access to reputable medical establishments and qualified health specialists on the territory of the country. Providing easy and well-organized access to first-rate medical services promotes additional health insurance, expands the market niche and creates sophisticated health service users. Fi Health also created a VIP package for individual customers with an increased level of coverage. In 2023, the company partnered with a large fitness chain, whose clients with an annual subscription are offered "Illness" insurance.

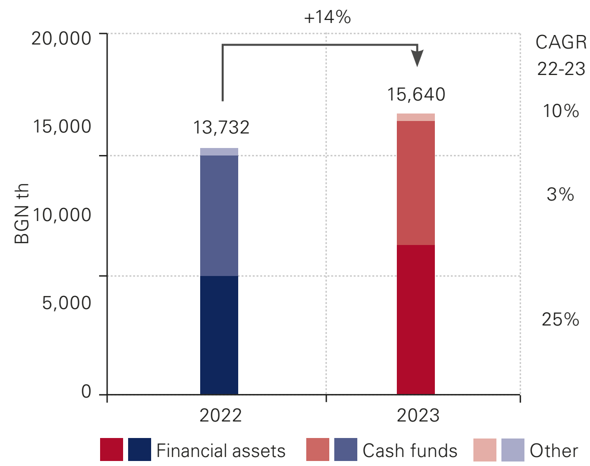
In 2023 a new insurance accounting standard IFRS 17 came into force, replacing IFRS 4 acting by 31.12.2022. Thus, insurance activity and related accounting reporting was changed, taking into consideration also the periods for 2022 and 2021, as those were reflected in the capital section of the report.

For 2023, the insurance income of Fi Health Insurance amounted to BGN 9,954 thousand, compared to BGN 9,292 thousand for 2022, and the reported net profit for the period was BGN 1,725 thousand (2022: BGN 2,126 thousand), reflecting the changes of migrating to IFRS 17. The company managed insurance risk through established limits, procedures for approval of submitted claims, and various methods for assessment and control.

Insurance income



Structure of assets



The company's assets increased by 13.9% to BGN 15,640 thousand at the end of the year (2022: BGN 13,732 thousand). The cash and cash equivalents were up to BGN 6,965 thousand (2022: BGN 6,775 thousand), while the financial assets held by the company were up to BGN 7,925 thousand (2022: BGN 6,230 thousand), which mainly include bank deposits and Bulgarian government securities. As at 31 December 2023, following the changes in IFRS 17, the equity of Fi Health Insurance amounted to BGN 13,696 thousand, compared to BGN 11,971 thousand a year earlier.

In order to continue safeguarding its financial stability while progressively increasing the product portfolio, in 2023 Fi Health Insurance renewed its agreement with an A+ rated reinsurance company (S&P).

In 2023, the compny was subject to regular routine examination from the FSC, in which no material non-compliance issues were identified with respect to the effective regulatory framework. The recommendations received aim at adapting the policies of the company to the requirements set in Ordinance № 71 on the governance system of insurers and re-insurers, which will also be a start for the preparation of the Solvency II migration project of Fihealth Insurance within the next three years.

MyFin EAD

In 2020, First Investment Bank established the subsidiary MyFin EAD, entered in the Commercial Register of the Registration Agency in March 2020, its main business being the issuance of electronic money and provision of payment services within the meaning of the Law on Payment Services and Payment Systems, for which it was licensed by the Bulgarian National Bank.

MyFin EAD started its activity in November 2020, offering customers a digital platform for fast money transfers and online payments, issuance of digital and virtual cards, as well as innovative payment services such as peer-to-peer transfers between MyFin customers, Pay by Link and others. Services related to personal finance management (PFM), utility payments and online purchases are also offered. MyFin customers can receive real-time information about their account balances and transactions performed, as well as use 24/7 consultation with qualified live operators.

The company focuses on facilitating the user experience in finance management by developing and upgrading its digital services platform with new options and functionalities. In fulfillment of this vision, at the beginning of 2022 the company provided its customers with access to the innovative Blink service allowing instant payments (within 10 seconds) for amounts up to BGN 30,000, becoming one of the first fintech companies in Bulgaria to offer this service.

In 2023, the company further developed its digital services by developing and launching innovative products and functionalities. In the MyFin digital wallet, the „Gold Account" product was added, intended for storage and purchase/sale of dematerialized gold (XAU).

Projects were launched with the aim of expanding the range of services offered through the digital application, including buying and selling shares, geolocation and detailed information on card payments, as well as issuance of new payment cards.

Right from the start of its activity, MyFin EAD became involved in initiatives for corporate social responsibility and commitment to society, supporting projects to reduce harmful emissions and protect the environment. In addition to the company's main focus being the issuance of digital and virtual payment cards, its plastic cards offered to customers are also made of innovative 100% biodegradable material, developed in partnership with the company Austriacard.

The company continued its social focus on the youngest users, successfully offering an innovative and flexible interface especially developed for children. It allows them to develop early financial literacy in a safe, easy and intuitive way by making payments with digital or virtual cards with funds provided by their parents. The new functionality allows parents to manage the child's account and receive information about everything that happens in it, including setting tasks and monitoring their completion.

In line with its commitment to early financial education, MyFin maintains active cooperation with the Finance Academy, a strategic partner of Software University Ltd. (SoftUni). Through it, the company aims at increasing the financial awareness of young people, as well as improving their personal finance management skills. MyFin regularly participates in fintech and digital development forums.

MyFin EAD has a one-tier management system, comprising a Board of Directors and Executive management (Executive Director). The Executive Director representing the company, Mr. Lachezar Venkov, has extensive professional experience in financial and digital services.

As of 31 December 2023 First Investment Bank AD also had other subsidiary companies, as follows: Diners Club Bulgaria AD, AMC Imoti EAD, Debita OOD, Creative Investment EOOD, Lega Solutions EOOD and Inkaso Garant EOOD.

On 27.12.2023, following a liquidation procedure having taken place over the period 19.09.2023 - 27.12.2023, the subsidiary First Investment Finance B.V. was deleted from the Commercial Register.

After the reporting date, in February 2024, the General Meeting of Shareholders of the subsidiary company Diners Club Bulgaria AD took a decision to terminate its activity as a payment institution, and to terminate its activity as a franchisee of Diners Club International. Following a procedure under the Payment Services and Payment Systems Act, the plan for the termination of the activity proposed by the company, as well as the invalidation of its license as of 15 April 2024, were approved by the BNB by decision dated 15.02.2024. Based on a decision of the General Meeting of Shareholders dated 09.02.2024 after invalidation of the license the main business of the company is changed to include commercial activity non-prohibited by law, in addition the name of the company is changed to Finclub AD.

For further information on subsidiary companies, including on those subject to consolidation, see the "Fibank profile" section, as well as note 36 „Subsidiary undertakings" of the Consolidated financial statements for the year ended 31 December 2023.


We invest in the future

Consolidated financial statements

for the year ended 31 december 2023
with independent auditors' report thereon

Report of the independent auditors

To the shareholders of First Investment Bank

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of First Investment Bank AD and its subsidiaries (the „Group"), which include the consolidated statement of financial position as at 31 December 2023 and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity containing and the consolidated statement of cash flows for the year then ended as well as the explanatory notes to the financial statements and summary disclosure of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2023 and its financial results from operations and cash flows for the year then ended, in accordance with International Standards for Financial Reporting (IFRS) adopted by the European Union (EU).

Basis for expressing 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 Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including the International Standards of Independence) of the International Ethics Standards Board for Accountants (the ISAC Code) , together with the ethical requirements of the Independent Financial Audit Act (IAFA), applicable in our audit of the consolidated financial statements in Bulgaria, and we have also fulfilled our other ethical responsibilities in accordance with the requirements of the FSA and the Code SMSES. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of greatest significance in the audit of the consolidated financial statements for the current period. These matters were considered as part of our audit of the consolidated financial statements as a whole and the formation of our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of accounts receivable

Key audit matter - Impairment of trade receivables
Impairment represents a significant management judgment regarding the losses incurred within the Bank's credit portfolio. The bank assesses the need for credit impairment on an individual and portfolio basis. Loans represent 51.63% of the assets of First Investment Bank AD. The bank categorizes its receivables from customers into 5 business segments: large, medium, small, micro-enterprises and retail banking. The share of receivables from corporate clients is the largest – 64.30% of total receivables from clients. Due to their materiality and the uncertainty associated with the process of identifying impaired loans, assessing objective evidence of impairment and determining recoverable amount, we define them as a key audit matter. The process involves various assumptions and factors, including the financial condition of the borrower counterparty, expected future cash flows, value of the collateral. As a result, the use of different modeling techniques and assumptions may lead to differences in the assessment of credit loss impairment. The exposures that give rise to the greatest valuation uncertainty are those where there is a risk of cash flow shortages or collateral insufficiency.
How this key audit question was addressed in our audit
Procedures performed to support our conclusions and discussions: • The internal rules of First Investment Bank AD have been reviewed, we have gained an understanding of the key controls in the essential business processes and tests have been made for the effectiveness of the controls, according to the audit strategy. • A sample of borrowers was reviewed on the basis of risk analysis, for which substantive procedures were carried out in connection with an assessment of the adequacy of the recognized impairment. • For individually charged impairments, we tested assumptions regarding the identification and quantification of impairments, including projections of future cash flows and valuations of credit collateral. We reviewed a sample of credit exposures that continue to be, have occurred or have been exposed to impairment risk. • For collective impairments, we reviewed the methodology used by the Bank to determine them, the reasonableness of the underlying assumptions and the sufficiency of the data used by management. • For selected non-performing loans, we have evaluated management's forecast of cash flow generation, collateral valuations and other repayment sources. In addition, we tested a sample of serviced loans for which an assessment of financial indicators was performed for weaknesses and other risks that could threaten the ability to repay the exposures.
Relevant references in the consolidated financial statements • Notes 18 • Note 2 (j) • Note 3 C (iii) • Note 4

Assets acquired as collateral

Key audit matter - Assets acquired as collateral
The position in the consolidated financial statement in the amount of BGN 414,365 thousand is disclosed by relevant subgroups. The Buildings group contains assets of varying degrees of completion and are in accordance with their condition at the date of acquisition. First Investment Bank AD has recognized in the profit of Others revenues/ (expenses), net (Note 12) profit in the amount of BGN 5,031 thousand. First Investment Bank AD, like any other banking institution, is exposed to significant risk regarding the realization of the assets acquired as collateral.
How this key audit question was addressed in our audit
Procedures performed to support our conclusions and discussions • The internal rules of First Investment Bank AD have been reviewed, we have gained an understanding of the key controls in the essential business processes and tests have been made for the effectiveness of the controls, according to the audit strategy. • For a sample of newly acquired collateral assets, acquisition documents were reviewed, and fair value determination reports were reviewed for a sample of current collateral assets. • The supporting documents for our sample were reviewed in relation to the largest object - brokerage agreement, lease agreement, commission agreement, as well as their annexes. Substantive procedures were performed to confirm the completeness and accuracy of the reclassification between individual groups.
Relevant references in the consolidated financial statements • Note 12 • Note 22

Litigation and Provisions

Key Audit Matter - Litigation and Provisions
First Investment Bank AD, like any other banking institution, is exposed to a significant risk of litigation and regulatory scrutiny. The extent of the impact cannot always be predicted, but may result in provisions for contingent and other liabilities depending on the relevant facts and circumstances. The level of provisions is subject to management and judgment based on legal advice. First Investment Bank AD has recognized provisions in the amount of BGN 1,034 thousand for legal disputes. In connection with issued bank guarantees, First Investment Bank AD has blocked funds in the amount of BGN 43,094 thousand, which are disclosed in note 25 of the consolidated financial statement (included in the Other assets subgroup). Due to the ambiguities of the emergence and presentation of claims related to lawsuits against First Investment Bank AD, there is a risk of incomplete or untimely reflection in the consolidated financial statement of legal claims pertaining to the relevant reporting period.

How this key audit question was addressed in our audit
Procedures performed to support our conclusions and discussions • The internal rules of First Investment Bank AD have been reviewed, we have gained an understanding of the key controls in the essential business processes and tests have been made for the effectiveness of the controls, according to the audit strategy. • A letter was received from the legal department of First Investment Bank AD, as well as from external legal consultants, regarding information on cases filed in a foreign jurisdiction and subsequent proceedings in Bulgaria. The pending court cases in Bulgarian and Romanian courts, on which no final decisions have entered into force, are listed.
Corresponding references in the individual financial statement • Note 25 • Note 30

Other matters

In determining risk-weighted assets, the management excluded Assets with the right to use according to IFRS 16 „Leasing" in the amount of BGN 172,967 thousand.

Other information other than the consolidated financial statements and the auditor's report thereon

Management is responsible for the other information. The other information consists of an activity report (on an individual basis), incl. corporate governance statement, remuneration policy implementation report and non-financial statement prepared by management under Chapter Seven of the Accounting Act, but excluding the financial statement and our auditor's report thereon, which we received prior to the date of our auditor's report.

Our opinion on the consolidated financial statements does not extend to the other information, and we do not express any form of assurance opinion about it, unless and to the extent expressly stated in our report.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and thereby evaluate whether that other information is materially inconsistent with the consolidated financial statements or with our knowledge obtained during the audit, or otherwise manner appears to contain a material misstatement.

In the event that, based on the work we have performed, we conclude that there is a material misstatement in that other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

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

In preparing the consolidated financial statements, management is responsible for evaluating the Group's ability to continue as a going concern, disclosing, where applicable, matters related to the going concern assumption and using the going concern basis of accounting, unless management does not intend to liquidate the Group or cease its operations, or if management has no practical alternative but to do so.

The persons charged with general management are responsible for the supervision of the Group's financial reporting process.

Responsibilities of the auditors for the Audit of the Consolidated Financial Statements

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

As part of the ISA compliance audit, we use professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated 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 the risk of a material misstatement resulting from error because fraud may involve collusion, forgery, intentional omissions, input statements misleading the auditor, as well as ignoring or circumventing internal control.
- obtain an understanding of internal control relevant to the audit in order to develop audit procedures that are appropriate in the particular circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- we evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- reach a conclusion about 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 relating to events or conditions that could give rise to significant doubts about the Group'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 consolidated financial statements disclosures related to that uncertainty or, if those 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 Group to cease functioning as a going concern.
- we evaluate the overall presentation, structure and content of the consolidated financial statements, including disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient and appropriate audit evidence about the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for instructing, supervising, and performing the audit of the Group. We take full responsibility for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with applicable ethical requirements regarding independence and that we will communicate with them all relationships and other matters that could reasonably be considered relevant to our independence. and where applicable, the associated safeguards.

Among the matters communicated whit those charged with governance, we identify those matters that were of greatest significance in the audit of the consolidated financial statements for the current period and which are therefore key audit matters. We describe these matters in our auditor's report, except where law or regulation prevents the public disclosure of information about that matter or when, in extremely rare cases, we determine that a matter should not be communicated in our report. as it could reasonably be expected that the adverse consequences of that action would outweigh the public interest benefits of that communication.

We are jointly and severally responsible for the performance of our audit and for the auditor's opinion expressed by us, in accordance with the requirements of the FSA applicable in Bulgaria. When undertaking and carrying out the engagement for a joint audit, in connection with which we report, we were also guided by the Guidelines for the implementation of a joint audit, issued on 13.06.2017 by the Institute of Certified Public Accountants in Bulgaria and by the Commission for Public supervision of registered auditors in Bulgaria..

Report in relation to other legal and regulatory requirements

Additional reporting matters under the Law on Accounting and in the Law on the Public Offering of Securities

In addition to our responsibilities and reporting under the IAS described above in the section „Other information other than the financial statement and the auditor's report thereon" with respect to the activity report, the corporate governance statement and the non-financial statement, we have also performed the procedures, added to those required under the IAS, according to the „Instructions on new and expanded audit reports and communication by the auditor" of the professional organization of registered auditors in Bulgaria, the Institute of Certified Public Accountants (ICPA). These procedures concern checks for the presence, as well as inspections of the form and content of this other information in order to assist us in forming an opinion on whether the other information includes the disclosures and reports provided for in Chapter Seven of the Law on Accounting and in the Law on the Public Offering of Securities, (art . 100n, paragraph 10 of the Law on Public Offering of Securities in connection with Article 100n, paragraph 8, items 3 and 4 of the Law on the Public Offering of Securities), applicable in Bulgaria.

Opinion in connection with Art. 37, para. 6 of the Law on Accounting

Based on the procedures performed, our opinion is that:

a) The information included in the activity report for the financial year for which the financial statement was prepared corresponds to the financial statement.

b) The consolidated activity report is prepared in accordance with the requirements of Chapter Seven of the Law on Accounting and Art. 100(n), para. 7 of the Law on the Public Offering of Securities.

c) In the declaration of corporate governance for the financial year for which the financial statement was prepared contains the information required under Chapter Seven of the Accounting Act and Art. 100 (n), para. 8 of the Law on the Public Offering of Securities information.

d) The consolidated non-financial statement for the financial year for which the consolidated financial statement was prepared was provided and prepared in accordance with the requirements of Chapter Seven of the Accounting Law.

e) The report on the implementation of the remuneration policy for the financial year for which the financial statement was prepared has been submitted and complies with the requirements laid down in the regulation referred to in Art. 116c, para. 1 of the Law on the Public Offering of Securities..

Opinion in connection with Art. 100(n), para. 10 in connection with Art. 100 n, para. 8, items 3 and 4 of the Law on the Public Offering of Securities

Based on the procedures performed and the knowledge and understanding of the enterprise's activities and the environment in which it operates, in our opinion, the description of the main characteristics of the enterprise's internal control and risk management systems in relation to the financial reporting process, which is part of the activity report (as an element of the content of the corporate governance statement) and the information under Art. 10, paragraph 1, letters „c", „d", „f", „h" and „i" of Directive 2004/25/EC of the European Parliament and of the Council of 21 April 2004 on takeover proposals do not contain cases of material misreporting.

Reporting on compliance of the electronic format of the consolidated financial report, included in the annual consolidated financial report for the activity under Art. 100n, paragraph 5 of the Law on the Public Offering of Securities with the requirements of the EEEF Regulation.

We have performed an engagement to express reasonable assurance about the consistency of the electronic format of the consolidated financial statements of First Investment Bank plc and its subsidiaries for the year ending on December 31, 2023, attached in the electronic file „549300UY81ESCZJ0GR95-20231231-BG - CON. XHTML „, with the requirements of Commission Delegated Regulation (EU) 2019/815 of December 17, 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regulatory technical standards on the definition of a common electronic reporting format („EEF Regulation"). Our opinion is only in relation to the electronic format of the consolidated financial statements and does not cover the other information included in the annual consolidated financial report on the activities referred to in Article 100n(5) of the Law on public offering of securities.

Description of the subject and applicable criteria

The management has prepared an electronic format of the Group's consolidated financial statements for the year ending on December 31, 2023, in accordance with the EEEF Regulation in order to comply with the requirements of the LLP. The rules for preparing consolidated financial statements in this electronic format are set out in the EEEF Regulation and, in our opinion, have the characteristics of appropriate criteria for the formation of a reasonable assurance opinion.

Responsibilities of management and persons charged with general management

The Group's management is responsible for implementing the requirements of the EEEF Regulation when preparing the electronic format of the consolidated financial statements in XHTML. These responsibilities include the selection and implementation of appropriate iXBRL markups using the taxonomy of the EEEF Regulation, and the implementation and application of such internal control system as management determines is necessary to enable the preparation of the electronic format of the Group's annual consolidated financial statements which does not contain significant inconsistencies with the requirements of the EEEF Regulation.

The people charged with general management are responsible for overseeing the process of preparing the Group's annual consolidated financial statements, including the implementation of the EEEF Regulation.

Responsibilities of the auditor

Our responsibility is to express an opinion, with reasonable assurance, on whether the electronic format of the consolidated financial statements complies with the requirements of the EEAS Regulation. For this purpose, we implemented the „Guidance on the expression of an audit opinion in relation to the application of the Single European electronic format (SEEF) for the financial statements of companies whose securities are admitted to trading on a regulated market in the European Union (EU)" of the professional organization of registered auditors in Bulgaria, the Institute of Certified Public Accountants (ICPA)" and we performed a reasonable assurance engagement in accordance with ISAIS 3000 (revised) „Assurance Engagements Other than Audits and Reviews of Historical Financial Information" (ISAIS 3000 (revised)).This standard requires us to comply with ethical requirements, plan and perform appropriate procedures to obtain reasonable assurance whether the electronic format of the Group's consolidated financial statements is prepared in all material respects in accordance with the applicable criteria set out above. The nature, timing and extent of the procedures selected depend on our professional judgement, including the assessment of the risk of material non-compliance with the requirements of the EEEF Regulation, whether due to fraud or error.

A reasonable degree of assurance is a high degree of assurance, but it is not a guarantee that an engagement performed in accordance with ISAIS 3000 (Revised) will always disclose a material noncompliance when one exists.

Quality control requirements

We apply the requirements of the International Standard on Quality Control (ISQC) 1 and, accordingly, maintain a comprehensive system of quality control, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements for registered auditors in Bulgaria.

We meet the ethical and independence requirements of the International Code of Ethics for Professional Accountants (including the International Standards of Independence) of the International Ethics Standards Board for Accountants (the IESBA Code), adopted by the IDES through the Independent Financial Audit Act.

Summary of work done

The purpose of the procedures planned and performed by us was to obtain a reasonable assurance that the electronic format of the consolidated financial statements has been prepared, in all material respects, in accordance with the requirements of the EEEF Regulation. As part of assessing compliance with the requirements of the EEEF Regulation regarding the electronic (XHTML) reporting format of the Group's consolidated statement, we have maintained professional skepticism and used professional judgement. We also:

- we obtained an understanding of the internal control and processes relating to the implementation of the EEAS Regulation in relation to the Group's consolidated financial statements and including the preparation of the Group's consolidated financial statements in XHTML format and its markup in machine-readable language (iXBRL);
- we checked whether the attached XHTML format is valid;
- we verified that the human-readable part of the electronic format of the consolidated financial statement corresponds to the audited consolidated financial statement;
- we assessed the completeness of the markups in the Group's consolidated financial statement using machine-readable language (iXBRL) in accordance with the requirements of the EEEF Regulation; — we assessed the appropriateness of the used iXBRL markups, selected from the basic taxonomy, as well as the creation of an element of the extended taxonomy in accordance with the EEEF Regulation, when a suitable element in the basic taxonomy is missing;
- we assess the appropriateness of the correlation (fixation) of the elements of the extended taxonomy in accordance with the EEEF Regulation.

We believe that the evidence obtained by us is sufficient and relevant to provide a basis for our opinion.

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Opinion on compliance of the electronic format of the consolidated financial statement with the requirements of the EEEF Regulation

In our opinion, based on our procedures, the electronic format of the consolidated financial statements of the Group for the year ending 31 December 2023 contained in the attached electronic file „ 549300UY81ESCZJ0GR95-20231231-BG- CON. XHTML", has been prepared in all material respects in accordance with the requirements of the EEEF Regulation.

Reporting according to Art. 10 of Regulation (EU) No. 537/2014 in connection with the requirements of Art. 59 of the Law on the Independent Financial Audit

According to the requirements of the Law on the Independent Financial Audit in connection with Art. 10 of Regulation (EU) No. 537/2014, we additionally report the information set out below.

- Mazars Ltd. and Ecovis Audit Bulgaria Ltd. were appointed as mandatory auditors of the consolidated financial statements for the year ending on December 31, 2023 of First Investment Bank AD („the Bank „) by the General Meeting of Shareholders held on May 18, 2023, for a period of one year.
- The audit of the consolidated financial statements for the year ending 31 December 2023 of the Bank represents the second full commitment for a mandatory audit of this enterprise carried out by Mazars Ltd and a second full commitment for a compulsory audit of this enterprise carried out by Ecovis Audit Bulgaria Ltd.
- We confirm that the audit opinion expressed by us is in accordance with the additional report submitted to the Bank's audit committee, in accordance with the requirements of Art. 60 of the Law on the Independent Financial Audit.
- We confirm that we have not provided the specified in Art. 64 of the Law on the Independent Financial Audit prohibited non-audit services.
- We confirm that in performing the audit we have maintained our independence from First Investment Bank AD.

Sofia, 26 April 2024

About Ecovis Audit Bulgaria OOD:

Georgi Trenchev

Manager

Georgi Trenchev

Manager

Registered auditor responsible for the audit

Sofia, Gen. Blvd. Edward Totleben, No 71-73

ОДИТОРСКО ДРУЖЕСТВО
София
Рег. № 114
ЕКОВИС ОДИТ БЪЛГАРИЯ ООД

About MAZARS OOD:

Athanasios Petropoulos

Procurator

Iva Slavkova

Registered auditor responsible for the audit

Sofia, Moskovska St., No. 3A

ОДИТОРСКО ДРУЖЕСТВО
София
Рег. № 169
МАЗАРС ООД

Consolidated statement of profit or loss and of other comprehensive income for the year ended 31 December 2023

in BGN '000	Note	2023	2022
Interest income		452,554	342,537
Interest expense		(45,793)	(46,328)
Net interest income	**6**	**406,761**	**296,209**
Fee and commission income		203,083	180,150
Fee and commission expense		(44,022)	(35,188)
Net fee and commission income	**7**	**159,061**	**144,962**
Net trading income	8	25,045	20,473
Other net operating income	9	(26,981)	14,306
TOTAL INCOME FROM BANKING OPERATIONS		**563,886**	**475,950**
Administrative expenses	10	(238,282)	(217,852)
Other income/(expenses), net	12	(3,363)	(7,739)
Profit before impairment		**322,241**	**250,359**
Allowance for impairment	11	(144,479)	(140,230)
PROFIT BEFORE TAX		**177,762**	**110,129**
Income tax expense	13	(19,477)	(12,139)
GROUP PROFIT AFTER TAX		**158,285**	**97,990**
Other comprehensive income			
Items which should or may be reclassified as profit or loss			
Exchange rate differences from translation of foreign operations		8,454	3,776
Revaluation reserve of investments in securities		11,510	(27,162)
Total other comprehensive income		**19,964**	**(23,386)**
TOTAL COMPREHENSIVE INCOME		**178,249**	**74,604**
Net profit attributable to:			
Ordinary equity holders		157,573	97,241
Non-controlling interest		712	749
Total comprehensive income attributable to:			
Ordinary equity holders		177,537	73,855
Non-controlling interest		712	749
Basic and diluted earnings per share (BGN)	**14**	**1.06**	**0.65**

The statement of profit or loss and of comprehensive income is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 136 to 199.

The financial statements have been approved by the Management Board on 25 April 2024 and signed on its behalf by:

Nikola Bakalov
Chief Executive Officer

Chavdar Zlatev
Executive Director

Svetozar Popov
Executive Director

Ralitsa Bogoeva
Executive Director

Ianko Karakolev
Главен финансов директор

Audited as per the auditors' report dated 26/04/2024:

Athanasios Petropoulos
procurator

Mazars OOD

Iva Slavkova
Registered auditor responsible for the audit

Georgi Trenchev, manager
Registered auditor responsible for the audit

ECOVIS AUDIT BULGARIA OOD

ОДИТОРСКО ДРУЖЕСТВО София Рег. № 169 МАЗАРС ООД

ОДИТОРСКО ДРУЖЕСТВО София Рег. № 114 ЕКОВИС ОДИТ БЪЛГАРИЯ ООД

Consolidated statement of the financial position as at 31 December 2023

in BGN '000	Note	2023	2022
ASSETS			
Cash and balances with Central Banks	15	2,462,073	2,042,858
Investments in securities	16	2,883,067	2,819,193
Loans and advances to banks and other financial institutions	17	227,327	221,900
Loans and advances to customers	18	7,674,705	6,823,003
Property and equipment	19	110,839	108,376
Intangible assets	20	25,318	16,611
Derivatives held for risk management		1,765	1,609
Current tax assets		229	-
Deferred tax assets		3,470	3,948
Repossessed assets	22	414,365	423,585
Investment Property	23	756,767	750,324
Rights of use assets	24	172,967	171,638
Other assets	25	131,341	115,937
TOTAL ASSETS		**14,864,233**	**13,498,982**
LIABILITIES AND CAPITAL			
Due to banks	26	8,387	13,152
Due to other customers	27	12,316,348	11,454,906
Liabilities evidenced by paper	28	447,314	123,846
Financial liabilities at fair value through profit and loss		3,165	8,488
Subordinated term debt	29	19,410	19,410
Hybrid debt	29	257,871	256,861
Deferred tax liabilities	21	27,603	27,823
Current tax liabilities		2,388	645
Lease liabilities	24	171,743	171,217
Other liabilities	30	36,622	23,012
TOTAL LIABILITIES		**13,290,851**	**12,099,360**
Issued share capital	31	149,085	149,085
Share premium	31	250,017	250,017
Statutory reserve	31	39,865	39,865
Revaluation reserve of investments in securities		(6,537)	(18,047)
Revaluation reserve on property		4,500	4,500
Reserve from translation of foreign operations		14,822	6,368
Other reserves and retained earnings	31	1,116,028	962,805
TOTAL SHAREHOLDERS' EQUITY		**1,567,780**	**1,394,593**
Non-controlling interest		5,602	5,029
TOTAL GROUP EQUITY		**1,573,382**	**1,399,622**
TOTAL LIABILITIES AND GROUP EQUITY		**14,864,233**	**13,498,982**

The statement of the financial position is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 136 to 199.

The financial statements have been approved by the Management Board on 25 April 2024 and signed on its behalf by:

Nikola Bakalov
Chief Executive Officer

Chavdar Zlatev
Executive Director

Svetozar Popov
Executive Director

Ralitsa Bogoeva
Executive Director

Ianko Karakolev
Главен финансов директор

Audited as per the auditors' report dated 26/04/2024:

Athanasios Petropoulos
procurator

Mazars OOD

Iva Slavkova
Registered auditor responsible for the audit

Georgi Trenchev, manager
Registered auditor responsible for the audit

ECOVIS AUDIT BULGARIA OOD

Одиторско дружество София Рег. № 169 Мазарс ООД

Одиторско дружество София Рег. № 114 Ековис Одит България ООД

Consolidated statement of cash flows for the year ended 31 December 2023

in BGN '000	2023	2022
Net cash flow from operating activities		
Net profit	158,285	97,990
Adjustment for non-cash items		
Allowance for impairment	144,479	140,230
Net interest income	(406,761)	(296,209)
Depreciation and amortization	14,296	12,959
Tax expense	19,477	12,139
(Profit)/loss from sale and write-off of tangible and intangible fixed assets, net	33	21
Profit/(Loss) from sale of other assets, net	(7,742)	535
(Positive) revaluation of investment property	-	(14,769)
	(77,933)	**(47,104)**
Change in operating assets		
Decrease/(Increase) in financial assets at fair value through profit or loss	32,575	(2,977)
(Increase)/decrease in financial assets at fair value in other comprehensive income	(653,063)	525,578
Decrease in loans and advances to banks and financial institutions	7,511	2,177
(Increase) in loans to customers	(1,111,264)	(402,207)
Net (increase) in other liabilities	(322)	(55,591)
	(1,724,563)	**66,980**
Change in operating liabilities		
Increase/(decrease) in deposits from banks	(3,617)	4,830
Increase in amounts owed to other depositors	859,780	1,487,692
Net increase in other liabilities	(4,282)	80,959
	851,881	**1,573,481**
Interest received	531,606	425,014
Interest paid	(42,385)	(60,197)
Dividends received	2,348	633
Paid profit tax, net	(18,990)	(8,333)
NET CASH FLOW FROM OPERATING ACTIVITIES	**(478,036)**	**1,950,474**
Cash flow from investing activities		
(Purchase) of tangible and intangible fixed assets	(29,490)	(42,001)
Sale of tangible and intangible fixed assets	231	25
Sale of other assets	39,363	46,128
Decrease/(increase) of investments	578,109	(1,702,166)
NET CASH FLOW FROM INVESTING ACTIVITIES	**588,213**	**(1,698,014)**
Financing activities		
Increase in borrowings	321,484	4,077
(Decrease)/Increase in subordinated liabilities	1,028	(47,402)
NET CASH FLOW FROM FINANCING ACTIVITIES	**322,512**	**(43,325)**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**432,689**	**209,135**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD	**2,226,780**	**2,017,645**
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD (See Note 33)	**2,659,469**	**2,226,780**

The cash flow statement is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 136 to 199.

The financial statements have been approved by the Management Board on 25 April 2024 and signed on its behalf by:

Nikola Bakalov
Chief Executive Officer

Chavdar Zlatev
Executive Director

Svetozar Popov
Executive Director

Ralitsa Bogoeva
Executive Director

Ianko Karakolev
Главен финансов директор

Audited as per the auditors' report dated 26/04/2024:

Athanasios Petropoulos
procurator

Mazars OOD

Iva Slavkova
Registered auditor responsible for the audit

Georgi Trenchev, manager
Registered auditor responsible for the audit

ECOVIS AUDIT BULGARIA OOD

Consolidated statement of shareholders' equity for the year ended 31 December 2023

BGN '000	Issued share capital	Share premium	Other reserves and retained earnings	Revaluation reserve of investments in securities	Revaluation reserve on property	Reserve from translation of foreign operations	Statutory reserve	Non-controlling interest	Total
Balance at 01 January 2022	**149,085**	**250,017**	**860,339**	**9,115**	**4,500**	**2,592**	**39,865**	**4,329**	**1,319,842**
Total comprehensive income for the period									
Net profit for the year ended 31 December 2022	-	-	97,241	-	-	-	-	749	97,990
Other comprehensive income for the period									
Revaluation reserve of investments in securities	-	-	-	(27,162)	-	-	-	-	(27,162)
Reserve from translation of foreign operations						3,776			3,776
Effect of consolidation of significant subsidiary			1,096						1,096
Effect from de consolidation of subsidiaries	-	-	4,129	-	-	-	-	(49)	4,080
Balance as at 31 December 2022	**149,085**	**250,017**	**962,805**	**(18,047)**	**4,500**	**6,368**	**39,865**	**5,029**	**1,399,622**
Total comprehensive income for the period									
Net profit for the year ended 31 December 2022	-		157,573	-	-	-	-	712	158,285
Other comprehensive income for the period									
Revaluation reserve of investments in securities	-	-	-	11,510	-	-	-	-	11,510
Reserve from translation of foreign operations	-	-	-	-	-	8,454	-	-	8,454
Dividend paid by subsidiary	-	-	(1,956)	-	-	-	-	-	(1,956)
Effect from de consolidation of subsidiaries	-	-	(2,191)	-	-	-	-	-	(2,191)
Effect from the application of IFRS 9	-	-	(203)	-	-	-	-	(139)	(342)
Balance as at 31 December 2023	**149,085**	**250,017**	**1,116,028**	**(6,537)**	**4,500**	**14,822**	**39,865**	**5,602**	**1,573,382**

The statement of changes in equity is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 136 to 199.

The financial statements have been approved by the Management Board on 25 April 2024 and signed on its behalf by:

Nikola Bakalov
Chief Executive Officer

Chavdar Zlatev
Executive Director

Svetozar Popov
Executive Director

Ralitsa Bogoeva
Executive Director

Ianko Karakolev
Главен финансов директор

Audited as per the auditors' report dated 26/04/2024

Athanasios Petropoulos
procurator

Mazars OOD

Iva Slavkova
Registered auditor responsible for the audit

Georgi Trenchev, manager
Registered auditor responsible for the audit

ECOVIS AUDIT BULGARIA OOD

1. Basis of preparation

(a) Statute

First Investment Bank AD (The Bank) was incorporated in 1993 in the Republic of Bulgaria and has its registered office in: Sofia, 111P, Tsarigradsko Chaussee Blvd..

The Bank has a general banking license issued by the Bulgarian National Bank (BNB) according to which it is allowed to conduct all banking transactions permitted by Bulgarian legislation.

Following the successful Initial Public Offering of new shares at the Bulgarian Stock Exchange – Sofia, on June 13th 2007 the Bank was registered as a public company in the Register of the Financial Supervision Commission pursuant to the provisions of the Law on the Public Offering of Securities.

The Bank's management has a dual board structure, with the Managing Board and the Supervisory Board having the following members:

Managing Board

- Mr Nikola Bakalov – Chief Executive Officer
- Mr Svetozar Popov – Executive Director
- Mr Chavdar Zlatev – Executive Director
- Ms Ralitsa Bogoeva – Executive Director
- Mr Ianko Karakolev – Managing Board member
- Ms Nadya Koshinska – Managing Board member

Supervisory Board

- Mr Evgeni Lukanov – Supervisory Board chairperson
- Ms Maya Georgieva – Supervisory Board member
- Mr Jordan Skortchev – Supervisory Board member
- Ms Radka Mineva – Supervisory Board member
- Mr Jyrki Koskelo – Supervisory Board member

At 31 December 2023 the total number of employees was 2,408 (31 December 2022: 2,454).

The Bank's beneficial owners are disclosed in Note 31 below.

The consolidated financial statements of the Bank as at and for the year ended 31 December 2023 comprise the Bank and its subsidiaries (see note 36), together referred to as the "Group".

The Group has foreign operations in Cyprus (Cyprus Branch) and Albania (subsidiary).

The Group has not changed its name during the year ending 31 December 2023

(b) Statement of compliance

The financial statements were drawn up in accordance with the International Financial Reporting Standards (IFRS) endorsed by the European Commission.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 2 (p).

(c) Presentation of the financial statements

The financial statements are presented in Bulgarian Leva (BGN) rounded to the nearest thousand.

The financial statements are prepared in accordance with the fair value principle of derivative financial instruments, financial instruments recognised at fair value in profit or loss, investment properties, as well as assets recognised at fair value in other comprehensive income. Other financial assets and liabilities and non-financial assets and liabilities are stated at amortised cost or historical cost convention.

(d) New standards, amendments and interpretations effective as of 01 January 2023

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

- IFRS 17 "Insurance Contracts" effective from 1 January 2023, adopted by the EU

  IFRS 17 replaces IFRS 4 "Insurance Contracts". It requires a current measurement model where estimates are re-measured each reporting period. Contracts are measured using:

  – discounted probability-weighted cash flows

  – an explicit risk adjustment, and

  – a contractual service margin ("CSM") representing the unearned profit of the contract which is recognised as revenue over the coverage period

  The standard allows a choice between recognising changes in discount rates either in the income statement or directly in other comprehensive income. The new rules will affect the financial statements and key performance indicators of all entities that issue insurance contracts.

  Amendments to IFRS 17 Insurance Contracts: Deferred Tax related to Assets and Liabilities arising from a Single Transaction effective from 1 January 2023 adopted by the EU

  The amendment is a transition option relating to comparative information about financial assets presented on initial application of IFRS 17. The amendment is aimed at helping entities to avoid temporary accounting mismatches between financial assets and insurance contract liabilities, and therefore improve the usefulness of comparative information for users of financial statements.

  IFRS 17 and IFRS 9 Financial Instruments have different transition requirements. For some insurers, these differences can cause temporary accounting mismatches between financial assets and insurance contract liabilities in the comparative information they present in their financial statements when applying IFRS 17 and IFRS 9 for the first time.

  The amendment will help insurers to avoid these temporary accounting mismatches and, therefore, will improve the usefulness of comparative information for investors. It does this by providing insurers with an option for the presentation of comparative information about financial assets.

  The Management expects that the adoption of IFRS 17 and the amendments to IFRS 9 have no significant impact on the Group's financial results or financial position.

- IAS 1 Presentation of Financial Statements - the amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term 'significant accounting policies' with 'material accounting policy information'. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements.

  The supporting paragraphs in IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

- IAS 8 Accounting policies, Changes in Accounting Estimates and Errors - the amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". The definition of a change in accounting estimates was deleted.
- IAS 12 Income taxes: the amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences. Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting nor taxable profit. For example, this may occur after the recognition of a lease liability and the respective right-of-use asset upon the application of IFRS 16 on the lease commencement date.

  Following the amendments to IAS 12, an entity is required to recognise the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in IAS 12.

  The IASB amends the scope of IAS 12 to clarify that the Standard applies to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two model rules published by the OECD, including tax law that implements qualified domestic minimum top-up taxes described in those rules.

  The amendments introduce a temporary exception to the accounting requirements for deferred taxes in IAS 12, so that an entity would neither recognise nor disclose information about deferred tax assets and liabilities related to Pillar Two income taxes.

  Following the amendments, the Company is required to disclose that it has applied the exception and to disclose separately its current tax expense (income) related to Pillar Two income taxes.

The adoption of these amendments to the existing standards has not led to any changes in the Group's accounting policies.

(e) Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Company

The following standards, amendments and interpretations, which have also been issued but are not yet effective, are not expected to have a material impact on the Group's financial statements.

- IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current, effective as of 01 January 2024, adopted by the EU.

  The amendments to IAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items, adopted by the EU on 19 December 2023, published in the Official Journal on 20 December 2023

  The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.
- IFRS 16 Leases: Lease Liability in a Sale and Leaseback, effective as of 1 January 2024.

  The amendments require a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss that relates to the right of use it retains. The new requirements do not prevent a seller-lessee from recognising in profit or loss any gain or loss relating to the partial or full termination of a lease.

  A seller-lessee applies the amendments retrospectively in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to sale and leaseback transactions entered into after the date of initial application.
- Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability, effective 1 January 2025, adopted by the EU..

The amendments:

Specify when a currency is exchangeable into another currency and when it is not — a currency is exchangeable when an entity is able to exchange that currency for the other currency through markets or exchange mechanisms that create enforceable rights and obligations without undue delay at the measurement date and for a specified purpose; a currency is not exchangeable into the other currency if an entity can only obtain an insignificant amount of the other currency.

Specify how an entity determines the exchange rate to apply when a currency is not exchangeable — when a currency is not exchangeable at the measurement date, an entity estimates the spot exchange rate as the rate that would have applied to an orderly transaction between market participants at the measurement date and that would faithfully reflect the economic conditions prevailing.

Require the disclosure of additional information when a currency is not exchangeable — when a currency is not exchangeable an entity discloses information that would enable users of its financial statements to evaluate how a currency's lack of exchangeability affects, or is expected to affect, its financial performance, financial position and cash flows.

The amendments also extend to conforming amendments to IFRS 1 which previously referred to, but did not define, exchangeability.

- Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements, effective 1 January 2024.

The amendments add a disclosure objective to IAS 7 stating that an entity is required to disclose information about its supplier finance arrangements that enables users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows. In addition, IFRS 7 was amended to add supplier finance arrangements as an example within the requirements to disclose information about an entity's exposure to concentration of liquidity risk.

To meet the disclosure objective, an entity will be required to disclose in aggregate for its supplier finance arrangements:

– The terms and conditions of the arrangements

– The carrying amount, and associated line items presented in the entity's statement of financial position, of the liabilities that are part of the arrangements

– The carrying amount, and associated line items for which the suppliers have already received payment from the finance providers

– Ranges of payment due dates for both those financial liabilities that are part of a supplier finance arrangement and comparable trade payables that are not part of a supplier finance arrangement

– Liquidity risk information

2. Material information on the accounting policy

(a) Income recognition

(i) Interest income

Interest income and expense is recognised in the profit or loss as it accrues, taking into account the effective yield of the asset (liability) or an applicable floating rate. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial instrument but not future credit losses.

The calculation of the effective interest rate includes all fees paid or received as well as discount and premiums which are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

Interest income is calculated by applying the effective interest rate on the gross value of the financial asset, except for impaired assets for which the effective interest rate is applied ot the amortised cost of the financial asset.

(ii) Fees and Commissions

Fee and commission income arises on financial services provided by the Group and is recognised in profit or loss when the corresponding service is provided.

(iii) Net trading income

Net gains (losses) on financial assets and liabilities held for trading includes those gains and losses arising from disposals and changes in the fair value of financial assets and liabilities held for trading as well as trading income in dealing with foreign currencies and exchange differences from daily revaluation of the net open foreign currency position of the Group.

(iv) Dividend income

Dividend income is recognised when the right to receive income is established. Usually this is the ex-dividend date for equity securities.

(b) Basis of consolidation

(i) Business Combinations

Business combinations are accounted for using the acquisition method as at the acquisition date – i.e. when control is transferred to the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

Negative goodwill arising on acquisition is re-assessed and any excess remaining after the reassessment is recognised in the income statement.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

If share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards) and relate to past services, then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared with the market-based value of the acquiree's awards and the extent to which the replacement awards relate to past and/or future service.

If share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards) and relate to past services, then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared with the market-based value of the acquiree's awards and the extent to which the replacement awards relate to past and/or future service.

(ii) Non-controlling interest

Non-controlling interest is measured at its proportionate share of the acquiree's identifiable net assets at the acquisition date.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as transactions with owners in their capacity as owners. Adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary. No adjustments are made to goodwill and no gain or loss is recognised in profit or loss, they are recognised directly in equity.

(iii) Subsidiaries

Subsidiaries are those enterprises controlled by the Bank. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(iv) Loss of control

On the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently that retained interest is accounted for as an equity-accounted investee or in accordance with the Group's accounting policy for financial instruments depending on the level of influence retained.

(v) Transactions eliminated on consolidation

Intra-group income, expenses, balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(c) Foreign currency transactions

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Bulgarian leva, which is the Group's functional and presentation currency.

(ii) Transactions and balances

Transactions in foreign currencies are translated into the respective functional currencies of the operations at the spot exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the spot exchange rate at that date. Foreign currency differences arising on translation are difference between amortised cost in functional currency in the beginning of period, adjusted with effective interest and received payments during the period, and amortised cost in foreign currency at the spot exchange rate at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated into the functional currency at the spot exchange rate at the date that the fair value was determined.

(iii) Foreign operations

The assets and liabilities of foreign operations are translated to Bulgarian leva at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Bulgarian leva at exchange rates at the dates of the transactions. Foreign currency differences are recognised in other comprehensive income. The functional currency of the foreign operations in Cyprus is determined by the management to be the Euro. The functional currency of the foreign operations in Albania is determined by the management to be the Albanian Lek.

(d) Financial assets

(i) Recognition

The Group recognizes a financial asset when it becomes a party to the contractual provisions of the instrument. The Group initially recognizes trade and other receivables on the date of transaction. Advances to customers are recognised when cash is advanced to the borrowers. At initial recognition, the Bank measures all financial assets at fair value plus, in the case of financial asset not measured at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset.

The Group classifies financial assets in the following categories: financial assets measured at amortized cost, financial assets measured at fair value through other comprehensive income, or financial assets measured at fair value through profit or loss. Management determines the classification of investments at initial recognition according to the business model for management of the specific class of financial assets and the contractual features of the cash flows associated with that financial asset.

(ii) Financial assets at amortised cost

Debt instruments held within the Group's business model whose objective is to hold assets in order to collect contractual cash flows and where the contractual cash flows give rise only to principal and interest payments are recognised at amortised cost. After the initial recognition assets are booked at amortised cost.

Recognition at amortised cost requires application of the effective interest rate method. The amortised cost of a financial asset is the value at which the financial asset was initially recognised, minus the principal repayments plus or minus the amortisation accrued by using the effective interest rate method for each difference between the initial value and the value at the maturity date and minus impairment.

(iii) Financial assets at fair value through other comprehensive income

Debt instruments held within the Group's business model whose objective is to hold assets in order to collect contractual cash flows or to sell the asset and where the contractual cash flows give rise only to principal and interest payments are recognised at fair value in other comprehensive income. After initial recognition, the asset is measured at fair value with changes in fair value in revaluation reserve of investments in securities (other comprehensive income). When the debt instrument is written off, the profit or loss accrued and recognised in other comprehensive income is transferred to profit or loss.

(iv) Financial assets at fair value through profit or loss

The position contains two categories: financial assets held for trading and financial assets not classified in the above two categories. A financial asset is classified in this category if it was acquired for the purpose of short-term sale or if its contractual characteristics do not meet the requirement for generating payments of only principal and interest. Derivatives are also categorised as held for trading unless they are designated as hedges.

The Group does not designate any debt instrument as at fair value through profit or loss to remove or significantly reduce an accounting mismatch.

(v) Capital instruments at fair value through other comprehensive income

The Group may make an irrevocable election to recognize changes in fair value of investments in equity instruments through other comprehensive income, not through profit or loss. A gain or loss from fair value changes will be shown in other comprehensive income and will not be reclassified subsequently to profit or loss. When the equity instrument is written off, the profit or loss accrued and recognised in other comprehensive income is directly transferred to other reserves and retained earnings.

(vi) Reclassification

If the Group reclassifies a financial asset out of the fair value through profit or loss measurement category and into the fair value through other comprehensive income measurement category, the financial asset shall continue to be measured at fair value. The revaluation reserve for the instrument shall be formed from changes to fair value after the reclassification date.

If the Group reclassifies a financial asset out of the amortized cost measurement category and into the fair value through profit or loss measurement category, its fair value shall be measured at the reclassification date. Any gain or loss arising from a difference between the previous amortized cost of the financial asset and fair value is recognized in profit or loss.

If the Group reclassifies a financial asset out of the fair value through profit or loss measurement category and into the amortized cost measurement category, its fair value at the reclassification date shall become its new gross carrying amount.

If the Group reclassifies a financial asset out of the amortized cost measurement category and into the fair value through other comprehensive income measurement category, its fair value shall be measured at the reclassification date. Any revaluation difference shall be recognized in other comprehensive income. The effective interest rate and the measurement of expected credit losses shall not be adjusted as a result of the reclassification.

If the Group reclassifies a financial asset from the 'measured at fair value through other comprehensive income' category to the 'measured at amortized cost' category, the entire value of the accumulated revaluation reserve at the date of reclassification is offset against the fair value of the financial asset. Thus, in practice, it turns out that at the date of reclassification the financial asset is measured as if it had always been measured at amortized cost. The effective interest rate and the measurement of expected credit losses shall not be adjusted as a result of the reclassification.

Such reclassification is only possible after a change in the business model by which financial assets are managed.

In case of a change of the business model from "hold to collect and sell" to "hold to collect", the Group reclassifies the financial assets concerned. To this end, it periodically reviews its business model historically and analyzes the extent to which the purpose of holding financial assets meets the 'hold to collect' business model as opposed to the 'hold to collect and sell' business model. In this analysis, the following criteria may serve as indication for change in the business model: government securities with sufficiently long residual term that have not been traded since their acquisition; or privately placed securities without an active market where the Group holds a significant part of the issue. In case of a significant predominance of the 'hold to collect' business model, the Group needs to consider whether to reclassify the financial assets from the 'Measured at fair value through other comprehensive income' category to the 'Measured at amortized cost' category, continuing to manage financial assets in such a way as to generate cash flows only from collecting contractual payments.

If the Group reclassifies a financial asset out of the fair value through other comprehensive income measurement category and into the fair value through profit or loss measurement category, the financial asset shall continue to be measured at fair value. The cumulative revaluation reserve at the reclassification date shall be reclassified to profit or loss.

The Group shall not reclassify any financial liability.

(vii) Fair value measurement principles

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

When applicable, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

When there is no quoted price in an active market, the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Group determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is supported wholly by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, the Group measures assets and long positions at a bid price and liabilities and short positions at an ask price. The Group which holds portfolios of financial assets and financial liabilities is are exposed to market risk and credit risk. If the Group manages these portfolios on the basis of its net exposure either to market risk or credit risk, the fair value is measured on the basis of a price that would be received to sell a net long position or paid to transfer a net short position for a particular risk exposure. Those portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

(viii) Derecognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when the Group transfers these rights in a transaction in which substantially all the risks and rewards of ownership of the financial assets are transferred to the buyer. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

The Group enters into transactions whereby it transfers financial assets recognised in its statement of financial position, but retains either all or substantially all risks and rewards of the transferred asset. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised in the statement of financial position (an example of such transactions are repo deals).

In transactions in which the Group neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset, it derecognises the asset if it does not retain control over the asset. The rights and obligations retained in the transfer are recognised separately as assets and liabilities as appropriate. In transfers in which, control over the asset is retained, the Group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

(e) Cash and cash equivalents

Cash and cash equivalents comprise cash balances on hand, cash deposited with central banks and short-term highly liquid accounts and advances to banks with original maturity of up to three months.

(f) Investments

Investments that the Group holds for the purpose of short-term profit taking or repurchases are classified as financial assets for trading. Investments in debt instruments held by the Group as part of a business model for the purpose of collecting contractual cash flows are classified as financial assets at amortised cost. Investments in debt instruments held by the Group as part of a business model for the purpose of collecting contractual cash flows and sale are classified as financial assets at fair value in other comprehensive income. All other investments, including those whose contractual terms do not meet the requirement for generation of only principal and interest payments are classified as recognised at fair value in profit or loss.

(g) Securities borrowing and lending business and repurchase transactions

(i) Securities borrowing and lending

Investments lent under securities lending arrangements continue to be recognised in the statement of financial position and are measured in accordance with the accounting policy applicable for assets at fair value in profit or loss or at fair value in other comprehensive income. Cash collateral received in respect of securities lent is recognised as liabilities to either banks or customers. Investments borrowed under securities borrowing agreements are not recognised. Cash collateral placements in respect of securities borrowed are recognised under loans and advances to either banks or customers. Income and expenses arising from the securities borrowing and lending business are recognised on an accrual basis over the period of the transactions and are included in interest income or expense.

(ii) Repurchase agreements

The Group enters into purchases (sales) of investments under agreements to resell (repurchase) substantially identical investments at a certain date in the future at a fixed price. Investments purchased subject to commitments to resell them at future dates are not recognised.

The amounts paid are recognised in loans to either banks or customers. The receivables are shown as collateralised by the underlying security. Investments sold under repurchase agreements continue to be recognised in the statement of financial position and are measured in accordance with the accounting policy for either assets held for trading or available-for-sale as appropriate.

The proceeds from the sale are reported as liabilities to either banks or other customers.

The difference between the purchase (sale) and resell (repurchase) considerations is recognised on an accrual basis over the period of the transaction and is included in interest income (expenses).

(h) Deposits and current accounts

Borrowings are recognised initially at 'cost', being their issue proceeds (fair value of consideration received) net of transaction costs incurred. Borrowings are subsequently stated at amortised cost and any difference between net proceeds and the redemption value is recognized in profit or loss over the period of the borrowings using the effective yield method.

If the Group purchases its own debt, it is removed from the statement of financial position and the difference between the carrying amount of a liability and the consideration paid is included in other operating income.

(i) Offsetting

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when the Group has a legally enforceable right to set off the recognised amounts and the transactions are intended to be settled on a net basis.

(j) Impairment of financial assets

The Group recognizes 12-month expected credit loss as loss allowance when there is no significant increase in the credit risk since initial recognition. When there is a significant increase in credit risk since initial recognition, expected credit losses for the remaining life of the financial assets are recognized as loss allowance.

Whether credit risk is significantly increased or not is determined based on the following factors and events for the debtor or the exposure:

- Internal behavioural scoring of natural persons, companies and institutions whose exposures are above the threshold for significance;
- Decrease in credit rating (internal or external) by a given number of notches for companies and institutions whose exposures are above the threshold for significance.
- Delinquencies;
- Other factors.

(k) Property and equipment

Land and buildings are presented in the statement of financial position at their revalued amount which is the fair value of the asset as at the date of revaluation less any subsequent amortisation and depreciation and accumulated impairment losses. All others classes of items of property, plant and equipment are stated in the statement of financial position at their acquisition cost less accumulated depreciation and allowance for impairment.

Depreciation is calculated on a straight-line basis at prescribed rates designed to decrease the cost or valuation of fixed assets over their expected useful lives. The annual rates of amortisation are as follows:

Assets	%
• Buildings	3 - 10
• Equipment	10 - 50
• Fixtures and fittings	10 - 15
• Motor vehicles	20
• Leasehold Improvements	2 - 50

Assets are not depreciated until they are brought into use and transferred from assets in the course of construction into the relevant asset category.

(l) Intangible assets

Intangible assets, which are acquired by the Group, are stated at cost less accumulated amortisation and any impairment losses.

Amortisation is calculated on a straight-line basis over the expected useful life of the asset. The annual rates of amortisation are as follows:

Assets	%
• Licenses and trademarks	10 – 14
• Software and licences	10 – 50

(m) Investment Property

Investment property is property (land or a building or part of a building or both) held to earn rentals or for capital appreciation or both. The Group has chosen for its accounting policy to account for investment property using the fair value model and applies this to all its investment property. Investment properties are initially measured at cost and are subsequently measured using the fair value model, and the revaluation income and expense is recognised in the profit for period in which they occurred. The reclassification of repossessed assets reported as inventories into investment properties is possible only where a contract to rent out the respective property has been signed. The fair value of assets constituting investment property was determined by independent property assessors holding recognised professional qualification and recent experience in assessing property with similar location and category, using reliable techniques for determining fair values.

(n) Provisions

A provision is recognised in the statement of financial position when the Group has a legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and an reliable assessment of the amount due can be made. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(o) Acceptances

An acceptance is created when the Group agrees to pay, at a stipulated future date, a draft drawn on it for a specified amount. The Group's acceptances primarily arise from documentary credits stipulating payment for the goods to be made a certain number of days after receipt of required documents. The Group negotiates most acceptances to be settled at a later date following the reimbursement from the customers. Acceptances are accounted for as liabilities evidenced by paper.

(p) Off-balance sheet commitments

In the ordinary course of its business, the Group enters into off-statement of financial position commitments such as guarantees and letters of credit. The Group recognizes provision for off-statement of financial position commitments when it has a present obligation as a result of a past event, when it is probable that an outflow of resources embodying economic benefit will be required to settle the obligation, and when a reliable estimate can be made of the obligation.

(q) Taxation

Tax on the profit for the year comprises current tax and the change in deferred tax. Current tax comprises tax payable calculated on the basis of the expected taxable income for the year, using the tax rates enacted by the statement of financial position date, and any adjustment of tax payable for previous years.

Deferred tax is provided using the balance sheet liability method on all temporary differences between the carrying amounts for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is calculated on the basis of the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. The effect on deferred tax of any changes in tax rates is charged to profit or loss, except to the extent that it relates to items previously recognised either in other comprehensive income or directly in equity.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the unused tax losses and credits can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(r) Critical accounting estimates and judgements in applying accounting policies

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Information on the valuations and the valuation uncertainty, for which there is a significant risk of change as of 31 December 2023 are stated below and are related to the impairment of financial instruments, income tax and the following notes related to other elements of the financial statements:

- Note 5, 19 - determining of the fair value of the financial instruments, land and buildings through valuation techniques, in which the input data for the financial assets and liabilities are not based on the available market information. The Management uses valuation techniques for the fair value of financial instruments (when there is no quoted price in an active market) and non-financial assets. In applying the valuation techniques, the Management uses to a maximum degree market data and assumptions which market participants would take into account in pricing an instrument. When there is no available market data, the Management uses its best judgement of the assumptions that market participants would make. These judgements may differ from the actual prices that may be determined in a fair market transaction between informed and willing parties at the end of the reporting period.
- Notes 11, 16, 18 – measuring the expected credit loss – credit losses constitute the difference between all contractual cash flows payable to the Bank and all cash flows which the Bank expects to receive. Expected credit loss is the probability-weighted estimate of credit losses which require the Group's judgement. Expected credit loss is discounted with the initial effective interest rate (or with the loan-adjusted effective interest rate for purchased or initially created financial assets with credit impairment).
- Notes 16, 18 – debt instruments at amortised cost – the analysis and intentions of the Management are confirmed by the business model of holding debt instruments that meet the requirements for receiving only principal and interest payments and holding assets until collecting the contractual cash flows from the bonds which are classified as debt instruments at amortised cost.
- Note 24 – Lease contract term – in determining the lease contract term the Management takes into consideration all facts and circumstances that create economic incentives for exercising the option to extend the lease, or not to exercise the option to terminate the lease Extension options (or the periods after termination options) are included in the lease contract term only if it is reasonably certain that the lease contract has been extended (or has not been terminated).

- Note 30 – in accordance with IAS 37 — Provisions, Contingent Liabilities and Contingent Assets and the internal rules for setting aside provisions for pending court cases the Group has recognised provisions for pending court cases. The Group is a defendant in pending cases and the outcome of those cases may lead to liabilities in an amount different from the amount of provisions recognized in the financial statement.

(i) Assessment of repossessed assets from collaterals

Assets accepted as collateral are recognized at the lower of the cost of acquisition and the net realizable value. When evaluating the net realizable value of the assets the Group prepares several models for appraisal (e.g. discounted cash flows) and makes comparison to available market data (e.g. similar market transactions, offers from potential buyers).

(ii) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant estimates are required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(s) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for the Bank's ordinary shares. Basic EPS is calculated by dividing the profit or loss for the period attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

(t) Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. The Government of Bulgaria is responsible for providing pensions in Bulgaria under a defined contribution pension plan. The Bank's contributions to the defined contribution pension plan are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value.

The Bank has an obligation to pay certain amounts to each employee who retires with the Bank in accordance with Art. 222, § 3 of the Labor Code.

According to these regulations in the LC, when a labor contract of a bank's employee, who has acquired a pension right, is ended, the Bank is obliged to pay him compensations amounted to two gross monthly salaries. Where the employee has been with the same employer for the past 10 years, this employee is entitled to a compensation amounting to six gross monthly salaries. As at balance sheet date, the Management of the Bank estimates the approximate amount of the potential expenditures for every employee using the projected unit credit method.

For the last two years the Bank has prepared estimates for the due provisions for pensions and has not identified significant liabilities.

Termination benefits

Termination benefits are recognised as an expense when the Group is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Bank has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably. The Group recognises as a liability the undiscounted amount of the estimated costs related to annual leave expected to be paid in exchange for the employee's service for the period completed.

(u) Insurance Contracts

Significant insurance risk

Insurance contracts are those contracts under which one party (the issuer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder.

The Group considers that the insurance risk is significant only if an insured event could cause the issuer to pay additional amounts that are significant in any single scenario, excluding scenarios that have no commercial substance (i.e. no discernible effect on the economics of the transaction). If an insured event could mean significant additional amounts would be payable in any scenario that has commercial substance, the condition in the previous sentence can be met even if the insured event is extremely unlikely, or even if the expected (i.e. probability-weighted) present value of the contingent cash flows is a small proportion of the expected present value of the remaining cash flows from the insurance contract.

Recognition of revenue by group of insurance contracts

The Group recognizes revenue from a group of insurance contracts, by deferring the insurance premium for the coverage period of each of the contracts forming the relevant group of insurance contracts. The coverage period is the period during which the entity provides insurance contract services. This period includes the insurance contract services that relate to all premiums within the boundary of the insurance contract.

Measurement of groups of insurance contracts – measurement model

IFRS 17 Insurance Contracts requires that assets and liabilities under insurance contracts be measured using the General Measurement Model (GM) where the estimates of all rights and obligations are remeasured using actual unbiased assumptions during each reporting period. It is admissible to use the simplified Premium Allocation Approach (PAA) for calculating the Liability for Remaining Coverage (LRC), provided that it ensures a measurement which does not differ significantly from the measurement made using the General Measurement Model, or where the coverage period of the group of insurance contracts is one year or less.

In order to apply the Premium Allocation Approach (PAA), the following criteria must be met at the same time:

- The coverage period of the group of insurance contracts is one year or less;
- The liability for remaining coverage calculated by using the PAA does not differ significantly from the liability for remaining coverage calculated by using the General Measurement Model (OM);
- There are no onerous groups of insurance contracts on initial recognition.

The Group recognizes the insurance contracts it has issued using the Premium Allocation Approach (PAA).

Liability for remaining coverage

The Group assesses the liability for remaining coverage using the Premium Allocation Approach and has chosen to recognize all acquisition cash flows when these costs are incurred.

On initial recognition the carrying amount of the liability is: the premiums, if any, received at initial recognition. Upon subsequent measurement, the carrying amount of the liability is the carrying amount at the start of the reporting period, plus the premiums received in the period, minus the amount recognized as insurance revenue for services provided during this period.

Liability for incurred claims

The liability for incurred claims is formed on the basis of the expected cash outflows related to claims, taking into account the time value of money and the financial risks related to future cash flows, plus the risk adjustment for non-financial risk.

The liability for incurred claims includes:

- Reported but not settled claims – calculated using the "Claim by claim" method where it includes the expected amount of payments for each claim which has been reported but not settled. In order to calculate the amount of the reserve for reported but not settled claims, for each new claim an initial reserve is formed, based on statistical methods; upon an expert assessment of the claim, the reserve is changed based on this assessment in order to reflect the expected amount of the claim settlement. The amounts which are subject to reimbursement due to subrogation have been measured, and the reserve for reported but not settled claims in the business line "Other insurance related to motor vehicles" has been decreased.

- Incurred but not reported claims – includes the amount of unreported claims for events which occurred before the end of the reporting period, and the amount of claims which may be renewed.

In all business lines the claims incurred consist of reported claims (RBNS claims) and incurred but not reported claims (claims with delayed reporting, IBNR claims). The applicable regulation does not require that the calculation necessarily be made separately for reported claims, for unreported claims and for expenses to settle those claims. The Group calculates the reserve for claims on the basis of a model developed to generate the expected amount of claims incurred and the respective cash flows related thereto. The model generates expected cash flows on an annual basis with regard to claims based on premium earned and the quota for claims, and the results are compared to the settlement for claims and the reported claims (RBNS claims) in order to determine the reserve for claims.

(v) Leases

(i) The Company as lessee

For contracts concluded on or after 1 January 2019 the Group assess whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an asset (the identified asset) for a period of time in exchange for consideration. In order to apply this definition, the Group assesses three key elements:

- Whether the contract refers to an identified asset which is either explicitly specified in a contract, or implicitly specified at the time that the asset is made available for use;
- The Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, within the scope of its right of use defined in the contract;
- The Group has the right to direct the use of the identified asset throughout the period of use.

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

Assessment and recognition of leases by the Group as lessee

On the commencement date of the lease contract the Group recognises the right-of-use asset and the lease liability in the statement of financial position. The right-of-use asset is assessed at cost which comprises the amount of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset at the end of the lease contract, and any lease payments made at or before the commencement date (less any lease incentives received).

The Group depreciates the right-of-use asset using the linear method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also reviews the right-of-use assets for impairment, where such indicators exist.

On the commencement date of the lease contract the Group measures the lease liability at the present value of the remaining lease payments at that date, discounted using the borrowing rate stipulated in the lease contract, if that rate can be readily determined, or the company's incremental borrowing rate.

As of 01.01.2019 the Group applies IFRS 16 Leases. To this end, an analysis was made of the requirements of this Standard, and the following key elements were identified:

IFRS 16 Leases introduces new rules for reporting lease agreements. First of all, the standard requires that an analysis be made of whether and which agreements with or without the legal form of lease constitute a lease or contain lease components in accordance with the definition of lease contained in IFRS 16, paragraph 9. According to Paragraph 9, a contract is, or contains, a lease if:

- there is an identified asset, and

- the contract conveys the right to control the use of the identified asset for a period of time in exchange for consideration.

In the general case, the lessee is required recognise a right-of-use asset and a lease liability at the commencement date.

Also, instead of applying the requirements for recognition of a right-of-use asset in return for consideration under a lease contract, the lessee may choose to report lease contracts as an expense under the linear method for the duration of the lease in the following types of contracts:

- ending within 12 months of the date of initial application of IFRS 16

- lease of low-value assets

In the process of assessing the effects of application of this Standard, the Group did the following:

- Full review of all agreements was made in order to establish whether it may be necessary to consider additional agreements as lease agreements according to the new IFRS 16 definition;

- A decision was made for partial retrospective application (which means that the comparative information will not be changed). Under the modified approach it is possible not to assess whether existing agreements contain leases and other relief. Under the modified approach it is possible not to assess whether existing agreements contain leases and other relief.

The Management analysed the effect of application of the Standard for contracts expected to last up to five years because a big part of the rental agreements to which the Group is a party as a tenant, the Group can terminate after a three- or six-months' notice without owing an indemnity. Even in the other contracts this possibility is available in accordance with the law.

This reflects on the expected actual duration of the lease because the contract term depends on the probability that the Group would exercise that option. With relation to this the Group considers that a duration of five years is indicative of the maximum duration of the lease term, irrespective of whether contracts of longer duration exist or not.

In order to determine the incremental borrowing rate, the Group uses an interest rate consisting of the risk-free interest rate and a surcharge reflecting the credit risk related to the Group and additionally adjusted for the specific conditions of the lease contract, including term, country, currency, and collateral.

Lease payments included in measuring the lease liability comprise fixed payments (including in-substance fixed payments), variable lease payments that depend on an index or a rate, amounts expected to be payable by the lessee under residual value guarantees, and the exercise price of a purchase option if the Group is reasonably certain to exercise that option.

After the commencement date, the lease liability shall be decreased with the amount of payments made and shall be increased with the amount of the interest. The lease liability is remeasured to reflect any reassessment or lease modifications, or to reflect revised in-substance fixed lease payments.

When the lease liability is remeasured, the amount of the remeasurement is recognised in the right-of-use asset or in profit or loss, if the carrying amount of the right-of-use asset is already reduced to zero.

The Group has chosen to report short-term leases and leases of low-value assets by using practical expedients envisaged in the standard. Instead of recognising right-of-use assets and lease liabilities, the Bank recognizes the payments related to them as an expense in profit or loss using the linear method during the lease term.

In the statement of financial position, right-of-use assets are presented on a separate row "Right-of-use assets", and the liabilities under lease contracts are also presented on a separate row - "Lease liabilities".

Extension options or termination options are included in a number of the Group's property rentals. They are used to increase the operative flexibility in the management of assets used in its operations.

(ii) The company as lessor

The portion of IFRS 16 which concerns the Group as lessor no significant changes were found in comparison to the previous IAS 17. The Group classifies a lease contract as a finance lease if it has transferred substantially all risks and rewards related to ownership of the asset subject to the lease. All other lease contracts are classified as operating.

In case of a finance lease, the Group recognises as asset a receivable under the contract in an amount equal to the net investment in the lease. During the lease term the Group recognizes interest income on the amount receivable at an interest rate reflecting the return rate of the net investment in the lease.

In case of operating lease, the Group recognises lease payments as revenue on a linear basis.

As lessor, the Group classifies each of its lease contracts as either an operating lease or a finance lease.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset.

3. Risk management disclosures

A. Trading activities

The Group maintains active trading positions in a limited number of non-derivative financial instruments. Most of the Group's trading activities are customer driven. In anticipation of customer demand, the Group carries an inventory of money market instruments and maintains access to market liquidity by trading with other market makers. These activities constitute the proprietary trading business and enable the Group to provide customers with money market products at competitive prices.

The Group manages its trading activities by type of risk involved and on the basis of the categories of trading instruments held.

(i) Credit risk

Credit risk is the total risk of losses from positions in financial instruments as a result of the inability of one or more parties to the exposure to meet their obligations. Main components of credit risk:

• Default risk

The risk that issuers to financial instruments might default on their obligations.

• Counterparty credit risk

Counterparty credit risk is the risk that the counterparty to a transaction could default before the final settlement of the transaction's cash flows. It occurs under transactions with derivatives, repo deals, transactions for granting/receiving a loan of securities and goods, margin lending transactions and extended settlement transactions.

• Settlement risk

To the Bank settlement risk is the risk of unsettled transactions with securities, goods or cash. It occurs both under transactions with settlement of services of the "delivery versus payment" (DvP) type, and under trade without DvP ("free deliveries"). All instruments exposed to counterparty credit risk fall within the scope of this type of risk.

Credit risk is monitored on an ongoing basis subject to Bank's internal risk management procedures and is controlled through minimum thresholds for the credit quality of the issuer/counterpart and setting limits on exposure amount according to credit quality.

(ii) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market conditions. The Bank assumes market risk when taking positions in debt instruments, equities, derivatives and foreign exchange transactions. These risks are managed by enforcing limits on positions taken and their risk sensitivities as measured by value-at-risk, duration or other measures appropriate for particular position in view of its sensitivity to risk factors. The major risk factors that affect Bank's trading activities are changes of interest rates (interest rate risk), changes of exchange rates (foreign exchange risk) and changes of equity prices (price risk).

Exposure to market risk is formally managed in accordance with risk limits set by senior management and the adopted risk strategy.

The Value at Risk is calculated and monitored on a daily basis as part of the Bank's ongoing risk management. Value at risk is calculated using one day horizon and 99 per cent confidence level, meaning that there is 1% probability that a portfolio will incur a loss in one day greater than its VaR. Parameters of the VaR model are estimated on the basis of exponentially weighted historical price changes of risk factors.

The following table summarises the range of interest VaR for all positions in the Bank's trading portfolio carried at fair value:

in thousands of BGN	31 December 2023	2023			31 December 2022
		average	low	high	
VaR	1.0	2.1	0.8	15.2	1.4

B. Non-trading activities

Below is a discussion of the various risks the Group is exposed to as a result of its non-trading activities and the approach taken to manage those risks.

(i) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity risk arises in the general funding of the Group's activities and in the management of positions. It includes both the risk of being unable to fund assets at appropriate maturity and rates and the risk of being unable to liquidate an asset at a reasonable price and in an appropriate time frame to meet the liability obligations.

Funds are raised using a broad range of instruments including deposits, other liabilities evidenced by paper, subordinated debt instruments and share capital. This enhances funding flexibility, limits dependence on any one source of funds and generally lowers the cost of funds. The Group makes its best efforts to maintain a balance between continuity of funding and flexibility through the use of liabilities with a range of maturity. The Group continually assesses liquidity risk by identifying and monitoring changes in funding required to meet business goals and targets set in terms of the overall Bank strategy. The body managing liquidity is the Assets, Liability and Liquidity Management Council.

In compliance with the requirements of the Law on Credit Institutions, Ordinance No 7 of BNB for the organization and management of risks in banks and Directive 2014/59 / EU of the European Parliament and of the Council for establishing a framework for the recovery and resolution of credit institutions and investment firms, First Investment Bank AD prepared a recovery plan if financial difficulties occur.

It includes qualitative and quantitative early warning signals and indicators of recovery such as capital and liquidity indicators, income indicators, market-oriented indicators upon the occurrence of which recovery measures are triggered. Liquidity indicators include Liquidity Coverage Ratio (LCR); net withdrawal of financing; liquid assets to deposits by non-financial customers ratio; Net Stable Funding Ratio (NSFR). Different stress test scenarios related to idiosyncratic shock, system shock and aggregate shock have been prepared.

In case of liquidity pressure, there are systems in place to ensure prompt and adequate reaction which include obtaining additional funds from local and international markets through issuance of appropriate financial instruments depending on the specific case as well as sale of non-liquid assets. The levels of decision making are clearly determined. In order to reduce the liquidity risk, preventive measures have been taken aimed to extend the maturity of borrowings from customers, to encourage long-term relationships with clients and to increase customer satisfaction. In order to adequately manage liquidity risk, the Bank monitors cash flows on a daily basis.

As part of the liquidity risk management, the Group keeps available liquid assets. They consist of cash, cash equivalents and government securities, which could be sold immediately in order to provide liquidity:

Liquid assets	**2023**	**2022**
in BGN '000		
Balances with BNB	1,880,293	1,476,984
Current accounts and amounts with other banks	751,653	735,424
Unencumbered government securities	2,308,645	2,106,006
Gold	3,325	2,683
Total liquid assets	**4,943,916**	**4,321,097**

Reasonable liquidity management requires avoidance of concentration of the borrowings from large depositors. Analysis of the significant borrowings in terms of total amount is performed on a daily basis and the diversity of the total liabilities portfolio is supervised.

As at 31 December 2023 the thirty largest non-bank unguaranteed depositors represent 11.19% of total deposits from other customers (31 December 2022: 12.06%).

One of the main ratios used by the Group for managing liquidity risk is the ratio of liquid assets to total borrowings from other clients.

	31 December 2023	**31 December 2022**
Ratio of liquid assets to total borrowings from other clients	40.14%	37.72%

The following table provides an analysis of the financial assets and liabilities of the Group into relevant maturity groupings based on the remaining periods to repayment.

Maturity table as at 31 December 2023

in thousands of BGN	Up to 1 Month	From 1 to 3 Months	From 3 months to 1 year	From 1 to 2 years	More than 2 years	Maturity not defined	Total
Assets							
Cash and balances with Central Banks	2,462,073	-	-	-	-	-	**2,462,073**
Financial assets at fair value through profit or loss	222,599	-	-	-	-	24,931	**247,530**
Financial assets at fair value through other comprehensive income	1,194,959	-	-	-	-	-	**1,194,959**
Financial assets at amortised cost	143,387	260,712	267,993	162,624	605,862	-	**1,440,578**
Loans and advances to banks and other financial institutions	202,923	-	322	-	24,082	-	**227,327**
Loans and advances to customers	563,275	209,832	979,179	773,041	5,149,378	-	**7,674,705**
Other trading assets	1,111	654	-	-	-	-	**1,765**
Total financial assets	**4,790,327**	**471,198**	**1,247,494**	**935,665**	**5,779,322**	**24,931**	**13,248,937**
Liabilities							
Due to banks	8,387	-	-	-	-	-	**8,387**
Due to other customers	8,163,036	1,078,862	2,278,816	464,213	331,421	-	**12,316,348**
Liabilities evidenced by paper	8,566	2,182	27,584	104,579	304,403	-	**447,314**
Financial liabilities at fair value through profit and loss	967	596	666	936	-	-	**3,165**
Subordinated term debt	-	-	-	-	19,409	-	**19,409**
Hybrid debt	-	-	-	-	-	257,871	**257,871**
Total financial liabilities	**8,180,956**	**1,081,640**	**2,307,066**	**569,728**	**655,233**	**257,871**	**13,052,494**
Net liquidity gap	**(3,390,629)**	**(610,442)**	**(1,059,572)**	**365,937**	**5,124,089**	**(232,940)**	**196,443**

The table shows investments at fair value through other comprehensive income with a maturity of up to 1 month in order to reflect the management's ability to sell them within a short-term period, if needed.

The Group does not recognize as liquidity risk the current undrawn amounts of loans extended because the management considers that, based on the agreed conditions, the Bank can at any time terminate the extension of funds to its borrowers in case it is expected that their credit risk will increase.

Loans and advances to customers reflect also financial lease receivables.

The investments in securities reported in portfolios of financial assets at fair value in profit or loss, financial assets at fair value in other comprehensive income and financial assets at amortised cost are mostly investments in government securities from first-class issuers which are highly liquid and with the most favourable capital treatment.

The Group manages its investments in debt securities in line with the current market expectations and dynamics. As at 31.12.2023 the modified portfolio duration is 1.8 years, while a year earlier it was 2.2 years..

Maturity table as at 31 December 2022

in thousands of BGN	Up to 1 Month	From 1 to 3 Months	From 3 months to 1 year	From 1 to 2 years	More than 2 years	Maturity not defined	Total
Assets							
Cash and balances with Central Banks	2,042,858	-	-	-	-	-	**2,042,858**
Financial assets at fair value through profit or loss	245,802	-	-	-	-	25,336	**271,138**
Financial assets at fair value through other comprehensive income	530,160	-	-	-	-	-	**530,160**
Financial assets at amortised cost	2,761	381,694	949,617	31,518	652,305	-	**2,017,895**
Loans and advances to banks and other financial institutions	202,609	554	287	333	18,117	-	**221,900**
Loans and advances to customers	680,187	254,814	831,503	836,771	4,219,728	-	**6,823,003**
Other trading assets	575	1,034	-	-	-	-	**1,609**
Total financial assets	**3,704,952**	**638,096**	**1,781,407**	**868,622**	**4,890,150**	**25,336**	**11,908,563**
Liabilities							
Due to banks	13,152	-	-	-	-	-	**13,152**
Due to other customers	7,592,601	980,258	2,227,067	400,380	254,600	-	**11,454,906**
Liabilities evidenced by paper	7,765	15	3,456	20,801	91,809	-	**123,846**
Financial liabilities at fair value through profit and loss	-	3,682	893	2,860	1,053	-	**8,488**
Subordinated term debt	-	-	-	-	19,410	-	**19,410**
Hybrid debt	-	-	-	-	-	256,861	**256,861**
Total financial liabilities	**7,613,518**	**983,955**	**2,231,416**	**424,041**	**366,872**	**256,861**	**11,876,663**
Net liquidity gap	**(3,908,566)**	**(345,859)**	**(450,009)**	**444,581**	**4,523,278**	**(231,525)**	**31,900**

The following table provides a remaining maturities analysis of the financial assets and liabilities of the Group as at 31 December 2023 based on the contractual undiscounted cash flows.

in thousands of BGN	Up to 1 Month	From 1 to 3 Months	From 3 months to 1 year	From 1 to 2 years	More than 2 years	Total
Financial assets						
Cash and balances with Central Banks	2,462,073	-	-	-	-	**2,462,073**
Financial assets at fair value through profit or loss	247,530	-	-	-	-	**247,530**
Financial assets at fair value through other comprehensive income	1,194,959	-	-	-	-	**1,194,959**
Financial assets at amortised cost	143,419	260,826	268,377	165,297	680,087	**1,518,006**
Loans and advances to banks and other financial institutions	202,923	-	322	-	24,082	**227,327**
Loans and advances to customers	557,998	209,933	980,099	812,989	5,791,549	**8,352,568**
Total financial assets	**4,808,902**	**470,759**	**1,248,798**	**978,286**	**6,495,718**	**14,002,463**
Financial liabilities						
Due to banks	8,387	-	-	-	-	**8,387**
Due to other customers	8,163,178	1,079,050	2,280,271	464,941	332,633	**12,320,073**
Liabilities evidenced by paper	8,580	2,193	28,345	110,487	373,308	**522,913**
Financial liabilities at fair value through profit and loss	967	596	666	936	-	**3,165**
Subordinated term debt	-	-	-	770	22,132	**22,902**
Hybrid debt	-	-	-	82,597	261,405	**344,002**
Total financial liabilities	**8,181,112**	**1,081,839**	**2,309,282**	**659,731**	**989,478**	**13,221,442**
Derivatives held for risk management						
Outgoing cash flow	63	59	-	-	-	**122**
Incoming cash flow	1,174	713	-	-	-	**1,887**
Cash flow from derivatives, net	**1,111**	**654**	**-**	**-**	**-**	**1,765**

The following table provides a remaining maturities analysis of the financial assets and liabilities of the Group as at 31 December 2022 based on the contractual undiscounted cash flows.

in thousands of BGN	Up to 1 Month	From 1 to 3 Months	From 3 months to 1 year	From 1 to 2 years	More than 2 years	Total
Financial assets						
Cash and balances with Central Banks	2,042,858	-	-	-	-	**2,042,858**
Financial assets at fair value through profit or loss	271,138	-	-	-	-	**271,138**
Financial assets at fair value through other comprehensive income	530,160	-	-	-	-	**530,160**
Financial assets at amortised cost	2,762	381,741	950,283	32,929	704,328	**2,072,043**
Loans and advances to banks and other financial institutions	202,609	554	287	333	18,117	**221,900**
Loans and advances to customers	673,514	250,404	819,731	881,564	5,084,595	**7,709,808**
Total financial assets	**3,723,041**	**632,699**	**1,770,301**	**914,826**	**5,807,040**	**12,847,907**
Financial liabilities						
Due to banks	13,152	-	-	-	-	**13,152**
Due to other customers	7,592,672	980,347	2,227,818	400,710	255,089	**11,456,636**
Liabilities evidenced by paper	7,765	15	3,488	21,104	97,483	**129,855**
Financial liabilities at fair value through profit and loss	-	3,682	893	2,860	1,053	**8,488**
Subordinated term debt	-	-	768	770	22,132	**23,670**
Hybrid debt	-	-	141,211	69,653	92,315	**303,179**
Total financial liabilities	**7,613,589**	**984,044**	**2,374,178**	**495,097**	**468,072**	**11,934,980**
Derivatives held for risk management						
Outgoing cash flow	170	-	-	-	-	**170**
Incoming cash flow	758	1,021	-	-	-	**1,779**
Cash flow from derivatives, net	**588**	**1,021**	**-**	**-**	**-**	**1,609**

The expected cash flows of the Bank from some financial assets and liabilities are different from the cash flows as per the loan contract. The main differences are:

- There is an expectation that the deposits on demand and term deposits will remain stable and will increase.
- Retail mortgages have original maturity of 18 years on average, but the expected average effective maturity is 12 years as some clients take advantage of the early repayment possibility.

(ii) Market risk

Interest rate riskk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's operations are subject to the risk of interest rate fluctuations to the extent that interest-earning assets and interest-bearing liabilities mature or reprice at different times or in differing amounts.

Interest rate risk in the banking book (IRRBB)

In the case of floating rate assets and liabilities the Group is also exposed to basis risk, which is the difference in repricing characteristics of the various floating rate indices, such as the Bulgarian Basic Interest Rate, the LIBOR and EURIBOR, although these indices tend to move in high correlation. In addition, the actual effect will depend on a number of other factors, including the extent to which repayments are made earlier or later than the contracted dates and variations in interest rate sensitivity within repricing periods and among currencies.

In order to quantify the interest rate risk of its non-trading activities, the Group measures the impact of a change in the market rates both on net interest income and on the Bank's economic value defined as the difference between fair value of assets and fair value of liabilities.

The interest rate risk on the economic value of the Group following a standardised shock of +100bp/-100bp as at 31 December 2023 is BGN +18,321/-6,573 thousand.

The interest rate risk on the Group's net interest income one year forward following a standardised shock of +100bp/-100bp as at 31 December 2023 is BGN +22,091/-22,640 thousands.

Effect in BGN '000	Net interest income		Equity	
	100 bp increase	**100 bp decrease**	**100 bp increase**	**100 bp decrease**
2023				
as at 31 December	22,091	(22,640)	18,321	(6,573)
Average for the period	13,419	(14,233)	17,727	1,711
Maximum for the period	22,091	(7,063)	28,883	9,753
Minimum for the period	5,919	(22,640)	11,713	(6,573)
2022				
as at 31 December	(1,426)	187	1,200	20,225

Credit Spread Risk in the Banking Book (CSRBB)

The risk arising from changes in market perception regarding the price of credit risk, the liquidity premium and other potential components of credit risk instruments that cause fluctuations in the price of credit risk, the liquidity premium and other potential components, which is not explained by IRRBB or by the expected credit / (jump to-) default risk. Only those instruments in the bank's book which are reported at fair value are subject to credit spread risk.

Similar to the interest rate risk arising from non-trading book activities, for credit spread risk the Group calculates the risk arising from potential changes in two aspects: how it affects net interest income and how it affects the Group's economic value.

The applicable stress test scenarios were calibrated with 99% confidence level compared to the historically observed changes. Shocks vary depending on the maturity of cash flows and the issuer's credit rating.

The effect on the Group's economic value as at 31 December 2023 amounted to BGN (7,540) thousand, and the effect on the net interest income amounted to BGN 3,466 thousand..

Effect in BGN ,000	Net interest income	Equity
2023		
as at 31 December	3,466	(7,540)
Average for the period	2,374	(7,909)
Maximum for the period	3,466	(7,006)
Minimum for the period	525	(8,837)
2022		
as at 31 December	657	(10,871)

The following table indicates the effective interest rates at 31 December 2023 and the periods in which financial liabilities and assets reprice.

in thousands of BGN	Total	Floating rate Instru-ments	Fixed rate instruments			
			Less than 1 month	Between 1 month and 3 months	Between 3 months and 1 year	More than 1 year
Assets						
Cash and balances with Central Banks	**361,663**	224,780	136,883	-	-	-
Financial assets at fair value through profit or loss	**4,043**	-	4,043	-	-	-
Financial assets at fair value through other comprehensive income	**1,381,159**	-	1,381,159	-	-	-
Financial assets at amortised cost	**1,440,578**	-	143,387	260,712	267,993	768,486
Loans and advances to banks and other financial institutions	**98,249**	3,976	20,761	19,950	53,562	-
Loans and advances to customers	**7,165,990**	6,713,399	3,681	18,398	104,063	326,449
Total interest-bearing assets	**10,451,682**	**6,942,155**	**1,689,914**	**299,060**	**425,618**	**1,094,935**
Liabilities						
Due to banks	**8,387**	2,834	5,553	-	-	-
Due to other customers	**12,236,400**	6,440,440	1,608,456	937,831	2,376,201	873,472
Liabilities evidenced by paper	**431,046**	105,680	8,073	1848	25,707	289,738
Subordinated term debt	**19,410**	-	-	-	-	19,410
Hybrid debt	**257,871**	-	-	-	-	257,871
Total interest-bearing liabilities	**12,953,114**	**6,548,954**	**1,622,082**	**939,679**	**2,401,908**	**1,440,491**

The following table indicates the effective interest rates at 31 December 2022 and the periods in which financial liabilities and assets reprice.

in thousands of BGN	Total	Floating rate Instru-ments	Fixed rate instruments			
			Less than 1 month	Between 1 month and 3 months	Between 3 months and 1 year	More than 1 year
Assets						
Cash and balances with Central Banks	**604,353**	538,909	65,444	-	-	-
Financial assets at fair value through profit or loss	**240,032**	-	240,032	-	-	-
Financial assets at fair value through other comprehensive income	**530,160**	-	530,160	-	-	-
Financial assets at amortised cost	**2,017,894**	-	2,760	381,694	949,617	683,823
Loans and advances to banks and other financial institutions	**76,212**	16,136	15,678	11,026	33,372	-
Loans and advances to customers	**6,094,276**	5,654,588	6,194	19,174	93,065	321,255
Total interest-bearing assets	**9,562,927**	**6,209,633**	**860,268**	**411,894**	**1,076,054**	**1,005,078**
Liabilities						
Due to banks	**13,152**	1,763	11,389	-	-	-
Due to other customers	**11,331,609**	4,244,928	3,224,376	980,258	2,227,067	654,980
Liabilities evidenced by paper	**123,846**	55,904	7,764	-	2,833	57,345
Subordinated term debt	**19,410**	-	-	-	-	19,410
Hybrid debt	**256,861**	-	-	-	-	256,861
Total interest-bearing liabilities	**11,744,878**	**4,302,595**	**3,243,529**	**980,258**	**2,229,900**	**988,596**

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group is exposed to currency risk in performing transactions in foreign currencies and foreign-currency denominated financial instruments.

As a result of the currency Board in place in Bulgaria, the Bulgarian currency is pegged to the Euro. As the currency in which the Bank presents it financial statements is the Bulgarian lev, the Group's financial statements are effected by movements in the exchange rates between the Bulgarian lev and currencies other than the Euro.

The Group's transactional exposures give rise to foreign currency gains and losses that are recognised in profit or loss. These exposures comprise the monetary assets and monetary liabilities of the Group that are not denominated in the presentation currency of the Group. These exposures were as follows:

n thousands of BGN	**2023**	**2022**
Monetary assets		
Euro	5,188,883	5,471,781
US dollar	627,281	652,592
Other	640,549	591,858
Gold	3,325	2,683
Monetary liabilities		
Euro	4,666,619	4,228,126
US dollar	621,652	656,308
Other	518,692	507,726
Gold	2,327	1,548
Net position		
Euro	522,264	1,243,655
US dollar	5,629	(3,716)
Other	121,857	84,132
Gold	998	1,135

iIn respect of monetary assets and liabilities in foreign currencies that are not economically hedged, the Group manages foreign currency risk in line with policy that sets limits on currency positions and dealer limits.

(iii) Credit risk

Credit risk is the risk that a counterparty to a financial instrument will cause a financial loss for the Group by failing to discharge an obligation. The Group is subject to credit risk through its lending activities and in cases where it acts as an intermediary on behalf of customers or other third parties or issues guarantees. The management of the credit risk exposures to borrowers is conducted through regular analysis of the borrowers' credit worthiness and the assignment of a rating grade. Exposure to credit risk is also managed in part by obtaining collateral and guarantees.

The table below sets out information about maximum exposure to credit risk:

in thousands of BGN	Loans and advances to other customers		Loans and advances to banks and balances with central banks		Investment in debt securities		Off balance sheet commitments	
	2023	2022	2023	2022	2023	2022	2023	2022
Carrying amount	7,674,705	6,823,003	2,356,468	2,000,427	2,842,380	2,788,087	-	-
Amount committed/ guaranteed	-	-	-	-	-	-	1,212,075	1,052,174

The Group's primary exposure to credit risk arises through its loans and advances. The amount of credit exposure in this regard is represented by the carrying amounts of the assets on the balance sheet. These exposures are as follows:

31 December 2023			in thousands of BGN
Class of exposure	**Gross amount of loans and advances to customers**	**Allowance for impairment**	**Carrying amount of loans and advances to customers**
Performing			
Collectively impaired	7,051,103	(66,285)	6,984,818
Nonperforming			
Collectively impaired	218,659	(63,424)	155,235
Individually impaired	791,270	(256,618)	534,652
Total	**8,061,032**	**(386,327)**	**7,674,705**
31 December 2022			in thousands of BGN d
Class of exposure	**Gross amount of loans and advances to customers**	**Allowance for impairment**	**Carrying amount of loans and advances to customers**
Performing			
Collectively impaired	5,976,050	(63,419)	5,912,631
Nonperforming			
Collectively impaired	241,535	(72,840)	168,695
Individually impaired	1,005,906	(264,229)	741,677
Total	**7,223,491**	**(400,488)**	**6,823,003**

Distribution of trade receivables and impairment as adjustment for financial assets (receivables from customers) according to the requirements of IFRS9:

	31/12/2023		**31/12/2022**	
	Gross amount of loans and advances to customers	**Allowance for impairment**	**Gross amount of loans and advances to customers**	**Allowance for impairment**
Exposures without increase of credit risk after the initial recognition (phase 1)	5,981,756	(10,511)	4,697,105	(10,872)
Exposures with significant increase of credit risk after the initial recognition (phase 2)	1,069,347	(55,774)	1,278,945	(52,547)
Non-performing (impaired) exposures (phase 3)	1,009,929	(320,042)	1,247,441	(337,069)
Total	**8,061,032**	**(386,327)**	**7,223,491**	**(400,488)**

Exposures classification into risk classes reflects the management's estimate regarding the loans recoverable amounts.

As at 31 December 2023 the gross amount of overdue loans and advances to customers measured as exposures 90+ days overdue is BGN 651,226 thousand (2022: BGN 833,547 thousand).

In addition, the Group is exposed to off-balance sheet credit risk through commitments to extend credits and issue contingent liabilities (See Note 32).

Concentrations of credit risk (whether on or off balance sheet) that arise from financial instruments exist for counterparties when they have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.

The major concentrations of credit risk arise by location and type of customer in relation to the Bank's investments, loans and advances and off-balance sheet commitments.

Total economic sector credit risk concentrations in loans and advances to customers are presented in the table below:

in thousands of BGN	**2023**	**2022**
Trade	1,206,828	764,533
Industry	1,297,376	1,303,846
Services	674,200	639,773
Finance	152,650	191,987
Transport, logistics	184,227	232,472
Communications	79,671	109,877
Construction	468,264	438,986
Agriculture	232,695	233,654
Tourist services	433,824	327,575
Infrastructure	419,674	366,712
Private individuals	2,871,701	2,598,574
Other	39,922	15,502
Allowance for impairment	(386,327)	(400,488)
Total	**7,674,705**	**6,823,003**

The amounts reflected in the tables represent the maximum accounting loss that would be recognised at the statement of financial position date if counterparts failed completely to perform as contracted and any collateral or security proved to be of no value. The amounts, therefore, greatly exceed expected losses, which are included in the allowance for impairment.

The Group has extended loans to enterprises involved in different types of activities but within the same economic sector - industry. As such the exposures share a similar industry risk. There are three such groups of enterprises at 31 December 2023 with total exposures outstanding amounting to BGN 277,095 thousand (2022: BGN 223,479 thousand) - ferrous and non-ferrous metallurgy, BGN 19,813 thousand (2022: BGN 85,333 thousand) – mining industry and BGN 89,543 thousand (2022: BGN 60,752 thousand) - power engineering.

The Group has extended loans, confirmed letters of credit and granted guarantees to 5 individual clients or groups (2022: 7) with each individual exposure exceeding 10% of the capital base of the Group, based on the amortised cost of the respective loan facilities and after application of the required regulatory exemptions and techniques for reducing credit risk. The total amount of these exposures was BGN 1,223,119 thousand, i.e. 79.57% of tier 1 capital (2022: BGN 1,265,514 thousand which represented 80.66% of tier 1 capital).

No loans were extended by the branch in Cyprus in 2023, as in 2022, and in 2023 the loans extended by the bank in Albania amounted to BGN 536,995 thousand (2022: BGN 448,828 thousand) gross book value.

The Group's policy is to require suitable collateral to be provided by certain customers prior to the disbursement of approved loans. Guarantees and letters of credit are also subject to strict credit assessments before being provided. The agreements specify monetary limits to the Bank's obligations.

Collateral held against different types of assets:

Type of credit exposure	**Main type of collateral**	**Collateral coverage ratio**	
		2023	**2022**
Repurchase agreements	Tradable securities	99%	99%
Loans and advances to banks	None		
Mortgage loans	Real estate	254%	255%
Consumer lending	Mortgage, warrant, financial and other collateral	17%	17%
Credit cards	None	-	-
Loans to companies	Mortgage, pledge of enterprise, pledge of long-term tangible assets, pledge of goods, pledge of other short-term tangible assets, financial and other collateral	779%	628%

The table below shows a breakdown of total gross loans and advances (gross balance sheet value) extended to customers by the Bank by type of collateral to the amount of the collateral, excluding credit cards in the amount of BGN 134,753 thousand (2022: BGN 144,823 thousand):

in BGN '000	**2023**	**2022**
Mortgage	1,913,193	1,865,509
Pledge of receivables	1,940,795	1,915,020
Pledge of commercial enterprise	6,715	7,299
Securities	27,639	29,792
Bank guarantees	3,750	3,750
Other guaranties	3,463,880	2,894,455
Pledge of goods	11,441	12,550
Pledge of machines	44,528	59,142
Money deposit	342,332	50,061
Other collateral	-	293
Unsecured	172,006	240,797
Total	**7,926,279**	**7,078,668**

Other collateral includes insurance policies up to the amount of the insurance cover, future receivables, remuneration transfers, etc.

Residential mortgage lending

The table below represents credit exposures from housing and mortgage loans to household customers by ranges of loan-to-value (LTV) ratio. LTV is calculated as the ratio of the gross amount of the loan to the value of the collateral. The gross amount excludes any impairment allowances. The valuation of the collateral excludes any adjustments for obtaining and selling the collateral. The value of the collateral for residential mortgage loans is based on the collateral value at origination updated based on changes in house price indices.

The table below represents a separation of the gross amount of housing mortgages granted to households according to the LTV ratio.

in BGN '000	2023	2022
Loan to value (LTV) ratio		
Less than 50%	365,172	284,082
51% to 70%	484,128	442,036
71% to 90%	473,199	422,664
91% to 100%	39,850	32,723
More than 100%	115,647	104,244
Total	**1,477,996**	**1,285,749**

Loans to corporate customers

Individually significant loans to corporate customers are subject to individual credit appraisal and impairment testing. The general creditworthiness of a corporate customer tends to be the most relevant indicator of credit quality of a loan. However, collateral provides additional security and the Group requests corporate borrowers to provide it. The Group takes collateral in the form of a first charge over real estate, floating charges over all corporate assets, and other liens and guarantees.

The Group routinely analyses collateral for possible changes in value due to market conditions, legal framework or debtor's actions. Where such changes lead to a breach in the requirements for sufficiency of collateral, the Group requires provision of additional collateral within a certain timeframe.

As at 31 December 2023 the net carrying amount of individually impaired loans to corporate customers amounted to BGN 588,321 thousand (2022: BGN 746,915 thousand) and the value of collateral held against those loans amounts to BGN 556,685 thousand (2022: BGN 737,571 thousand).

The Group constantly monitors the risk of default on already given loans and if there is available data for potential or actual problems, the Group prepares an action plan and takes measures for managing the possible unwanted results, including restructuring of the loans

Renegotiated Loans

For the purposes of the disclosure in these financial statements "renegotiated loans" are defined as loans, which have been renegotiated as a result of a change in the interest rates, repayment schedule, upon a client request, and others.

in BGN '000	2023		2022	
Type of renegotiation	**Gross amount of loans and advances to customers**	**Allowance for impairment**	**Gross amount of loans and advances to customers**	**Allowance for impairment**
Loans to individuals	**225,938**	**4,767**	**166,220**	**5,207**
Change of maturity	120,245	4,001	114,425	4,026
Change of amount of instalment	2,209	18	69	1
Change of interest rate	63,334	11	13,843	6
Change due to customers request	27,301	28	25,224	46
Other reasons	12,849	709	12,659	1,128
Loans to corporate clients	**1,744,319**	**104,120**	**1,734,710**	**123,767**
Change of maturity	118,429	251	104,910	264
Change of amount of instalment	308,963	414	319,997	691
Change of interest rate	247,028	1,448	124,792	378
Change due to customers request	821,649	54,923	927,801	31,895
Other reasons	248,250	47,084	257,210	90,539
Total:	**1,970,257**	**108,887**	**1,900,930**	**128,974**

Structure and organization of credit risk management functions

Credit risk management as a comprehensive process is accomplished under the supervision of the Management Board of the Bank. The Supervisory Board exercises control over the activities of the Management Board on the credit risk management either directly or through the Risk Committee, which supports the Supervisory Board with the extensive supervision over the risk management function in the Bank, including over the formation of risk exposures.

There are collective bodies in the Bank the function of which is to support the activities of the Management Board on the credit risk management- Credit Council and Restructuring Committee. The Credit Council supports the adopted credit risk management and forms an opinion on loans as per its limits of competence. The Restructuring Committee is a specialized body for supervision of the loan exposures with indicators for deterioration. In addition to the collective bodies in the Bank, there are other independent specialized bodies - the Risk Analysis and Control Department and the Credit Risk Management, Monitoring and Provisioning Department, which fulfil the functions of identification, evaluation and management of the credit risk, including performing additional second control over the risk exposures. The realization, coordination and current control over the lending process is organized from the following departments: Banking of Large Enterprises, Banking of Medium-sized Enterprises, Banking of Small Enterprises, Retail Banking, and Loan Administration, while the problem assets management is performed by the Impaired Assets Department.

(iv) Government debt exposures

The Group closely manages the credit risk on government debt exposures and as a result the overall quality of the government debt portfolio is very high.

The table below shows the carrying amount of the government debt portfolio by country issuer.

in BGN '000

31 December 2023				
Country issuer	**at fair value through profit and loss**	**at fair value through other comprehensive income**	**at amortised cost**	**Total**
Bulgaria	3,948	127,450	414,874	546,272
Lithuania	-	-	41,772	41,772
Latvia	-	60	-	60
Slovakia	-	-	1,981	1,981
USA	-	137,777	79,428	217,205
Romania	95	41,478	12,161	53,734
Italy	-	38,405	1,962	40,367
Spain	-	18,981	48,371	67,352
Portugal	-	-	20,181	20,181
Hungary	-	-	15,457	15,457
Croatia	-	6,981	-	6,981
European Union	-	151,624	68,581	220,205
Albania	-	41,257	177,300	218,557
Ireland	-	-	19,955	19,955
Saudi Arabia	-	-	9,984	9,984
Belgium	-	48,582	95,907	144,489
France	-	115,044	155,510	270,554
Germany	-	281,065	144,938	426,003
Great Britain	-	33,503	22,455	55,958
Finland	-	38,280	-	38,280
Switzerland	-	-	12,761	12,761
Austria	-	48,789	-	48,789
Czechia	-	38,360	-	38,360
Israel	-	5,521	-	5,521
EFSF*	-	1,868	-	1,868
Total	**4,043**	**1,175,025**	**1,343,578**	**2,522,646**

*European Financial Stability Facility

in BGN '000

31 December 2023				
Country issuer	**at fair value through profit and loss**	**at fair value through other comprehensive income**	**at amortised cost**	**Total**
Bulgaria	3,465	159,178	416,480	579,123
Lithuania	-	38,399	-	38,399
Latvia	-	60	-	60
Slovakia	-	-	1,981	1,981
USA	-	41,455	164,319	205,774
Romania	82	39,947	12,203	52,232
Italy	-	-	79,482	79,482
Spain	-	18,460	126,133	144,593
Portugal	-	-	20,275	20,275
Hungary	-	-	15,430	15,430
Croatia	-	6,978	-	6,978
European Union	-	-	233,382	233,382
Albania	-	50,814	155,692	206,506
Ireland	-	-	20,006	20,006
Saudi Arabia	-	-	10,044	10,044
Belgium	-	2,400	213,018	215,418
France	-	48,497	87,114	135,611
Germany	-	-	234,162	234,162
Great Britain	-	11,007	21,701	32,708
Finland	-	-	125,971	125,971
Switzerland	-	-	12,120	12,120
EFSF	-	1,797	-	1,797
Total	**3,547**	**418,992**	**1,949,513**	**2,372,052**

*European Financial Stability Facility

Maturity table of government debt securities by country issuer as at 31 December 2023

in thousands of BGN

Country issuer	Up to 1 Month	From 1 to 3 Months	From 3 months to 1 year	From 1 to 2 years	From 2 to 5 years	Over 5 years	Total
Bulgaria	-	-	27,609	143,235	139,152	236,276	**546,272**
Lithuania	-	-	-	-	41,772	-	**41,772**
Latvia	-	-	60	-	-	-	**60**
Slovakia	-	-	-	-	1,981	-	**1,981**
USA	79,368	70,249	67,529	-	-	59	**217,205**
Romania	-	-	-	-	41,478	12,256	**53,734**
Italy	-	-	38,405	-	-	1,962	**40,367**
Spain	-	-	48,371	-	18,981	-	**67,352**
Portugal	-	-	-	-	-	20,181	**20,181**
Hungary	-	-	-	-	-	15,457	**15,457**
Croatia	-	-	-	6,981	-	-	**6,981**
European Union	-	77,729	141,882	-	-	594	**220,205**
Albania	12,491	17,911	18,615	42,570	71,650	55,320	**218,557**
Ireland	-	-	-	-	-	19,955	**19,955**
Saudi Arabia	-	-	-	-	9,984	-	**9,984**
Belgium	-	48,582	95,907	-	-	-	**144,489**
France	29,278	126,232	115,044	-	-	-	**270,554**
Germany	97,655	68,057	260,291	-	-	-	**426,003**
Great Britain	22,455	33,503	-	-	-	-	**55,958**
Finland	-	-	38,280	-	-	-	**38,280**
Switzerland	-	-	12,761	-	-	-	**12,761**
Austria	48,789	-	-	-	-	-	**48,789**
Czechia	-	-	38,360	-	-	-	**38,360**
Israel	-	-	-	-	5,521	-	**5,521**
EFSF	-	-	-	-	1,868	-	**1,868**
Total	**290,036**	**442,263**	**903,114**	**192,786**	**332,387**	**362,060**	**2,522,646**

Maturity table of government debt securities by country issuer as at 31 December 2022

in thousands of BGN

Country issuer	Up to 1 Month	From 1 to 3 Months	From 3 months to 1 year	From 1 to 2 years	From 2 to 5 years	Over 5 years	Total
Bulgaria	-	15,060	20,818	26,944	273,609	242,692	**579,123**
Lithuania	-	-	-	-	38,399	-	**38,399**
Latvia	-	-	-	60	-	-	**60**
Slovakia	-	-	-	-	1,981	-	**1,981**
USA	-	164,258	-	41,455	-	61	**205,774**
Romania	-	-	-	-	39,947	12,285	**52,232**
Italy	-	-	77,520	-	-	1,962	**79,482**
Spain	-	39,064	87,069	-	18,460	-	**144,593**
Portugal	-	-	-	-	-	20,275	**20,275**
Hungary	-	-	-	-	-	15,430	**15,430**
Croatia	-	-	-	-	6,978	-	**6,978**
European Union	-	-	232,788	-	-	594	**233,382**
Albania	14,223	17,579	38,834	27,028	76,693	32,149	**206,506**
Ireland	-	-	-	-	-	20,006	**20,006**
Saudi Arabia	-	-	-	-	10,044	-	**10,044**
Belgium	-	39,047	176,371	-	-	-	**215,418**
France	-	-	135,611	-	-	-	**135,611**
Germany	-	127,000	107,162	-	-	-	**234,162**
Great Britain	11,007	-	21,701	-	-	-	**32,708**
Finland	-	-	125,971	-	-	-	**125,971**
Switzerland	-	-	-	12,120	-	-	**12,120**
EFSF	-	-	-	-	1,797	-	**1,797**
Total	**25,230**	**402,008**	**1,023,845**	**107,607**	**467,908**	**345,454**	**2,372,052**

C. Capital adequacy

Since 1 January 2014, the provisions of the CRD IV package have been in force. Through Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms and Directive 2013/36/EU on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, CRD IV package transposes into European law the provisions of the new capital standards for banks – Basel III.

Regulatory capital

The equity capital of the Group for regulatory purposes consists of the following elements:

Common Equity Tier 1 capital

a) issued and paid up capital instruments (ordinary shares);

b) share premium from issuance of ordinary shares;

c) audited retained earnings;

d) accumulated other comprehensive income, including revaluation reserves;

e) other reserves;.

Deductions from components of the Common Equity Tier 1 capital include intangible assets, as well as value adjustments due to the requirements for prudential assessments and other deductions. The increase of CET1 includes the adjustments related to the transitional treatment of the effect from the initial application of IFRS 9.

Additional Tier 1 capital

The instruments of Additional Tier 1 capital include hybrid debt (see note 29).

Tier 2 Capital

Tier 2 capital amortised in accordance with the requirements of Regulation 575 includes subordinated term debt in the amount of EUR 9,900 thousand (equivalent to BGN 19.363 thousand), issued in 2019 (EUR 2,000 thousand) and in 2020 (EUR 2,900 thousand) and 2022 (EUR 5,000 thousand) in the form of subordinated bonds issued by the subsidiary First Investment Bank - Albania Sh.a. (See Note 29).

Total own funds

In thousands of BGN	2023	2022
Common Equity Tier 1 capital		
Paid up capital instruments	149,085	149,085
(-) Indirect shareholding in Common Equity Tier 1 capital instruments	-	(38)
Premium reserves	250,017	250,017
Other reserves	994,137	902,127
Accumulated other comprehensive income	12,785	(7,180)
Adjustments of Common Equity Tier 1 capital		
(-) Intangible assets	(24,881)	(16,165)
Transitional adjustments of Common Equity Tier 1 capital	-	62,123
(-) Other deductions	(32,648)	(25,215)
Common Equity Tier 1 capital	**1,348,495**	**1,314,754**
Additional Tier 1 capital instruments		
Hybrid debt	254,258	254,258
Tier 1 Capital	**1,602,753**	**1,569,012**
Tier 2 Capital instruments		
Subordinated term debt	15,521	17,436
Tier 2 Capital	**15,521**	**17,436**
Total own funds	**1,618,274**	**1,586,448**

The Group calculates the following ratios:

a) the Common Equity Tier 1 capital ratio is the Common Equity Tier 1 capital of the institution expressed as a percentage of the total risk exposure amount;

b) the Tier 1 capital ratio is the Tier 1 capital of the institution expressed as a percentage of the total risk exposure amount;

c) the total capital ratio is the own funds of the institution expressed as a percentage of the total risk exposure amount.

The total risk exposure is calculated as the total of the riskweighted assets for credit, market and operational risk.

The Group calculates the requirements for credit risk for its exposures in banking and trading portfolios based on the standardised approach. Exposures are taken into account using their balance sheet amount. Off-balance-sheet credit-related commitments are taken into account by applying different categories of conversion factors designed to convert these items into balance sheet equivalents. The resulting equivalent amounts are then weighted for risk using different percentages depending on the class of exposure and its credit rating assessment. Various credit risk mitigation techniques are used, for example collateralised transactions and guarantees. Forwards and options based derivative instruments are weighted for counterparty credit risk.

The Group calculates also capital requirements for market risk for foreign currency and commodity instruments in trading book and banking book.

The Group calculates capital requirements for operational risk by application of the standardized approach. In this approach the Group distributes the net income from banking operations (called the relevant indicator) over the last three years for the respective business lines. Next, the distributed amount from the relevant indicator is multiplied by its corresponding percentage (beta factor) to obtain the annual capital requirement for each business line. The Group calculates the capital requirement for operational risk as the average value for the three-year period of the sum of the annual capital requirements for all business lines. The respective risk exposure is calculated by further multiplication of the capital requirement by 12.5.

The Group has complied with the regulatory capital requirements throughout the period.

Capital adequacy level is as follows:

in BGN '000	Balance sheet/notional amount		Risk exposures	
	2023	2022	2023	2022
Risk weighted exposures for credit risk				
Balance sheet assets				
Exposure class				
Central governments or central banks	4,490,127	3,952,469	376,414	306,922
Multilateral development banks	15	18	-	-
International organizations	894	624	-	-
Institutions	478,282	428,566	171,541	181,573
Corporates	2,925,782	2,435,831	2,318,383	2,046,646
Retail	1,956,599	1,792,273	1,290,573	1,180,187
Secured by mortgages on immovable property	2,333,305	1,993,669	870,610	736,669
Exposures in default	683,192	907,687	735,783	980,451
Collective investments undertakings	9,494	4,090	9,494	4,090
Equity	42,352	38,137	50,476	46,261
Other items	1,717,878	1,793,793	1,387,561	1,441,448
Total	**14,637,920**	**13,347,157**	**7,210,835**	**6,924,247**
Off balance sheet items				
Exposure class				
Institutions	-	-	47	57
Corporates	648,425	545,382	47,008	40,086
Retail	534,073	485,526	5,210	5,690
Secured by mortgages on immovable property	29,206	20,091	5,661	3,883
Other items	-	-	102	47
Total	**1,211,704**	**1,050,999**	**58,028**	**49,763**
Derivatives				
Exposure class				
Central governments or central banks	-	-	-	-
Institutions	114	2,618	57	1,309
Corporates	1,829	1,953	1,829	1,953
Other items	2,327	1,548	2,327	1,548
Total	**4,270**	**6,119**	**4,213**	**4,810**
Total risk-weighted exposures for credit risk			**7,273,076**	**6,978,820**
Total amount of exposures to market risk			**4,413**	**4,350**
Amount of exposures for deferred risk			**620,475**	**568,750**
Total amount of risk exposures			**7,897,964**	**7,551,920**

Capital adequacy ratios	Equity		Capital ratios %	
	2023	2022	2023	2022
Common Equity Tier 1 capital	**1,348,495**	**1,314,754**	**17.07%**	**17.41%**
Tier 1 Capital	**1,602,753**	**1,569,012**	**20.29%**	**20.78%**
Total own funds	**1,618,274**	**1,586,448**	**20.49%**	**21.01%**

D. Other risks - war in Ukraine

On 24 February 2022 Russia began large-scale military action against Ukraine. In response to the Russian actions against Ukraine, the EU member states and the USA imposed wide-ranging sanctions against Russia and Belarus, including but not limited to, large Russian banks, some other companies, members of the Russian parliament and some representatives of the Russian elite and their families, and also banned primary/secondary trade in government bonds and other select securities. Secondary effects, such as the increasing prices and the sufficiency of energy supply in Europe, as well as the economic impact of various scenarios, are difficult to forecast and may have significant effects on the EU economy. The crisis has the potential to exacerbate further the already tense situation with energy prices in Europe, which may lead to slowing of the economy and to higher losses, including higher impairment.

The disruptions caused by the war have both direct and indirect impacts on the economy of EU countries, leading to slower growth and higher inflation. The rapid rise in energy and food prices is feeding the global inflation pressure and causing a swifter monetary policy response than earlier expected.

The risks to future development include the potential impacts on the business model of macroeconomic and global geopolitical insecurity related to the Russian actions against Ukraine. Customers' activities may also be affected by the higher prices of energy and the disruption of supply chains.

The Bank monitors the situation closely and carries out additional stress tests under different scenarios. The Group's exposure to counterparties from Russia, Ukraine and Belarus is insignificant.

According to the Group's initial estimates, these events did not have direct significant impact on its operations. In addition, the Management does not expect that as a whole the crisis would have immediate significant impacts on the Group's operations.

4. Segment Reporting

Segment information is presented in respect of the Group's geographical segments. The primary format, geographical segments, is based on the Bank's management and internal reporting structure.

Reporting and measurement of segment assets and liabilities and segment revenues and results is based on the accounting policies set out in the accounting policy notes.

Transactions between segments are conducted on an arm's length basis.

The Group operates principally in Bulgaria, but also has operations in Cyprus and Albania.

In presenting information on the basis of geographical segments, revenue and operating income is allocated after intragroup eliminations based on the location of the Bank branch that generated the revenue. Segment assets and liabilities are allocated after intragroup eliminations based on their geographical location.

in BGN '000	Bulgarian operations		Foreign operations		Total	
	2023	2022	2023	2022	2023	2022
Interest income	390,525	310,630	62,029	31,907	452,554	342,537
Interest expense	(34,831)	(37,501)	(10,962)	(8,827)	(45,793)	(46,328)
Net interest income	**355,694**	**273,129**	**51,067**	**23,080**	**406,761**	**296,209**
Fee and commission income	180,362	157,678	22,721	22,472	203,083	180,150
Fee and commission expense	(39,617)	(32,368)	(4,405)	(2,820)	(44,022)	(35,188)
Net fee and commission income	**140,745**	**125,310**	**18,316**	**19,652**	**159,061**	**144,962**
Net trading income	**21,404**	**17,414**	**3,641**	**3,059**	**25,045**	**20,473**
Administrative expenses	**(218,864)**	**(202,516)**	**(19,418)**	**(15,336)**	**(238,282)**	**(217,852)**
	31.12.2023	**31.12.2022**	**31.12.2023**	**31.12.2022**	**31.12.2023**	**31.12.2022**
Assets	**13,196,480**	**12,469,881**	**1,667,753**	**1,029,101**	**14,864,233**	**13,498,982**
Liabilities	**11,740,400**	**10,593,267**	**1,550,451**	**1,506,093**	**13,290,851**	**12,099,360**

The table below shows assets and liabilities and income and expense by business segments as at 31 December 2023.

in thousands of BGN

Business	Assets	Liabilities	Net interest income	Net fee and commission income	Net trading income	Other net operating income
Large enterprises	2,453,162	1,835,436	89,632	38,257	-	195
Medium enterprises	1,160,114	505,522	52,478	13,752	-	285
Small business	1,053,718	1,007,788	53,693	29,402	-	1,619
Retail Banking	3,007,711	9,375,829	154,582	83,034	-	1,546
Treasury	5,574,233	16,067	84,470	(3,023)	25,045	(38,842)
Other	1,615,295	550,209	(28,094)	(2,361)	-	8,216
Total	**14,864,233**	**13,290,851**	**406,761**	**159,061**	**25,045**	**(26,981)**

The Bank discloses the following information pursuant the requirements of Art. 70(6) of the Law on Credit Institutions.

in BGN '000

Business	Bulgaria	other EU member states	third countries	Total
Turnover rate	489,214	26,103	48,569	**563,886**
Equivalent number of full-time employees	2,504	16	433	**2,953**
Profit before tax	134,477	20,262	23,023	**177,762**
Accrued taxes on the financial result of the activity	(13,894)	(2,441)	(3,142)	**(19,477)**
Return on assets (ROA)	0.91%	2.50%	2.08%	**1.06%**
Government subsidies received	447			**447**

The information given in the column on third countries includes the subsidiary First Investment Bank - Albania Sh.a. which is covered in Note 36(C)

The information on other EU members states includes the branch in

5. Financial assets and liabilities

Accounting classification and fair values

The Group's accounting policy on fair value measurements is set out in Note 2(d)(vi).

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: inputs that are quoted market prices (unadjusted) in active markets for identical instruments.

Level 2: inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3: inputs are observable date for a given asset or liability. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations.

For all other financial instruments, the Group determines fair values using other valuation techniques.

Other valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist, option pricing models and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

The Group uses widely recognised valuation models for determining the fair value of common and more simple financial instruments, like interest rate and currency swaps that use only observable market data and require little management judgement and estimation. Observable prices and model inputs are usually available in the market for listed debt and equity securities, exchange traded derivatives and simple over the counter derivatives like interest rate swaps. Availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with determination of fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

However, where the Group measures portfolios of financial assets and financial liabilities on the basis of net exposures, it applies judgement in determining appropriate portfolio level adjustments such as bid-ask spread.

Such adjustments are derived from observable bid-ask spreads for similar instruments and adjusted for factors specific to the portfolio.

For more complex instruments, the Group uses proprietary valuation models, which usually are developed from recognised valuation models. Some or all of the significant inputs into these models may not be observable in the market, and are derived from market prices or rates or are estimated based on assumptions. Example of instruments involving significant unobservable inputs include certain over the counter derivatives, certain loans and securities for which there is no active market and retained interests in securitisations. Valuation models that employ significant unobservable inputs require a higher degree of management judgement and estimation in the determination of fair value. Management judgement and estimation are usually required for selection of the appropriate valuation model to be used, determination of expected future cash flows on the financial instrument being valued, determination of probability of counterparty default and prepayments and selection of appropriate discount rates.

The Group has an established control framework with respect to the measurement of fair values. This framework includes an Risk Management function, which is independent of Treasury division and reports to management, and which has overall responsibility for independently verifying the results of trading and investment operations and all significant fair value measurements. Specific controls include:

- verification of observable pricing;
- a review and approval process for new models and changes to models involving the Risk Analysis and Control Division and the Group's Management Board;
- calibration of models against observed market transactions;
- analysis and investigation of significant daily valuation movements;
- review of significant unobservable inputs, valuation adjustments and significant changes to the fair value measurement of Level 3 instruments compared to previous month, by Risk Analysis and Control division.

Where third-party information, such as broker quotes or pricing services, are used to measure fair value, Risk Analysis and Control division assesses and documents the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS. This includes:

- verifying that the broker or pricing service is approved by the Bank for use in pricing the relevant type of financial instrument;
- understanding how the fair value has been arrived at and the extent to which it represents actual market transactions;
- when prices for similar instruments are used to measure fair value, how these prices have been adjusted to reflect the characteristics of the instrument subject to measurement;
- where a number of quotes for the same financial instrument have been obtained, how fair value has been determined using those quotes.

The tables below set out analysis of financial instruments measured at fair value at the end of the reporting period classified by fair value hierarchy level framework categorising fair value measurement. The amounts are based on the amounts in the statement of financial position.

in BGN '000

31 December 2023	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit or loss	15,897	231,548	85	**247,530**
Financial assets at fair value through other comprehensive income	1,134,130	60,829	-	**1,194,959**
Derivatives held for risk management	1,079	686	-	**1,765**
Total	**1,151,106**	**293,063**	85	**1,444,254**
Financial liabilities at fair value through profit and loss	-	3,165	-	**3,165**

in BGN '000

31 December 2022	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit or loss	9,313	261,740	85	271,138
Financial assets at fair value through other comprehensive income	368,521	161,639	-	530,160
Derivatives held for risk management	718	891	-	1,609
Total	**378,552**	**424,270**	85	**802,907**
Financial liabilities at fair value through profit and loss	-	8,488	-	**8,488**

The investments in securities reported in portfolios of financial assets at fair value in profit or loss, financial assets at fair value in other comprehensive income and financial assets at amortised cost are mostly investments in government securities from first-class issuers which are highly liquid and with the most favourable capital treatment.

The Group manages its investments in debt securities in line with the current market expectations and dynamics. As at 31.12.2023 the modified portfolio duration is 1.8 years, while a year earlier it was 2.2 years.

The tables below set out analysis of the fair values of financial instruments not recognised at fair value, classified by fair value hierarchy level framework categorising fair value measurement

in thousands of BGN

31 December 2023	Level 1	Level 2	Level 3	Total fair values	Total balance sheet value
Assets					
Cash and balances with Central Banks	-	2,462,073		2,462,073	2,462,073
Financial assets at amortised cost	1,346,488	-		1,346,488	1,440,578
Loans and advances to banks and other financial institutions	-	227,327		227,327	227,327
Loans and advances to customers	-	689,887	7,016,804	7,706,691	7,674,705
Total	**1,346,488**	**3,379,287**	**7,016,804**	**11,742,579**	**11,804,683**
Liabilities					
Due to banks	-	8,387		8,387	8,387
Due to other customers	-	8,163,036	4,137,434	12,300,470	12,316,348
Liabilities evidenced by paper	-	443,214		443,214	447,314
Subordinated term debt	-	19,410		19,410	19,410
Hybrid debt	-	257,871		257,871	257,871
Total	**-**	**8,891,918**	**4,137,434**	**13,029,352**	**13,049,330**

in thousands of BGN

31 December 2022	Level 1	Level 2	Level 3	Total fair values	Total balance sheet value
Assets					
Cash and balances with Central Banks		2,042,858	-	2,042,858	2,042,858
Financial assets at amortised cost	1,890,323	-	-	1,890,323	2,017,895
Loans and advances to banks and other financial institutions	-	221,900	-	221,900	221,900
Loans and advances to customers	-	910,372	5,989,938	6,900,310	6,823,003
Total	**1,890,323**	**3,175,130**	**5,989,938**	**11,055,391**	**11,105,656**
Liabilities					
Due to banks	-	13,152	-	13,152	13,152
Due to other customers	-	7,592,602	3,832,938	11,425,540	11,454,906
Liabilities evidenced by paper	-	123,792	-	123,792	123,846
Subordinated term debt	-	19,410	-	19,410	19,410
Hybrid debt	**-**	256,861	-	256,861	256,861
Total	**-**	**8,005,817**	**3,832,938**	**11,838,755**	**11,868,17**

Where available, the fair value of loans and advances is based on observable market transactions. Where observable market transactions are not available, fair value is estimated using valuation models, such as discounted cash flow techniques. Input into the valuation techniques includes expected lifetime credit losses, interest rates, prepayment rates. For collateral-dependent impaired loans, the fair value is measured based on the value of the underlying collateral. To improve the accuracy of the valuation estimate for retail and smaller commercial loans, homogeneous loans are grouped into portfolios with similar characteristics such as product and borrower type, maturity, currency, collateral type.

The fair value of deposits from banks and customers is estimated using discounted cash flow techniques, applying the rates that are offered for deposits of similar maturities and terms. The fair value of deposits payable on demand is the amount payable at the reporting date.

6. Net interest income

in BGN '000	2023	2022
Interest income		
Accounts with and placements to banks and financial institutions	5,362	1,508
Revenue from interest on liabilities	-	5
Large enterprise	93,158	77,063
Medium enterprise	53,526	42,038
Small business	49,572	40,313
Micro enterprise	14,207	9,835
Households	155,013	138,396
Debt instruments	81,716	31,767
Other interest income	-	1,612
	452,554	**342,537**
Interest expense		
Deposits from banks	(245)	(179)
Deposits from other customers	(9,633)	(6,254)
Liabilities evidenced by paper	(7,326)	(556)
Subordinated term debt	(766)	(384)
Hybrid debt	(25,753)	(33,488)
Interest on assets cost	(574)	(5,071)
Interest expense on financial liabilities recognized in profit or loss	(36)	-
Lease agreements and other	(1,460)	(396)
	(45,793)	**(46,328)**
Net interest income	**406,761**	**296,209**

For 2023 he recognized interest income from individually impaired financial assets (loans to customers) amounted to BGN 29,534 thousand (2022: BGN 28,078 thousand).

7. Net fee and commission income

in thousands of BGN		
Fee and commission income	**2023**	**2022**
Letters of credit and guarantees	3,687	3,671
Payment operations	32,103	29,437
Customer accounts	44,066	52,901
Card services	57,454	48,436
Other	65,773	45,705
	203,083	**180,150**
Fee and commission expense		
Letters of credit and guarantees	(986)	(661)
Payment systems	(4,949)	(4,485)
Card services	(28,122)	(21,723)
Other	(9,965)	(8,319)
	(44,022)	**(35,188)**
Net fee and commission income	**159,061**	**144,962**

8. Net trading income

in thousands of BGN	**2023**	**2022**
Net trading income arises from:		
- Debt instruments	41	155
- Equities	1,087	(656)
- Foreign exchange rate fluctuations	23,917	20,974
Net trading income	**25,045**	**20,473**

9. Other net operating income

BGN ,000	**2023**	**2022**
Other net operating income arising from:		
Net income from transactions and revaluation of gold and precious metals	1,279	2,077
Rental income	6,937	5,579
- Debt instruments	(44,491)	929
- Equities	5,649	(303)
- income from management of assigned receivables	3,282	5,620
- Gain on administration of loans acquired through business combination	363	404
Other net operating income	**(26,981)**	**14,306**

10. Administrative expenses

in BGN '000	2023	2022
General and administrative expenses comprise:		
- Personnel cost	98,247	81,517
- Amortization of equipment and tangible fixed assets	14,297	12,959
- Rights of use assets	37,711	41,205
- Advertising	11,411	9,006
-Telecommunication, software and other computer maintenance	16,128	14,465
- Other expenses for external services	60,488	58,700
Administrative expenses	**238,282**	**217,852**

Personnel costs include salaries, social and health security contributions under the provisions of the local legislation. At 31 December 2023 the total number of employees was 2,953 (31 December 2022: 2,990).

The amounts accrued in 2023 for services provided by the registered auditors for independent financial audit amount to BGN 836 thousand. The amounts accrued in 2022 for services provided by the registered auditors for independent financial audit amounted to BGN 1.119 thousand. In 2023 the amounts for other services unrelated to audit provided by the registered auditors amounted to BGN 46 thousand, while in 2022 no amounts were accrued for other services unrelated to audit and provided by the registered auditors.

11. Allowance for impairment

in BGN '000	2023	2022
Write-downs		
Loans and advances to customers	(246,611)	(218,518)
Investments in non-consolidated subsidiaries	-	-
(v) Capital instruments at fair value through other comprehensive income	(35)	(49)
Off balance sheet commitments	(229)	(636)
Reversal of write-downs		
Loans and advances to customers	101,328	78,097
(v) Capital instruments at fair value through other comprehensive income	34	59
Off balance sheet commitments	1,034	817
Impairment, net	**(144,479)**	**(140,230)**

The expense for impairment in 2023 and 2022 is due to additional allowances resulting from the development of credit risk in a period of challenging economic environment and the conservative approach applied by the Group in recognising the risk of loss for certain individually impaired exposures.

12. Other income/(expenses), net

	2023	2022
Profit from the sale and write-off of assets acquired as collateral	5,031	2,698
Revaluation of investment property	-	14,769
Income/(expense) from sale of investment property	1,622	(3,221)
Dividend income	2,348	633
Net earned insurance premiums	-	8,486
Cost of guarantee schemes	(25,888)	(26,251)
Claims incurred	-	(4,321)
Insurance income	9,954	-
(Expense) for insurance services	(5,486)	-
(Expense)/reversal of expense for provisions for pending court cases	(595)	83
Other income/(expenses), net	9,651	(615)
Total	**(3,363)**	**(7,739)**

Due to the immaterial nature of the amounts from the transition from IFRS 4 and IFRS 17, the effect was reported in 2023, and the comparable data for 2022 was presented in accordance with IFRS 4.

13. Income tax expense

	2023	2022
Current taxes	(19,554)	(10,821)
Deferred taxes (See Note 21)	77	(1,318)
Income tax expense	**(19,477)**	**(12,139)**

Reconciliation between tax expense and the accounting profit is as follows:

in thousands of BGN	2023	2022
Accounting profit before taxation	**177,762**	**110,129**
Corporate tax at applicable tax rate (10% for 2023 and 10% for 2022)	17,776	11,013
Effect from tax rates of foreign subsidiaries and branches	1,255	861
Tax effect of permanent tax differences	446	265
Other	-	-
Income tax expense	**19,477**	**12,139**
Effective tax rate	10.96%	11.02%

14. Earnings per share

	2023	2022
Net profit attributable to shareholders (in thousands of BGN)	157,573	97,241
Average weighted number of ordinary shares held (in thousands)	149,085	149,085
Earnings per share (BGN)	**1.06**	**0.65**

The basic earnings per share, calculated in accordance with IAS 33, are based on the profit attributable to ordinary equity holders of the Bank. In 2023 as in the previous year, no conversion or option rights were outstanding. The diluted earnings per share, therefore, correspond to the basic earnings per share.

15. Cash and balances with Central Banks

in thousands of BGN	2023	2022
Cash on hand		
- in BGN	242,308	184,777
- in foreign currency	90,624	79,554
Balances with Central Banks	1,925,009	1,521,699
Current accounts and amounts with local banks	-	1,291
Current accounts and amounts with foreign banks	204,132	255,537
Total	**2,462,073**	**2,042,858**

16. Investments in securities

In thousands of BGN	2023	2022
Bonds and notes issued by:		
Bulgarian Government		
- denominated in BGN	429,879	447,675
- denominated in foreign currencies	116,394	131,448
Foreign governments	1,976,374	1,792,929
Corporates	280,619	405,558
Banks	39,114	10,477
Other issuers – equity instruments	40,687	31,106
Total	**2,883,067**	**2,819,193**
Of which financial assets:		
at fair value through other comprehensive income	1,194,959	530,160
at amortised cost	1,440,578	2,017,895
at fair value through profit and loss	247,530	271,138
Total	**2,883,067**	**2,819,193**

As at the end of 2023 there were not foreign government bonds subject to total return swap agreements. As at the end of 2022 these amounted to BGN 37,831 thousand.

The investments in securities reported in portfolios of financial assets at fair value in profit or loss, financial assets at fair value in other comprehensive income and financial assets at amortised cost are mostly investments in government securities from first-class issuers which are highly liquid and with the most favourable capital treatment.

The Group manages its investments in debt securities in line with the current market expectations and dynamics. As at 31.12.2023 the modified portfolio duration is 1.8 years, while a year earlier it was 2.2 years.

At the end of 2023, as at the end of 2022, no securities were subject to repurchase agreements.

17. Loans and advances to banks and other financial institutions

(a) Analysis by type

in BGN '000	2023	2022
Placements with banks	87,945	97,588
Other	139,382	124,312
Total	**227,327**	**221,900**

(b) Geographical analysis

in thousands of BGN	2023	2022
Domestic banks and financial institutions	118,737	105,275
Foreign banks and other financial institutions	108,590	116,625
Total	**227,327**	**221,900**

18. Loans and advances to customers

31/12/2023

in thousands of BGN	Gross value	Allowance for impairment	Amortised cost
Large enterprise	2,558,273	(105,111)	2,453,162
Medium enterprise	1,357,490	(197,376)	1,160,114
Small business	1,067,801	(14,083)	1,053,718
Micro enterprise	272,992	(4,844)	268,148
Retail Banking			
- Consumer loans	1,191,727	(41,076)	1,150,651
- Mortgage loans	1,477,996	(10,522)	1,467,474
- Credit cards	134,753	(13,315)	121,438
- Other programmes and collateralised financing	-	-	-
Total	**8,061,032**	**(386,327)**	**7,674,705**

31/12/2022

in BGN '000	Gross value	Allowance for impairment	Amortised cost
Large enterprise	2,278,006	(120,003)	2,158,003
Medium enterprise	1,250,729	(191,128)	1,059,601
Small business	923,928	(12,791)	911,137
Micro enterprise	232,822	(3,882)	228,940
Retail Banking			
- Consumer loans	1,104,419	(45,025)	1,059,394
- Mortgage loans	1,285,749	(13,196)	1,272,553
- Credit cards	144,823	(14,463)	130,360
- Other programmes and collateralised financing	3,015	-	3,015
Total	**7,223,491**	**(400,488)**	**6,823,003**

The distribution of the loan portfolio is reported according to the Bank's business segments

Movement in impairment allowances

in BGN '000

Balance as at 01 January 2023	**400,488**
Additional allowances	246,611
Amounts released	(101,328)
Write-offs	(230,430)
Recovered against impairment	70,268
Other	718
Balance as at 31 December 2023	**386,327**

19. Property and equipment

in thousands of BGN	Land and Buildings	Fixtures and fittings	Motor vehicles	Assets under Construction	Leasehold Improvements	Total
Cost						
As at 01 January 2022	**26,243**	**141,633**	**6,956**	**18,570**	**62,331**	**255,733**
Additions	-	361	266	35,637	3074	39,338
Effect of consolidation of significant subsidiary AMC Imoti EOOD	3,082	766	87	133	-	4,068
Effect of consolidation of significant subsidiary Diners Club Bulgaria EOOD	-	(220)	-	(1,181)	-	(1,401)
Exchange rate differences	-	424	18	14	136	592
Write-offs	-	(7,006)	(519)	-	(183)	(7,708)
Transfers	-	9,563	-	(14,459)	970	(3,926)
As at 31 December 2022	**29,325**	**145,521**	**6,808**	**38,714**	**66,328**	**286,696**
Additions	-	1,088	115	27,113	241	28,557
Exchange rate differences	-	808	51	26	560	1,445
Reclassified to investment property	(5,135)	(235)	-	(48)	-	(5,418)
Write-offs	(591)	(11,385)	(133)	(4)	(10,463)	(22,576)
Transfers	49	14,881	940	(48,039)	20,131	(12,038)
As at 31 December 2023	**23,648**	**150,678**	**7,781**	**17,762**	**76,797**	**276,666**
Amortisation						
As at 01 January 2022	**6,892**	**120,498**	**6,768**	**-**	**41,377**	**175,535**
Effect of consolidation of significant subsidiary AMC Imoti EOOD	-	307	76	-	-	383
Effect of consolidation of significant subsidiary Diners Club Bulgaria EOOD	-	(170)	-	-	-	(170)
Exchange rate differences	-	320	12	-	106	438
Accrued during the year	969	6,095	79	-	2,676	9,819
For write offs	-	(6,996)	(507)	-	(182)	(7,685)
As at 31 December 2022	**7,861**	**120,054**	**6,428**	**-**	**43,977**	**178,320**
Exchange rate differences		605	21	-	205	831
Accrued during the year	940	7,090	150	-	1,748	9,928
Reclassified to investment property	(801)	(140)	-	-	-	(941)
For write offs	(331)	(11,384)	(133)		(10,463)	(22,311)
As at 31 December 2023	**7,669**	**116,225**	**6,466**	**-**	**35,467**	**165,827**
Carrying amount						
As at 01 January 2022	**19,351**	**21,135**	**188**	**18,570**	**20,954**	**80,198**
As at 31 December 2022	**21,464**	**25,467**	**380**	**38,714**	**22,351**	**108,376**
As at 31 December 2023	**15,979**	**34,453**	**1,315**	**17,762**	**41,330**	**110,839**

The fair value of assets constituting land and buildings was determined by independent property assessors holding recognised professional qualification and recent experience in assessing property with similar location and category. The Group's policy requires that independent assessors determine the fair value sufficiently frequently so as to ensure that the balance sheet value does not differ significantly from the fair value at the end of the reporting period. As at 31 December 2023 the fair value of land and buildings was not significantly different from their balance sheet value as at that date. The fair value of land and buildings is categorised as Level 3 fair value on the basis of incoming data on the assessment methodology used.

Assessment methodology	**Significant unobservable inputs**	**Connection between key unobservable inputs and fair value**
1. Discounted cash flows: this valuation model takes into account the present value of cash flows generated by property, taking into account the expected growth of rental prices, the period required for cancellation, the level of occupancy, premiums such as periods in which no rent is paid and other expenses which are not paid by tenants. The expected net cash flows are discounted using discount rates adjusted for risk. Among other factors, when determining the discount rate, the quality of the building and its location are taken into account (first-rate or second-rate), as well as the creditworthiness of the tenant and the duration of the loan agreement.	1. Expected market growth of rent (4.5-6.8%, weighted average 5.6%). 2. Period for cancellation (3 months on average after each rental agreement). 3. Occupancy (90-95%, weighted average 92.5%). 4. Periods when no rent is paid (1 year for new rental agreement). 5. Risk adjusted discount rate (4-9%, weighted average 6.5%).	The fair value will increase (decrease) where: • the expected market growth of rent is higher (lower); • periods for cancellation are shorter (longer); • Occupancy is higher (lower); • the periods when no rent is paid are shorter (longer); or • the risk adjusted discount rate is lower (higher).
2. Market approach/Comparative approach. This method is based on the comparison of the property being evaluated to other similar properties which have been sold recently or which are available for sale. Using this method, the value of a given property is determined in direct comparison to other similar properties which have been sold in a period of time close to the time when the valuation is made. Based on detailed research, review and analysis of data from the property market, the value is formed and it is the most accurate indicator of market value. This method consists of using information about actual transactions in the real estate market in the last six months. Successful application of this method is only possible where a trustworthy database is available as regards actual transactions with properties similar to the property being valued. Information from real estate sites, local press and other such refers to future investment intentions of the seller and cannot be deemed a trustworthy source of information. When using such sites, the offer price for each analogous property is discounted at the valuator's discretion, but by no less than 5%.	1. Expected market growth of property (5-8%, weighted average 6.5%). 2. Time required to effect the sale (4 months on average after the offer is placed). 3. Transaction success rate (90-96%, weighted average 95%). 4. Location (1.0-1.05, weighted average 1.025). 5. Property status (1.0-1.1, weighted average 1.05).	The fair value will increase (decrease) where: • the expected market growth of property is higher (lower); • the period of time required for the sale is shorter (longer); • there is a change in the technical condition of the property

20. Intangible assets

in BGN '000	Software and licences	Goodwill	Total
Cost			
As at 01 January 2022	**50,541**	**540**	**51,081**
Additions	455		455
Effect of consolidation of significant subsidiary Diners Club Bulgaria EOOD	(374)	(107)	(481)
Exchange rate differences	153	-	153
Write-offs	(590)	-	(590)
Transfers	3,926	-	3,926
As at 31 December 2022	**54,111**	**433**	**54,544**
Additions	933	-	933
Exchange rate differences	265	-	265
Write-offs	-	-	-
Transfers	12,038	-	12,038
As at 31 December 2023	**67,347**	**433**	**67,780**
Amortisation			
As at 01 January 2022	**35,515**	-	**35,515**
Effect of consolidation of significant subsidiary Diners Club Bulgaria EOOD	(235)	-	(235)
Exchange rate differences	80	-	80
Accrued during the year	3,140	-	3,140
For write offs	(567)	-	(567)
As at 31 December 2022	**37,933**	**-**	**37,933**
Exchange rate differences	161	-	161
Accrued during the year	4,368	-	4,368
For write offs	-	-	-
As at 31 December 2023	**42,462**	**-**	**42,462**
Carrying amount			
As at 01 January 2022	**15,026**	**540**	**15,566**
As at 31 December 2022	**16,178**	**433**	**16,611**
As at 31 December 2023	**24,885**	**433**	**25,318**

21. Deferred Taxation

Deferred income taxes are calculated on all temporary differences under the liability method using a principal tax rate of 10% for Bulgaria and of 15% for Albania.

The deferred tax as at 31 December 2023 refers to the following items of the statement of financial position:

In thousands of BGN	Assets	Liabilities	Net assets	Net liabilities
Property, equipment and intangibles	(73)	3,144	(73)	3,144
Investment Property	-	24,368	-	24,368
Tax loss	-	-	-	-
Other	(6,373)	3,067	(3,397)	91
Net tax (assets)/liabilities	**(6,446)**	**30,579**	**(3,470)**	**27,603**

The deferred tax as at 31 December 2022 refers to the following items of the statement of financial position:

In thousands of BGN	Assets	Liabilities	Net assets	Net liabilities
Property, equipment and intangibles	(34)	2,852	(34)	2,852
Investment Property	-	24,815	-	24,815
Tax loss	-	-	-	-
Other	(6,215)	2,457	(3,914)	156
Net tax (assets)/liabilities	**(6,249)**	**30,124**	**(3,948)**	**27,823**

The movements of temporary differences in 2023 are recognised as follows:

in thousands of BGN	31 December 2022		Recognised during the period (in profit) or loss	Recognised during the period in equity	Other move-ments	31 December 2023	
	Net assets	Net liabilities				Net assets	Net liabilities
Property, equipment and intangibles	(34)	2,852	258	-	(5)	(73)	3,144
Investment Property	-	24,815	(447)	-	-	-	24,368
Tax loss	-	-	-	-	-	-	-
Other	(3,914)	156	105	357	(10)	(3,397)	91
Net tax (assets)/liabilities	**(3,948)**	**27,823**	**(84)**	**357**	**(15)**	**(3,470)**	**27,603**

22. Repossessed assets

in thousands of BGN	2023	2022
Land	250,781	254,600
Buildings	153,009	157,719
Machines, plant and vehicles	9,746	10,425
Fixtures and fittings	829	841
Total	**414,365**	**423,585**

Repossessed assets acquired as collateral are measured at the lower of cost and net realisable value. The net realizable value of the lands and buildings is approximately equal to their fair value. The assessment methodology for land and buildings is given in note 19.

23. Investment Property

in thousands of BGN

Balance as at 01/01/2023	**750,324**
Additions	147
Costs recognized in the value of assets	11,351
Transferred from property and equipment	4,477
Revaluation of investment property to the fair value recognised at transfer	-
Write-offs upon sale	(9,532)
Balance as at 31/12/2023	**756,767**

24. Rights of use assets

in thousands of BGN

As at 01 January 2023	**171,638**
Additions	5,637
Amortisation	(38,076)
Effect of modification to lease terms and expectations on lease term	32,358
Exchange rate differences	1,410
As at 31 December 2023	**172,967**
Lease liabilities	
As at 01 January 2023	**171,217**
Additions	5,629
Lease payments	(35,161)
Effect of modification to lease terms and expectations on lease term	32,358
Exchange rate differences	(2,300)
As at 31 December 2023	**171,743**

Right-of-use assets recognised by the Group are the branches and offices in various towns in Bulgaria Cyprus and Albania, as well as the buildings in which the Bank's headquarters are located - lines Upon completing the initial recognition, the Group analysed and took into account information on the expected duration of the period in which the Group will be using the assets. In 2022 some of these expectations changed and as a result the Group reviewed its initial assessment and recognized an decrease in the right-of-use assets in the amount of BGN 86,475 thousand, and in lease liabilities in the amount of BGN 86,475 thousand.

In the assessment of right-of-use assets and lease liabilities, the Group took into consideration the current level of financing costs in case it plans to finance the purchase of the assets in question, and included this assumption both in the initial, and in the subsequent valuation of right-of-use assets and of lease liabilities.

The table below analyses lease liabilities according to the expected residual term of rental agreements:

BGN '000		**Maturity analysis of lease liabilities**	
	To 1 year	**More than 1 year**	**Total**
As at 1 January 2023	34,150	137,067	171,217
As at 31 December 2023	33,703	138,040	171,743

25. Other assets

in thousands of BGN	2023	2022
Deferred expense	13,693	11,768
Gold	3,325	2,683
Investments in non-consolidated subsidiaries	8,344	8,344
Other assets	105,979	93,142
Total	**131,341**	**115,937**

26. Due to banks

in thousands of BGN	2023	2022
Term deposits	-	11,389
Payable on demand	8,387	1,763
Total	**8,387**	**13,152**

27. Due to other customers

n thousands of BGN	2023	2022
Retail customers		
- current accounts	3,590,881	3,057,581
- term and savings deposits	4,846,950	4,707,972
Businesses and public institutions		
- current accounts	3,287,352	3,291,542
- term deposits	591,165	397,811
Total	**12,316,348**	**11,454,906**

28. Liabilities evidenced by paper

in BGN ‘000	2023	2022
Liabilities under repurchase agreements	7,680	7,764
Debt related to agreements for full swap of profitability	-	39,469
Financing from financial institutions	34,574	36,611
Liabilities related to a structured investment product	1,167	6,884
Obligations under loan agreements	403,893	33,118
Total	**447,314**	**123,846**

Financing from financial institutions through extension of loan facilities can be analyzed as follows:

Lender	Interest rate	Maturity	Amortised cost as at 31 December 2023
European Investment Fund – JEREMIE 2	0% - 4.68%	30/09/2025	877
Bulgarian Development Bank AD - program for promotion of SMEs and micro	0% - 4.85%	15/03/2027	11,260
Bulgarian Development Bank AD - program for indirect financing of SMEs	0% - 5.68%	30/11/2028	3,071
Fund Manager of financial instruments in Bulgaria - microcredit program with shared risk	0% - 2.96%	31/12/2033	10,048
Fund Manager of financial instruments in Bulgaria - rural financing program	0% - 2.96%	31/12/2031	9,318
Total			**34,574**

Lender	Interest rate	Maturity	Amortised cost as at 31 December 2022
European Investment Fund – JEREMIE 2	0% - 2.79%	30/09/2025	1,506
Bulgarian Development Bank AD - program for promotion of SMEs and micro	3.05%	15/03/2027	11,251
Bulgarian Development Bank AD - program for indirect financing of SMEs	3.85%	30/11/2028	3,680
Fund Manager of financial instruments in Bulgaria - microcredit program with shared risk	0%	31/12/2033	10,636
Fund Manager of financial instruments in Bulgaria - rural financing program	0%	31/12/2031	9,538
Total			**36,611**

29. Hybrid and subordinated debt

in BGN '000	Principal amount	Amortised cost as at 31 December 2023
Hybrid debt with principal EUR 60 mio	117,350	123,821
Hybrid debt with principal EUR 30 mio	58,675	58,829
Hybrid debt with principal EUR 30 mio	58,675	55,618
Hybrid debt with principal EUR 10 mio	19,558	19,603
Total	**254,258**	**257,871**

in BGN '000	Principal amount	Amortised cost as at 31 December 2022
Hybrid debt with principal EUR 60 mio	117,350	123,839
Hybrid debt with principal EUR 30 mio	58,675	58,829
Hybrid debt with principal EUR 30 mio	58,675	54,590
Hybrid debt with principal EUR 10 mio	19,558	19,603
Total	**254,258**	**256,861**

In December 2021, the Bank attracted by issuing first and second tranche of the issue ISIN code XS2419929422 Hybrid Debt Issue total EUR 27,133

In April 2022, the Bank attracted by issuing third tranche of the issue ISIN code XS2419929422 Hybrid Debt Issue for EUR 2, 867

In August 2022, the Bank attracted by issuing first tranche of the issue ISIN code XS2488805461 Hybrid Debt Issue for EUR 10,000

The bonds under all instruments are registered, dematerialized, interest-bearing, perpetual, unsecured, freely transferable, non-convertible, deeply subordinated and without incentive to redeem.

All hybrid instruments fully comply with the requirements of Regulation 575/2013 and are included in the additional tier 1 capital.

On 22 December 2022, the Group (through its subsidiary bank in Albania) issued subordinated term debt. The maturity date of the subordinated term debt is 25 April 2026, and it is denominated in Euro with total amount of EUR 2,000 thousand. The subordinated term debt instrument fully complies with the requirements of Regulation 575/2013 for inclusion in the tier 2 capital. The subordinated term debt matures on 22 December 2029; it is denominated in Euro and its total amount is EUR 5,000 thousand.

in BGN '000	**Amortised cost as at 31 December 2023**	**Amortised cost as at 31 December 2022**
Subordinated term debt with principal of EUR 2 million	3,943	3,943
Subordinated term debt with principal of EUR 2.9 million	5,679	5,679
Subordinated term debt with principal of EUR 5 million	9,788	9,788
Total	**19,410**	**19,410**

The three subordinated term debt fully comply with the requirements of Regulation 575/2013 and are included in the additional tier 2 capital.

30. Other liabilities

in BGN '000	**2023**	**2022**
Liabilities to personnel	1,586	1,351
Insurance contract provisions	-	6,585
Liabilities under insurance contracts	1,864	-
Provisions for pending court cases	1,034	440
Impairment on off balance sheet commitments	371	1,175
Other payables	31,767	13,461
Total	**36,622**	**23,012**

Due to the immaterial nature of the amounts from the transition from IFRS 4 and IFRS 17, the effect was reported in 2023, and the comparable data for 2022 was presented in accordance with IFRS 4.

31. Capital and reserves

(a) Number and face value of registered shares as at 31 December 2023

The subscription for the public offering of shares of First Investment Bank AD was completed successfully on 3 July 2020. Out of the 40 000 000 ordinary dematerialized shares with nominal value of BGN 1, and issue value of BGN 5.00 each, a total of 39 084 800 shares were subscribed and paid up.

On 31 July 2020 First Investment Bank's capital increase was registered in the Commercial Register and Register of Non-for-profit Legal Entities. This registration was carried out after the subscription for shares was successfully completed on 03 July 2020 based on the prospectus confirmed by the Financial Supervision Commission.

Thus, the Bank's capital was increased to BGN 149 084 800 by issue of 39 084 800 new ordinary, registered, dematerialized shares, each with one voting right in the general meeting, with nominal value of BGN 1 and issue value of BGN 5. The amount of the capital after the increase was reflected in the By-Laws of First Investment Bank AD after approval granted by the Bulgarian National Bank.

With relation to this issue, the Bank's premium reserve increased by BGN 153,017 thousand, net of the issue costs, reaching a total amount of BGN 250,017 thousand (31 December 2019: BGN 97, 000 thousand).

(b) Shareholders

The table below shows those shareholders of the Bank holding shares as at 31 December 2023 together with the number and percentage of total issued shares.

	Number of shares	**% of issued share capital**
Mr. Ivailo Dimitrov Mutafchiev	46,750,000	31.36
Mr. Tzeko Todorov Minev	46,750,000	31.36
Bulgarian Bank for Development AD	27,350,000	18.35
Valea Foundation	11,734,800	7.87
Other shareholders (shareholders holding shares subject to free trade on the Bulgarian Stock Exchange – Sofia)	16,500,000	11.06
Total	**149,084,800**	**100.00**

(c) Statutory reserve

Statutory reserves include amounts set aside for purposes regulated by local legislation. According to Bulgarian legislation the Bank is obliged to set aside at least 1/10 of its annual profit as statutory reserve until the total amount of reserves reaches 1/10 of the Bank's share capital.

In 2023, as in the previous year, the Bank did not distribute dividends.

32. Commitments and contingent liabilities

Contingent liabilities

The Group provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. These agreements have fixed limits and generally extend for a period of up to two years.

The contractual amounts of commitments and contingent liabilities are set out in the following table by category. The amounts reflected in the table for contingent liabilities represent the maximum accounting loss that would be recognised in the statement of financial position if counterparts failed completely to perform as contracted and any collateral or security proved to be of no value.

in BGN '000	**2023**	**2022**
Bank guarantees	162,553	160,332
Unused credit lines	1,016,084	858,510
Letters of credit	33,438	33,332
Total	**1,212,075**	**1,052,174**
Impairment on off balance sheet commitments	371	1,175

These commitments and contingent liabilities have off balance-sheet credit risk and only organization fees and accruals for probable losses are recognised in the statement of financial position until the commitments are fulfilled or expire. Most of the contingent liabilities and commitments will expire without being advanced in whole or in part. Therefore, the amounts do not represent expected future cash flows.

As at the date of the report there are no other significant contingent liabilities and commitments requiring additional disclosure.

33. Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprises the following balances with less than 90 days original maturity:

BGN '000	2023	2022
Cash and balances with Central Banks	2,462,073	2,042,858
Loans and advances to banks and financial institutions with original maturity less than 3 months	197,396	183,922
Total	**2,659,469**	**2,226,780**

34. Average balances

The average carrying amounts of financial assets and liabilities are set out in the table below. The amounts are calculated by using a simple average of monthly balances for all instruments.

in thousands of BGN	2023	2022
FINANCIAL ASSETS		
Cash and balances with Central Banks	1,909,774	2,272,989
Investments in securities	2,960,020	1,930,148
Loans and advances to banks and other financial institutions	181,589	149,413
Loans and advances to customers	7,162,739	6,703,423
FINANCIAL LIABILITIES		
Due to banks	8,458	7,559
Due to other customers	11,609,373	10,637,439
Liabilities evidenced by paper	202,462	110,362
Subordinated term debt	18,744	11,617
Hybrid debt	261,073	316,249

35. Related party transactions

Parties are considered to be related if one party has the ability to control or exercise significant influence over the other party on making financial or operational decisions, or both parties are under common control.

A number of banking transactions are entered into with related parties in the normal course of business. These include loans, deposits and other transactions. These transactions were carried out on commercial terms and at market rates. The volume of these transactions and outstanding balances at the end of respective periods are as follows:

Type of related party	Parties that control or manage the Group		Enterprises under common control	
BGN '000	**2023**	**2022**	**2023**	**2022**
Loans				
Loans outstanding at beginning of the period	2,944	3,515	78,316	70,364
Loans issued/(repaid) during the period	(1,391)	(571)	(6,957)	7,952
Loans outstanding at end of the period	**1,553**	**2,944**	**71,359**	**78,316**
Deposits and loans received:				
At beginning of the period	14,195	13,725	15,418	13,582
Received/(paid) during the period	1,949	470	7,892	1,836
At the end of the period	**16,144**	**14,195**	**23,310**	**15,418**
Deposits placed	-			
Deposits at beginning of the period	-	-	49,050	-
Deposits placed/(matured) during the year	-	-	(1,357)	49,050
Deposits at end of the period	-	-	**47,693**	**49,050**
Other receivables	-			
At beginning of the period	-	-	341	18,037
Received/(paid) during the period	-	-	79	(17,696)
At the end of the period	-	-	**420**	341
Other receivables				
At beginning of the period	-	-	50	320
Received/(paid) during the period	-	-	100	(270)
At the end of the period	-	-	**150**	50
Off-balance sheet commitments				
At beginning of the period	1,023	1,061	2,004	594
Issued/(expired) during the period	1,077	(38)	1,512	1,410
At the end of the period	**2,100**	**1,023**	**3,516**	**2,004**
Calculation on leasing obligations				
At beginning of the period	-	-	2,684	1,513
Issued/(expired) during the period	-	-	(15)	1,171
At the end of the period	-	-	**2,669**	2,684

Type of related party	Parties that control or manage the Group		Enterprises under common control	
BGN '000	**2023**	**2022**	**2023**	**2022**
Interest income	31	35	4,193	2,870
Interest expense	7	8	1,512	-
Fee and commission income	30	27	771	672
Fee and commission expense	7	6	6	300

The key management personnel received remuneration of BGN 11,288 thousand for 2023 (2022: BGN 12,068 thousand).

36. Subsidiaries

(a) First Investment Finance B.V.

In April 2003 the Bank created a special purpose entity, incorporated in the Netherlands, First Investment Finance B.V. The company is owned by the Bank. The purpose for creating the entity is to accomplish a narrow and well-defined objective of receiving loans from foreign financial institutions and attracting investors by issuing bonds and other financial instruments guaranteed by the Bank. The entity's issued and paid up share capital is EUR 18 thousand divided into 180 issued and paid up shares, each with nominal value of EUR 100. The Group consolidates its investment in the enterprise.

After completion of winding-up proceedings (between 19.09.2023 and 27.12.2023), on 27.12.2023 the company was deregistered.

(b) Diners Club Bulgaria AD

In May 2005 the Bank acquired 80% of the share capital of Diners Club Bulgaria AD. The company was incorporated in 1996 as a franchise and processing agent of Diners Club International. As at 31 December 2023 the share capital of the company is BGN 910 thousand, and the Bank's shareholding is 96.51%.

The company is not included in the consolidated financial statements of the Group for the year ended 31 December 2023, as it is considered immaterial to the financial position, financial result and the cash flow of the Group for the year. The assessment for consolidation of the subsidiary is reconsidered at each reporting date.

(c) First Investment Bank – Albania Sh.a.

In April 2006 the Bank acquired 99.9998% of the capital of First Investment Bank – Albania Sh.a. upon its incorporation. On 27 June 2007 First Investment Bank – Albania was granted a full banking licence by the Bank of Albania, and on 1 September 2007 it effectively took over the activities of the former branch FIB – Tirana, assuming all rights and obligations, assets and liabilities.

As at 31 December 2023 the share capital of First Investment Bank – Albania Sh.a. was EUR 11,975 thousand, fully paid up, and the Bank's shareholding is 100%. The Group consolidates its investment in the enterprise.

(d) Debita OOD

Acting jointly the Bank and First Financial Brokerage House OOD (FFBH) set up two new companies Debita OOD and Realtor OOD, which were entered in the Commercial Registry in January 2010. The capital of the two companies is BGN 150,000 each, distributed in shares with value of BGN 100 each, as follows: Realtor OOD - 70%, i.e. 1.050 shares for the Bank and 30%, i.e. 450 shares for FFBH OOD.

The company was established as a servicing company within the meaning of Article 18 of the Law on Special Investment Purpose Companies, currently a company within the meaning of Article 27 of the Law on Special Purpose Investment Companies and Securitisation Companies. The main lines of business for Debita OOD include acquisition, servicing, management and disposal of receivables and the related consultancy services

The company is not included in the consolidated financial statements of the Group for the year ended 31 December 2023, as it is considered immaterial to the financial position, financial result and the cash flow of the Group for the year. The assessment for consolidation of the subsidiary is reconsidered at each reporting date.

(e) Realtor OOD

Acting jointly the Bank and First Financial Brokerage House OOD (FFBH) set up new company Realtor OOD, which were entered in the Commercial Registry in January 2010. The capital of the two companies is BGN 150,000 each, distributed in shares with value of BGN 100 each, as follows: Realtor OOD - in liquidation - 51%, i.e. 765 shares for the Bank and 49%, i.e. 735 shares for FFBH OOD

The company were established as servicing companies within the meaning of Article 18 of the Law on Special Investment Purpose Companies. The main lines of business for Realtor OOD include management, servicing and maintenance of real estate, construction and refurbishment works and consultancy in the field of real estate.

By the decision of the general meeting of associates held on 14.06.2021 the operations of Realtor OOD were terminated and winding-up proceedings were initiated, to be completed within six months. The notice to creditors was published in the Commercial Register and Register of Non-for-Profit Legal Entities on 08.09.2021, and this is the starting date of the period for winding-up.

Realtor OOD has been deregistered from the Commercial Register and Register of Non-Profit Legal Entities with the Registration Agency as from 20.07.2022.

(f) Fi Health Insurance AD

In the second half of 2010 the Bank acquired a majority stake capital of Health Insurance Fund FI Health AD (formerly Health Insurance Fund Prime Health AD), a company engaged in voluntary health insurance as well as acquisition, management and sale of investments in other companies. With a decision of the Financial Supervision Commission issued in June 2013 the company has been granted a license to operate as an insurer. The name was changed to FI Health Insurance AD and the principal activity is insurance – Disease and Accident. In June 2018 the company expanded its license with one more insurance class - „Various financial loss". As at 31 December 2023 the share capital of the company is BGN 5,000 thousand, and the Bank's shareholding is 59.10%. The Group consolidates its investment in the enterprise.

(g) Balkan Financial Services EAD

In February 2011 the Bank acquired 100 shares representing 100% of the capital of Balkan Financial Services EOOD. The company is engaged in consultancy services related to implementation of financial information systems and software development. In January 2012 the company was transformed into a sole-shareholder company. As at 31 December 2021 the share capital of the company is BGN 6,437 thousand, and the Bank's shareholding is 100%.

On 11.11.2021 the Management Board of First Investment Bank as the sole shareholder of Balkan Financial Services EOOD decided to terminate the company, announce its liquidation and open winding-up proceedings; this resolution was approved by the Supervisory Board on 22.12.2021.

Balkan Financial Services EAD has been deregistered from the Commercial Register and Register of Non-Profit Legal Entities with the Registration Agency as from 09.12.2022.

(h) Turnaround Management EOOD - deleted trader, Creative Investment EOOD and Lega Solutions EOOD

During the first half of 2013 the Bank established as the sole shareholder the companies Turnaround Management EOOD, Creative Investment EOOD and Lega Solutions EOOD. Each company has the minimum required capital of BGN 2 and their principal activities include manufacturing and trade in goods and services in Bulgaria and abroad (Turnaround Management EOOD, Creative Investment EOOD), acquisition, management and sale of assets, information processing, financial consultations (Lega Solutions EOOD), etc.

After completion of winding-up proceedings for Turnaround Management EOOD, based on a resolution of the Management Board of First Investment Bank as the sole shareholder dated 07.01.2021 and approved by the Bank's Supervisory Board on 20.01.2021, on 11.01.2022 the company was delisted in the Commercial Register and Register of Non-for-Profit Legal Entities.

The subsidiaries Creative Investment EOOD and Lega Solutions EOOD are not included in the consolidated financial statements of the Group for the year ended 31 December 2023, as they are considered immaterial to the financial position, financial result and the cash flow of the Group for the year. The assessment for consolidation of the subsidiaries is reconsidered at each reporting date.

(i) AMC Imoti EOOD

AMC Imoti EOOD was registered in September 2010 and was acquired by the Bank in 2013 through the purchase of MKB Unionbank EAD as its subsidiary. The scope of operations of the company includes activities related to acquisition of property rights and their subsequent transfer, as well as research and evaluation of real estate, property management, consulting and other services. As at 31 December 2023 the capital of the company was BGN 500 thousand, and the Bank was the sole owner. The Group consolidates its investment in the enterprise.

(j) MyFin EAD

At its meeting held on 21 March 2019 the Group's Managing Board decided to establish the sole-shareholder company MyFin EAD to be operating as an issuer of electronic money within the meaning of Article 34, Para. 2(2) of the Payment Services and Payment Systems Act. The Group's Managing Board decision was approved by the Supervisory Board on 27 March 2019. On 19 April 2019 the Group paid up the company's capital, amounting to BGN 1,000 thousand, as per the decisions of the competent bodies. The company holds a license to operate as an electronic money institution, and also has the right to carry out the activities listed in the payment services license, as stated in the company's scope of operation by Resolution No. 71 of 27.02.2020 issued by the BNB Governor, under No. BNB-26660/02.03.2020. After the company obtained its license, it was listed in the Commercial Register and Register of Non-Profit Legal Entities on 25.03.2020 under listing No. 20200325093135

The company's own capital was increased from BGN 1 000 thousand to BGN 2 000 thousand through the issue and subscription by the Bank as the sole shareholder of 1 000 000 new ordinary registered dematerialised voting shares, each with a nominal value of BGN 1 (one), for a total value of BGN 1 000 000 (one million).

The resolution for the capital increase was made by the Management Board at its meeting held on 17.06.2021, and then approved by the Bank's Supervisory Board on 30.06.2021. The company's company increase was listed in the Commercial Register and Register of Non-Profit Legal Entities on 02.09.2021 under listing No. 20210902164014.

The company is not included in the consolidated financial statements of the Group for the year ended 31 December 2023, as it is considered immaterial to the financial position, financial result and the cash flow of the Group for the year. The assessment for consolidation of the subsidiary is reconsidered at each reporting date.

(k) Incasso Guarant EOOD

Incasso Guarant EOOD was established by Management Board resolution of 09.08.2022 approved by the Supervisory Board on 24.08.2022, and listed in the Commercial Register and Register of Non-for-Profit Legal Entities on 09.09.2022; its field of operation will be: private security services, personal (professional) security services for individuals, security of valuable shipments and cargo, security of railway transport, security of property of both individuals and legal entities, of buildings, premises and business facilities, security with the help of signal-notifying equipment (subject to licensing), development, design and construction of high-tech systems for security and video surveillance, as well as any commercial activity not prohibited by law.

As at 31 December 2023 the capital of the company is BGN 100 thousand, and the Bank is the sole owner.

The company is not included in the consolidated financial statements of the Group for the year ended 31 December 2023, as it is considered immaterial to the financial position, financial result and the cash flow of the Group for the year. The assessment for consolidation of the subsidiary is reconsidered at each reporting date.

37. Post balance sheet events

No adjusting and significant non-adjusting events have occurred after the end of the reporting period, other than those disclosed below:

- At the General Meeting of Shareholders of Diners Club Bulgaria AD held on 09.02.2024 a resolution was made to terminate the operation of Diners Club Bulgaria AD as a payment institutions, respectively - to terminate the company's activities for representation of Diners Club International. Following a procedure pursuant to the Law on Payment Services and Payment Systems, the Governing Council of the Bulgarian National Bank issued resolution No. 58 of 15.02.2024 approved the plan proposed by the company for termination of its activities and revoked its license, as of 15.04.2024.

  By decision of the General Meeting of Shareholders held on 09.02.2024, after withdrawal of the license, the company's scope of operation changed to include any commercial activity not prohibited by law; the company's name was changed to Finclub AD.


We aim for ever higher goals

Meeting the 2023 goals

<table>
<tr><th>N</th><th>Goals</th><th>Fulfilled</th></tr>
<tr><td>1</td><td>A UNIVERSAL BULGARIAN BANK, LEADING IN KEY SEGMENTS
Set a priority on the development of retail and SME banking segments.
Offer new and creative products, providing convenience and security to customers.
Upgrade cross selling and transactional business models.</td><td>In 2023, the retail, micro, and SME loan portfolios registered an increase, their combined share reaching 68.2% of the total loan portfolio of the Group (2022: 68.5%), This was mainly driven by retail and small enterprise loans which grew by 10% and 16% respectively during the period.
Fibank retained its leading position among banks in the country: fifth in deposits, fifth in corporate loans, fifth in consumer loans, and fifth in mortgage loans.
Two new retail loans were launched: Green Energy for Households and Green Transport for Households, intended for financing solar systems and purchase of electric vehicles.
A new agreement was signed with BEIA, providing insurance coverage against financial losses on loans granted to micro, small and medium-sized enterprises.
Fibank became the institution accepting applications for issuance of European Health Insurance Cards in Bulgaria, through its branch network in the country.
For more information see the Business Review and 2023 Highlights sections.</td></tr>
<tr><td>2</td><td>HIGH QUALITY CUSTOMER SERVICE
Maintain highest quality of customer service by developing motivational programs and training for employees.
Speed up customer service by improving IT systems and applying customer oriented approaches.
Develop personalized services and loyalty programs.</td><td>The deposit base of the Group grew to BGN 12,316,348 thousand at the end of the period (2022: BGN 11,454,906 thousand), and the total loan portfolio to BGN 7,674,705 thousand (2022: BGN 6,823,003 thousand).
The awards received serve as recognition for the achievements during the period: Bank of the Year and Employer Branding at the Company of the Year ceremony, as well as Mystery Customer Bank for best customer service in Bulgaria, received at the Bank of the Year competition organized by the Bank of the Year Association.
The exclusive metal World Elite™ Mastercard® credit card was launched, offering a number of additional features.
The Bank successfully migrated to the new T2 (TARGET2) real-time gross settlement (RTGS) system of Eurosystem for processing large-value payments.
For more information see the Business Review and Awards 2023 sections.</td></tr>
<tr><td>3</td><td>FOCUS ON DIGITIZATION AND INNOVATION
Implement technological innovations and digitize the branch network.
Develop digital services, mobile applications and e-banking.
Optimize IT and business processes and automate activity in line with innovation in banking.</td><td>First Investment Bank launched the innovative Blink P2P service for making instant transfers by mobile phone number using the My Fibank mobile application.
Remote onboarding for retail customers was introduced in My Fibank mobile application, using a third-party authentication service provider.
A new virtual credit card was developed, issued entirely online through the mobile application.
New functionalities were added to My Fibank electronic banking, including detailed reference information on loans.
The Bank successfully adapted its payment systems to the new ISO 20022 messaging standard for budget payments.
For more information see the Business Review, Distribution Channels and Awards 2023 sections.</td></tr>
</table>

4	STABLE AND SUSTAINABLE BUSINESS MODEL • Ensure sound levels of own funds and eligible liabilities (MREL). • Effective management of liquidity and funding risk. • Maintain optimal asset structure and reduce loan portfolio risk.	• At the end of 2023, the Group reported stable capital ratios as follows: common equity Tier 1 (CET1) ratio 17.07%, Tier 1 capital ratio 20.29% and total capital adequacy ratio 20.49%, well above the minimum regulatory requirements.. • Fibank maintained high liquidity, with liquidity coverage ratio (LCR) and net stable funding ratio (NSFR) of 298,13% and 151,86% respectively on a consolidated basis at the end of the period. • Non-performing exposures of the Group decreased by 19.0% net or by BGN 237,512 thousand YoY, in line with the strategy for their reduction and due to measures implemented such as increased loan collection and write-offs. • Other borrowed funds increased to BGN 447,314 thousand (2022: BGN 123,846 thousand), mainly as a result of obligations under loan agreements which the Bank actively raised during the period in order to meet the MREL requirements. • Total Group equity increased by 12.4% to BGN 1,537,382 thousand (2022: BGN 1,399,622 thousand), as a result of an increase in other reserves and retained earnings which reached BGN 1,116,028 thousand at the end of the period (2022: BGN 962,805 thousand). *For more information see the Financial Review, Risk Management and Sustainable Development sections.*
5	RESPONSIBLE BANKING FOR A SUSTAINABLE FUTURE • Offer products and finance projects that are consistent with green transition and sustainable development. • Implement environmentally efficient internal processes. • Support socially significant projects and initiatives..	• Framework documents and policies were developed in the area of sustainability and ESG risks, including a 10-year Sustainable Development Strategy, a Green Finance Framework and a Climate and Environmental Risk Management Policy. • New retail loans were developed: Green Energy for Households and Green Transport for Households, intended for financing solar systems and purchase of electric vehicles. • A number of social initiatives were carried out in the field of education, culture and sports, including the Children's Financial Literacy Week and the Women's Business Arena under the Smart Lady program. Support was provided to the Federation for children deprived of parental care, the Bulgarian Rhythmic Gymnastics Federation, and the Union of Bulgarian Actors. A charity calendar was created focusing on conservation of water as an irreplaceable natural resource.
6	SHAREHOLDER RETURN AND COST OPTIMIZATION • Achieve a high return on equity. • Maintain optimal cost-to-income ratio. • Invest in profitable securities and diversify income.	• The reported return on equity (after tax) for 2023 was higher at 10.61% on a consolidated basis, well above the long-term target of 8%. • For 2023, the cost/income ratio on a consolidated basis stood at 42.51% (2022: 46.53%), in line with the target level of below 50% set in the Development Strategy. • Total operating income of the Group increased to BGN 563,886 thousand (2022: BGN 475,950 thousand). Growth was reported in all main income sources, especially in net interest income. • The investment securities portfolio of the Group amounted to BGN 2,883,067 thousand (2022: BGN 2,819,193 thousand) at year-end, managed according to market conditions with the aim of generating profitability while maintaining a balanced risk-return ratio. Net interest income from debt instruments increased to BGN 81,716 thousand (2022: BGN 31,767 thousand), serving as an additional income source. *For more information see the Financial Review and Risk Management sections.*

Subsequent events

- At an extraordinary General Meeting of Shareholders of First Investment Bank AD held in January 2024, a new Head of Internal Audit was elected for a 5-year term.
- In February 2024, a General Meeting of Shareholders of Diners Club Bulgaria AD, a subsidiary of First Investment Bank AD, was held at which a decision was taken to terminate the activity of Diners Club Bulgaria AD as a payment institution, and to terminate its activity as a franchisee of Diners Club International. Following a procedure under the Payment Services and Payment Systems Act, the plan for termination of the activity proposed by the company, as well as the invalidation of its license as of April 15, 2024, were approved by the BNB by decision dated 15.02.2024. Based on a decision of the General Meeting of Shareholders dated 09.02.2024 after invalidation of the license the main business of the company is changed to include commercial activity non-prohibited by law, in addition the name of the company is changed to Finclub AD.
- In April 2024, the mandate of Mr. Svetozar Popov as a member of the Managing Board and Executive Director of the Bank was prolonged for another 5 year term.

For further information, see the Consolidated Financial Statements for the year ended December 31, 2023.

Development priorities

Universal bulgarian bank, leading in key segments

- Priority focus on the development of retail and SME segments.
- Offering new and creative products, providing customers with convenience and security.
- Upgrading the cross-selling and transactional business models.

High quality customer service

- Maintaining the highest quality of customer service by developing motivational programs and training for employees.
- Speed in customer service by improving IT systems and applying customer-oriented approaches.
- Development of personalized services and loyalty programs.

Focus on digitization and innovation

- implementation of technological innovations and branch digitalisation.
- Development of digital services, mobile applications and e-banking.
- Optimization of IT and business processes in line with innovation in banking and automation of activities.

Stable and sustainable business model

- Ensure sound capital position and MREL.
- Effective management of liquidity and financing risks.
- Maintain optimal asset structure and reduce loan portfolio risk.

Responsible banking for sustainable future

- Offer products and finance projects aimed at sustainability and supporting the green idea.
- Implement environmentally friendly internal processes.
- Support responsible projects and initiatives with social impact.

Return for shareholders and cost optimisation

- Achieve high return on equity.
- Maintain maximum efficient cost-to-income ratio.
- Invest in profitable securities and revenue diversification.

Other information

Members of the Supervisory board

Evgeni Lukanov - Chairman of the Supervisory Board

Mr. Lukanov joined First Investment Bank AD in 1998 as Deputy Director, and later as Director and General Manager of the Tirana Branch, Albania. From 2001 to 2003 he was Director of the Bank's Vitosha Branch (Sofia).

Mr. Lukanov has occupied a number of senior positions with First Investment Bank AD. From 2003 to 2007 he was Director of the Risk Management Department and Member of the Managing Board. From 2004 to 2012 - Executive Director and Member of the Managing Board of First Investment Bank AD.

During his years of work in First Investment Bank AD, Mr. Lukanov has been Chairman of the Credit Council and the Liquidity Council of the Bank. He has been in charge of the following departments: Risk Management, Impaired Assets and Provisioning, Loan Administration, Specialized Monitoring and Control, Retail Banking, Methodology, and Liquidity.

Mr. Lukanov has also been member of the Managing Board of First Investment Bank – Albania Sh.a.

At the beginning of February 2012, Mr. Lukanov was elected as Chairman of the Supervisory Board of First Investment Bank AD. For the period 2012-2019 he was Chairman of the Risk Committee to the Supervisory Board of the Bank and since May 2019 was elected as Chairman of the Remuneration Committee to the Supervisory Board of the Bank.

Mr. Lukanov holds a Master's Degree in Economics from the University of National and World Economy, Sofia. Prior to joining First Investment Bank AD, Mr. Evgeni Lukanov worked as currency broker with First Financial Brokerage House OOD.

Besides his position on the Supervisory Board of the Bank, Mr. Lukanov is also Chairman of the Board of Directors of Fi Health Insurance AD.

Maya Georgieva - Deputy Chair of the Supervisory Board

Prior to joining First Investment Bank, Ms. Maya Georgieva worked with the Bulgarian National Bank for 19 years where she gained considerable experience in international banking relationships and payments, banking statistics and firm crediting. Her last appointment with BNB was as Head of the Balance of Payments Division.

Ms. Maya Georgieva joined First Investment Bank AD in 1995 as Director of the International Department. From 1998 to 2012 she served as Executive Director of First Investment Bank and Member of the Managing Board. During her years of work in the Bank she has been responsible of the following departments: International Payments, Letters of Credit and Guarantees, SME Lending, Human Capital Management, Administrative Department, Sales Department, Retail Banking, Marketing, Advertising and PR, Branch Network, Private Banking and the Vault.

Alongside her responsibilities at the Bank, Ms. Georgieva has also occupied a number of other senior executive positions. From 2003 to 2011 she chaired the Supervisory Board of CaSys International - a Northern Macedonia-based card processing company servicing card payments in Bulgaria, Northern Macedonia and Albania.

From 2009 to 2011 she was Chair of the Board of Directors of Diners Club Bulgaria AD - a franchise company of Diners Club International, owned by First Investment Bank. In this capacity, she inspired the launch of a number of products, including the first female-oriented credit card. From 2006 to 2011 she was also member of the Managing Board of First Investment Bank - Albania Sh.a., a subsidiary of First Investment Bank.

In the beginning of February 2012, Ms. Georgieva was elected as Deputy Chair of the Supervisory Board of First Investment Bank AD and Chair of the Presiding Committee to the Supervisory Board of First Investment Bank AD.

Ms. Georgieva holds a Masters Degree in Macroeconomics from the University of National and World Economy in Sofia and has post-graduate specializations in International Payments and Balance of Payments with the International Monetary Fund and Banking from Specialized postgraduate course of BNB joint with the Bulgarian Union of Science and Technology.

She was granted several times with the „Banker of the Year" award of the Bulgarian financial weekly „Banker" - in 2001 and 2011, as well as in 2018 for overall contribution to the development of the banking system.витието на банковата система.

Radka Mineva - Member of the Supervisory Board

Prior to joining First Investment Bank AD, Ms. Mineva worked as a capital markets dealer at the Bulgarian National Bank where she gained considerable experience in banking. During the time spent with the Central Bank, she specialized at the Frankfurt Stock Exchange and the London Stock Exchange as a capital markets dealer.

Ms. Mineva started her career with the foreign trade enterprise Main Engineering Office, where she worked for 9 years; she also spent three years as an expert at RVM Trading Company.

Since 2000, Ms. Mineva has been a Member of the Supervisory Board of First Investment Bank AD. Since May 2019, she was elected as Member of the Presiding Committee to the Supervisory Board of First Investment Bank.

She is a graduate of the University of National and World Economy in Sofia, with a degree in Trade and Tourism.

Besides her position on the Supervisory Board of the Bank, Ms. Mineva is Manager of Balkan Holidays Services EOOD - a company with activities in the sphere of tourism, transportation, hotel business, tour operation, and tour agency services. Ms. Mineva is also Manager of Balkan Holidays Partners OOD - a company engaged in international and domestic tourism services, foreign economic transactions, and financial management. Ms. Mineva owns more than 25% of the capital of Balkan Holidays Partners OOD. She is also Member of the Managing Board of the non-profit organization "National Board of Turism" and of the non-profit organization "Union of investors in tourism".

Jordan Skortchev - Member of the Supervisory Board

Before joining First Investment Bank AD, Mr. Jordan Skortchev worked for two years with the Central and Latin America Department of the foreign trade organization Intercommerce, followed by five years with First Private Bank, Sofia as an FX Dealer and Head of the Dealing Division.

Mr. Skortchev joined First Investment Bank in 1996 as Chief Dealer, FX Markets. From 2001 to 2012 Mr. Skortchev was Member of the Managing Board and Executive Director of the Bank. During his years of work in the Bank, Mr. Skortchev has been responsible for the following departments: Card Payments, Operations, Gold and Numismatics, Internet Banking, Dealing, Security and Office Network-Sofia.

Alongside his responsibilities at the Bank, Mr. Skortchev has also occupied other senior executive positions. Mr. Skortchev has been Chairman of the Supervisory Board of UNIBank AD, Republic of Northern Macedonia, member of the Supervisory Board of CaSys International, Republic of Macedonia, member of the Board of Directors of Diners Club Bulgaria AD, member of the Board of Directors of Bankservice AD, member of the Board of Directors of Medical center FiHealth AD, and Manager of FiHealth OOD.

In the beginning of February 2012, Mr. Skortchev was elected as a Member of the Supervisory Board of the Bank. For the period 2012-2019, he was Chairman of the Remuneration Committee to the Supervisory Board of First Investment Bank AD. Since May 2019, Mr. Skortchev was elected as Chairman of the Nomination Committee to the Supervisory Board of First Investment Bank AD.

Mr. Skortchev holds a Masters Degree in International Economic Relations from the Higher Institute of Economics (now the University of National and World Economy) in Sofia. He has specialized in banking in Luxembourg, in swap deals at Euromoney, and in futures and options at the Chicago Stock Exchange.

Mr. Skortchev holds more than 10% of the capital of Investment intermediary Delta Stock AD.

Jyrki Koskelo – Member of the Supervisory Board

Mr. Jyrki Koskelo was elected as member of the Supervisory Board of First Investment Bank AD in June 2015. In his capacity as an independent member Mr. Koskelo supports the Supervisory Board in setting up the business objectives and the strategy of the Bank, the corporate culture and values, as well as in overseeing good corporate governance practices and effective risk management. Since the end of 2019, he has been Chairman of the Risk Committee to the Supervisory Board of First Investment

Bank AD. Mr. Koskelo has long-term experience in banking and global financial markets, as well as wide professional practice in different geographical regions.

Mr. Koskelo worked in the International Finance Corporation (IFC - a member of the World Bank Group) for 24 years, from 1987 to late 2011. The first 13 years he worked as an Investment Officer covering the Central and Eastern Europe and Africa regions. In 2000, he was appointed as Director Work-out Loans and in 2004 he became Director Global Financial Markets. In 2007, he was appointed as Vice President (reporting to the CEO) and a member of the IFC's Management Committee. Mr. Koskelo led the formulation and implementation of the IFC's investment strategy, policies, and practices across industries and regions, including in Central and Eastern Europe, Latin America and Africa. His major legacies include IFC's entry to Global Trade Finance Programs, decentralization of the organization with significant staffing across emerging markets, IFC's leading role in private sector side of Vienna Initiative to support Central Europe banks after Lehman Crisis and establishment of IFC's Asset Management subsidiary's first $3 billion fund for capitalization of weak banks in poor countries.

Prior to joining the IFC, he spent close to 10 years in senior management positions in the private sector in the Middle East and in USA.

Mr. Koskelo currently holds senior positions in European and African organizations and institutions including: Member of the Board of Directors of Gulf Marine Services PLC (GMS International), UK and Member of the Board of Directors of Serengeti Energy Ltd, Mauritius.

During the period 2012 – up to 2023 Mr. Koskelo acted in multiple Supervisory Board and advisory positions including in the Africa Development Corporation, Germany; African Banking Corporation, Botswana; RSwitch, Rwanda; EXPO Bank, Latvia, AtlasMara Co-Nvest LLC, UK, Al Jaber Group, UAE, EXPO Bank, Czech Republic and AATIF (a KfW & EU sponsored Africa Agriculture and Trade Investment Fund), Luxemburg.

Mr. Koskelo holds a Master of Science (M.Sc.) degree in Civil Engineering from the Technical University of Helsinki, Finland and a Master of Business Administration (MBA) in International Finance from the Massachusetts Institute of Technology (MIT), Sloan School of Management in Boston, USA.

Members of the Managing board

Nikola Bakalov – Chief Executive Officer (CEO) and Chairman of the Managing Board

Mr. Nikola Bakalov has extensive experience in the banking and insurance sector in Bulgaria, combined with proven professional and managerial skills. From December 2000 to September 2011, he worked at First Investment Bank AD, taking increasing responsibilities from Card Services Specialist to Director of the Card Payments Department, which position he held for almost 6 years. During this period he was also elected as member of the executive committees of Mastercard Bulgaria and VISA Bulgaria.

In the period December 2011 - August 2012, Mr. Bakalov was member of the Managing Board of Allianz Bank Bulgaria AD, where he served as Executive Director, and subsequently as Chief Executive Officer.

From 2013 to August 2020, Mr. Bakalov was Executive Director of FiHealth Insurance AD, where he expanded significantly the activity of the company and transformed it in a leading company in the sphere of health insurance.

At the beginning of 2020, he was elected as Chief Retail Banking Officer (CRBO), Member of the Managing Board and Executive Director of First Investment Bank AD, responsible for the retail banking business lines within the Bank.

Since April 2020 Mr. Bakalov has been elected as Chief Executive Officer (CEO) and Chairman of the Managing Board of First Investment Bank AD.

Responsibilities in the Bank – Compliance function, Legal Department, Corporate Communications Department, Marketing and Advertising Department, Human Capital Management Department, Administrative Department, Asset Management Department, Information Technologies Department, Sustainable Development Department, Protocol and Secretariat Department and Specialised Unit Project Management.

Mr. Bakalov holds a Master’s degree in International Economic Relations from the University of National and World Economy in Sofia, and has additional specializations in card payments, finance retail services and corporate governance.

Apart from his position at the Bank, Mr. Bakalov is Deputy chairman of the Board of Directors of FiHealth Insurance AD, Member of the Board of Directors of BORICA AD, Member of the Management Board of Association of Banks in Bulgaria, Manager of International Banking Institute EOOD and Member of the Trustees Council of the University of National and World Economy (UNWE).

Svetozar Popov – Chief Risk Officer (CRO), Member of the Managing Board and Executive Director

Mr. Svetozar Popov joined First Investment Bank AD in 2004 as part of the Risk Management Department, and was shortly thereafter promoted to Head of the Credit Risk Division. From 2006 to 2008 he was Deputy Director of Risk Management, during which period he also chaired the Bank's Credit Council. From 2016 to 2017, Mr. Popov held the office of Chief Compliance Officer (CCO), and in May 2017 he was appointed as Chief Risk Officer (CRO), Member of the Management Board and Executive Director of First Investment Bank AD.

From 2008 to 2015, Mr. Popov was member of the Managing Board and Executive Director of UNIBank AD, Northern Macedonia, where he gained significant management experience and was responsible for the areas of risk management, credit administration, and finance. Prior to joining First Investment Bank AD, Mr. Popov worked at Raiffeisenbank (Bulgaria) EAD as an SME loan officer.

Mr. Popov holds a Masters degree in Finance from the University of National and World Economy in Sofia, and has obtained additional qualifications in the field of financial analysis from the European Bank for Reconstruction and Development (EBRD) and other internationally recognized institutions, as well as practical experience in foreign banks.

In the Bank he is responsible for the Risk Analysis and Control Department, the Credit Risk Management, Monitoring and Provisioning Department, the Impaired Assets Department, the Loan Administration Department, Security Department, Information Security Department and the specialized unit Strategic Risk Management.

Besides his position in the Bank, Mr. Popov is a Chairman of the Supervisory Board of UNIBank, Republic of Northern Macedonia, Chairman of the Board of Directors of MyFin EAD and a Manager of Debita OOD.

Chavdar Zlatev - Chief Corporate Banking Officer (CCBO), Member of the Managing Board and Executive Director

Mr. Chavdar Zlatev joined the team of First Investment Bank AD in 2004 as Chief specialist in the SME Lending Department. Soon afterwards he was promoted to Deputy Director of the Department. From 2006 to 2009 he was manager of the Vitosha branch of First Investment Bank AD. He was subsequently appointed Deputy Director of the Branch Network Department, and in 2010 promoted to Director of the Department. In early 2011, he was appointed Director of the Corporate Banking Department, and has participated in the development and implementation of a number of banking products. In November 2014 Mr. Zlatev was elected member of the Managing Board of First Investment Bank AD, and from February 2018 was appointed as Chief Corporate Banking Officer (CCBO), Member of the Managing Board and Executive Director.

Alongside his responsibilities in the Bank for the period during 2011-August 2020 he was member of the Board of Directors of FiHealth Insurance AD.

Prior to joining First Investment Bank AD, Mr. Zlatev worked in CB Unionbank AD as a senior bank officer, Corporate clients. He holds a Master's degree in Macroeconomics from the University of National and World Economy in Sofia. He has specialized loan products and practices in Bank of Ireland, as well as contemporary banking practices in Banco Popolare di Verona.

Responsibilities in the Bank – Large Enterprises Banking Department, Medium-sized Enterprises Banking Department, Corporate Sales and Public Procurements Department, Financial Analysis unit, Loan Facility Management unit, Trade Financing unit and Factoring and Leasing unit.

Besides his position with the Bank, Mr. Zlatev is a Chairman of the Management Board of First Investment Bank – Albania Sh.a.

Ralitsa Bogoeva – Chief Retail Banking Officer (CRBO), Member of the Managing Board and Executive Director

Ms. Ralitsa Bogoeva has been Chief Retail Banking Officer, Member of the Managing Board and Executive Director of First Investment Bank AD since May 2020. She has extensive professional experience in various fields of banking.

Ms. Ralitsa Bogoeva joined the team of First Investment Bank AD in 2002 as a Retail Loan Officer and a year later was promoted to Deputy Director of the Retail Banking Department, a position she held for eight years. From 2011 to 2018 she was Director, Internal Audit of Fibank. From June 2018 to 2020, Ms. Bogoeva held the position of Chief IT and Operations Officer at the Bank. During her professional career, Ms. Bogoeva has managed various projects in the fields of finance, the development and administration of products for individuals and businesses, as well as innovative projects in the field of information technology and digitalization of banking.

Ms. Bogoeva has a Master's degree in Accounting and Control from the University of National and World Economy in Sofia, as well as a number of additional qualifications in the areas of banking, international auditing standards, planning and project management.

Responsibilities in the Bank – Retail Banking Department, Private Banking Department, Digital Banking Department, Card Payments Department, Branch Network Department, Organisation and Control of Customer Service Department, Gold and Commemorative Coins Department, the Vault.

In addition to her position in the Bank, Ms. Bogoeva is a member of the Board of Directors of Diners Club Bulgaria AD, a member of the Board of Directors of MyFin EAD and a member of the Supervisory Board of UNIBanka AD, Northern Macedonia. She owns 25% of the capital of Raya Homes OOD.

Ianko Karakolev – Chief Financial Officer (CFO) and Member of the Managing Board

Mr. Ianko Karakolev was elected Chief Financial Officer (CFO) and Member of the Managing Board of First Investment Bank AD in June 2020. He is a longtime financial analyst and staff member of First Investment Bank AD.

Mr. Karakolev joined the Bank's team in 1999 as an accountant-controller in the Financial and Accounting Department and soon became Director of the Internet Branch. In the period 2002-2007 he was promoted from Head of the Financial Statements, Analyzes and Budgeting unit to Deputy Chief Accountant. After that, until 2011, he held the position of Deputy Director of the Finance and Accounting Department. From 2011 to 2014 he was Chief Financial Officer and Director of the Finance and Accounting Department, and in the period 2014-2020 was Director of the Finance Department. During his professional career, Mr. Karakolev has participated in the management of many innovative projects contributing to the implementation of international standards and the development of banking, as well as in corporate actions such as the acquisition of MKB Unionbank and its subsequent merger with First Investment Bank AD.

Prior to joining the team of First Investment Bank AD, Mr. Karakolev worked at Bulgarian Commercial and Industrial Bank AD as an accountant. He holds a Master's degree in Finance from the University of National and World Economy in Sofia and has professional certificates and qualifications in the fields of international financial and accounting standards, the European regulatory framework on banking and reporting, management and business planning.

Responsibilities in the Bank – Finance Department, Accounting Department, Treasury Department, Investor Relations Department, Financial Institutions and Corresponding Banking Department and Intensive Loan Management Department.

In addition to his position in the Bank, Mr. Karakolev is a member of the Steering Council of First Investment Bank - Albania Sh.a. and member of the Supervisory Board of UNIBanka AD, Northern Macedonia.

Nadia Koshinska – Member of the Managing Board and Director of Small Enterprises Banking Department

Ms. Nadia Koshinska joined Fibank in 1997 as a corporate loan expert. In 2002, she was appointed Deputy Director Loan Administration and held this position until 2004. In 2004 Nadia Koshinska was appointed Director SME Lending Department responsible for increasing the market share of the Bank through implementing special programs and dedicated products for SMEs. Also in 2004, she was appointed as a member of the Credit Council. At the end of 2015, Ms. Koshinska was elected as Chief Retail Banking Officer (CRBO) and Member of the Managing Board, while since September 2017 is a Member of the Managing Board and Director of SME Banking Department.

Prior to joining First Investment Bank AD she worked in the balance of payments and foreign debt division in Bulgarian National Bank.

Ms. Nadia Koshinska holds a Masters degree in Accounting and Control from the University of National and World Economy in Sofia.

In the Bank she is responsible for the Small Enterprises Banking Department.

Ms. Koshinska does not hold outside professional positions.

List of abbreviations

AD	Joint Stock Company
ALCO	Asset, liability and Liquidity management Council
AML	Anti Money Laundering
ATM	Automated Teller Machine
BAF	Bulgarian Athletics Federation
Bank/Fibank	First Investment Bank AD
BEIA	Bulgarian Export Insurance Agency
BISERA	Bank integrated system for electronic payments
BISERA 7-EUR	System for servicing customer transfers in euros
BNB	Bulgarian National Bank
BOC	Bulgarian Olympic Committee
BORICA	Banking organization for payments using cards
BRGF	Bulgarian Rhythmic Gymnastics Federation
BPM	Business Process Management
BRRD II	Bank Recovery and Resolution Directive II (Directive (EU) 2019/879 of the European Parliament and of the Council of 20 May 2019 amending Directive 2014/59/EU as regards the loss-absorbing and recapitalisation capacity of credit institutions and investment firms and Directive 98/26/EC)
CAGR	Compound Annual Growth Rate
CEO	Chief Executive Officer
CET1	Common Equity Tier 1
CCBO	Chief Corporate Banking Officer
CFO	Chief Financial Officer
CGS	Continuous Gross Settlement
CO2	Carbon footprint
CRBO	Chief Retail Banking Officer
CRO	Chief Risk Officer
CSRBB	Credit Spread Risk in the Banking Book
DvP	Delivery versus Payment
DPO	Data Protection Officer
EAD	Exposure at Default
EAD	Sole-owned joint stock company
EBA	European Banking Authority
EEA	European Economic Area
EC	European Commission
ECB	European Central Bank
EOOD	Sole-owned limited liability company
EP	European Parliament
ERM	Exchange Rate Mechanism
ESG	Environmental, Social, Governance

ESMA	European Securities and Markets Authority
EU	European Union
FDI	Foreign Direct Investments
FSC	Financial Supervision Commission
GDP	Gross domestic product
GDPR	General Data Protection Regulation
GVA	Gross value added
HIC	Health insurance company
HHI	Herfindahl-Hirschman Index
ICAAP	Internal Capital Adequacy Assessment Process
IFRS	International Financial Reporting Standards
ILAAP	Internal Liquidity Adequacy Assessment Process
IFC	International Finance Corporation
IRRBB	Interest Rate Risk in the Banking Book
IT	Information Technology
ITP	Internal-transfer prices
LCR	Liquidity Coverage Ratio
LIFO	Law on independent financial audit
LGD	Loss Given Default
LPOSA	Law on public offering of securities
LR	Leverage Ratio
LRE	Leverage Risk Exposure
MB	Managing Board
MiFIR	Markets in Financial Instruments Regulation (Regulation (EU) No 600/2014 of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Regulation (EU) No 648/2012)
MREL	Minimum requirements for own funds and eligible liabilities
MRR	Minimum Required Reserved
NATO	North Atlantic Treaty Organization
NFC	Near Field Communication
NPE	Non-performing exposures
NPL	Non-performing loans
NSFR	Net Stable Funding Ratio
OECD	Organization for Economic Cooperation and Development
OOD	Limitied liability company
OSII	Other Systemically Important Institution
PAMP	Produits Artistiques de M-taux Pr-cieux
PD	Probability of Default
PRIIPS	Packaged Retail Investment and Insurance Products (Regulation (EU) No 1286/2014 of the European Parliament and of the Council of 26 November 2014 on key information documents for packaged retail and insurance-based investment products)
RCSA	Risk Control Self Assessment
RINGS	Real-time Interbank Gross Settlement System

ROA	Return-on-assets
ROE	Return-on-equity
SB	Supervisory Board
SCA	Strong Customer Authentication
SEPA	Single Euro Payments Area
SME	Small and medium-sized enterprises
SP	Sole proprietor
SPPI	Solely Payments of Principal and Interest
SRM	Single Resolution Mechanism
SSM	Single Supervisory Mechanism
TCR	Total Capital Ratio
TPPs	Third party providers
TREA	Total Risk Exposure Amount
UAB	Union of Artists in Bulgaria
UN	United Nations
VaR	Value-at- Risk
VaR	Value-at-Risk (Стойност под риск)

List of branch network

Head office

Sofia 1784, 111P, Tsarigradsko shose Blvd.
Phone: 02/817 1100, fax: 02/817 1101
SWIFT CODE: FINVBGSF
REUTERS DEALING CODE: BFIB
e-mail: fib@fibank.bg, www.fibank.bg
Contact centre: 0800 11 011

Branches in Sofia

Aleksandar Stamboliyski
Sofia 1301, 20, Aleksandar Stamboliyski Blvd.
phone: (+359 2) 817 1493

Bulgaria
Sofia 1404, 81G Bulgaria Blvd.
phone: (+359 2) 800 2501, fax: (+359 2) 800 2500

Business Park Sofia
Sofia 1712, 1, Business Park Sofia St.
phone: (+359 2) 800 2535

Dragalevtsi
Sofia 1415, Zh.k. (Quarter) Dragalevtsi
20A, Krushova gradina St.
phone: (+359 2) 800 2601

Evropa
Sofia 1528, 7, Iskarsko Shose Blvd.
phone: (+359 2) 817 1454

Generali
Sofia 1000, 79-81, Dondukov Blvd.
phone: (+359 2) 817 1437

Hadzhi Dimitar
Sofia 1510, 28-30, Doncho Vatah St.
phone: (+359 2) 817 1576

Hristo Botev
Sofia 1000, 28 Hristo Botev Blvd.
phone: (+359 2) 800 2645

Iliyantsi
Sofia 1268, 31, Rozhen Blvd.
phone: (+359 2) 800 2973

Journalist
Sofia 1164, 44, Hristo Smirnenski Blvd.
phone: (+359 2) 800 2939

Krasna Polyana
Sofia 1330, Nikola Mushanov Blvd., bl. 31A,
floor 1
phone: (+359 2) 800 2665

Krasno Selo
Sofia 1612, 107 A, Tsar Boris III Blvd.
phone: (+359 2) 800 25 84

Lyulin
Sofia 1324, 70, Tsaritsa Yoanna Blvd.
phone: (+359 2) 817 1483

Mall – Sofia
Sofia 1303, 101, Aleksandar Stamboliyski Blvd.
phone: (+359 2) 817 1672

Maria Luisa
Sofia 1202, 67, Maria Luisa Blvd.
phone: (+359 2) 817 1463

Mladost
Sofia 1784, 11, Andrey Saharov Blvd.
phone: (+359 2) 817 1641

Mall – Serdika
Sofia 1505, 48, Sitnyakovo Blvd.
phone: (+359 2) 800 2550

Nadezhda 2
Sofia 1220, 7, Strazhitsa St., 1st floor
phone: (+359 2) 800 2521

Narodno Sabranie 1
Sofia 1000, 12, Narodno sabranie Sq.
phone: (+359 2) 817 1559

Narodno sabranie 2
Sofia 1000, 3, Narodno Sabranie Sq.
phone: (+359 2) 817 1359

National Theatre
Sofia 1000, 7, Dyakon Ignatiy St.
phone: (+359 2) 817 1421

NDK (National Palace of Culture)
Sofia 1000, 110, Vitosha Blvd.
phone/fax: (+359 2) 800 2641

Nevski
Sofia 1504, 1, Yanko Sakazov Blvd
phone: (+359 2) 800 2542

Obelya
Sofia 1387, 58A, Akademik Dimitri Lihachov Blvd.
phone: (+359 2) 800 2091

Ovcha Kupel
Sofia 1632, 51, Montevideo St.
phone: (+359 2) 800 2525

Paradise Center
Sofia 1407, 100, Cherni Vrah Blvd.
phone: (+359 2) 800 2545

Park Center
Sofia 1421, 2, Arsenalski Blvd.
phone: (+359 2) 817 1666

Patriarch Evtimiy
Sofia 1000, 36, Patriarch Evtimiy Blvd.
phone: (+359 2) 800 2622

Shipchenski prohod
Sofia 1111, 49, Shipchenski prohod Blvd.
phone: (+359 2) 800 2958

Slatina
Sofia 1574, Satinska St., bl. 20
phone: (+359 2) 800 2839

Sofia Mega Mall
Sofia 1324, 15, Tzaritza Yoanna Blvd.
phone: (+359 2) 800 2510

Sofia Ring Mall
1434 Sofia, 214, Okolovrasten pat St.
Phone: (+359 2) 800 2583

Sofia Theatre
Sofia 1527, Yanko Sakazov Blvd.
phone: (+359 2) 800 2825

The Mall
Sofia 1784, 115, Tsarigradsko Chaussee Blvd. „Z"
phone/fax: (+359 2) 800 2538

Vitosha
Sofia 1408, 4, Mayor Parvan Toshev St.
phone: (+359 2) 942 6666

Yuzhen park (South Park)
Sofia 1404, Gotse Delchev Blvd., bl. 1
phone: (+359 2) 800 2975

Zaharna Fabrika
Sofia 1309, 127, Slivnitsa Blvd.
phone: (+359 2) 817 1586

Branches in the country

Asenovgrad
Asenovgrad 4230, 3, Nikolay Haytov Sq.
phone: (+359 331) 20 092

Bansko
Bansko 2770, 68, Tsar Simeon St.
phone: (+359 749) 86 183, fax: (+359 749) 88 112

Strazhite – Bansko
Bansko 2770, 7, Glazne St.
phone: (+359 749) 86 986

Belene
Belene 5930, 2, Ivan Vazov St.
phone: (+359 658) 38 411

Belitsa
Belitsa 2780, 12 Georgi Andreichin str.
Phone: (+359 749) 86 199

Blagoevgrad
Blagoevgrad 2700, 11, St.St. Kiril i Metodiy Blvd.
phone: (+359 73) 827 709

GUM – Blagoevgrad
Blagoevgrad 2700, 6, Trakia St.
phone: (+359 73) 827 756

Rila Hotel – Borovets
Borovets 2010, Rila Hotel
phone: (+359 2) 800 2549

Botevgrad
Botevgrad 2140, 5, Osvobozhdenie Sq.
phone: (+359 723) 69 046

Burgas
Burgas 8000, 58, Aleksandrovska St.
phone: (+359 56) 800 138

Bratya Miladinovi – Burgas
Burgas 8000
Zh. k. (Quarter) Bratya Miladinovi, bl. 117, entr. 5
phone: (+359 56) 804 463

Kiril i Metodiy – Burgas
Burgas 8000, 71, Slavyanska St.
phone: (+359 56) 804 482

Meden rudnik – Burgas
Burgas 8011
Zh. k. (Quarter) Meden rudnik, zone B, bl. 192
phone: (+359 56) 804 442

Slaveykov – Burgas
Burgas 8005
Zh. k. (Quarter) Slaveykov, bl. 107, entr. 2
phone: (+359 56) 804 472

IRM PZ Devnya
9160 Devnya, Industrial Zone South
phone: (+359 52) 662 755

Dimitrovgrad
Dimitrovgrad 6400, 6, Tsar Simeon St.
phone/fax: (+359 391) 67 008

Dobrich
Dobrich 9300, 1, Nezavisimost Sq.
phone: (+359 58) 838 590

Dulovo
Dulovo 7650, 6, Vasil Levski St.
phone: (+359 864) 21 180

Dupnitsa
Dupnitsa 2600, 19, Hristo Botev St.
phone: (+359 701) 59 153

Gabrovo
Gabrovo 5300, 5, Vazrazhdane Sq.
phone: (+359 66) 819 444

Gorna Oryahovitsa
Gorna Oryahovitsa 5100, 1, St. Knyaz Boris I St.
phone: (+359 618) 61 766

Gotse Delchev
Gotse Delchev 2900, 41, Targovska St.
phone: (+359 751) 69 642

FC Harmanli
Harmanli 6450, 1, Vazrazhdane Sq.
phone: (+359 373) 88 684

Haskovo
Haskovo 6304, 7, San Stefano Blvd.
phone: (+359 38) 661 848

Kardzhali
Kardzhali 6600, 52, Bulgaria Blvd.
phone: (+359 361) 21 629

Karlovo
Karlovo 4300, 6, General Kartsov St.
phone: (+359 335) 90 799

Kazanlak
Kazanlak 6100, 11, Sevtopolis Sq.
phone: (+359 431) 67 078

AER – Kozloduy
Kozloduy 3321, Nuclear Power Station,
phone: (+359 973) 89 320

Kozloduy
Kozloduy 3320, 1V, Vasil Vodenicharski St.
phone: (+359 973) 85 020

Kyustendil
Kyustendil 2500, 147, Tsar Osvoboditel Blvd.
phone: (+359 78) 558 144

Levski
Levski 5900, 40, Aleksandar Stamboliyski St.
phone: (+359 650) 88 909

Lovech
Lovech 5500, 12, Targovska St.
phone: (+359 68) 689 612

Montana
Montana 3400, 74, 3-ti Mart Blvd.
phone: (+359 96) 399 516

Nesebar
Nesebar 8230, 9, Ivan Vazov St.
phone: (+359 554) 46 055

Novi Pazar
Novi Pazar 9900, 4, Rakovski Sq.
phone/fax: (+359 537) 25 222

FC Omurtag
Omurtag 7900, 1, 28 January St.
phone: (+359 605) 61 043

Pazardzhik
Pazardzhik 4400, 11, Bulgaria Blvd.
phone: (+359 34) 403 644

Pernik
Pernik 2300, 1, Rayko Daskalov St.
phone: (+359 76) 688 613

FC Peshtera
Peshtera 4550, 13, 3rd March St.
phone: (+359 350) 60 702

Petrich
Petrich 2850, 11A, Tsar Boris III St.
phone: (+359 745) 69 577

Pleven
Pleven 5800, 138, Doyran St.
phone: (+359 64) 893 101

Vasil Levski – Pleven
Pleven 5800, 126, Vasil Levski St.
phone: (+359 64) 893 141

6th september – Plovdiv
4002 Plovdiv, 35, 6th September Blvd.
Phone: (+359 32) 270 783

Mall – Plovdiv
Plovdiv 4002, 8, Perushtitsa St.
phone: (+359 32) 270 630

Mall Trakia – Plovdiv
Plovdiv 4023, 41, Saedinenie Blvd.
phone: (+359 32) 270 580

Plovdiv
Plovdiv 4000, 95, Maritsa Blvd.
phone: (+359 32) 270 510

Skopie – Plovdiv
Plovdiv 4004, Skopie St., bl. 1519
phone: (+359 32) 270 590

Sveti Mina – Plovdiv
Plovdiv 4000, 56, Kapitan Raycho St.
phone: (+359 32) 270 560

Primorsko
Primorsko 8180, 82A, Treti mart St.
phone: (+359 550) 31 000

Radnevo
Radnevo 6260, 3, Georgi Dimitrov St.
phone: (+359 426) 98 764

Razgrad
Razgrad 7200, 3, Vasil Levski St.
phone: (+359 84) 631 065

FC Razlog
Razlog 2760, 6, Sheynovo St.
phone: (+359 747) 80 177

Aleksandrovska – Ruse
Ruse 7000, 10, Aleksandrovska St.
phone: (+359 82) 889 534

Ruse
Ruse 7000, 11, Rayko Daskalov St.
phone: (+359 82) 889 541

Tezhko mashinostroene – Ruse
Ruse 7000, 100, Tutrakan Blvd.
phone: (+359 82) 889 551

Tsar Osvoboditel – Ruse
Ruse 7000, 1, Tsar Osvoboditel Blvd.
phone: (+359 82) 889 498

Sevlievo
Sevlievo 5400, Svoboda Sq.
phone: (+359 675) 31 053

Shumen
Shumen 9700, 67, Simeon Veliki Blvd.
phone: (+359 54) 856 611

Silistra
Silistra 7500, 3, Geno Cholakov St.
phone: (+359 86) 871 320

Simitli
Simitli 2730, 27, Hristo Botev St.
phone: (+359 747) 89 051

Slanchev bryag (Sunny Beach)
Slanchev bryag (Sunny Beach) 8240, Central Alley
phone: (+359 554) 23 335

Central – Sliven
Sliven 8800, 2, Hadzhi Dimitar Blvd.
phone: (+359 44) 610 954

Sliven
Sliven 8800, 50, Tsar Osvoboditel Blvd.
phone: (+359 44) 610 708

Smolyan
Smolyan 4700, 80V, Bulgaria Blvd.
phone: (+359 301) 67 020

Sozopol
Sozopol 8130, 7, Republikanska St.
phone: (+359 550) 25 191

FC Stara Zagora 2
74, Tsar Simeon Veliki Blvd.
phone: (+359 42) 611 964

Stara Zagora
Stara Zagora 6000, 104, Tsar Simeon Veliki Blvd.
phone: (+359 42) 698 813

Trayana – Stara Zagora
Stara Zagora 6000, 69, Tsar Simeon Veliki Blvd.
phone: (+359 42) 698 771

Tsar Simeon – Stara Zagora
Stara Zagora 6000, 141, Tsar Simeon Veliki Blvd.
phone: (+359 42) 698 752 ,
fax: (+359 42) 266 021

Svilengrad
Svilengrad 6500, 58, Bulgaria Blvd.
phone: (+359 379) 74 440

Svishtov
Svishtov 5250, 1, Nikola Petkov St.
phone: (+359 631) 61 171

Targovishte
Targovishte 7700, 46, Hristo Botev St.
phone: (+359 601) 69 530

FC Troyan
14, Vasil Levski St.
phone: (+359 670)60 443

Troyan
Troyan 5600, 108, Vasil Levski St.
phone: (+359 670) 60 040

8-mi Primorski polk – Varna
Varna 9000, 128, 8-mi Primorski polk Blvd.
phone: (+359 52) 662 624

Breeze – Varna
Varna 9000, 80-82, 8-mi Primorski polk Blvd.
phone: (+359 52) 662 731

FC Mall Varna
Varna 9009, 186 Vladislav Varnenchik Blvd.
phone: (+359 52) 662 699

Rayonen sad (Regional Court) – Varna
Varna 9000, 57, Vladislav Varnenchik Blvd.
phone: (+359 52) 662 666

Tsaribrod – Varna
Varna 9000, 2, Dunav St.
phone: (+359 52) 662 721

Varna
Varna 9000, 113, General Kolev Blvd.
phone:(+359 52) 662 600

Bacho Kiro – Veliko Tarnovo
Veliko Tarnovo 5000, 5, Bacho Kiro St.
phone: (+359 62) 682 436

Veliko Tarnovo
Veliko Tarnovo 5005, 18, Oborishte St.
phone: (+359 62) 614 464

Vidin
Vidin 3700, 17, Gradinska St.
phone: (+359 94) 605 522

Vratsa
Vratsa 3000, 1, Nikola Voyvodov St.
phone: (+359 92) 669 310

Yambol
Yambol 8600, 10, Osvobozhdenie Sq.
phone: (+359 46) 682 363

Zlatitsa
Zlatitsa 2080, 2, Medet St.
phone: (+359 728) 68 046

Branches outside Bulgaria

Cyprus International Banking Unit
130 Limassol Ave., CY-2015 Nicosia, Cyprus
P.O.Box 16023, CY-2085 Nicosia, Cyprus
phone: (+357 22) 376 454
fax: (+357 22) 376 560
SWIFT CODE: FINVCY2N

Branches of First Investment Bank – Albania Sh.A.

Tirana – Head Office
Twin Towers Branch - „Deshmoret e Kombit" Avenue, Tirane
phone: +355/ 80 00 111

Tirana 1 Branch
Rr. Kavajes. ne krahe te poliambulances At Luigji Monti, nr.122-1, Tirane
phone: +355/ 42 276 794

Tirana 2 Branch
Rr. Teodor Keko, Unaza Re, Tirane
phone: +355/ 69 408 7788

Tirana 3 Branch
Bulevardi Zogu I Pare, Tirane
phone: +355/ 80 00 111

Berat Branch
Lagjia "10 Korriku", Rruga Antipatrea, pranë Gjykatës Berat
phone: +355/ 32 259 202

Durres Branch
Rr. Aleksander Goga, Lagjia Nr.9, Pallati Nr.71, prane Gjykates, Durres
phone: +355/ 52 293 700

Elbasan Branch
Rr. 11 Nëntori, Lagjia „Qemal Stafa", Elbasan
phone: +355/ 54 210 001

Fier Branch
Lagjia "Apollonia", Rruga "Jakov Xoxa", ish-Biblioteka, Fier
phone: +355/ 34 249 852

Korca Branch
Rr. Midhi Kostani, Kompleksi, City Center, Kati i Pare, Korce
phone: +355/ 82 259 001

Lezha Branch
Lagjia „Skenderbeg", Rr. H. Ali Ulqinaku, Lezhe
phone: +355/ 68 606 3866

Lushnje Branch
Lagjia Clirim, Ish Hotel Myzeqeja, Lushnje
phone: +355/ 35 200 070

Saranda Branch
Rruga Onhezmi 18 , Sarande
phone: +355/ 69 707 035

Shkoder Branch
Rruga Studenti, prane Radio Shkodra, Sheshi Demokracia
phone: +355/ 22 252 833

Vlora Branch
Rr. "Sadik Zotaj", Lagjia "Lef Sallata", Vlore
phone: +355/ 33 236 101

The present Consolidated Activity report for 2023 was approved by the Managing Board of First Investment Bank AD in accordance with the Bank's internal regulations at a meeting dated 26 April 2024.

Nikola Bakalov

Chief Executive Officer,
Chairman of the Managing Board

Svetozar Popov

Executive Director,,
Chief Risk Officer,
Member of the Managing Board

Chavdar Zlatev

Executive Director,
Chief Corporate Banking Officer,
Member of the Managing Board

Ralitsa Bogoeva

Executive Director,
Chief Retail Banking Officer,
Member of the Managing Board

Ianko Karakolev

Chief Financial Officer,
Member of the Managing Board

30 years

Fibank

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